



Resolution 2279 (2019)¹
Provisional version

Laundromats: responding to new challenges in the international fight against organised crime, corruption and money laundering

Parliamentary Assembly

1. The Parliamentary Assembly is deeply concerned about the extent of money laundering involving Council of Europe member States. The “Global Laundromat”, by which at least US\$21 billion and perhaps as much as US\$80 billion was illegally transferred from the Russian Federation to recipients around the world, and the “Azerbaijani Laundromat”, by which US\$2.9 billion was moved out of Azerbaijan, and the “Troika Laundromat”, which transferred another US\$4.6 billion out of Russia, are the most alarming recent examples. Money laundering, especially on this scale, is a serious threat to democratic stability, human rights and the rule of law in the countries from, through and to which illicit funds are transferred, *inter alia* by facilitating, encouraging and concealing corruption and other serious criminal activity.

2. The Global Laundromat was made possible by serious structural issues, at various levels. It originated in the desire of Russian businessmen, organised criminals and, apparently, interests connected to State organs (notably the Federal Security Service, FSB) to illicitly transfer huge amounts of money out of the country, at minimal transaction cost. It typically depended upon corruption in the Moldovan judicial and banking systems; the opaque beneficial ownership of shell companies, often based in the United Kingdom or its Overseas Territories; and failures and inadequacies in the anti-money laundering (AML) systems of many banks, especially ABLV bank in Latvia, along with ineffective national AML supervisory regimes. Despite some encouraging developments in the Republic of Moldova and the promise of an investigation in the United Kingdom, the Global Laundromat has still not been subject to proper criminal investigation. It is of particular concern that the Moldovan authorities have accused their Russian counterparts of obstructing their work, allegedly under instructions from the FSB.

3. The Azerbaijani Laundromat involved several similar features. The money often came from wealthy businessmen and others closely associated with the highest levels of government, including family members of government ministers and the president. It passed through shell companies with concealed beneficial ownership, the most significant of which were again based in the United Kingdom or its Overseas Territories. Much of the money was laundered through a Baltic bank, in this case Danske Bank’s Estonian branch; Danske Bank’s internal AML procedures at both branch and group level were catastrophically deficient. National AML authorities proved ineffective, with uncertainty over the division of responsibilities between the Estonian and Danish financial supervisory authorities.

4. The Azerbaijani Laundromat also provided money that contributed to corruptive activities within the Parliamentary Assembly, as was established in the report of the Independent Investigative Body on the allegations of corruption within the Parliamentary Assembly (IBAC). Five former Assembly members most clearly seem to have received some of this money, all of whom have been sanctioned by the Assembly for breaches of its ethical rules. Luca Volontè is being prosecuted by the Italian authorities for bribery and money laundering. Alain Destexhe has been investigated by the Belgian authorities. The German Parliament has

1. *Assembly debate* on 11 April 2019 (17th Sitting) (see [Doc. 14847](#) and [addendum](#), report of the Committee on Legal Affairs and Human Rights, rapporteur: Mr Mart van de Ven). *Text adopted by the Assembly* on 11 April 2019 (17th Sitting). See also [Recommendation 2154 \(2019\)](#).



found that Karin Strenz violated its ethical rules and fined her a record €20 000. Transparency International Germany has filed criminal complaints against both Ms Strenz and Eduard Lintner for the offence of bribery of a public official. It is however not known thus far whether any action has been taken against the last of the five: Zmago Jelinčič Plemeniti of Slovenia. Despite Assembly [Resolution 2185 \(2017\)](#) “Azerbaijan’s chairmanship of the Council of Europe: what follow-up on respect for human rights?” having specifically urged the Azerbaijani authorities to start an independent and impartial inquiry into these allegations without delay, it would seem that nothing has been done and the two Azerbaijani parliamentarians who were most deeply involved – El Khan Suleymanov and Muslum Mammadov – have not been subject to any form of sanction.

5. The Troika Laundromat again involved numerous shell companies, with three based in the British Virgin Islands playing a pivotal role, and the central involvement of a Baltic bank, in this case Ukio Bank in Lithuania. Persons close to the heart of State power were again implicated, this time including a close friend of President Putin. The Troika Laundromat is particularly revealing of the origins of laundered funds in organised crime and corruption. It also illustrates the importance of effective AML procedures within banks that provide correspondent banking services to foreign partners as an additional safeguard against international money laundering.

6. Analysis of the Laundromats and other large-scale money-laundering schemes of recent years points to problems at various levels. These include the following:

6.1. at the level of financial institutions and other commercial entities:

6.1.1. inadequate understanding and implementation of AML requirements by trust and corporate service providers, financial institutions and other regulated entities, including failure to apply basic “know your customer” and source of funds/wealth procedures, incompatible information technology systems preventing application of AML common standards and procedures, branches relying on crucial documents in languages not understood in the head office and failure to fill key AML staff positions;

6.1.2. deliberate or negligent minimisation of money-laundering risks by top and senior management of financial institutions;

6.1.3. complicity between employees and known or suspected money launderers;

6.1.4. lack or weakness of whistle-blowing procedures and protection within financial institutions;

6.2. at the national level:

6.2.1. inadequate domestic law and policy on prevention of corruption, notably a lack of publicly accessible declarations of the property and income of public officials, including parliamentarians and government ministers, and candidates to elected public office, and the possibility for persons charged or even convicted of corruption or money-laundering offences to run for and be elected to public office;

6.2.2. inadequate AML legal frameworks, including provisions allowing for opaque beneficial ownership of companies and trusts;

6.2.3. under-resourced AML supervisory and investigative bodies and fragmentation of AML responsibilities between numerous agencies, some of which may be uncertain of their precise role;

6.2.4. failure to prosecute money laundering as a third party or standalone offence, instead requiring proof of a predicate offence, which is often committed in an unco-operative foreign jurisdiction;

6.2.5. inadequate identification and tracing of the proceeds of crime during the early stages of criminal investigations;

6.2.6. criminal sentences for money-laundering offences that are insufficiently dissuasive;

6.2.7. repression and restriction of the activities of independent civil society and media actors, who provide an important democratic check on corruption and other criminal activity;

6.2.8. failures by national authorities to co-operate with AML investigations by other countries’ authorities, and even obstruction of those investigations;

6.2.9. uncertainty over the division of responsibility between national financial supervisory authorities in relation to AML supervision of multinational financial institutions;

- 6.2.10. particular vulnerabilities in the banking systems and AML systems in the Baltic States;
- 6.3. at the European and international levels:
 - 6.3.1. European Union AML supervision that is dependent on decentralised national authorities, despite their proven inadequacy in some countries;
 - 6.3.2. incomplete transposition into national law and implementation of key European Union instruments, notably the Fourth Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing (Directive (EU) 105/849);
 - 6.3.3. the Financial Action Task Force (FATF) and the Council of Europe's Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism (MONEYVAL) only recently increasing their focus on the effectiveness and implementation of national AML regimes, following a change to the methodology by the FATF in 2013.

7. The Assembly therefore calls on:

- 7.1. the Russian Federation to:
 - 7.1.1. investigate fully and effectively the Global Laundromat, as revealed in widespread public media reports and making full use of evidence obtained in other criminal investigations, and to prosecute and punish all those who have committed related offences;
 - 7.1.2. co-operate fully with the relevant authorities of other countries in the investigation of the Global Laundromat and other international money laundering schemes involving Russia;
- 7.2. the Republic of Moldova to:
 - 7.2.1. pursue its investigation of the Global Laundromat fully and effectively and prosecute and punish all those who have committed related offences;
 - 7.2.2. introduce provisions preventing persons charged or convicted of serious offences, including corruption and money laundering, from taking or exercising public office;
 - 7.2.3. pursue investigations and prosecutions of candidates for public office and public officials, including elected officials, expeditiously, whilst scrupulously avoiding unequal treatment on political grounds;
 - 7.2.4. consider repealing the "fiscal amnesty" introduced in July 2018, as it risks facilitating money laundering;
 - 7.2.5. ensure that its "golden visa" programme is strictly regulated, as this too risks facilitating money laundering, especially when taken together with the "fiscal amnesty";
- 7.3. Azerbaijan to:
 - 7.3.1. investigate fully and effectively the money laundering from Azerbaijan, as revealed in widespread public media reports, including the IBAC report, and prosecute and punish all those who have committed related offences;
 - 7.3.2. fully respect the fundamental rights and freedoms of independent civil society and media bodies, as previously requested by the Assembly on numerous occasions;
 - 7.3.3. respond without further delay to Assembly [Resolution 2185 \(2017\)](#) "Azerbaijan's chairmanship of the Council of Europe: what follow-up on respect for human rights?", in particular by starting an independent and impartial inquiry into the allegations of corruption of Assembly members set out in the IBAC report and by co-operating fully with the competent international authorities and bodies on this issue;
- 7.4. the United Kingdom to:
 - 7.4.1. ensure full implementation of the new requirement that the authorities of British Overseas Territories introduce a publicly accessible register of the beneficial ownership of companies and trusts within their jurisdictions;
 - 7.4.2. consider extending that requirement to the Crown Dependencies Jersey, Guernsey and the Isle of Man;
 - 7.4.3. consider requiring full transparency of beneficial ownership of all United Kingdom-based companies and trusts, including limited liability partnerships, with a publicly accessible register;

- 7.4.4. ensure that trust and corporate service providers comply fully with AML requirements and are effectively supervised by relevant domestic authorities;
- 7.4.5. ensure that the new National Economic Crime Centre operates effectively to avoid fragmentation and inefficiency of AML activity;
- 7.4.6. ensure that the potential of the new Unexplained Wealth Order is fully exploited;
- 7.4.7. ensure that there is no weakening of AML standards or activity following the United Kingdom's departure from the European Union, and make every effort to ensure that the United Kingdom remains as fully engaged as possible with relevant European Union bodies, including Europol;
- 7.5. Denmark to:
 - 7.5.1. ensure that Danske Bank fully and effectively implements all orders given to it by the Danish financial supervisory authorities;
 - 7.5.2. take appropriate action, including criminal action, against any employee of Danske Bank, including top and senior management, who may have violated AML regulations and laws;
- 7.6. Estonia to:
 - 7.6.1. ensure that Danske Bank fully and effectively implements any measures indicated to it by the Estonian financial supervisory authorities;
 - 7.6.2. take appropriate action, including criminal action, against any employee of Danske Bank, including top and senior management, who may have violated AML regulations and laws;
- 7.7. the Baltic States to address the particular features of their banking systems, including the prevalence of non-resident accounts, that may make them peculiarly vulnerable to international money laundering;
- 7.8. Sweden to ensure that the relevant police and regulatory authorities vigorously investigate the growing reports of potentially very large-scale money laundering at Swedbank and its branches in the Baltic States, with connections to the Danske Bank scandal, which have already led to the resignation of Swedbank's Chairman and Chief Executive Officer;
- 7.9. all member States of the Council of Europe to:
 - 7.9.1. investigate fully and effectively any and all involvement in the Laundromats of natural or legal persons within their jurisdiction; those who are member States of the European Union should request the creation by Europol of Joint Investigative Teams to ensure effective cross-border investigations;
 - 7.9.2. require elected public officials and candidates for elected office, including candidates for president, to make publicly accessible declarations of their property and income;
 - 7.9.3. ensure that their domestic AML regimes are fully compliant with all applicable international standards and effectively implemented;
 - 7.9.4. ensure that their AML supervisory bodies are adequately resourced, with sufficient, appropriately skilled and remunerated staff;
 - 7.9.5. provide for non-conviction-based confiscation in their national laws, as well as the possibility of equivalent value confiscation and taxation of illegal gains, while establishing appropriate safeguards, as recommended in [Resolution 2218 \(2018\)](#) on fighting organised crime by facilitating the confiscation of illegal assets;
 - 7.9.6. ensure that banks providing correspondent banking services fully and appropriately implement relevant AML requirements;
 - 7.9.7. remain vigilant and responsive to the persistent risk of large-scale international money laundering and the constant evolution of the forms it may take;
 - 7.9.8. implement promptly and fully all relevant recommendations of the FATF, MONEYVAL and the Council of Europe's Group of States against Corruption (GRECO);

7.10. the European Union to:

7.10.1. ensure that its member States transpose into national law and implement fully and effectively the European Union's Fourth and Fifth (Directive (EU) 2018/843) Anti-Money Laundering Directives;

7.10.2. ensure that the proposed amending Regulation on banking supervision enables the European Banking Authority to co-ordinate and evaluate relevant national authorities, so as to ensure synergies, avoid discrepancies in the interpretation of rules and practical activities, and address weaknesses in and enhance the functioning of the overall AML system;

7.10.3. ensure full and effective implementation of its December 2018 Anti-Money Laundering Action Plan;

7.10.4. ensure that the proposed directive on whistle-blower protection provides for effective protection for whistle-blowers in the financial sector;

7.10.5. enhance co-ordination of its AML activities with those of the Council of Europe.