

SECURITY & FRAUD

Giant Russian Money Laundering Scheme Sweeps Up Big Banks Worldwide

By PYMNTS [🐦](#) [✉](#)

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According to reports out this morning in **The Guardian**, some of Britain's best-known banks have processed around \$740 million that came care of a massive money laundering operation. And if one happens to be an American reading this and feeling smug this AM — don't.

Big U.S. banks processed over \$63.7m. They include Citibank (\$37m) and Bank of America (\$14m). On the other side of the pond, HSBC, the Royal Bank of Scotland, Lloyds, Barclays and Coutts are among 17 U.K.-based banks that now have some explaining to do.

Specifically, they must explain whether they knew they were cleaning criminal dollars — and why they didn't work harder to know and to turn those illegal transactions away.

The money laundering ring is a collaborative effort by some of the world's most terrifying Russians — the criminals who run it reportedly have ties to organized crime, the Russian government and the KGB. The scheme was known “the Global Laundromat” and apparently has connections to some of the highest ranking members of Russian society — though law enforcement is still working on compiling that list. Current estimates are that about 500 people were involved — including oligarchs, Moscow bankers, and figures working for or connected to the FSB, the successor spy agency to the KGB.

The Guardian's report is based on a review of documents that “show that at least \$20bn appears to have been moved out of Russia during a four-year period between 2010 and 2014.”

Detectives investigating the case say that figure could be closer to \$80 billion.

One senior official involved in the investigation told the U.K. paper of record that the Russian money was “obviously either stolen or with criminal origin.”

The Global Laundromat banking records were obtained by the Organized Crime and Corruption Reporting Project (OCCRP) and the Novaya Gazeta from sources who wish to remain anonymous. According to the Guardian, the documents include details of about 70,000 banking transactions, including 1,920 that went through U.K. banks and 373 via U.S. banks. The operation was enabled by a complex interaction of Latvian banks and a network of anonymously owned English firms, 21 of which have been dissolved for being nothing more than fronts for money laundering.

The scale of the operation has been the most striking detail for investigators. The records show British banks and foreign banks with offices in London processed \$738.1m in transactions apparently involving criminal money from Moscow.

Banks say they have units meant to stop this sort of thing — and good, highly advanced units at that — but with Russians running billions in transactions, their system isn't designed to deal with that kind of deluge.

“If you are on the back end you are kind of playing whack-a-mole, trying to pick this up,” one source said.

L. Burke Files, an international financial investigator, noted that though banks are now protesting they have robust AML protections – in reality, most banks’ compliance checks are really little more than “box ticking.”

“Typically the compliance and investigations department is treated like an unwanted step-child. The directors of a bank see compliance as an expense without any return. The compliance professionals are underpaid, underskilled and receive little or no effective training in spotting criminal patterns.”

Files added: “Most of the transactions I’m seeing here would have required substantial enhanced due diligence. It isn’t just individual transactions. It’s the repeated pattern.”

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