

The magic black money tree

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While walking through the edge of Utah's Fishlake Forest, it is possible to cross over 100 acres and simultaneously pass forty thousand trees, and just one. This is because the colony of *Pando* Aspen trunks ('I spread') share a single underground root system, with each apparently individual tree simply being part of a larger, hidden, whole. Although you might not realise it at first glance – and it cannot be confirmed without investigation and scrutiny – everything is connected. In other news, more than GBP£82 billion of Russian dirty money has been funnelled through black networks worldwide...



Russia has long practiced softly aggressive 'financial diplomacy', on the basis that if you have them by the 'bills', then their hearts and minds will follow. Hence the collective GBP£1.5bn investment in UK property on the part of various corrupt or Kremlin-linked Russians, the enthusiastic use of golden visas, shell companies and the like where available to embed themselves and their interests into the fabric of a country (or at least the elite of it), and enthusiastically walking the very fine line between what is illicit and what is illegal. Britain has a reputation as a particularly favourite haunt for oligarchs and kleptocrats to either deposit their criminal gains through the aforementioned property market, or further muddy the waters of dirty money through transfers via shell companies and the remarkably accommodating registration system, although in truth, Russian networks of dirty money have always been transatlantic.

America and Britain offer, in economic opportunity and political connection, far more than Cyprus or the tax havens of the Caribbean, which tend to be beacons advertising the individual's guilt. Even while Russia started a brief war with Georgia in 2008 and annexed Crimea in 2014, red carpets were laid out for Putin's people – a US\$1bn trust of Suleiman Kerimov in Delaware here, an US\$820m money laundering operation via 13 UK shell companies for Sergei Roldugin there. Whether such instances are ultimately more damaging than the interference in elections, or a crucial complementary plank of intrusion into the top levels of Western society, is up to the individual Kremlinologist, but the phrase 'money talks' has certainly done very heavy lifting across the Western world – how appropriate for the Russian strongman.

The invasion of Ukraine has, at least on the surface, changed things. The wave of Western sanctions has been matched by a seemingly sincere effort to root out the worst domestic excesses of questionable Russian influence. Sometimes this is individualistic (the public expulsion of Roman Abramovich from Chelsea, for instance), sometimes – as with the grudging yet genuine efforts of Cyprus to detach its tourism and financial sectors alike from their virtual dependency on Russian influxes – it is a broader, and more existential, matter. Russia has two choices: does it attempt to modify its existing networks to avoid the greater scrutiny and sanctions, or does it look to create new ones?

As always, the answer is: a bit of both. Certainly, the Russian favour shown to Cyprus survived the 2018 clampdown on shell firms used in suspected money-laundering, and the 2020 cessation of the Golden Visa scheme – and indeed over five and a half billion Euros were deposited by Russians in Cypriot banks and companies since the start of the war. Meanwhile, a much-heralded UK bill requiring foreign companies owning UK property to disclose their ultimate beneficial owners saw just four sanctioned Russians come forward, with the number of loopholes and sidesteps built into the legislation doing wonders for allowing UBOs to remain secret. It is no wonder that networks of black money thrive in environments where the governments are either actively encouraging them behind the scenes or passive enough not to care.

Russia is also building and refining new networks. The latest enabler of questionable oligarchs and the Kremlin elite is Dubai – already with a growing reputation as a tax haven, it has witnessed an influx of Russian money in real estate and the corporate sector comparable only with the first boom of post-Soviet capital flight. Even instances where sanctioned or criminal Russians openly own properties and companies, as opposed to running them through proxies, have drawn no meaningful response from Emirati authorities. The UAE was placed on a Financial Action Task Force ‘grey list’ in March 2022 for its continuing failure to combat money laundering, and noted Kremlin critic Bill Browder has called for sanctions to be applied to the Emirates all while it continues to be the new primary facilitator of Russian activity.

Money-laundering networks are also being deepened throughout the nations of Latvia, Moldova and Poland, all territories where the Russian mafia and the corporate sector are entrenched, and which cannot afford (whether figuratively or literally) to countermand the Kremlin’s desires too openly. Sometimes money being run through these countries has its endpoint in Dubai or Cyprus or the UK – sometimes it stays, used to fund disinformation campaigns throughout Eastern Europe and the hidden Russian corporate presence. But these networks are not only financial.

Russia is an enthusiastic user of a 'shadow fleet' which moves Russian oil (and others') in defiance of sanctions, switching names and registrations mid-voyage or even transferring the barrels from one vessel to the other in the middle of the ocean. Certainly, this fleet has been involved in moving shipments from Venezuela to India under false identification, and thence onwards to Europe (raising the problem of consumer nations doubly breaking sanctions), while the coastline of Morocco has seen tanker swaps. Of course, the oil of today greases the influence and financial networks of tomorrow.

With over one trillion dollars of Russian black money believed to be circulating around the world, recovering it all is an impossible task – as is, most likely, fully tearing down the Russian networks of financial concealment and political influence. However, it remains incumbent on governments and corporates alike to not only want to understand the provenance of funds and deals that may be presented, but to understand that proxy directors, shell companies and disappearing tankers alike are rarely found in isolation but working in concert to support the broader Russian networks that have persisted (and will continue) long after the tanks have left Ukraine. While the individual tree may be right in front of you, you have to ensure that you can still see the woods.

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