

RUSSIANS LAUNDER BILLIONS THROUGH BRITISH BANKS (WHO CARES?)

I blogged recently that there is around \$1.6 trillion of money laundering globally and less than 2% is caught by the financial system. That's a stunning amount and makes you wonder why our system is so awful. Much of it is down to the fact that account openings depend upon physical documentation and human checks. If we could digitalise the whole process, it could be tightened up immensely.

So it surprised me little when I saw the headline in yesterday's *Guardian*:

British banks handled vast sums of laundered Russian money

The article claims that 17 UK banks, including RBS and HSBC, helped Russian criminals with links to the KGB and Vladimir Putin to launder up to \$80 billion between 2010 and 2014. One senior figure involved in the inquiry said the money from Russia was "obviously either stolen or with criminal origin". If it was *obvious*, how come no bank noticed? Maybe because Igor Putin, the cousin of Russia's President Vladimir Putin, sat

the board of a Moscow bank which held accounts involved in the fraud.

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It may surprise some here is that this is something I blogged about [five years ago](#): *How the Russian mafia use the banking system (especially Britain's)*.

Banks defend themselves by saying that when you have a complex array of transactions moving globally and you are caught in a few of them, it's hard to track the few that are problematic when there are millions of transactions a day. "If you are on the back end you are kind of playing whack-a-mole, trying to pick this up," one source said. Hmmm ...

The Guardian contacted many of the banks involved and none of them challenged the authenticity of the data, but they all insisted they had strict anti-money-laundering policies.

The response from RBS was typical. The bank said: "We are committed to combatting financial crime and money laundering in line with our regulations and have controls and safeguards in place to identify, assess, monitor and mitigate these risks."

HSBC said: "This case highlights the need for greater information sharing between the public and private sectors, each of whom holds important information the other does not."

Yea, it sure does.

You can read the full bank responses on *The Guardian's* website.

DL Burke Files, an international financial investigator, believes that compliance checks at many banks are often little more than *box ticking*:

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expense without any return. The compliance professionals are underpaid, underskilled and receive little or no effective training in spotting criminal patterns.”

This is partly true and it makes you wonder why they even bother having an Anti-Money Laundering department, but then they have the department and the whole compliance unit just to show the regulator that they’re trying. Trying but failing. Until the regulator cracks down harder on this lackadaisical area, they will continue to have the same cracks in the financial armour.

For example, the Russian laundering was organised through Russian, Latvian and Moldovan banks. Typically, two firms would pretend to lend money to one another, with the sums underwritten by Russian businesses. One company would then “default” on the loan. Judges would certify the “debt” as authentic, allowing the Russian businesses to send cash to an account in Moldova. From there it went to Latvia, inside the EU.

It just raises lots of questions about how seriously people take this issue and how seriously we should act to stop it? If we were really serious, wouldn’t we put a shared ledger together to sort it out? That’s what some believe anyway.

Shares ntime, the holes in the financial system are so large that over one and a half trillion dollars a year can be washed through the system out anyone noticing. Just shows how seriously we take it.

DON: MARCH 21, 2017

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Roman Borisovich • 4 years ago

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God · 4 years ago

Roman nailed it. Banks are organised to process financial transactions efficiently, not to catch criminals. Governments and Law Enforcement, which are organised to catch criminals and punish them, and have such a hard time of it, that they force banks to act against their own self interest by spending enormous amounts of money to both attempt to find the needles in the haystack of needles, and to shy away from or terminate relationships with customers that are way more than likely NOT to be engaging in criminal behavior. For that they get tarred and feathered by the likes of you when they are not 100% perfect. I submit that unless and until you actually work in a bank's AML unit - any utterances of yours about as useless, baseless and as damaging to the environment as bovine flatulence. Were you to endeavor to do that for a year or two - if you believe that some day you will face judgment by your maker (forgive us if we in the aml world hope it comes sooner rather than later) - you would spend the rest of your miserable little cockroachian existence apologizing...

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Chris Skinner Mod → God · 4 years ago

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Such a lovely tone of language. You're welcome to express your wholly stupid view

^ | v · Reply · Share ·



Vivian Portella · 4 years ago

Dear Mr Skinner,

I dont know you and I dont know your job or your experience, but by reading this article I would say you are generalizing the whole financial market as careless. So I woul like to humbly disagree with your opinion. I am responsible for a Compliance and AML Dept in a financial institution and here i can guarantee you that we do try to avoid being used as a chanel to money laundering. But I know in the market that there are some companies that really don't care and they act exactly like you said, using their compliance dept just to show the regulators they are trying. And those companies are the ones that make people and regulators think just like you sir. But I insist dont generalize the market. Still there are in the world good people trying to do a good job in good companies. And please, see that financial institutions are private companies that do need to comply with regulation, but they cannot be liable for the govern responsibilities. They should be seen as govern partners as they really are, and not as crime partner. I hope you have a wonderful weekend. Regards.

^ | v · Reply · Share ·



Chris Skinner → Vivian Portella · 4 years ago · edited

So Vivian

I've worked around AML for over 20 years. I know the market and the issues, and I know that banks have lots and lots of compliance people to act as the financial police on behalf of their national governments. But when only 2% of money laundering is tracked and caught, and 75% of banks have onboarding standards that fall below the rules - these are figures that came from government sources - then the industry is fundamentally failing in its duties. I suggested at the end of

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Compliance people as failing, that this blog is getting so much commentary, but I can honestly say it is failing. I know too many people in AML and Compliance to be able to say anything else, especially as a lot of the above is coming from people in AML and Compliance, not me.



For all the comments here, the fact is that AML is not working. We should do something about it if banks truly are meant to be the financial police.

Chris

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Vivian Portella → Chris_Skinner · 4 years ago

Thanks for your enlightening words. I agree that are still many things to do to improve compliance diligence and standardize and automate are some of it. But sometimes we feel that the authorities have the information and don't do nothing about it. Or they have so many bureocracy that interfer in the process. And as they are the regulators and the ones who write the laws, it is easier to blame the institutions rather than help them to do a better job. It s very nice talking to you and discuss this matter as compliance professionals and thank you for making me see another point of view.

Regards,

Viv

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Chris_Skinner → Vivian Portella · 4 years ago

Viv

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