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# 'Global Laundry': this is how Russian money was laundered in European banks

British anonymously owned companies played a crucial role in the operation called "Global Laundry" whereby billions of euros escaped from Russia and passed through major banks in Europe and the United States.

The investigation, to which you have had access

the Guardian

, reveals the largest money laundering scheme in Eastern Europe, involving Russian oligarchs, Moscow bankers and people linked to the intelligence services



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The largest money laundering scheme in Eastern Europe took billions of euros out of Russia that ended up in European and American banks. Creative Commons Zero

**Luke Harding / Nick Hopkins / Caelainn Barr**

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The main British banks processed 740 million dollars in a gigantic laundering operation carried out by Russian criminals with ties to the government of Vladimir Putin and the FSB (intelligence services).

HSBC, Royal Bank of Scotland, Lloyds, Barclays and Coutts are among 17 UK-based entities (or with UK branches) being questioned about this international maneuver. The investigation tries to reveal what information the banks had and why they did not reject money transfers of doubtful origin.

Various documents accessed by *the Guardian* show the apparent outflow from Russia of at least \$ 20 billion (€ 18.525 billion) between 2010 and 2014. According to researchers, the real figure could reach \$ 80 billion (\$ 74.1 billion). millions of euros).

According to one of the main persons in charge of the investigation, the money from Russia was “clearly stolen or of criminal origin”.

Investigators are still trying to identify some of the wealthy and politically influential Russians behind the operation, known as the "Global Laundry."

It is estimated that there were at least 500 people involved. Among them oligarchs, Moscow bankers and employees or people linked to the FSB, the spy agency that succeeded the KGB. Igor Putin, a cousin of Russian President Vladimir, served on the board of directors of a Moscow bank involved in the fraud.

Several UK registered companies played a crucial role in this vast money laundering network. But in most of the companies used for this illegal maneuver, the name of the true owners remains secret due to the right to anonymity granted by the controversial "offshore" laws.

### **A three-year investigation**

The bank records of the “Global Laundry” operation were obtained thanks to the Organized Crime and Corruption Investigation Network (OCCRP) and the Russian newspaper [\*Nóvaya Gazeta\*](#). They in turn received them from sources who preferred to remain anonymous. The OCCRP shared the information with *the Guardian* and the media in 32 other countries.

In the documents there are details of some 70,000 bank transactions, of which 1,920 operations went through British banks and 373 by



Americans. The information is part of the evidence collected in a three-year police investigation into money laundering in Latvia and Moldova.



Investigators have unraveled a conspiratorial network involving billions of dollars from suspected criminals in Russia leaving the country through accounts in Latvia and Moldova, where they were distributed by banks notorious for engaging in money laundering operations.

Investigators tracked down as many as 96 countries and came across a network of public limited companies, mostly registered with the Companies House in London. Most of the 21 companies under scrutiny have already been dissolved.

The scale of the operation has stunned police officers. Records show that British and foreign banks with offices in London processed 684 million euros in transactions with money originating from Moscow and apparently linked to crimes.

Banks claim to have units specialized in ending financial crimes. But also that the volume of payments (billions per year) makes it difficult. As a source in the sector explains, "if one is on this side, trying to get something out of the way is like trying to put doors in the field."

HSBC bank processed € 505 million from the laundering operation, mostly through the Hong Kong branch. The troubled Royal Bank of Scotland (RBS), 71% owned by the British government, managed 105 million euros. The RBS-owned bank the queen uses for her money, the Coutts, accepted \$ 30.4 million in payments from its office in Zurich, Switzerland. The Coutts was punished a month ago with a fine for another laundering case and is progressively suspending its business in Switzerland.

Other large banks featured in the investigation are Barclays, NatWest, and Lloyds. The NatWest, also owned by RBS, allowed operations for one million euros.

### The North American plot

In the US, the large banks processed more than 63.7 million dollars (59 million euros). Citibank is one of them: it processed 37 million dollars (34.2 million euros). The Bank of America, 14 million (13 million euros).

*The Guardian* contacted all the banks involved: none questioned the authenticity of the information, but all insisted that they maintained strict policies to combat money laundering.

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"We are committed to combating financial crime and money laundering in accordance with our regulations and we have controls and protective measures to identify, assess, monitor and mitigate the severity of these risks." That was the response from RBS, which also covered Coutts and NatWest.

That of HSBC followed the same line: "This case clearly shows the need to share even more information between the public and the private sector, each of which has important information that the other does not have."

But *the Guardian* revelations raise very uncomfortable issues for UK banks. The Financial Conduct Authority (FCA) requires banks to "consider money laundering risk taking into account risk by country; by the reputation of the client and by the source of its income and funds".

In many of the cases *the Guardian* had access to, the money disappeared in fictitious *offshore* companies, whose "beneficial owners" remain anonymous and where the source of income remains a mystery. The OCCRP found that the official owners of many of the companies were bogus or "nominal" directors based in Ukraine.

### Inefficient controls

*The Guardian* showed L. Burke Files, an investigator dedicated to tracking international financial transactions, the details of the transfers. He said that the verification and control systems of several banks were not very methodical. In many cases, it was enough to "fill out a simple form".

"The compliance area is often viewed as an unwanted stepchild. The directors of a bank see it as an expense that does not bring profit. Professionals in this area charge little, are poorly qualified and receive little or no training to help them detect criminal patterns," says Files.

In his opinion, most of the transactions of the documents held by *the Guardian* "would have required a significant improvement in controls." "It is not just about one-off transactions. It is the pattern that repeats itself."



comment: This is not just about one or two transactions, it's the pattern that repeats itself.



Police in Eastern Europe have turned their attention to a group of fictitious British companies, including Seabon Limited, run by a management company based on Tooley Street, just yards from London City Hall.

In the 2013 accounts Seabon submitted to the Companies House, it reported £ 1 as annual income. The company closed in February 2016. According to an analysis of the records, Seabon was involved in transactions for 8.3 billion euros. Another company, Ronida Invest LLP, registered in Newhall Street (Birmingham), processed \$ 6 billion. According to Eastern European prosecutors, the two were created to defraud.

### **Diamonds and fur coats**

The records also provide insight into the consumer habits of Russians, although in many cases the identity of the customers is unknown: diamonds in a Bond Street jewelry store, fur coats bought in North London, and lamps. chandelier in a Chelsea boutique. The operation also helped a wealthy Russian to pay for his son's tuition at Millfield, the prestigious Somerset school.

Information in the comments section of transfers used to be misleading. In a payment of \$ 500,000, the registry said "notebooks" when in fact the money had been used to purchase fur coats.

The maneuver that allowed the transfer of money from east to west was unraveled by the police when the investigation began in 2014. The OCCRP, the first body to publicize the plot, originally called it the "Russian Laundry."

The usual operation was this: two companies pretended to loan each other money, with Russian companies guaranteeing the operation. When one of the companies "defaulted" the loan payments, a judge certified the authenticity of the "debt" and allowed the Russian companies to send the money to an account in Moldova, from where it passed to Latvia, already in the European Union.

### Money for Russian intelligence

In the maneuver there are accounts of 19 different Russian banks. In 2014, it was reported that one of them was the Russian Land Bank (RZB), which in the period under investigation had Igor Putin as a member of the council.

According to investigators, some 9 billion euros were transferred from the RZB to accounts at the Moldovan bank Moldincombank. The money then went to Trasta Komercbanka in Riga, the Latvian capital.



RZB director Alexander Grigoriev was arrested in Moscow in 2015, a year after his bank was closed for money laundering. According to reports that reached the OCCRP, Grigoriev had ties to the FSB, Russia's main spy agency.

Grigoriev denies any wrongdoing and says he is an upstanding citizen but remains in custody, accused of stealing assets in another case.

Igor Putin declined to comment. In a letter written in 2014 he said: "My personal experience, gained in recent years, proves the truth of the thesis that the Russian banking system should be rehabilitated and purged of problem banks with people of dubious reputation in management."

Trasta, the Latvian bank at the center of the scandal, closed in 2016. According to the Deputy Director of the Latvian Ministry of Finance, Maija Treija, the bank lost its license due to money laundering. "Obviously it was money stolen or of criminal origin," he told the Finnish television network YLE of the billions sent from Russia. In his opinion, the fight against money laundering is a "never-ending story."

Due to the political crisis that caused the participation of Moldovan banks in the gear, Moldova has seen five prime ministers parade in the last two years.

Moldovan prosecutors have called for the arrest of the former and current directors of the Central Bank of Moldova: they suspect that

they turned a deaf ear to the information on money laundering that was being carried out through the Moldindconbank.

The fraud has also sparked a confrontation with Moscow. Moldova's parliament said this month that the Russian FSB had "abused" Moldovan officials arriving in the country. Members of parliament linked the harassment to the investigations into the "Moldovan Laundry" operation and said that some of the money had been used to try to bribe members of the Moldovan parliament.

According to Moldovan officials, the FSB (managed by Vladimir Putin before he became prime minister and president) had used part of the money from the “Laundry” operation to further the interests of the Russian state.

Translation of Francisco de Zárate

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