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'No one suspects Scotland': UK shell companies allegedly funneled \$2.9 billion out of Azerbaijan

Camilla Hodgson Sep 5, 2017, 11:00 PM



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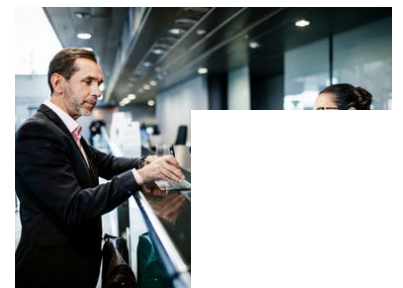
LONDON – Four UK-registered companies are at the heart of a scheme that funnelled \$2.9 billion out of Azerbaijan's state purse, according to a [report by Transparency International and the Organised Crime and Corruption Reporting Project \(OCCRP\)](#). Their investigation alleges that billions of dollars were channelled through four British companies — two Scottish Limited Partnerships (SLPs) and two Limited Liability Partnerships (LLPs) — controlled via offshore jurisdictions, between 2012 and 2014.

Information about the scheme was leaked to Danish newspaper Berlingske, and shared with the OCCRP.

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According to the investigation, the money was used by Azerbaijan's ruling elite to buy

favour with European politicians, purchase luxury goods, and pay British private school fees. However, there is no suggestion that recipients knew the source of the money.

The scheme has been named the "Azerbaijani Laundromat" by the OCCRP, because vast sums of money were laundered through a series of shell companies to disguise the money's origin. As part of its route, the money — much of which was reportedly state-owned — passed through the Estonian branch of Danske, one of Europe's leading banks.

What is a Scottish Limited Partnership?

Four UK companies, two registered in Glasgow, one in Birmingham and one in Potters Bar, Hertfordshire, are at the heart of more than 16,000 transactions made between 2012 and 2014.

"No one suspects Scotland. It's never been on the Financial Action Task Force (FATF)

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not to run it between Russia, Malta and the Cayman Islands. Does Scotland raise a red flag in your mind? No "

An SLP is a type of corporate vehicle often used as a shell company, since until recently controlling owners did not have to be disclosed. LLPs are similar, and both types can be controlled by other companies in offshore jurisdictions.

This means, "you have something that looks like a UK-based company, but is just a front for organised crime and crooked individuals," says Steve Goodrich, from Transparency International. In essence, he says, they allow "significant amounts of money" to be moved around without raising red flags, while "the strings are being pulled elsewhere."

The four companies in the scheme — Polux Management LP, Hilux Services LP, Metastar Invest LLP and LCM Alliance LLP — were ultimately controlled by anonymous "partners" in the Seychelles, Belize and the British Virgin Islands.

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money-laundering schemes, such as an alleged \$1 billion Moldovan bank fraud. [New](#)

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RULES CAME INTO FORCE ON JUNE 26 OBLIGING SLPs TO DISCLOSE THEIR PERSONS WITH

Significant Control" (or beneficial owners), or risk a daily fine of up to £500. However, Bellingcat reported in August that few SLPs have revealed their beneficial owners, although there has been a slowdown in the number of new SLPs being incorporated.

Companies House records for the four companies reportedly do not match up with the information provided to Danske Bank about directors' names and registered addresses. False information, it seems, was provided to both UK authorities and banks in order to conceal the true identities of the people behind the scheme.

The four companies, their registered UK addresses and their controlling companies (all registered in non-transparent offshore jurisdictions):

Transparency International / OCCRP

Where did the money come from?

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There is no suggestion that the companies involved in the thousands of transactions were necessarily aware that the money was being used as part of a money laundering scheme.

According to the report, the biggest contributor was a company called Baktelekom MMC, which transferred \$1.4 billion into the Laundromat. The funds came out of an account at the state-owned International Bank of Azerbaijan, which [filed for bankruptcy protection](#) in New York earlier this year.

Baktelekom has no website or apparent commercial activity, and its name could be a deliberate attempt to confuse, since Bactelecom – one letter different – is a major Azerbaijani mobile phone operator. According to [Italian prosecutors](#), the scheme's second largest contributor, Faberlex LPL, is ostensibly owned by a working-class driver who lives on the outskirts of Baku, amid a neighbourhood of chicken farms. The driver [told the OCCRP](#) that he knew nothing of the transactions that had taken place in his name, although admitted to having been made a director. "Ahmadov's role was to hide the true owner of the Laundromat companies and to act as a front for the organizers of the operation," the OCCRP says.

According to the report's findings, another \$29.4 million came from the Russian government, through its state-owned military imports and exports company, Rosoboronexport. Several transactions have also been linked to companies involved in the "Global Laundromat," a Russian money laundering scheme that operated

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in the Global Laundromat.

Yet more money came from Azerbaijani companies contracted by the government, and at least [29 of the 50](#) known companies that paid into the Laundromat were UK registered.

The top eight companies that paid into the Laundromat. [OCCRP](#)

What was it used for?

The investigation's findings suggest the money was used to buy favour with

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companies, many in Turkey and the UAE.

Council of Europe building [Wiki Commons](#)

Several payments were made to European politicians at a time when Azerbaijan was being accused by Human Rights Watch and the Committee to Protect Journalists of human rights abuses, including imprisoning journalists on politically-motivated charges and holding rigged elections. Those Azerbaijanis pulling the strings, says the report, wanted to buy international favour and stem criticism of the abuses.

[The Guardian reported](#) that Azerbaijani lobbying was partially successful: it pointed out that some members of the Council of Europe received payments, following which the Council [voted against](#) a 2013 report condemning the country. The vote is currently under investigation.

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In 2014, Eckart Sager, a former London-based producer for CNN, was allegedly given nearly €2 million, which coincided with his PR firm writing [articles promoting the Azerbaijani government](#). However, he may not have been aware that the money had been laundered.

Sager did not respond to a request for comment.

Money was also spent in the UK on property, designer clothing, luxury cars and legal fees. In 2014, £89,800 was paid to Queen Ethelburga's Collegiate, a private boarding school in York, to cover an unknown student's tuition fees. The school did not respond to a request for comment. There is no suggestion that it was aware it was accepting laundered money.

"These sums of money can be the difference between life and death for people around the world, and to know that they are instead being used to purchase luxury goods, line the pockets of corrupt politicians and improve the image of dictators, in particular galling," said Duncan Hames, director of Transparency International.

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"We're calling on the UK government to immediately enforce new laws to end the use of British companies as the gateway vehicle for corrupt individuals and organised criminal gangs," he said.

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