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Russians launder billions through British banks

[Chris Skinner](#) 21 Mar 2017, 10:06 UTC

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I recently discovered 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.

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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 [on the board](#) of a Moscow bank which held accounts involved in the fraud.

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

The banks defend themselves by saying that when you have a complex array of transactions moving globally and you are caught in a few of those, 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. Hmmmm ...

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](#).

L Burke Files, an international financial investigator, believes that compliance checks at many banks are often 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.”

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](#).

Meantime, 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 without anyone noticing. Just shows how seriously we take it.

Chris Skinner is Chair of the European networking forum: the Financial Services Club. He is best known as an independent commentator on Fintech through his blog, and as author of the best selling book Digital Bank and its new sequel ValueWeb.

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