

## Conference Paper

# Federal financial monitoring service as a member of the national security of the Russian Federation and the implementation of the strategy of the country's economic security

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National-State interests of the Russian Federation are the most significant and objective political determinants of the totality of the vital needs of the population, which are aimed at the satisfaction and development of an individual, society and the State in all their areas of activity: International, military, economic, social, information, internal political, environmental. Maintaining a level of well-being of citizens, to ensuring high standards of life and health, the country's territorial integrity, its sovereignty, guaranteeing citizens' constitutional rights, stable economic development are relevant political objectives activities in Russia.

Brand new modern trends aimed at worsening threats to the interests of citizens, society and the State put before public authorities the task of developing effective measures which in practice enable to resolve key problems ensuring the national security of the Russian Federation.

"Private security is the highest law in politics," wrote our great historian N.M. Karamzin. [1]

The concept of "security" in modern Russian and Western literature is interpreted from different points of view. In psychology it is a feeling, perception and experience of need of protection of the people's vital interests; legal-system of laws describes it as legal guarantees of protection of the individual and society, to ensure their normal life, rights and freedoms; in philosophical-sociological science it is condition of development tendencies and the living conditions of society and its structures [2].

In accordance with the constitutional principles of the Russian Federation, by Security the state of protection of the vital interests of individual, society and the State against external and internal threats is meant. Principal objects of security are individual, society and the State. These objects have inextricable and organic relationship

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between them, where the main link is the individual, protection of their rights and freedoms, protection of life and health.

Security is achieved by conducting a unified State policy, as well as by the system of measures aimed at suppressing threats to the vital interests of the individual, society and the State.

In order to maintain the necessary level of security in Russia system of legal norms that regulates relations in the sphere of security is being actively developed. It is formed by the executive, judicial and legislative branches, which are joined by the public, State and other associations and organizations.

The main functions in the sphere of security systems are:

- creating and maintaining in a state of full preparedness of funds and forces required to ensure security;
- management of funds and forces both in daily and in emergency situations;
- definition, forecasting and identification of external and internal threats, carrying out a complex of measures for their prevention and eradication;
- participation in activities ensuring security outside the State in accordance with international treaties and agreements of the Russian Federation.

In Russia, the definition of "national security" was first reflected in the Address of the President of the Russian Federation to the Federal Assembly in 1996: "national security is understood as a state of protection of the national interests against internal and external threats, ensuring the progressive development of the individual, society and the State. It is interpreted by the authors not as lack of external and internal threats, but as a condition in which the "factors that preserve stability and positive development direction for the socio-economic systems are institutionally supported" [3].

Numerous studies of the national security system theoretically allowed the Russian scientists to create and develop approaches to study the topic. The results of the studies became the basis for the development of the concept of national security of the Russian Federation, approved by the Decree of the President of the Russian Federation dated December 17, 1997, # 1300, as well as the basis for its changes and additions which were introduced by the Decree of the President of the Russian Federation from January 10, 2000, no. 24, according to which the concept has lost its legal force and was transformed into the national security strategy of the Russian Federation. On December 31<sup>st</sup>, 2015 it was revised to take into account new risks and threats and is reflected in the Decree of the President of the Russian Federation No. 683 "national security strategy of the Russian Federation".

The national security strategy (hereinafter the strategy) is a comprehensive system of views on the security of individuals, society, State, against internal and external threats in all spheres of activity. Key directions of the State policy of Russia are formulated in it. It is the basic document for strategic planning that defines national interests and strategic priorities of the Russian Federation, the goals, objectives and measures in the field of domestic and foreign policy, aimed at strengthening the national security of the Russian Federation and ensuring sustainable development of the country for the long term.

The fact should be taken into account that the process of transformation and development of the system of national security has not been limited by the adoption of exclusively one edition of this concept. At present, it is obvious that the international arena faces new risks and threats at the same time science and practical methods of its provision are actively developing. All of this, of course, is the signal for the its new editions.

A unity of objects, namely, individual, society and the State, reflects the national interests of the State in all fields and areas. Let's consider the national interests of the Russian Federation in the field of economics.

According to the strategy, one of the areas of national security includes the development of the State's economy, economic security, a transition of economy to a new level of development, inclusion of Russia to the countries-leaders on the level of gross domestic product and on successful offsetting of the impact of internal and external threats. Among the threats to national security in the field of Economics the following is included: low competitiveness and high dependence on the external economic environment, delay in the development and implementation of advanced technologies, vulnerability of the national financial system to the action of non-residents and speculative foreign capital, vulnerability of information infrastructure, imbalance of national budget system, registration of property rights in respect of a substantial part of organizations in foreign jurisdictions, the continued existence of a significant proportion of shadow economy, of corruption and criminalization of economic and financial relations, of illegal migration, uneven regional development. To implement national priorities and prevent threats in the economic sphere, a new strategy of economic security of the Russian Federation was adopted up to the year 2030 (Decree of the President of the Russian Federation from 13.05.2017 # 208).

"Implementing of the strategy for the economic security of the country was extremely important as especially now a whole series of geo-economic challenges and geopolitical tensions we need to understand that ensuring economic Security is a

matter of national sovereignty, and, accordingly, its strong position in the international economic and political arena." [4]

It aims to support and stimulate the economy and new industrialization of the country. It includes proposals on monetary and fiscal policy, a course in the field of foreign economic activity and measures for food security. Its realization involves two stages: the first is the development and implementation of measures to ensure economic security, and improvement of monitoring systems (until 2019); the second is the implementation of measures to stabilize and neutralize challenges and threats to economic security (up to 2030).

The outcome of the implementation of the strategy is focused on strengthening the economic sovereignty of the Russian Federation and its sustainability in relation to new internal and external challenges and threats, stable and sustained development of economic capacity and as a consequence, increase of the level and quality of life of the population.

The main objective risks identified for State are discriminatory measures imposed on major sectors of the economy, restricting access to foreign financial resources and modern technology, increased conflict in the territories with increased economic interest in the country and near its borders. Strategy calculated to counter the crisis in the financial sector and prevent the decline in the quality of life of the Russian citizens, provides improved response mechanisms on Western sanctions.

In the new edition the Strategy received its interpretation of key concepts such as "economic security", "economic sovereignty", "threat to economic security", "challenges to the economic security", "economic security risks", "economic security". "Economic security is the state of protection of the national economy against external and internal threats, which ensures the economic sovereignty of the country, the unity of its economic space and conditions for realization of strategic national priorities of the Russian Federation "[5].

The notion of economic security is multifaceted and involves protection of the national economy, a number of financial and political institutions, whose work is directly or indirectly aimed at development, stabilization and protection of the economic interests of the State, as part of the national security of the country. One of such is a federal body of executive power, the federal financial monitoring service. In an address of the President of the Russian Federation from 01.11.2016 to the Service staff it is said: "Today, Rosfinmonitoring is an integral part of the system of national security. I would like to note that, thanks to your work in the short term Russia has taken a leading position in the international system of counteraction to money laundering. However,

the threats in this area remain, and that is why it is your direct responsibility to search for modern and effective ways of combating money laundering. I will emphasize that active work in this area is an important contribution to countering terrorism and organized crime. In addition, it is necessary to improve effectiveness of measures ensuring the transparency of financial institutions” [6]

About fifteen years ago the level of Government monitoring of financial flows in Russia and abroad was inadequate. It encouraged the emergence and increase of the impact of various threats on the economy of the Russian Federation, its financial instability and the growth of corruption. Money laundering was growing and damaging the country’s economy, undermining its stability. Proceeds of crime were under the influence of organized crime, were the source of financing extremist and terrorist groups. These circumstances undermined the State’s economy and were a threat to economic and national security of the Russian Federation. Therefore, the Decree of the President of the Russian Federation of November 1, 2001 № 1263 “On the authorized body on counteraction to legalization (laundering) of incomes received by criminal way», the Russian Federation Committee was established for financial monitoring.

In September 2002 a year after the amendment of the Federal law “on counteracting money laundering and terrorism financing,” new tasks in the field of combating the financing of terrorism were added to the Committee’s functions.

Globally, the urgency of the problem of money laundering and financing of terrorism arose in 80-ies of the last century. The Western countries actively fought with the international organized crime and searched for countermeasures. The international community has developed and applied standards to combat money-laundering, to be followed by all countries in the world. Standards affected the legislative framework, aimed at the prevention of such crimes; took measures to confiscate the proceeds of crime; were focused on the development of measures for cooperation of law enforcement and control bodies. For a deeper international cooperative approach and solutions on a global level the countries began to unite. In 1989 based on the decision of the G-7 member countries a group of financial action task force on money laundering (FATF) was created. It develops standards in the area of AML/CFT and performs their assessment according to 40 developed recommendations. FATF members are currently 35 States and two international organizations (European Commission, cooperation Council for the Arab States of the Gulf).

In 2000s Russian Federation was included in the “black list” of FATF. Because of the anti-money laundering goals and efforts to implement them into practice, Russia was excluded from the list. In June of 2003 Russia has become a member of the FATF.

Decree of the President of the Russian Federation No. 314 March 9, 2004 "on the system and structure of federal bodies of executive power", the Committee on financial monitoring of Russia was reorganized into the Federal service for financial monitoring.

To date, Rosfinmonitoring is an executive body with clearly set objectives to maintain economic stability in the interests of the State. It annually increases its potential tasks, finds modern approaches to their implementation with the aim of countering new challenges and threats on both domestic and international levels. Carrying out work for the protection of national interests of the Russian Federation, Federal service for financial monitoring became a member of and exercises the powers on behalf of the State in two regional structures created by the FATF: Council of Europe Committee of experts on the evaluation of anti-money laundering measures (MONEYVAL) and the Eurasian Group on combating money laundering and financing of terrorism (EAG). Implementing new approaches in the AML/CFT field and reinforcing positions within the post-Soviet states on the 5th of December 2012 the Presidents of the Russian Federation, Belarus, Kazakhstan, Armenia, Kyrgyzstan, Ukraine and Tajikistan signed an agreement on the foundation of the Council of the CIS member-states' financial intelligence services heads. Given the historical affinity, a common vision of cultural, scientific and family relationships, post-Soviet countries have united to solve common problems, develop unified coordination measures aimed at enhancing partnership and integration.

The targets set for the year 2017 by Rosfinmonitoring, originate from a number of State policy objectives, focused on national security, including the tasks of State policy in the sphere of economic security.

In the area of international activity:

- representation and protection of interests of the Russian Federation in the sphere of counteraction to money laundering and terrorism financing in the international arena;
- conformity of the Russian National AML/CFT with the international standards. (Currently, the unipolar world is undergoing tectonic fracture, which in turn affects the stability of economic development, the stability of the world economy. Geopolitical instability is growing, changes in the field of law, economy, defence, industry occur in the countries. At this stage it is very important to anticipate threats and risks having a negative impact on the State in a timely manner,. It is necessary to analyze and calculate the impact of the new threats, develop and introduce new approaches in the area of economic integration.

For an overall solution to the problems caused by global economic changes an introduction of new methods and measures is required. Primarily it should occur at the global level for the usage of common principal approaches to problems. Due to this the State as a participant of the international process, defends its interests and offers solutions.)

In the field of countering the financing of terrorism and the financing of proliferation of weapons of mass destruction:

- reducing the risk of financing of terrorism and the financing of proliferation of weapons of mass destruction. (Russia basing on international treaties and conventions, is actively involved in work to combat terrorism as such, along with other States and their law enforcement agencies, it cooperates with international anti-terrorist organizations. Strengthening of common positions of different States, based on the pursuit of a single objective in countering the financing of terrorism and weapons of mass destruction, will have a positive impact on solving the problem. And involving the scientific base and legislative change in the AML/CFT sphere will contribute to the development of new approaches and reduce the risk of terrorist financing.)

In the area of financial institutions:

- improving the efficiency of financial institutions as the primary subjects of financial monitoring;
- leveling the risks of using credit and finance for conducting of questionable operations. (Level six - This is the set of complex values, norms and rules that are executed in accordance with legal requirements, resulting in the existing legal order. To improve it, it is necessary to strengthen the legislative base of financial institutions, implement the strengthened rules and requirements for reporting entities. The work of the supervisory system of the State within the framework of educational workshops, methodological explanations, testings will improve the quality of the transmitted information.)

In the field of the real economy:

- participation in decriminalization and increase of branches transparency in the real sector of economy, taking into account the identified risks.

In the field of budgetary sphere:

- preservation of the budget and ensurance of sustainability of the budgetary system. [7] (According to the strategy of the economic security of the Russian Federation for the period up to 2030 the main objectives for the development of the system of State management, forecasting and strategic planning in the economic sphere are: improving the effectiveness of budget expenditures, improved budgetary planning, monitoring of procurement for State needs, the fight against misuse of public funds, against corruption, against shadow and criminal economy. Given the properly placed tasks, Rosfinmonitoring accurately reported the priorities of its work for the coming 2017. Thus, they follow precisely the provisions of the Economic Security Strategy, adopted in the upgraded version. This, in turn, demonstrates correctly identified goals for the development of Rosfinmonitoring in general. Hence, intelligently developed and implemented comprehensive measures to prevent threats to the AML/CFT sphere contribute to a healthier financial environment, increase its efficiency and sustainability.

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