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The UK's kleptocracy problem

How servicing post-Soviet elites weakens the rule of law

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Summary

- The intertwining of financial globalization and deregulation with the post-Soviet transition has, since the 1990s, created a new international political and economic environment. In this context, the UK's relations with Russia and Eurasian states are characterized in part by features of transnational kleptocracy, where British professional service providers enable post-Soviet elites to launder their money and reputations.
- The UK adopts a risk-based approach to anti-money laundering which relies on private sector professionals conducting appropriate checks. However, evidence indicates that the system is effectively risk-insensitive, with banks over-reporting suspicious activity, and thereby creating a deluge of reports for UK authorities to process. Other, non-financial service providers often under-report such activity and are inconsistent in whether they undertake effective due diligence.
- Failures of investigation and enforcement by the National Crime Agency and other UK state bodies have led to flawed judgments by UK courts, especially regarding post-Soviet elites. Capable and expensive lawyers (hired by members of transnational elites or their advisers) defeat or deter the regulators' often weak and under-resourced attempts to prosecute politically exposed persons.
- The provision of aggressive reputation management services by UK professionals includes libel actions, quasi-defamation cases, and the use of public relations agents against journalists and researchers. These services also transplant authoritarian agendas and rivalries to the UK, which has become a leading site of legal action and political conflict between post-Soviet elites.
- Opportunities for reputation laundering are placing the integrity of a range of important domestic institutions at risk. Philanthropy to UK universities and charities is one method by which post-Soviet elites clean up their reputations – but these donations are processed in secret, and several cases suggest that their due diligence has been flawed. Westminster – and the Conservative parliamentary party in particular – may be open to influence from wealthy donors who originate from post-Soviet kleptocracies, and who may retain fealty to these regimes.
- This situation is materially and reputationally damaging for the UK's rule of law and to the UK's professed role as an opponent of international corruption. It demands a new approach by the UK government focused on creating a hostile environment for the world's kleptocrats. An effective anti-kleptocracy drive would close legal loopholes, demand transparency from public institutions, deploy anti-corruption sanctions against post-Soviet elites and prosecute British professionals who enable money laundering by kleptocrats.

01 Introduction

Amid legal uncertainty as Soviet state institutions unravelled in the 1990s, opportunities arose for the elites of the successor states to profit individually from the transfer of Soviet-era assets. The ensuing wealth transfers have provided much business for British professional services firms. But the provision of these services to post-Soviet kleptocrats and their associates has undermined the integrity of important UK institutions and weakened the rule of law.

Financial and professional services firms have long made the UK a comfortable home for dirty money. The rapid deregulation and growth of London as a centre for these services since the 1980s coincided with the end of the USSR and the rise of the post-Soviet kleptocracies. As Soviet state institutions unravelled and Russia and other successor states were governed in the context of legal uncertainty, new opportunities arose for the elites of those countries to profit individually from the privatization and transfer of Soviet-era property, natural resources and industrial holdings.

The ensuing transfers of wealth in the early years of post-Soviet independence required a host of wealth management services to secure these newly acquired fortunes and holdings, providing much business for British banks, law firms and wealth managers. The UK has since adopted new measures to tackle illicit finance and money laundering, but they have had little impact so far on stemming large-scale capital flight from developing nations. The development cost of such outflows from post-Soviet states is well documented.[1]

Less understood is how the enabling of these transfers of wealth has affected the rule of law within the UK itself. The concept of the rule of law can be defined, according to the Law Society of England and Wales, as characterizing a system

1 Centre for Applied Research at NNH Norwegian School of Economics, Global Financial Integrity, Jawaharlal Nehru University, Instituto de Estudos Socioeconômicos and Nigerian Institute of Social and Economic Research (2015), *Financial Flows and Tax Havens: Combining to Limit the Lives of Billions of People*, December 2015, https://secureservercdn.net/45.40.149.159/34n.8bd.myftpupload.com/wp-content/uploads/2016/12/Financial_Flows-final.pdf (accessed 4 Aug. 2021); Freeland, C. (2000), *Sale of the Century: Russia's Wild Ride from Communism to Capitalism*, New York: Crown.

where 'laws are made democratically, everyone is protected by and accountable to the same laws – including government – with independent courts there to uphold these in a way that is accessible, fair and efficient'.[2]

Yet evidence is mounting that all are not equal before the law – and that the implementation and enforcement of the law is not efficient. Weaknesses in the law, and crucially the exploitation of these loopholes by professional enablers in the service of kleptocrats and their associates, have eroded the legal system's capacity to assess the risk of corruption, undermined the implementation and enforcement of new anti-corruption measures, transplanted authoritarian agendas and rivalries to UK settings, and undermined the integrity of important domestic institutions.

The UK is not alone in this complicity. Banking scandals in Denmark and Germany have demonstrated how dark money from kleptocracies passes with ease through Western financial systems,[3] while investigations into European bodies have shown how malign influence can be exerted by autocratic powers.[4]

This paper draws on the authors' knowledge of the UK, its legislation and links to Eurasia, and considers the risks that work undertaken by the UK professional services sector for post-Soviet Eurasian kleptocrats poses for the UK's rule of law and its foreign relations. It exposes the regulatory failures and absences of enforcement and concludes by calling for a new anti-kleptocracy strategy on the part of the British state.

What is kleptocracy? What is enabling?

Classically understood as 'rule of thieves', kleptocracy has found a new generation of analysts in the last decade. The term has been popularized in Oliver Bullough's *Moneyland*,[5] Tom Burgis' *Kleptopia*,[6] and Sarah Chayes' *Thieves of State*,[7] while it has also been widely deployed by civil society organizations.[8] The UK's Financial Conduct Authority (FCA) indirectly provides a definition in its guidelines on countries with a high risk of corruption: 'a political economy dominated by

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2 Boyce, S. (2021), 'Respect for the rule of law is in jeopardy in the UK', *Financial Times*, 1 September 2021, https://www.ft.com/content/077f719b-91b9-4775-ab37-b120ced4c9a1 (accessed 19 Oct. 2021).
3 Milne, R. and Winter, D. (2018), 'Danske: anatomy of a money laundering scandal', *Financial Times*, 19 December 2018, https://www.ft.com/content/519ad6ae-bcd8-11e8-94b2-17176fbf93f5 (accessed 30 Nov. 2021); Harding, L. (2019), 'Deutsche Bank faces action over $20bn Russian money-laundering scheme', *Guardian*, 17 April 2019, https://www.theguardian.com/business/2019/apr/17/deutsche-bank-faces-action-over-20bn-russian-money-laundering-scheme (accessed 30 Nov. 2021).
4 Chase-Lubitz, J. (2018), 'Council of Europe Body Expels 13 in Azerbaijan Bribe Case', Organized Crime and Corruption Reporting Project (OCCRP), 3 July 2018, https://www.occrp.org/en/daily/8279-council-of-europe-body-expels-13-in-azerbaijan-bribe-case (accessed 30 Nov. 2021).
5 Bullough, O. (2018), *Moneyland: Why Thieves and Crooks Now Rule the World and How to Take it Back*, London: Profile Books.
6 Burgis, T. (2020), *Kleptopia: How Dirty Money Is Conquering the World*, Glasgow: William Collins.
7 Chayes, S. (2015), *Thieves of State: Why Corruption Threatens Global Security*, New York: WW Norton & Company.
8 Sibley, N. and Judah, B. (2021), *Countering Global Kleptocracy: A New US Strategy for Fighting Authoritarian Corruption*, Kleptocracy Initiative, Washington DC: Hudson Institute, http://media.hudson.org.s3.amazonaws.com/Countering%20Global%20Kleptocracy%20(002).pdf (accessed 4 Aug. 2021); Transparency International (2020), *Who Is Opening The Gates For Kleptocrats?*, https://www.transparency.org/en/news/who-is-opening-the-gates-for-kleptocrats (accessed 4 Aug. 2021); Global Witness (2020), *The Cycle of Kleptocracy: A Congolese State Affair Part III*, https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/congolese-kleptocracy/ (accessed 4 Aug. 2021).

a small number of people/entities with close links to the state'.[9] A similar term is 'grand corruption' (i.e. 'the abuse of high-level power that benefits the few at the expense of the many, and causes serious and widespread harm to individuals and society'[10]), which may be used interchangeably with kleptocracy, as both indicate the subversion of political office for personal enrichment and advantage. According to a recent definition employed in the *Journal of Democracy*:

> Kleptocracy is a system in which public institutions are used to enable a network of ruling elites to steal public funds for their own private gain.[11]

The geographic focus of studies of kleptocracy is often the post-Soviet states, with the books mentioned above covering Azerbaijan, Kazakhstan, Ukraine and Uzbekistan among others. Meanwhile, influential but controversial recent books by the journalist Catherine Belton and the academic Karen Dawisha have both deployed kleptocracy as the prism through which to understand Russia and its network of politically connected oligarchs.[12] UK media tends to focus on Russia, yet the fact that kleptocracy has gripped many of the other post-Soviet states suggests a systemic problem.

Modish terms are freighted with connotations, but our approach to kleptocracy emerges from the study of politics and economies as they intertwine and cross borders. From this perspective, the term post-Soviet or Eurasian kleptocracy is, strictly speaking, a misnomer.[13] All kleptocracies are by nature transnational and, as they merge with one another, are potentially global – an idea captured in the titles *Moneyland* and *Kleptopia*.

This paper explores how the process of kleptocracy outlined in *Moneyland* occurs transnationally, with money flowing from post-Soviet Eurasia to the UK. Throughout this paper, 'post-Soviet' and 'Eurasian' are used to refer to the countries of the former USSR excluding the Baltic republics, which have been EU member states since 2004. Transnational kleptocracy is not essentially Eurasian in character, and the paper sometimes analyses other regions. However, the post-Soviet region's contemporary history – and its blending of Soviet-era political practices with Western financial capitalism – provides some of the most acute examples of such kleptocracy in action.

Kleptocrats are empowered to gain from the system through their political connections and status and by a lack of institutional oversight and accountability. This paper discusses a wide range of wealthy individuals from kleptocratic states who we refer to as 'post-Soviet elites' or simply 'elites'.[14]

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9 Financial Conduct Authority (FCA) (2017), *Finalised Guidance: FG 17/6 The treatment of politically exposed persons for anti-money laundering purposes*, https://www.fca.org.uk/publication/finalised-guidance/fg17-06.pdf, p. 10 (accessed 19 Oct. 2021).
10 Transparency International (2016), *What Is Grand Corruption And How Can We Stop It?*, https://www.transparency.org/en/news/what-is-grand-corruption-and-how-can-we-stop-it (accessed 4 Aug. 2021).
11 Walker, C. and Aten, M. (2018), 'The Rise of Kleptocracy: A Challenge for Democracy', *Journal of Democracy*, 29(1): pp. 20–24.
12 Dawisha, K. (2015), *Putin's Kleptocracy: Who Owns Russia?*, New York: Simon and Schuster; Belton, C. (2020), *Putin's People: How the KGB Took Back Russia and Then Took on the West*, London: HarperCollins.
13 For a discussion of the origins of the term kleptocracy, see: Bullough, O. (2018), 'The Rise of Kleptocracy: The Dark Side of Globalization', *Journal of Democracy*, (29)1: pp. 25–38.
14 We specifically exclude intellectual and cultural elites from our analysis.

'Kleptocrats' are generally government officials, senior officials or a close family member. 'Oligarchs' tend to refer to a member of the country's business elite or a close family member, lacking formal power but sometimes with political influence. And a political 'exile' includes those who were once kleptocrats or oligarchs but have since fallen out of favour in their home countries.

Whether a person falls into a particular category can often be difficult to determine. Accordingly, kleptocracy is not just a sum of corrupt acts. It is also the set of institutions, networks and norms, both domestic and transnational, that facilitates and structures such activities. A critical aspect of any such system is how global actors and institutions establish networks to effectively co-mingle illicit funds with legal ones. This service is known as *enabling*. The term captures a variety of behaviours – some licit and some illicit; some willingly complicit and some reflecting negligence rather than deliberate corruption.

The word 'enabling' is seen as pejorative by those offering such services. However, it is a term which grasps the phenomenon in practice. This paper concentrates mainly on estate agents, lawyers, accountants, and trust and company service providers – referred to as Designated Non-Financial Businesses and Professions (DNFBPs) by the Financial Action Task Force (FATF), an inter-governmental body created to promote global standards on preventing money laundering and terrorist financing – as it is these groups that have been found to be at high risk of exploitation for money laundering by the UK's National Crime Agency (NCA), due to the services they provide and in part due to a lack of proper monitoring.[15] The paper also assesses unregulated professionals, such as public relations (PR) agents and wealth managers.

Many of the financial services provided by enablers are legal, while others are of uncertain legality due to secrecy and lack of prosecution.

Many of the financial services provided by enablers are legal, while others are of uncertain legality due to secrecy and lack of prosecution. Most of the illegal activity by enablers takes the form of money laundering – i.e. the 'processing of these criminal proceeds to disguise their illegal origin'.[16] Anti-money laundering (AML) regulations refers to individuals involved in politics as politically exposed persons (PEPs), a term that can apply to senior public officials, their close

15 The UK's 2020 National Risk Assessment says: 'Professional services remain attractive to criminals as a means to create and operate corporate structures, invest and transfer funds to disguise their origin, and lend layers of legitimacy to their operations. […] While there have been improvements in the supervision of accountancy and legal service providers, in part due to the work of OPBAS, these services remain prevalent in law enforcement cases' (p. 5), and 'The property sector faces a high risk from money laundering, due to the large amounts that can be moved through or invested in the sector, and the low levels of transparency' (p. 107); HM Treasury/Home Office (2020), *National risk assessment of money laundering and terrorist financing 2020*, London: HM Treasury, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/945411/NRA_2020_v1.2_FOR_PUBLICATION.pdf (accessed 15 Sep. 2021).
16 Financial Action Task Force (FATF) (2013), *FATF Guidance: Politically Exposed Persons (Recommendations 12 and 22)*, Paris: FATF/OECD, https://www.fatf-gafi.org/media/fatf/documents/recommendations/Guidance-PEP-Rec12-22.pdf (accessed 4 Aug. 2021).

relatives and business partners.[17] This designation is in recognition of the fact that kleptocrats and their associates have greater opportunities to earn money illicitly through influencing state business. We refer to PEPs throughout this paper when addressing AML laws and their enforcement.

Elites linked to kleptocratic states also seek to protect their reputations to counteract current or future allegations of malfeasance. Therefore, enablers also undertake what can be described as 'reputation laundering' – the process of 'minimizing or obscuring evidence of corruption and authoritarianism in the kleptocrat's home country and rebranding kleptocrats as engaged global citizens'.[18] Again, most of this activity is legal. Together, the laundering of money and reputations begets 'a web of interrelated practices that go beyond the economic realm to encompass various social-networking and political techniques', including 'securing the right for the kleptocrat to reside overseas, running an aggressive image-crafting and public relations campaign, and using philanthropic activities to ensconce the kleptocrat in a web of transnational alliances'.[19]

How is kleptocracy enabled?

In *Moneyland*, Oliver Bullough highlights how elites from kleptocracies follow a three-step process: 'steal-hide-spend'. While individual actions necessary to complete the second and third stages may be legal, cumulatively they are recasting bilateral relationships between the UK and the post-Soviet states and undermining domestic deliberative processes that usually safeguard and scrutinize policymaking.[20]

The first step is the 'theft' itself, which in the post-Soviet period constituted the wilful seizure of putatively private assets and the creation of what in Russian is known as *obshchak*, the 'shared treasure' utilized by a criminal gang. Here, the lines between the state (especially the security services), private business and criminality were blurred just as these countries were consolidating their domestic institutions.[21] In the period after the collapse of the USSR, this theft was of such magnitude – *Stealing the State*, in Steven Solnick's formulation[22] – that it was only in cases where an elite had fallen out of favour that they were convicted of an offence. As such, most kleptocrats and associated individuals were not criminally sanctioned in their home country.

In the 1990s, much depended on the unwritten but firmly established rules of the hierarchy, where top political figures act as a *krysha* ('protection'; literally 'roof' in Russian) for those lower down the chain whose job it is to send money upwards

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17 FATF defines a politically exposed person (PEP) as 'an individual who is or has been entrusted with a prominent public function' – Ibid., p. 3. The extension of the PEP designation to family members is crucial, as the use of family members as formal beneficial owners is commonplace in suspicious transactions, corruption and, of course, tax avoidance.
18 Cooley, A., Heathershaw, J. and Sharman, J. C. (2018), 'The Rise of Kleptocracy: Laundering Cash, Whitewashing Reputations', *Journal of Democracy*, 29(1): pp. 44–45.
19 Ibid., p. 45.
20 Bullough (2018), *Moneyland*; Heathershaw, J. and Cooley, A. (2017), *Dictators Without Borders: Power and Money in Central Asia*, New Haven, CT: Yale University Press.
21 Belton (2020), *Putin's People*.
22 Solnick, S. L. (1998), *Stealing the State: Control and Collapse in Soviet Institutions*, Cambridge, MA: Harvard University Press.

in a system that resembles that of an organized crime structure.[23] Then, during the 2000s and 2010s, these single sources of income were expanded as oligarchs diversified their portfolios and holdings through new domestic and international investments, wealth management and integration with international capital markets. Post-Soviet elites intermingled illicit and licit funds and exploited the opacity of this capital in making these investments – and they have continued to do so to this day.

The second step is 'hiding', often via offshoring, where money is sent out of the host country using complex structures that obscure both the origin of the funds and the ultimate owner. This is typically the point at which enablers in rule-of-law settings first appear, helping the individual in question – who is usually also a PEP – to set up a variety of trusts, shell companies and bank accounts. Such structures are 'layered' through multiple jurisdictions (for example, a Singapore company, owned by a British Virgin Islands (BVI) company, in turn owned by a Liechtenstein trust) and utilize nominee 'proxy' owners and directors, with the aim of obstructing political rivals and any would-be investigators.

The 'Azerbaijani Laundromat' scandal saw $2.9 billion funnelled through four UK shell companies over a two-year period.

Even though such structures are flagged in money-laundering regulations as posing a high risk, PEPs will cite reasons such as tax efficiency, personal security and political instability in their home country as justification. Far from being a recent innovation for Russia and Eurasia, the KGB made use of such offshore companies in the Soviet period and they were crucial to the transition to market economies in the successor states.[24] Moreover, as research has shown, it has been shell company providers in jurisdictions normally associated with a strong rule of law – the US and the UK – that have tended to flout international recommendations concerning the identification of the company's owner.[25]

The third step involves the spending of some of the questionably obtained capital – now 'cleaned' through the offshore system – on social, economic and political goods. Much of this will be purely personal – the Azerbaijani banker's wife who spent £16 million in Harrods is often cited as an extreme example[26] – and will find itself in 'safe' investments abroad, such as luxury London property, providing the elite with future sources of income and assets should the situation at home ever turn against them. Yet outflows may also include more sinister activities:

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23 Weiss, M. (2014), 'The Corleones of the Caspian: How Azerbaijan's Dictator Woos the United States and Europe', *Foreign Policy*, 10 June 2014, https://foreignpolicy.com/2014/06/10/the-corleones-of-the-caspian (accessed 3 Sep. 2021).
24 Dawisha (2015), *Putin's Kleptocracy*; Belton (2020), *Putin's People*; Cooley, A. and Heathershaw, J. (2017), *Dictators Without Borders: Power and Money in Central Asia*, London: Yale University Press.
25 Findley, M., Daniel L. and Sharman, J. (2014), *Global Shell Games: Experiments in Transnational Relations, Crime, and Terrorism*, Cambridge: Cambridge University Press.
26 Casciani, D. (2020), 'Woman in £16m Harrods spend loses wealth seizure challenge', BBC News, 5 February 2020, https://www.bbc.com/news/uk-51387364 (accessed 3 Sep. 2021).

for example, 'the Azerbaijani Laundromat' scandal saw $2.9 billion funnelled through four UK shell companies over a two-year period, some of which was used on lobbying activities, including the bribing of European politicians.[27]

More sophisticated versions of this scheme will see the trusted operatives within a regime manage certain assets and accrue further capital. For example, in October 2005, a Kazakh copper company, Kazakhmys, listed on the main market of the London Stock Exchange (LSE), despite the fact that questions had been raised over the company's privatization in the 1990s and 2000s, which put virtually all of its shares in the hands of the company's senior managers, including its chairman who was an associate of Kazakhstan's president, Nursultan Nazarbayev.[28] The following year after the listing, the chairman, Vladimir Kim (Annex, numbers 48–51), gifted a 2.5 per cent share of the FTSE 100 company to one of Kazakhmys PLC's board members, Vladimir Ni (Annex, numbers 44–47) – Nazarbayev's former chief-of-staff and close friend. The gift, worth £135 million, was described by one observer as 'possibly the biggest ever loyalty payment to a single manager'.[29] Following Ni's death in 2010, a BVI company in which his family was a shareholder paid $30 million to purchase the remainder of its shares, which were owned by Assel Kurmanbayeva, the rumoured third wife of President Nazarbayev. According to the Organized Crime and Corruption Reporting Project, the BVI company is 'not known to have done any business or to have owned anything valuable, and its purpose was unclear'.[30]

Why does kleptocracy matter?

Although diplomatic relations and national security questions are most prominent in international politics, day-to-day relations between the UK and Eurasian countries are largely concerned with other matters. Much of Britain's connection to the region is through economic and financial globalization – examples have included the BP-led 'contract of the century' in Azerbaijan, the establishment of the Astana International Financial Centre court in Kazakhstan with English judges, the listing of Eurasian companies on the LSE and enormous investments in the London property market.

There is a tendency to think of this in terms of a liberal globalization process beneficial to both sides – each generating capital in a regulated and reputable environment, with abusers of the system sanctioned via asset freezes or visa bans. Yet the premise is questionable. Anyone looking to back another Kazakh-based company joining the LSE, for example, may think again after the ENRC debacle, which saw the Serious Fraud Office (SFO) open an investigation into the company

27 OCCRP (2017), 'The Azerbaijani Laundromat', 4 September 2017, https://www.occrp.org/en/azerbaijanilaundromat (accessed 3 Sep. 2021); Ljubas, Z. (2021), 'Italian Court Sentences Former Council of Europe MP for Bribery', OCCRP, 14 January 2021, https://www.occrp.org/en/daily/13628-italian-court-sentences-former-council-of-europe-mp-for-bribery (accessed 19 Nov. 2021).
28 Global Witness (2020), *Risky Business: Kazakhstan, Kazakhmys Plc and the London Stock Exchange*, p. 22, https://cdn2.globalwitness.org/archive/files/gw_riskybusiness.pdf (accessed 3 Sep. 2021).
29 Ibid., p. 21.
30 Patrucic, M., Lozovsky, I. and OCCRP Kazakhstan (2021), 'Secretive Offshore Maneuvers Enriched Unofficial Third Wife of Kazakhstani Leader Nursultan Nazarbayev', OCCRP, 3 October 2021, https://www.occrp.org/en/the-pandora-papers/secretive-offshore-maneuvers-enriched-unofficial-third-wife-of-kazakhstani-leader-nursultan-nazarbayev (accessed 19 Oct. 2021).

following allegations of fraud, bribery and corruption.[31,32] This paper thus poses the question of whether illiberal globalization is dominating UK–Eurasian economic relations, with kleptocrats and their companies joining the UK economy and society with corrosive effects for the rule of law in Britain.

Chapter 2 summarizes why the UK is a key hub for post-Soviet elites, and examines the array of people from such elites – from exiled former insiders to under-the-radar representatives of regimes still in power – who settle in the UK. It also looks at what the UK provides in terms of professional services in residency by investment ('golden visas') and property to meet the demand from these elites for places to hide and spend their suspicious wealth. Chapter 3 explores the current risk-based system of regulation to protect the UK from money laundering and finds that, despite recent promises and legislative innovations, the system remains inadequate and poorly enforced in regard to kleptocratic flows.

Chapter 4 focuses on two investigative tools introduced recently by the UK – Account Freezing Orders (AFOs) and Unexplained Wealth Orders (UWOs) – and on the professional enablers who allow post-Soviet elites to explain their wealth and sidestep this legislation. Chapter 5 discusses reputation laundering and political influence, demonstrating not merely how the rule of law is being corroded but how the UK is exposing itself to possible influence from those who retain allegiance to kleptocratic regimes. Finally, in Chapter 6, we show the damage being done to Britain and outline an anti-kleptocracy plan which, if adopted, would begin to address the structural weaknesses of its democracy.

We argue that the UK has a kleptocracy problem. The country's international reputation has already been undermined by the inflow of suspect capital from the servicing of post-Soviet elites. Beyond this question of image, there are serious questions to consider of the integrity of the UK's public institutions and the equitability of its laws. Efforts must be made to recover Britain's reputation and integrity, not simply on moral grounds, but because the fairness and efficiency of the country's rule of law are at stake.

31 Serious Fraud Office (2014), *Case Information: ENRC Ltd*, 11 September 2014, https://www.sfo.gov.uk/cases/enrc (accessed 3 Sep. 2021).
32 Reuters (2020), 'UK's Fraud Office refers employee to police amid leak allegations', 20 February 2020, https://www.reuters.com/article/uk-britain-enrc-sfo-idUKKBN20E2ND (accessed 3 Sep. 2021).

02 Supply and demand

The UK is home to a variety of post-Soviet elites. This chapter examines who comes to Britain, and how – until at least 2015 – these individuals were allowed to enter the country with few checks on the sources of their wealth.

Why does so much capital from Eurasia's kleptocratic states end up in UK assets? Why would the UK government allow thousands of members of the wealthy elites from these countries an easy route to residence – and in some cases to citizenship – at the very same time that it is conspicuously cracking down on what it describes as 'illegal immigration'? Why would the UK process these 'golden visas' – a government scheme where residence rights are provided in exchange for an investment over a certain amount – in weeks with minimal checks, while simultaneously presiding over asylum applications which are stuck for years?

The answer to these questions is not found in the economic benefit to the UK. Luxury property investment has been shown to increase inequalities,[33] while residency-by-investment schemes have 'negligible' impact on the national economy.[34]

Rather, it is a matter of supply and demand. A whole host of actors is instrumental in keeping this pattern going, frustrating much of the legislative effort to deal with the problem. Elites from burgeoning economies could not store their dubiously acquired wealth without the help of professional service providers and other prominent intermediaries and influencers in countries like the UK.

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33 Transparency International UK (2017), *Faulty Towers: Understanding the impact of overseas corruption on the London property market*, March 2017, https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_Faulty_Towers_August_24.pdf (accessed 3 Sep. 2021); Hickel, J. (2018), *The Divide: Global Inequality from Conquest to Free Markets*, New York: WW Norton & Company.
34 Surak, K. and Tsuzuki, Y. (2021), 'Are golden visas a golden opportunity? Assessing the economic origins and outcomes of residence by investment programmes in the EU', *Journal of Ethnic and Migration Studies*, 47(15): pp. 3367–89, doi:10.1080/1369183X.2021.1915755 (accessed 19 Oct. 2021).

This paper's broad approach to enablers – encompassing both financial and non-financial, regulated and unregulated sectors – is necessary to capture the political and networked nature of the professional services routinely provided to well-connected and wealthy actors from post-Soviet states. Transnational kleptocracy is not confined to particular sectors and neither are its enablers.

The intention is to focus attention on the 'supply' side of the problem. It is not simply a matter of demand from Eurasia which will be met elsewhere if not here. UK-based enablers and their overseas partners provide an unrivalled set of hiding and laundering services which generates demand from kleptocrats.

The business of enabling

London has no shortage of lawyers, estate agents and wealth managers offering bespoke instruments for post-Soviet elites to hide their money and gain respectability. Individually, each of these service providers may facilitate a transaction that is legal and within established norms and codes of ethical conduct of these professions. But, although the coordination of enabling activities is usually not done through explicit joint intent, the services provided by the wealth manager, the estate agent and the PR adviser, as well as the welcome from 'respectable' UK individuals, complement each other and in many ways could not exist independently.

Guidance from various UK bodies indicates that wealthy individuals from corruption hotspots, especially PEPs, pose a significant money-laundering risk.[35] Yet large parts of the services industry seem to subscribe to the ethos that capital is supreme.[36] In a recent presentation from a representative of a company that offers to help high-net-worth individuals 'understand and react to media perception',[37] we learn that non-UK political figures and their families are subject to 'distinct negative bias'[38] and that a close connection between business and politics is merely 'a facet of culture or also somehow aspirational'.[39]

Such companies will help such people who are moving to the UK craft a 'coherent narrative' for who they are,[40] and will advise them against 'out of place' investments that will draw unwanted attention.[41] They will often work with law firms who will be able to help the client purchase property, prevent critical press coverage via

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35 FCA (2017), *Finalised Guidance: FG 17/6 The treatment of politically exposed persons for anti-money laundering purposes*.
36 Transparency International UK (2019), *At Your Service: Investigating how UK businesses and institutions help corrupt individuals and regimes launder their money and reputations*, 24 October 2019, https://www.transparency.org.uk/sites/default/files/pdf/publications/TIUK_AtYourService_WEB.pdf (accessed 3 Sep. 2021).
37 Strela Advisory (2021), https://www.strela-advisory.com (accessed 3 Sep. 2021).
38 PCD Club (2021), 'Unexplained Wealth Orders (A discussion on the impact of Unexplained Wealth Orders have on HNW & UHNW clients with connections to the UK)', YouTube recording, March 2021, https://www.youtube.com/watch?v=HUn3IaqZ_m8 (accessed 19 Oct. 2021), 59'10. [Video was previously available publicly but is now labelled as 'private'].
39 Ibid., 59'54.
40 Ibid., 1'07'30.
41 Ibid., 1'05'00.

'cease and desist letters' to journalists and NGOs, and suggest 'family office' wealth managers[42] who can place the client's funds in safe, profitable projects.

Reputations are burnished in different ways: through the creation of charitable foundations; philanthropic giving; the support of think-tanks and academic programmes at elite universities; the acquisition of prestigious commodities such as football clubs; or the endorsement of a member of the Western elite. There is often a distinct contrast between an individual's philanthropic activities – which must be publicized – and his or her private wealth, investments and assets – where the emphasis is on maintaining secrecy at all costs.

'Our kind of kleptocrat'

London and the UK have acted as a magnet for elites around the world for a range of reasons. From easy access to financial secrecy systems, to the breadth of luxury assets available, to the welcoming admissions and donation policies of elite British universities – it is clear why London has become a global hub for these figures, including those who have earned their money through corrupt or dubious business practices.

Members of Azerbaijan's Aliyev and Pashayev families directly or through associates spent over £400 million on UK property.

However, not all post-Soviet elites are created equal and not all receive equal treatment on arrival. Assessing the various elites from kleptocracies, three primary types emerge.

The first type centres on those figures who, while in the UK, support, or are, the ruling powers overseeing their home nation – for example, Vladimir Putin's regime in Russia and that of Ilham Aliyev in Azerbaijan. Many of these people appear to ensconce themselves within the broader Western body politic, layering their assets via British shell companies and British property and luxury goods, sometimes reinventing themselves as 'philanthropists' interested in funding the educations and opportunities of rising generations of UK citizens. Some become naturalized UK citizens themselves – providing them with both greater security and new opportunities such as political donations (see Chapter 5).

In so doing, these figures successfully become effective 'bridges' between the West and their countries of origin – all while enjoying the financial benefits associated with kleptocracy. Quintessential examples of this type are members of the Aliyev and Pashayev families of Azerbaijan who, having made fortunes from state control of the economy, directly or through associates spent over £400 million on UK property between 2006 and 2017 (Annex, numbers 3–26). Meanwhile, Nargiz

42 Martin, K., Wigglesworth, R. and Fletcher, L. (2021), "They can do what they want': Archegos and the $6tn world of the family office', *Financial Times*, 2 April 2021, https://www.ft.com/content/c319839d-d185-4e8a-bbc7-659bebe58031 (accessed 3 Sep. 2021).

Pashayeva, a sister-in-law of President Aliyev, sits on the board of a centre for the study of Azerbaijan and Central Asia at the University of Oxford established in 2018 after a £10 million endowment was gifted by an undisclosed donor.[43]

The second type of elite centres on those who maintain a low profile, including those who are or were previously an opponent of the government overseeing their country of origin.

An example of this second type would be Maxim Bakiyev, the son of former Kyrgyz president Kurmanbek Bakiyev. Maxim Bakiyev successfully claimed asylum in the UK, despite strong evidence – later confirmed by an asset recovery programme[44] – that he had stolen Kyrgyz state funds.[45] While they enjoy the largesse of their business success in kleptocratic states – Maxim Bakiyev purchased a £3.5 million mansion in Surrey[46] (Annex, number 62) – these figures style themselves as 'non-political'. In framing themselves in this way and adapting their behaviour accordingly, these figures enjoy their newly acquired British assets in relative peace.

The third type of elite is the previously kleptocratic figure who elects to use their wealth and stature to agitate against the regime from abroad. In doing so, they find themselves targeted by Western investigators, pressured by the regime from which they emerged.

Such phenomena are seen most clearly in the case of Mukhtar Ablyazov (Annex, numbers 57–61), a former government minister and bank chairman in Kazakhstan and the alleged perpetrator of one of the largest frauds to appear before a court in the UK.[47] Ablyazov has become an exemplary case study in how such figures can find themselves hemmed in by governments both near and far. Ablyazov was initially given asylum in the UK, but was stripped of it after he was found in contempt of the UK High Court for failing to reveal his assets and fleeing to France.[48]

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43 Matthews, D. (2021), 'Concern over Azerbaijan ruling family influence at Oxford centre', *Times Higher Education*, 22 July 2021, https://www.timeshighereducation.com/news/concern-over-azerbaijan-ruling-family-influence-oxford-centre (accessed 4 Sep. 2021).
44 World Bank Stolen Asset Recovery Initiative (STaR) (2021), 'Working with the Republic of Kyrgyzstan', https://star.worldbank.org/working-republic-kyrgyzstan (accessed 3 Sep. 2021).
45 Soon after a revolution removed President Bakiyev from power in April 2010, the new Kyrgyz authorities accused Maxim and a group of his associates of financial crimes, including the theft of state funds. (Global Witness documented these allegations in its June 2012 report *Grave Secrecy*.) The Kyrgyz prosecutor indicted Maxim Bakiyev on a variety of charges and Bakiyev was convicted in absentia on corruption charges in May 2013. Maxim Bakiyev claimed these charges were politically motivated. However, in 2019 the World Bank's STar Initiative said it had repatriated $4.6 million from the US to Kyrgyzstan that had been 'stolen from the Kyrgyz government by Maxim Bakiyev… and his inner circle'. See Global Witness (2012), *Grave Secrecy: How a Dead Man Can Own A UK Company and Other Hair-raising Stories About Hidden Company Ownership from Kyrgyzstan and Beyond*, June 2012, https://cdn.globalwitness.org/archive/files/gravesecrecy.pdf (accessed 3 Sep. 2021); BBC News (2013), 'Kyrgyzstan convicts ex-leader's son Maxim Bakiyev', 27 March 2013, https://www.bbc.com/news/world-asia-21958401 (accessed 3 Sep. 2021); STaR (2021), 'Working with the Republic of Kyrgyzstan'.
46 Global Witness (2015), 'Surrey Mansion Used to Hide Suspect Funds', 25 March 2015, https://www.globalwitness.org/en/reports/surrey-mansion-used-hide-suspect-funds (accessed 3 Sep. 2021).
47 Ridley, K. (2013), 'English judge says fugitive oligarch defrauded Kazakh bank BTA', Reuters, 19 March 2013, https://www.reuters.com/article/uk-ablyazov-ruling-idUKBRE92I11J20130319 (accessed 3 Sep. 2021); Hawley, S., Havenhand, G. and Robinson, T. (2021), 'Red Carpet for Dirty Money: How the UK's Golden Visa Regime Urgently Needs Further Reform and More Transparency', *Spotlight on Corruption*, July 2021, https://usercontent.one/wp/www.spotlightcorruption.org/wp-content/uploads/2021/07/Golden-Visa-Briefing.-Final1.pdf (accessed 3 Sep. 2021).
48 Dinmore, G. (2014), 'UK to revoke asylum status of Kazakh banker-activist', *Financial Times*, 16 April 2014, https://www.ft.com/content/c22e50d0-c53e-11e3-89a9-00144feabdc0 (accessed 3 Sep. 2021).

These three types of Eurasian elite highlight not just how both the insiders and exiles of brutal regimes in the post-Soviet region have turned to the UK, but their differing treatment since leaving their host countries. It is in that discrepancy that we can discern how, and why, these elites have been able to remain in the UK – or not. While some details of each case differ, one thing seems clear: so long as elites keep a low profile and pose no threat to the regimes overseeing their countries of origin, they rarely need to be concerned with their futures in Britain – even if they are laundering money and reputations.

'Golden visas': a national embarrassment

The most effective means for Eurasian and other elites to achieve their aims is to secure residency and eventually become naturalized UK citizens.

First, we examine the 'golden visa' Tier 1 (Investor) scheme which has provided the means of residency in the UK, and ultimately British citizenship, for over a thousand members of elites from post-Soviet kleptocracies.

Many European nations maintain schemes providing a 'fast track' to residency for wealthy individuals investing a defined amount of money in the country. However, some of these schemes have been flagged for posing money-laundering risks, and in 2020 the European Commission opened infringement procedures against Cyprus and Malta for 'selling' EU citizenship.[49] The UK has operated such a 'golden' investor visa scheme since 1994. However, its rebranding as the Tier 1 (Investor) Visa in 2008 in response to the financial crisis has proven to be an embarrassment for the UK government in its failure to realize the money-laundering and security risks that such a scheme presents. According to the NGO Spotlight on Corruption, 6,312 'golden visas' – one-half of all such visas ever issued – are being reviewed for possible national security risks by the Home Office.[50]

The system in place from 2008 to early 2015 was particularly egregious as the checks that were carried out on the applicants were the sole responsibility of the law firms and wealth managers representing them. The state had thus no oversight on the more than 3,000 individuals who were granted visas during this time, leading it to be dubbed 'the blind faith' period by Transparency International UK.[51]

Applications from Chinese nationals accounted for the greatest number of visas granted between 2008 and 2015. The second largest group by nationality were Russian citizens, totalling 705 people or 23 per cent of the total visas granted.[52] Kazakh citizens were the fifth-largest group, totalling 206 applicants. As

49 Global Witness (2018), 'European Getaway: Inside the Murky World of Golden Visas', 18 October 2018, https://www.globalwitness.org/en/campaigns/corruption-and-money-laundering/european-getaway; European Commission (2018), 'Investor citizenship schemes: European Commission opens infringements against Cyprus and Malta for "selling" EU citizenship', 20 October 2018, https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1925 (accessed 6 Dec. 2021).
50 Hawley, Havenhand and Robinson (2021), 'Red Carpet for Dirty Money'.
51 Goodrich, S. (2016), 'Plummet In Number Of Golden Visas Granted After 'Blind Faith' Period Ends', *Transparency International UK*, 25 February 2016, https://www.transparency.org.uk/golden-opportunity-tackle-corruption-through-tier-1-investment-visa-scheme (accessed 3 Sep. 2021).
52 Bedingfield, W. (2020), 'How the golden visa scheme let Russian money pour into the UK', *Wired*, 23 July 2020, https://www.wired.co.uk/article/russia-report-golden-visas (accessed 3 Sep. 2021).

Kazakhstan is a country where just 162 people own 55 per cent of the wealth,[53] this suggests that the UK may have granted residency to a significant proportion of that country's kleptocratic elite.

In October 2015, Transparency International UK released a report commenting that it was 'highly likely that substantial amounts of corrupt wealth from China and Russia have been laundered into the UK' through the Tier 1 scheme.[54] These concerns were confirmed by the UK parliament's Intelligence and Security Committee's investigation on Russia, published in July 2020, which highlighted that: 'It is widely recognised that the key to London's appeal [for Russian oligarchs and their money] was the exploitation of the UK's investor visa scheme.'[55]

Among those individuals known to have acquired a Tier 1 visa are: Zamira Hajiyeva, the wife of a former chair of Azerbaijan's state bank and the recipient of the UK's first ever UWO; Izzat Javadova, a cousin of the Azerbaijani president, who was forced in 2021 to hand £4 million of unlawfully acquired money to the NCA;[56] and, from Kazakhstan, Madiyar Ablyazov, son of Mukhtar Ablyazov.

One-half of all 'golden visas' ever issued are being reviewed for possible national security risks by the Home Office.

UK government revisions to the 'golden visa' regime that came into force in November 2014 increased the investment threshold from £1 million to £2 million, and gave immigration officers the power to refuse visa applicants if they had reasonable grounds to believe that the funds had been obtained unlawfully. A requirement to hold a UK bank account (thus passing the burden of due diligence to bank managers and compliance officers) was also added in April 2015.

Applications for the scheme surged before the 2014/15 revisions and declined dramatically thereafter. For example, 126 applications were made from Russia in 2013, 241 in 2014, but just 30 in the first nine months of 2015.[57] This indicates the role of supply – and of legal enabling – in generating demand from states with high levels of corruption.

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53 KPMG (2019), 'Private equity market in Kazakhstan', KPMG in Kazakhstan and Central Asia, May 2019, p. 24, https://assets.kpmg/content/dam/kpmg/kz/pdf/2019/09/KPMG-Private-Equity-Market-in-Kazakhstan-ENG-2019.pdf (accessed 3 Sep. 2021).
54 Goodrich (2016), 'Plummet In Number Of Golden Visas Granted After 'Blind Faith' Period Ends'.
55 Intelligence and Security Committee of Parliament (2020), *Russia*, House of Commons (UK Parliament), 21 July 2020, p. 15, https://isc.independent.gov.uk/wp-content/uploads/2021/03/CCS207_CCS0221966010-001_Russia-Report-v02-Web_Accessible.pdf (accessed 3 Sep. 2021).
56 Bentham, M. (2021), "Laundromat' couple hand over £4m after Evening Standard win', *Evening Standard*, 5 July 2021, https://www.standard.co.uk/news/uk/laundromat-couple-izzat-khanim-javadova-suleyman-javadov-4m-pounds-evening-standard-win-b944136.html (accessed 3 Sep. 2021).
57 Tier 1 (Investor) entry clearance visa applications by country of nationality, main applicants, https://www.whatdotheyknow.com/request/details_of_tier_1_investor_visa#incoming-753828 (accessed 19 Oct. 2021).

Despite the tightening of access, Tier 1 applications have a high success rate, perhaps due to the effectiveness of legal assistance offered to applicants. From 2008 to 2019, only 9 per cent of 'golden visa' applications were rejected, compared to 42 per cent of asylum applications.[58]

The UK government temporarily suspended the scheme in 2018, due to concerns over money laundering,[59] but its latest iteration still has serious flaws and loopholes. In April 2021, the UK Court of Appeal ruled that circular investments from companies registered in Britain but re-invested into Russian companies by Russian citizens were legal, in effect undermining the main motivation for the introduction of the visa scheme in the first place – i.e. generating capital for the UK.[60] Even if this practice was outlawed, academic research has shown that 'golden visa' programmes may plug short-term economic gaps, but have negligible national-level economic impact,[61] with recent research showing that it is not clear whether it has a positive net effect on the real economy.[62]

Kleptocrats in residence

There is no question that 'golden visa' recipients are major customers in the luxury property market which has continued to boom in London and southeast England.

Between 2010 and 2012, Gulnara Karimova, the daughter of the then president of Uzbekistan, bought property in the UK worth over £35.2 million. This formed part of a worldwide property portfolio valued at around £200 million.[63] The vast majority of Karimova's fortune had been obtained by bribery – according to the US Department of Justice, she received more than $865 million in bribes from international telecoms companies looking to access Uzbek markets, which she then laundered through the US financial system.[64] In October 2018, the SFO announced it had launched a claim under Part 5 of the Proceeds of Crime Act 2002 for civil recovery of three UK properties owned by Karimova that were obtained using the proceeds of these corrupt deals.[65]

This story is illustrative of a wider picture visible in our open-source database of property purchases. In the period from 1998 to 2020, the database records 97 purchases by elites from Eurasian kleptocracies (see Annex; this includes 88 where the purchase price or valuation is included in the Land Registry title,

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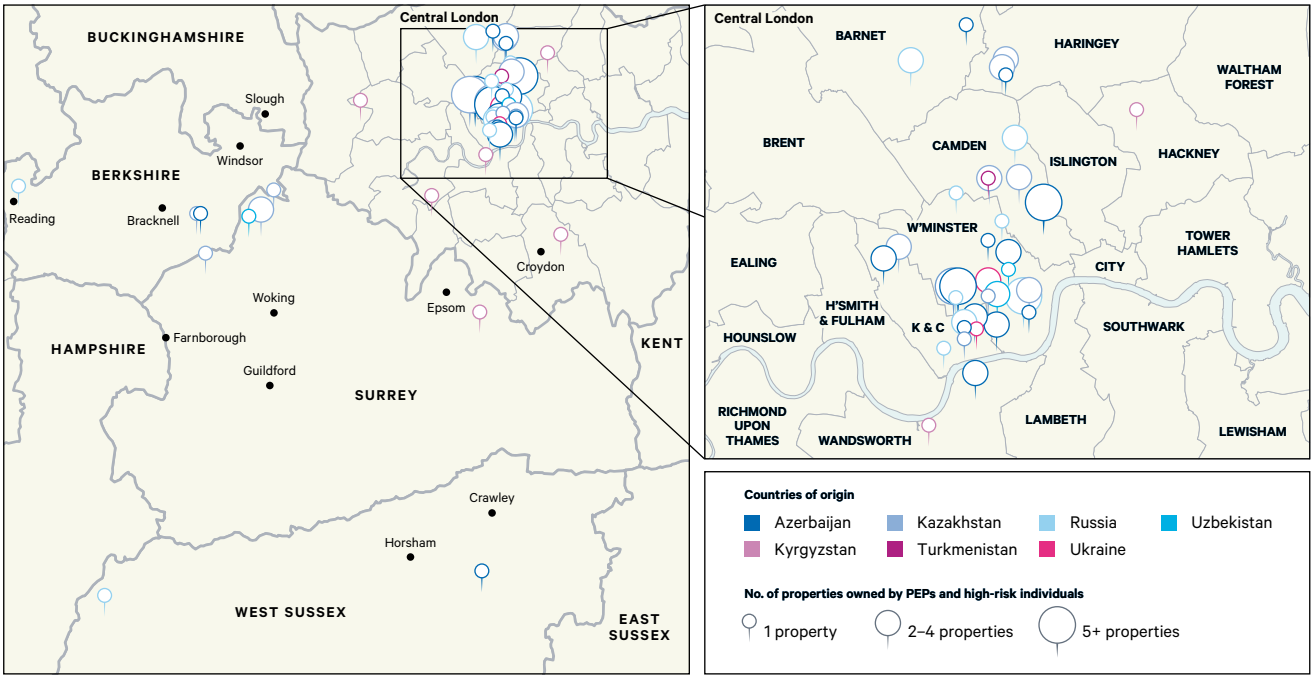
58 Hawley, Havenhand and Robinson (2021), 'Red Carpet for Dirty Money', p. 8.
59 BBC News (2018), 'Investor visa scheme halted in money laundering crackdown', 6 December 2018, https://www.bbc.co.uk/news/uk-46463319 (accessed 3 Sep. 2021).
60 Hawley, Havenhand and Robinson (2021), 'Red Carpet for Dirty Money'.
61 Surak and Tsuzuki (2021), 'Are golden visas a golden opportunity?'.
62 Surak, K. (2021), 'Are golden visas a golden opportunity for economic development?', *LSE Business Review*, 26 May 2021, https://blogs.lse.ac.uk/businessreview/2021/05/26/are-golden-visas-a-golden-opportunity-for-economic-development (accessed 3 Sep. 2021).
63 Authors' own research based on Land Registry documents and other information.
64 Department of Justice, U.S. Attorney's Office, Southern District of New York (2019), 'Former Uzbek Government Official And Uzbek Telecommunications Executive Charged In Bribery And Money Laundering Scheme Involving The Payment Of Nearly $1 Billion In Bribes', US Department of Justice, 7 March 2019, https://www.justice.gov/usao-sdny/pr/former-uzbek-government-official-and-uzbek-telecommunications-executive-charged-bribery (accessed 3 Sep. 2021).
65 The Gazette Official Public Record (2019), 'Other Notices: Notice Of The Issue Of A Claim For A Civil Recovery Order In The Matter Of Director Of The Serious Fraud Office (Claimant) And Gulnara Karimova Et Al (Defendants)', *The London Gazette*, 13 December 2019, https://www.thegazette.co.uk/notice/3449404 (accessed 15 Sep. 2021).

Figure 1. Map of properties in London and the southeast



Source: Authors' own research.

with a total value of almost £2 billion). The vast majority of these are owned by kleptocrats and their associates in three resource-rich countries – Azerbaijan, Kazakhstan and Russia – while millions of their fellow citizens remained in poverty in the years following new oil and gas fields coming online. The majority of these properties were bought with offshore companies. Given that around £16 billion in property sales to offshore companies were recorded per year, alongside a surge of 'golden visa' awards, from 2012 to 2014 alone, our database plausibly represents the tip of a very large iceberg of sales to likely kleptocrats and their associates.[66]

In the UK, an enormous service industry surrounds Russian and post-Soviet elites looking to find a safe – and satisfying – home for their wealth. This industry understands their desires for both privacy and status.[67] Legal mechanisms, addressed in the following chapters, have not yet provided an adequate solution to such practices, due especially to weak enforcement. (See, for instance, the wholesale lack of enforcement surrounding the UK's company registry.[68])

66 More than 12,500 London properties worth over £48.5 billion were sold by offshore companies in 2012–14, while a total 36,342 London properties totalling 2.25 sq miles in area were held by offshore companies. See Transparency International (2015), *UK Property Gives Global Corrupt A Home*, 4 March 2015, https://www.transparency.org/en/press/uk-property-gives-global-corrupt-a-home (accessed 15 Sep. 2021).
67 For more on this industry and Russian society in London, see Schimpfössl, E. (2018), *Rich Russians: From Oligarchs to Bourgeoisie*, Oxford: Oxford University Press.
68 Bullough, O. (2019), 'How Britain can help you get away with stealing millions: a five-step guide', *Guardian*, 5 July 2019, https://www.theguardian.com/world/2019/jul/05/how-britain-can-help-you-get-away-with-stealing-millions-a-five-step-guide (accessed 3 Sep. 2021).

The main problem is not that elites from kleptocracies have become unfathomably wealthy. It is whether the acquisition of that wealth should be considered legal or not when it took place in countries where the rule of law is absent and law courts are controlled by the same political interests. It is this very opacity which is exploited by the UK's services industry and which remains largely untouched by the regulators' current 'risk-based approach'.

03
The global money-laundering capital?

The UK is often presented as one of the best regulated countries in the world in regard to money laundering. Yet it is also considered by some as the global capital of money laundering. We reconcile these two claims by examining how UK regulations, while strong on tackling organized crime, are ill equipped to prevent capital flight from kleptocracies.

To assess the regulatory challenge with regard to transnational kleptocracy between the UK and post-Soviet states, we must recognize its larger geography. Corruptly acquired capital does not merely flow to 'havens' in Europe and the US, but also increasingly to Middle Eastern and Asian financial centres such as Dubai, Hong Kong and Singapore.[69] This is truly a global problem. For example, much of the illicit wealth of Nigerian dictator Sani Abacha ended up in UK banks,[70] while Riggs Bank in Washington DC held millions of dollars belonging to former Chilean president Augusto Pinochet and President Teodoro Obiang of Equatorial Guinea.[71]

Holding political office presents possibilities for power to be abused for illicit gain, especially in countries where the rule of law is limited or absent. Despite this, regulatory and legislative attempts to address the high money-laundering

69 Soares de Oliveira, R. (2020), 'African oligarchs turn to Asian offshore locations', *Financial Times*, 12 January 2020, https://www.ft.com/content/806e7d95-7921-43fb-8bbf-8100ae295fd1 (accessed 3 Sep. 2021).
70 Osborn, A. (2000), 'Abacha's stolen millions 'in British banks'", *Guardian*, 10 May 2000, https://www.theguardian.com/world/2000/may/10/andrewosborn (accessed 3 Sep. 2021).
71 Hansell, S. (2005), 'Riggs National Will Settle Spanish Suit Linked to Pinochet', *New York Times*, 26 February 2005, https://www.nytimes.com/2005/02/26/business/worldbusiness/riggs-national-will-settle-spanish-suit-linked-to.html (accessed 3 Sep. 2021).

risk posed by some non-UK state officials are a relatively new phenomenon. There was no acknowledgment of this issue in the laws that made money laundering a criminal offence in the UK in the early 1990s,[72] nor in the Proceeds of Crime Act of 2002 (POCA 2002) or a revised set of money-laundering regulations adopted in 2003.[73] It was only addressed in the next version of the regulations issued in 2007, which introduced the concept of the PEP to UK law.[74]

One important, but controversial, element of POCA 2002 was that it criminalized the failure to report a suspicion or knowledge of money laundering in a regulated industry. The reporting of such suspicions is done through the submission of a suspicious activity report (SAR) to the NCA's Financial Intelligence Unit.

From a legislative point of view, this framework appears strong enough to deal with the dangers posed by PEPs from autocratic regimes. The regulations require that PEPs are:

- identified;
- subject to enhanced due diligence; and
- that the authorities are notified of suspicions regarding the source of funds.

As is often repeated by UK government ministers, in 2018 the UK received the most favourable rating of the 60 countries evaluated by the FATF in the preceding five years in regard to its policies to combat money laundering. However, the British – and the global – AML framework is inadequately configured to deal with preventing capital flight from kleptocracies[75] while there are flaws in the legislation itself, its implementation and its enforcement in regard to PEP-related money transfers.

Legislative issues

Current UK money-laundering regulations stipulate that enhanced due diligence must be carried out on clients from high-risk jurisdictions, and on transactions between parties based in such countries. The list of 'high-risk third countries' is decided by the European Commission – despite Brexit, the UK abides by this list, which is updated periodically.[76] The current list contains countries of origin of major terrorist organizations (for example, Iraq, Pakistan, Syria and Yemen) and those countries viewed as deficient in their AML controls (Jamaica, Trinidad

72 UK Government (1991, 1993 and 1994), The Criminal Justice Act 1991 https://www.legislation.gov.uk/ukpga/1991/53/contents, The Drug Trafficking Act 1994 https://www.legislation.gov.uk/ukpga/1994/37/contents and The Money Laundering Regulations 1993 https://www.legislation.gov.uk/uksi/1993/1933/contents/made (accessed 3 Sep. 2021).
73 UK Government (2003), The Money Laundering Regulations 2003, https://www.legislation.gov.uk/uksi/2003/3075/contents/made (accessed 3 Sep. 2021).
74 UK Government (2007), The Money Laundering Regulations 2007, https://www.legislation.gov.uk/uksi/2007/2157/contents/made (accessed 3 Sep. 2021).
75 Mayne, T. (2021), 'Pandora leaks show kleptocracy is flourishing in the UK', Chatham House Expert Comment, 21 October 2021, https://www.chathamhouse.org/2021/10/pandora-leaks-show-kleptocracy-flourishing-uk (accessed 15 Nov. 2021).
76 According to UK's Money Laundering and Terrorist Financing (Amendment) (High-Risk Countries) Regulations 2021. See https://www.legislation.gov.uk/uksi/2021/392/contents/made.

and Tobago, and Vanuatu).[77] However, as leading money-laundering experts have argued, 'Jurisdictions end up on these lists for failing to implement a set of international standards, not necessarily because they pose actual money laundering or tax evasion/avoidance threats. As a result, there is a tenuous relationship between actual risk and the propensity to end up on such lists.'[78]

The list – which is also highly politicized[79] – does not account for the fact that in kleptocracies the actual laws and regulations surrounding money laundering may be strong, but weak enforcement and a failing rule of law allows these countries' leaders to transfer money out of the country at will. The money-laundering regulations also refer to other indicators of geographic risk, including, for example, FATF's mutual evaluations. However, it is striking that none of Eurasia's most prominent kleptocracies – and indeed none of the former Soviet republics – feature on either the high-risk third country list[80] or FATF's 'grey list'.[81] This is despite many of them being world leaders in 'grand corruption', concentrating power in cliques around the political leadership. The list has the unfortunate effect of stigmatizing low-frequency financial flows from countries such as Jamaica, while legitimizing much larger flows from corruption hotspots such as Kazakhstan.

Implementation

One could argue that the absence of Eurasian kleptocracies from the high-risk list is not significant, as enhanced due diligence is not only required on PEPs but also on clients that pose a high risk. Guidance issued by the FCA includes specific factors that should be used to ascertain whether any individual poses a higher risk in regard to money laundering.

These factors – such as 'personal wealth or lifestyle inconsistent with known legitimate sources of income or wealth', 'wealth derived from preferential access to the privatization of former state assets', and 'wealth derived from commerce in industry sectors associated with high-barriers to entry or a lack of competition, particularly where these barriers stem from law, regulation or other government

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77 European Commission (2015) (revised on 7 May 2020), 'EU policy on high-risk third countries', https://ec.europa.eu/info/business-economy-euro/banking-and-finance/financial-supervision-and-risk-management/anti-money-laundering-and-counter-terrorist-financing/eu-policy-high-risk-third-countries_en (accessed 3 Sep. 2021).
78 UN FACTI (2020), *Anti-Corruption Measures*, 20 July 2020, https://assets-global.website-files.com/5e0bd9edab846816e263d633/5f15bdfd2d5bdd2c58a76854_FACTI%20BP5%20-%20Anti%20corruption%20measures.pdf (accessed 3 Sep. 2021), p. 14.
79 EU member governments removed Saudi Arabia – at the time head of the G20 – from the list, after pressure from the Saudi government. See Guarascio, F./Reuters (2019), 'After Saudi king's letter, EU states move to block dirty-money list', Euronews, 9 December 2019, https://www.euronews.com/2019/02/28/eu-states-move-toward-possible-rejection-of-money-laundering-blacklist (accessed 3 Sep. 2021).
80 The list of 'high-risk third countries' – those that pose significant threats to the financial system of the European Union – as at September 2021, this comprised Afghanistan, the Bahamas, Barbados, Botswana, Cambodia, the Democratic People's Republic of Korea, Ghana, Iran, Iraq, Jamaica, Mauritius, Myanmar, Nicaragua, Pakistan, Panama, Syria, Trinidad and Tobago, Uganda, Vanuatu, Yemen and Zimbabwe. European Commission (2015), 'EU policy on high-risk third countries' (revised on 7 May 2020).
81 The current list of 'Jurisdictions under Increased Monitoring' (commonly referred to as the FATF 'grey list') at the time of writing (September 2021) consists of Albania, Barbados, Botswana, Burkina Faso, Cambodia, the Cayman Islands, Haiti, Jamaica, Malta, Mauritius, Morocco, Myanmar, Nicaragua, Pakistan, Panama, the Philippines, Senegal, South Sudan, Syria, Uganda, Yemen and Zimbabwe. FATF (2021), 'Jurisdictions under Increased Monitoring - June 2021', June 2021, https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-june-2021.html (accessed 3 Sep. 2021).

policy'[82] – determine that both politicians and most senior businesspeople from Eurasian states should be considered high-risk. Indeed, the risk factors are so well defined that UK government bodies would have the capability of assessing these factors against each country.

What is highlighted in such guidance is in essence the 'risk-based approach', introduced in the 2007 UK Money Laundering Regulations. This means that professionals in regulated industries such as banking, property and accountancy should assess various risk factors and adjust the level of scrutiny depending on the apparent risk of money laundering, with enhanced due diligence mandatory in certain circumstances, including on all PEPs.

Banks appear to have become risk-averse – operating blanket restrictions on certain kinds of transactions – while being risk-insensitive and failing to identify actual cases of potential money laundering.

However, there are indications that the risk-based approach is largely ignored in the financial sector. A recent study saw approaches made to all banks in the worldwide SWIFT network regarding the possibility of opening an account by a range of different entities posing varying degrees of risk – for example, a company registered in the UK and a company registered in Pakistan. One would expect that higher-risk clients would receive fewer positive responses. However, this was not the case: '[C]ontrary to the risk-based approach, the central regulatory principle of international banking… we find that banks are remarkably insensitive to risk.'[83] UK banks fared no better when compared to the larger data set.

It is obvious that those looking to enable dubious transactions will ignore a risk-based approach, but this research suggests that the problem is more structural. Banks appear to have become risk-averse – operating blanket restrictions on certain kinds of transactions – while being risk-insensitive and failing to identify actual cases of potential money laundering. It is more difficult to assess how widespread this practice is in other regulated industries, as there are inherent problems in trying to conduct similar experiments in other businesses that require a more direct relationship with a client.

However, the latest report by the Office for Professional Bodies Anti-Money Laundering Supervision (OPBAS) – a UK government body set up to oversee the professional bodies that supervise legal and accountancy firms and companies in regard to their anti-money laundering procedures – found that the vast majority

82 FCA (2017), *Finalised Guidance: FG 17/6 The treatment of politically exposed persons for anti-money laundering purposes*, p. 10.
83 Findley, M., Nielson, D. and Sharman, J. (2021), 'Behavioral Institutionalism: A Global Field Experiment in Regulatory Compliance in the Finance Industry', Conference paper, Central Bank of the Bahamas, 27 January 2021.

(81 per cent) of the 22 professional bodies had not implemented an effective risk-based approach, and only one-third of them were effective in developing and recording adequate risk profiles for their sector.[84]

Some publicized examples of non-compliance indicate that the failure to identify risk is a crucial part of enabling. In 2015, Leyla and Arzu Aliyeva, the daughters of the president of Azerbaijan, attempted to buy two luxury apartments in Knightsbridge for £59.5 million. The solicitor representing them in the transaction failed to identify them as PEPs,[85] and was referred to a disciplinary tribunal for failing to detect 'a significant risk of money-laundering',[86] fined £45,000[87] and ordered to pay a further £40,000 in costs.[88] Not identifying clients as PEPs would have allowed the solicitor to avoid enhanced due diligence, thus simplifying the transaction and removing the need to address any troubling questions that extra scrutiny may have raised.

Current legislation states that enhanced due diligence no longer has to be performed on a PEP once they have been out of political office for longer than one year. For relatives of PEPs, there is no 'cool off' period, meaning that as soon as their relative leaves office, enhanced due diligence need not be applied. These individuals may continue to be viewed as posing a high risk of money laundering for other reasons – and the regulations say that a PEP could be subject to enhanced scrutiny 'for such longer period as the relevant person considers appropriate to address risks of money laundering'[89] – but this is seen as a matter of judgment, again part of the 'risk-based approach'.

PEPs no longer in office, and their relatives, may be less likely to be able to gain illicit benefits, but any wealth accrued previously will continue to be at their disposal and many will retain the ability to request political favours. It seems rather short-sighted that, irrespective of the legitimacy of their wealth, relatives of corrupt former leaders from Eurasia – Kyrgyzstan's Askar Akaev and Kurmanbek Bakiyev, Turkmenistan's Saparmurat Niyazov and Uzbekistan's Islam Karimov – are no longer classed as PEPs under the provisions of the legislation.[90,91]

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84 OPBAS/FCA (2021), *Anti-Money Laundering Supervision by the Legal and Accountancy Professional Body Supervisors: Progress and themes from our 2020/21 supervisory assessments*, September 2021, https://www.fca.org.uk/publication/opbas/supervisory-assessments-progress-themes-2020-21.pdf (accessed 6 Oct. 2021), para 2.10.
85 Solicitors Tribunal (2018), 'Solicitors Disciplinary Tribunal Case No. 11805-2018 between Solicitors Regulation Authority (applicant) and Khalid Mohammed Sharif (Respondent)', Solicitors Disciplinary Tribunal, 11 December 2018, https://www.solicitorstribunal.org.uk/sites/default/files-sdt/11805.2018.Sharif.pdf (accessed 14 Sep. 2021); Harding, L. (2018), 'Azerbaijan leader's daughters tried to buy £60m London home with offshore funds', *Guardian*, 21 December 2018, https://www.theguardian.com/uk-news/2018/dec/21/azerbaijan-leaders-daughters-tried-to-buy-60m-london-home-with-offshore-funds (accessed Sep. 2021).
86 Harding, L. (2018), 'UK law firm accused of failings over Azerbaijan leader's daughters' offshore assets', *Guardian*, 16 May 2018, https://www.theguardian.com/world/2018/may/16/uk-law-firm-accused-of-failings-over-azerbaijan-leaders-daughters-offshore-assets (accessed 3 Sep. 2021).
87 Solicitors Tribunal (2018), 'Solicitors Disciplinary Tribunal Case No. 11805-2018 between Solicitors Regulation Authority (applicant) and Khalid Mohammed Sharif (Respondent)'.
88 *The Times* (2019), 'London lawyer fined £85,000 over Panama Papers revelations', 15 January 2019, https://www.thetimes.co.uk/article/london-lawyer-fined-85-000-over-panama-papers-revelations-sztgn9nt2 (accessed 3 Sep. 2021).
89 UK Government (2017), Section 35.9.b of 'The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017', https://www.legislation.gov.uk/uksi/2017/692/part/3/chapter/2/made/data.pdf (accessed 15 Sep. 2021).
90 For more on the cases involving the relatives of these leaders, see Cooley and Heathershaw (2017), *Dictators Without Borders*.
91 Crude Accountability (2021), *Turkmenistan: A Model Kleptocracy*, June 2021, https://crudeaccountability.org/wp-content/uploads/web_Turkmenistan_A_Model_Kleptocracy_report.pdf, p. 83 (accessed 3 Sep. 2021).

Enforcement

Much has been written about the inadequacy of the current suspicious activity report (SAR) system. In 2019/20, regulated industries filed 573,085 SARs – 20 per cent more than in 2018/19 – the vast majority of which (75.4 per cent) were issued by banks.[92] Again, this suggests a risk-averse response that is also risk-insensitive. The system thus relies on the NCA to be able to deal with the information it receives, so that it can act appropriately when investigation reveals evidence of criminal funds. However, according to Finance Uncovered, an investigative journalism training and reporting project, the NCA's Financial Intelligence Unit only has 118 employees to scrutinize SARs. Moreover, we understand that dozens of posts remain unfilled as the NCA continues to lose staff to a private sector which pays a premium for employees who have worked for regulatory and enforcement bodies.[93]

Although more research needs to be done, there is a general belief that, outside of the banking industry – which submits too many SARs, apparently for defensive purposes (i.e. to avoid criminal liability)[94] – there is widespread failure to file SARs. Only 861 were issued by estate agents in 2021, compared with approximately 1,500 issued by legal professionals in relation to property deals.[95] Again, the level of non-compliance is difficult to assess or attempt to quantify.

One insight into complicit behaviour in property deals was provided by the 2015 investigative documentary, *From Russia with Cash*. This programme used hidden cameras to show a series of estate agents who appeared happy to continue with a particular transaction, despite being told by the prospective buyer – an undercover anti-corruption campaigner posing as a 'Russian government official' – that the funds were stolen from the Russian state budget. What was noticeable was how many of the agents fell back on the letter of the legislation, which at the time

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92 National Crime Agency (NCA) (2020), 'UK Financial Intelligence Unit Suspicious Activity Reports Annual Report 2020', https://www.nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file (accessed 3 Sep. 2021).
93 Personal communication between Prof. John Heathershaw and source with knowledge of the NCA, March 2021.
94 The issue of low-quality SARs submitted to avoid possible legal liability, but of little use to the NCA, continues to be a problem. At a hearing of the UK Parliament's Treasury Committee, Graeme Biggar, director general of the National Economic Crime Centre, estimated that between one-tenth and one-third of SARs were not very valuable, although he did not specify which sector was most responsible for these low-quality SARs. As 75 per cent of SARs come from banks, it would be a reasonable inference that banks are responsible for many of those of low quality. Treasury Committee of the House of Commons (2021), 'Oral evidence: Economic crime, HC 917', House of Commons (UK Parliament), 25 January 2021, https://committees.parliament.uk/oralevidence/1571/html (accessed 3 Sep. 2021).
95 In addition to the above, the UK's national risk assessment from 2017 stated that NCA analysis of SARs related to the legal sector in 2016 revealed that 50 per cent of SARS were 'linked to the property market'. See HM Treasury/Home Office (2017), *National risk assessment of money laundering and terrorist financing 2017*, London: HM Treasury, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/655198/National_risk_assessment_of_money_laundering_and_terrorist_financing_2017_pdf_web.pdf (accessed 15 Sep. 2020), p. 50, para 7.7. The NCA's 2017 SARS report says that, from October 2015 to March 2017, 4,878 SARs were submitted by independent legal professionals, which would mean around a further 2,440 SARs related to the property market. See NCA (2017), 'Suspicious Activity Reports (SARs): Annual Report 2017', https://www.nationalcrimeagency.gov.uk/who-we-are/publications/112-suspicious-activity-reports-annual-report-2017/file (accessed 15 Sep. 2021), p. 12. Regarding the latest figures (April 2019 to March 2020), independent legal professionals filed 3,006 SARs (0.52 per cent of the total submitted SARs). If the 50 per cent figure quoted above has remained constant, this would mean that around 1,500 SARs of those submitted by independent legal professionals were related to property transactions. See NCA (2020), 'Suspicious Activity Reports (SARs): Annual Report 2020', https://www.nationalcrimeagency.gov.uk/who-we-are/publications/480-sars-annual-report-2020/file, p. 9 (accessed 15 Sep. 2021).

contained no requirement to perform due diligence on the buyer of property, even when the proposed transaction was in clear violation of POCA 2002 regarding the failure to report a suspicion or knowledge of money laundering.[96]

The absence of effective enforcement in favour of *de facto* self-regulation by enablers lies at the centre of this paper's argument and the problem of kleptocracy in general. Without actively complicit service providers facing prison and negligent ones facing punitive fines, it is hard to see how transnational kleptocracy can be arrested in the UK, however well-drafted the law. The net effect of these weaknesses in legislation, implementation and enforcement is that the UK remains in practice a global money-laundering capital. In December 2020, the UK government's own national risk assessment concluded that 'it is likely there has been an increase in the amount of money being laundered since 2017'.[97] As the next chapter demonstrates, even when there is evidence of suspicious wealth, it can often be explained away.

96 The documentary is available to view at https://www.dailymotion.com/video/x3ho0n1 (accessed 19 Oct. 2021). One estate agent claimed he would have filed an SAR had the transaction continued. A second person was expelled from the Royal Institution of Chartered Surveyors (RICS) because of the conduct revealed in the documentary. See: Shilling, C. (2016), 'RICS to expel agent exposed in Channel 4 documentary', 14 September 2016, *Estate Agent Today*, https://www.estateagenttoday.co.uk/breaking-news/2016/9/rics-to-expel-agent-exposed-in-channel-4-documentary (accessed 3 Sep. 2021).
97 HM Treasury/Home Office (2020), *National risk assessment of money laundering and terrorist financing*, para 3.6.

04
How to explain one's wealth

A major problem in trying to tackle financial flows from kleptocracies is the opacity of the sources of the capital. Investigating complex schemes is time-consuming and it can be extremely difficult to link wealth to a definite, predicate crime, given the lack of rule of law in kleptocracies. To counteract this, the UK has introduced new laws in recent years, but these have faced resistance via professional enablers.

Evidence suggests that when laundering money, organized criminal groups will employ small high-street solicitors, accountants and estate agents, exploiting their lack of expertise or capability in the implementation of AML controls. But this is not true for PEPs. This sometimes may simply be for logistical reasons, as the vast majority of small to medium-sized estate agencies are only insured to handle transactions of up to £10 million. Even if a purchase is under this amount, many small estate agencies will simply refuse PEP clients from high-risk countries, not only because of the increased risk but also because the enhanced due diligence costs time and money, which reduces the profit to be made on the sale.

Large law firms will not only be able to outsource due diligence research, but also offer the client a range of future services – helping to obtain visas or citizenship, set up 'tax-optimizing' offshore structures, make charitable donations to bolster reputations and so on. Such companies will be aware when new AML legislation is introduced and what it means for their clients. Indeed, many legal firms will often advertise their services specifically in regard to new legislation. The introduction of Account Freezing Orders (AFOs) and Unexplained Wealth Orders (UWOs) as part

of the Criminal Finances Act 2017 provoked a flurry of articles and adverts on legal websites about what the legislation meant, and how the law firms involved could assist a client issued with one.[98]

Success and failure

The introduction of the AFO[99] has been much more successful than the better-known UWO. AFOs are court orders allowing UK law enforcement bodies to freeze the contents of a bank account if they can show reasonable grounds to suspect that money in an account was obtained through unlawful conduct or is intended for unlawful use. Since their introduction, there have been successful forfeitures of money held by various PEPs, including the niece of Syrian president Bashar al-Assad and the son of a former Moldovan prime minister. Izzat Javadova, the first cousin of the president of Azerbaijan, reached a settlement with the NCA, agreeing to hand over £4 million of unlawfully acquired funds.[100] Originally, the NCA froze via AFOs £6.4 million of a total £14 million linked to the 'Azerbaijani Laundromat' scandal and controlled by Javadova and her husband.[101]

The introduction of the Account Freezing Order has been much more successful than the better-known Unexplained Wealth Order.

UWOs were introduced to complement civil recovery orders (CROs). CROs, in essence, lower the standard of proof from a criminal to a civil threshold, so that an asset can be frozen if an enforcement agency believes that on the balance of probabilities, rather than beyond reasonable doubt, it was purchased using criminally obtained capital. However, CROs were ineffective in cases where there was little or no evidence about the source of funds, preventing enforcement authorities from being able to show that the asset was 'probably' the result of illicit wealth. This is often the case when the owner comes from a country where assistance from national enforcement authorities will not be forthcoming because of the individual's political connections.

A UWO attempts to circumvent this problem. It is an investigative tool that can be issued on an asset owned by a PEP, or someone suspected to be involved in serious crime, whose known sources of wealth are believed to be insufficient to purchase the asset in question. Once a UWO has been issued, the person who owns the asset

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98 Cannon, P. (undated), 'What Are Unexplained Wealth Orders?', Patrick Cannon Barrister, https://www.patrickcannon.net/practice-areas/financial-crime/unexplained-wealth-orders (accessed 8 Sep. 2021); Rahman A. (undated), 'Unexplained Wealth Orders (UWOs) – An In-Depth Guide', Rahman Ravelli, https://www.rahmanravelli.co.uk/expertise/unexplained-wealth-orders/what-is-an-unexplained-wealth-order-an-in-depth-guide (accessed 8 Sep. 2021).
99 UK Government (2002), 'Proceeds of Crime Act 2002 – Application for account freezing order', https://www.legislation.gov.uk/ukpga/2002/29/section/303Z1 (accessed 8 Sep. 2021).
100 Bentham (2021), ''Laundromat' couple hand over £4m after Evening Standard win'.
101 Bloss, K., Cowdock, B. and Zalan, K. (2021), 'Jet-Setting DJ — and Cousin of Azerbaijan's President Aliyev — Accused of Receiving Millions In Suspicious Funds', OCCRP, 29 June 2021, https://www.occrp.org/en/azerbaijanilaundromat/jet-setting-dj-and-cousin-of-azerbaijans-president-aliyev-accused-of-receiving-millions-in-suspicious-funds (accessed 19 Oct. 2021).

(the 'respondent') then must explain the source of wealth that was used. If s/he fails to comply with the order, the asset is then assumed to have been purchased by the proceeds of crime and is thus recoverable under a separate CRO.

Although UWOs can be used to fight organized crime, a major part of the messaging surrounding this new investigative tool centred around the idea that they would be used to tackle kleptocracy or 'grand corruption'. For example, the then home secretary Amber Rudd said in 2016 that: '[UWOs] send a powerful message that the UK is serious about rooting out the proceeds of overseas grand corruption'.[102] Rudd also quoted from Transparency International, which said that UWOs may be 'the most important anti-corruption legislation to be passed in the UK in the past 30 years', legislation that will 'make sure that the UK is no longer seen as a safe haven for corrupt wealth'.[103]

In 2017, the UK government's impact assessment on UWOs forecast around 20 being issued per year.[104] Since then, multiple parliamentary reports have encouraged the use of both civil recovery procedures and sanctions against Russians linked to the Putin regime.[105] However, despite hawkish comments on Russia from then security minister Ben Wallace,[106] none of the four known UWO investigations features a Russian citizen. Moreover, no UWOs have been issued since July 2019[107] when the Boris Johnson government took office.

Two cases from Eurasia

Of the four UWO investigations that have been completed as of September 2021, two centred on UK citizens suspected of involvement in serious and organized crime. The other two concerned PEPs from Eurasia, but each resulted in a very different outcome. The first investigation featured UWOs issued in February 2018 on two separate properties, a townhouse in Knightsbridge and a golf club in Ascot. They belonged to an individual from Azerbaijan, Jahangir Hajiyev, and his wife, Zamira Hajiyeva.[108] At the time the UWOs were issued, Hajiyev was in prison in Baku, having been convicted of misappropriating money and abusing his powers while chairman of the International Bank of Azerbaijan (IBA).[109] The NCA argued that Hajiyev's salary at IBA was not sufficient to purchase the property in question.

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102 UK Government (2016), 'Home Secretary's speech to the FCA's Financial Crime Conference', 10 November 2016, https://www.gov.uk/government/speeches/home-secretarys-speech-to-the-fcas-financial-crime-conference (accessed 8 Sep. 2021).
103 Ibid.
104 Criminal Finances Bill (2017), Impact Assessment, 20 June 2017, para 18.
105 Foreign Affairs Committee of the House of Commons (2018), *Moscow's Gold: Russian Corruption in the UK*, House of Commons (UK Parliament), 15 May 2018; and (2019), *A cautious embrace: defending democracy in an age of autocracies*, 5 November 2019.
106 Elliott, F. (2018), 'Russians in Britain told to reveal their riches: McMafia-style crackdown on 'corrupt' oligarchs', *The Times*, 3 February 2018, https://www.thetimes.co.uk/article/russians-in-britain-told-to-reveal-their-riches-6wxjrvqb0 (accessed 8 Sep. 2021).
107 Home Office (2021), *Asset recovery statistical bulletin: financial years ending 2016 to 2021*, 9 September 2021, https://www.gov.uk/government/statistics/asset-recovery-statistical-bulletin-financial-years-ending-2016-to-2021/asset-recovery-statistical-bulletin-financial-years-ending-2016-to-2021 (accessed 19 Oct. 2021).
108 Bischof, O. (2021), 'Supreme Court Refuses Appeal Against Unexplained Wealth Order', Brown Rudnick, 2 August 2021, https://brownrudnick.com/alert/supreme-court-refuses-appeal-against-unexplained-wealth-order (accessed 8 Sep. 2021).
109 Institute for Reporters' Freedom and Safety (IRFS) (2016), 'Former Head of International Bank Jahangir Hajiyev sentenced to 15 Years in Jail', 14 October 2016, https://www.irfs.org/news-feed/former-head-of-international-bank-jahangir-hajiyev-sentenced-to-15-years-in-jail (accessed 8 Sep. 2021).

His wife's appeals against the UWOs were unsuccessful, meaning that she risked having the properties confiscated. As at November 2021, both properties remained under restriction, as the civil recovery case was ongoing.

In May 2019, another set of UWOs were issued by the NCA in relation to three properties in London valued at £80 million, including a 'super apartment' in Chelsea worth £40 million. In February 2020, the identities of the owners were revealed by UK media – Dariga Nazarbayeva and Nurali Aliyev,[110] the daughter and grandson respectively of Nursultan Nazarbayev, Kazakhstan's president between 1991 and 2019. The NCA argued that these properties were purchased using funds belonging to Dariga's former husband and Nurali's father, Rakhat Aliyev, who was suspected of being involved in serious crime. Rakhat Aliyev died in jail in 2015, while awaiting trial in Austria for two murders allegedly perpetrated in Kazakhstan.[111]

In contesting the NCA's argument on behalf of the respondents, Mishcon de Reya presented documentation to show that the funds used by Dariga Nazarbayeva and Nurali Aliyev were not linked to Rakhat Aliyev or his criminally obtained capital and, thus, that the UWOs had been issued in error. Ultimately, the UWOs were dismissed by the presiding judge, Ms Justice Lang, who held that the NCA had not demonstrated the link between the properties and Rakhat Aliyev, and that the NCA's underlying assumptions and reasoning were 'unreliable' and 'flawed'.[112] An upcoming report by two of the authors of this paper examines this case, and uncovers evidence that the NCA did not submit to the court that would have strengthened its arguments.[113]

Criminality notwithstanding?

This ruling has significant implications for the future of UWOs. In making her judgment, Lang accepted that as Nazarbayeva had gained one of her assets – the sugar company JSC Kant – in her divorce from Aliyev, the NCA could argue that it was a tainted gift and launch civil recovery proceedings. However, the judge stated that, in such an event, Nazarbayeva would be able to present several 'powerful arguments'.

Two of these supposedly 'powerful' legal arguments seem weak from the perspective of political economy where the interconnections between wealth and power are laid bare. First, in a claim which betrayed an absence of expert witness testimony on the political economy of Kazakhstan, Lang stated that

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110 In The High Court Of Justice Queen's Bench Division Administrative Court Between National Crime Agency (NCA) And Andrew Baker, Villa Magna Foundation, Manrick Private Foundation, Alderton Investments Limited, Tropicana Assets Foundation: Respondents' Skeleton Argument (From here, 'NCA V Baker. RSA'), para 4.
111 Vella, M. (2013), 'Investigators told of Rakhat Aliyev's alleged money laundering network', *Malta Today*, 20 July 2013, https://www.maltatoday.com.mt/news/national/28709/investigators-told-of-rakhat-aliyev-s-alleged-money-laundering-network-20130729#.XpcxdNQrKHs (accessed 8 Sep. 2021).
112 The High Court of Justice Queen's Bench Division Administrative Court, 'National Crime Agency (Applicant) and (1) Andrew J Baker (2) Villa Magna Foundation (3) Manrick Private Foundation (4) Alderton Investments Limited (5) Tropicana Assets Foundation (Respondents), Approved Judgment', which outlines the ruling of Hon. Ms Justice Lang. (From here, 'NCA V Baker. Judgment'.) Paras 58, 100, 130, 138, 152, 167, 197, 209, 215, 217.
113 Mayne, T. and Heathershaw, J. D. (forthcoming, 2022), 'Criminality Notwithstanding: The Use of Unexplained Wealth Orders in Anti-Corruption Cases', Global Integrity Anti-Corruption Evidence project/University of Exeter.

'notwithstanding his criminality, Rakhat Aliyev had been a successful businessman and JSC Kant is and was a legitimate business (it is a major sugar company)'. However, Aliyev's 'criminality' included credible allegations that he had extorted, tortured and killed his rivals.[114] He was one of a small number of 'successful' businesspeople with close links to the ruling family dominating the Kazakh economy at the time.[115]

Second, Lang stated that the Kazakh prosecutor general's department confirmed that Rakhat Aliyev 'did not transfer any illegally acquired funds or assets' to his wife.[116] Given that in Kazakhstan, according to the US Department of State, 'the executive branch controls the legislature and the judiciary',[117] it is problematic to rely on a ruling related to the eldest daughter of the man who ruled the country as an autocracy for nearly 30 years. UWOs were introduced to circumvent the problem of having to deal with individuals from nations with corrupt systems of governance, yet one of the very first UWO cases was dismissed partly due to evidence from such a country.

However, there may in fact also be an issue with the legislation itself. Section 326B 6(c) says that 'income is lawfully obtained if it is obtained lawfully under the laws of the country from where the income arises'. As noted by Spotlight on Corruption, this 'imposes potential hurdles for law enforcement to challenge assertions of lawfulness of income made by those who owing to their position of power in effect control how laws are implemented within their countries'.[118]

Stepping back from this investigation and the provisions of UWO legislation in order to examine these property purchases purely on the evidence, similarities are noticeable in the two cases cited above. Nurali Aliyev received a $65 million loan from the bank he chaired – Nurbank – via a series of shell companies that he owned, money that was then used to buy a mansion on The Bishops Avenue in the Highgate district of London. There is no evidence to suggest the loan was repaid. During his time as chairman of IBA, Jahangir Hajiyev transferred loans from his own bank to fictitious companies that he himself controlled.[119] The former was ruled as legitimate by Nurbank, whereas Hajiyev's activities were ruled illegal by an Azerbaijani court and formed the basis of his conviction.

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114 Tahir, M. (2011), 'Rivals In Kazakh Power Struggle Take Their Feud To Washington', Radio Free Europe/Radio Liberty, 23 June 2011, https://www.rferl.org/a/rivals_in_kazakh_power_struggle_take_feud_washington/24244658.html (accessed 25 Nov. 2021).
115 Ibid.
116 High Court of Justice (2020), 'National Crime Agency (Applicant) v Andrew J Baker, Villa Magna Foundation Manrick Private Foundation, Alderton Investments Limited, Tropicana Assets Foundation (Respondents). Approved Judgment', 8 April 2020, https://www.judiciary.uk/wp-content/uploads/2020/04/Approved-Judgment-NCA-v-Baker-Ors.pdf (accessed 15 Sep. 2021), para 77.
117 US Department of State (2020), *2020 Country Reports on Human Rights Practices: Kazakhstan*, https://www.state.gov/wp-content/uploads/2021/03/KAZAKHSTAN-2020-HUMAN-RIGHTS-REPORT.pdf (accessed 8 Sep. 2021), p. 1.
118 Spotlight on Corruption (2020), 'Written Evidence Submitted by Spotlight on Corruption', UK Parliament, December 2020, p. 6, https://committees.parliament.uk/writtenevidence/18564/pdf (accessed 8 Sep. 2021).
119 High Court of Justice (2018), 'National Crime Agency (Applicant) v Zamira Hajieva and Vicksburg Global Inc (Respondent). Witness statement of Nicola Bartlett', 19 February 2018, para 18.3.

In response, Mishcon de Reya commented that the judgment in the UWO hearing stated that the loan Nurali Aliyev had received was legitimate, adding: 'These [allegations] are based on reductive and derogatory stereotypes of central Asian countries and are categorically rejected.'[120]

No focus on the enablers?

Although it is too early to draw a conclusion from only two UWOs, it is notable that the case related to an incumbent public official failed, while the case against the disgraced official was successful. An analysis of PEPs purchasing property in the UK suggests this pattern holds up – vanquished exiles fall foul of the rules, while expatriates who remain in favour back home avoid them.[121] Indeed, of the 11 cases of properties recorded in the Annex as being frozen or sold following legal proceedings, all were against exiles or elites that had fallen out of favour with their home governments;[122] 10 of the 11 were against exiles out of favour with regimes with which the UK is a partner.[123] There is, therefore, a danger that, instead of counteracting corruption as intended, UWOs and other civil recovery proceedings reflect political power and the status quo in Eurasian countries and elsewhere.

However, there are exceptions to the apparent bias against exiles: cases like Maxim Bakiyev's suggest that those with effective legal representation are able to defend themselves even if they have become a target of their home government. In perhaps a tacit acknowledgment of the problem of pursuing those with continued access to capital, it was reported that NCA financial investigators 'believe targeting corrupt businessmen with access to "expensive QCs and claims of private wealth" is a "waste of time"' and that future efforts would concentrate on mid- to high-level organized criminals.[124]

The firm of solicitors for two of the Nazarbayeva/Aliyev UWO properties (Annex, numbers 29–30) was Herbert Smith LLP,[125] which has, since a merger, become Herbert Smith Freehills, and boasts revenue in 2020/21 of more than £1 billion.[126]

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120 Correspondence between Mishcon de Reya and Prof. John Heathershaw, 29 Sep. 2021. Mishcon de Reya also commented: 'As regards the loan from Nurbank, in addition to the independent confirmation of the legitimacy of the loan, see paragraph 179 of the Judgment [from Ms Justice Lang], which states: 179. At the time of the loan, the bank was subject to scrutiny and rating. It was independently audited by Ernst & Young, who in that capacity, produced the bank's consolidated financial statements. Nurbank was evidently in a position to, and did, make a legitimate loan as it has independently confirmed in 2019, and as the relevant bank statements demonstrate.'
121 Heathershaw, J., Mayne, T., Lewis, D. and Prelec, T. (forthcoming, 2021), 'Are international anti-money laundering regimes instrumentalised by kleptocracies? Evidence from the enabling of Eurasian elites in the UK', draft paper, Global Integrity Anti-Corruption Evidence project.
122 These are the properties of Mukhtar Ablyazov (Kazakhstan), Dmytro Firtash (Ukraine), Zamira/Jahangir Hajiyev (Azerbaijan), Gulnara Karimova (Uzbekistan) and Sergei Pugachev (Russia).
123 The exception being Pugachev, as Russia is repeatedly identified by the UK government as a threat.
124 Eagle, A. (2021), Treasury Committee, Oral evidence: Economic crime, HC 917, House of Commons, 25 January 2021, https://committees.parliament.uk/oralevidence/1571/html (accessed 5 Dec. 2021). In response, Graeme Biggar, director-general at the National Economic Crime Centre, said he was 'baffled' by the statement, adding: 'It has not been part of any conversation that I have had within the NCA.' Ryan, J. (2020), 'Britain's FBI takes down the 'McMafia' millionaires: National Crime Agency targets people-smuggling kingpins and threatens to seize their property portfolios in crackdown on organised crime gangs', *Daily Mail*, 21 November 2020, https://www.dailymail.co.uk/news/article-8973527/Britains-FBI-targets-people-smuggling-kingpins-threatens-seize-McMafia-property-portfolios.html (accessed 8 Sep. 2021).
125 High Court of Justice (2020), 'NCA V Baker. Respondents' Skeleton Argument', 3 March 2020, paras 155, 175.
126 Herbert Smith Freehills (2021), 'Herbert Smith Freehills Announces Full Year Results For 2020/21', 13 July 2021, https://www.herbertsmithfreehills.com/news/herbert-smith-freehills-announces-full-year-results-for-202021 (accessed 8 Sep. 2021).

Herbert Smith LLP also acted as conveyancer for Hajiyev's golf course that was subject to a UWO (Annex, number 1).[127] Mishcon de Reya advised Hajiyeva's BVI company in the purchase of one of the properties that was later subject to a UWO (Annex, number 2). (Mishcon de Reya played no part in the UWO proceedings in this case.)[128]

Given the confidentiality that surrounds the SAR system, it is impossible to determine whether legal professionals act appropriately on the red flags presented to them on any proposed transaction. However, it is likely that, along with a system overloaded with SARs, a lack of enforcement regarding failure to report a suspicion or knowledge of money laundering contributes to the sense of impunity within certain regulated sectors. According to one legal expert, there have only been three known convictions under this provision of POCA 2002 since it entered into force.[129] In the case regarding Leyla and Arzu Aliyeva, although the solicitor was later sanctioned at a tribunal, the NCA did not launch criminal proceedings. This was despite the tribunal ascertaining that the transactions posed 'a significant risk of money-laundering'.[130]

Given the confidentiality that surrounds the SAR system, it is impossible to determine whether legal professionals act appropriately on the red flags presented to them on any proposed transaction.

The fact that many top tier law firms and agencies have been involved in cases featuring noted kleptocrats undermines the risk-based approach, as it suggests they are not merely responding to a legitimate demand for legal services but generating that demand through their participation in a vibrant commercial market servicing the proceeds of kleptocracy. In the next chapter we explore how this conflict of interest between regulatory compliance and commercial imperatives is also found among those enablers who facilitate reputation laundering by post-Soviet elites, including via philanthropy and attempts at political influencing.

127 High Court of Justice (2018), 'NCA V Hajiyeva. [second] Witness Statement of Nicola Bartlett', para 22.
128 High Court of Justice (2018), 'NCA V Hajiyeva. Witness Statement of Nicola Bartlett', para 31.
129 Corker, D. (2018), 'Failure to disclose does not equate to negligence', Corker Binning blog, 7 February 2018, https://www.corkerbinning.com/failure-to-disclose-does-not-equate-to-negligence (accessed 8 Sep. 2021).
130 Harding (2018), 'UK law firm accused of failings over Azerbaijan leader's daughters' offshore assets'.

05 Reputation laundering and political influencing

After securing residency and acquiring wealth in the UK, kleptocrats and/or their family members often try to gain traction in British society by managing their reputation through PR agents, forging ties with political, business and other leaders and stifling any reporting of alleged wrongdoing.

Kleptocracy is the extension of political and economic power into all realms of life. A sign of its strength is its transnational reach. Kleptocracy thrives when it can extend the corruption of institutions beyond national boundaries, overcome law and regulation, and weaken support for human rights and constitutional democracy. As these are self-evidently damaging outcomes, the success of kleptocracy requires that the perpetrators are hidden in plain sight.

When perpetrators acquire a new 'clean' image, their money-laundering practices become invisible, but the individuals themselves become influential voices in Western democracies.

This penultimate chapter explores how such image management and influencing occurs in three key respects. First, it considers reputation laundering via philanthropy. Second, it explores libel actions against and threats to journalists and researchers before outlining supply-side factors in the reputation management industry. Finally, it discusses how post-Soviet elites have made political friends and entered high-society networks through the funding of political parties.

Before we begin, a caveat is necessary. In this chapter, more than in any of those preceding it, we are working with limited data, as public examples of reputation laundering are rare, and the philanthropic and associated sectors suffer from major absences of transparency. Indeed, it is in the very nature of reputation laundering that it would not exist if it were entirely visible.

Becoming a philanthropist

Philanthropy, while deemed an act of generosity, can also be self-interested. Donors can give to causes they support and withdraw such support from institutions that displease them. Philanthropy can also serve instrumental purposes, including the status and moral standing gained by association with a 'worthy' institution. Once acquired, such philanthropic work can be cited in defence of a donor's reputation.

Donations to universities can also be used to gain status in the UK. The Ukrainian businessman Dmytro Firtash (Annex, numbers 88–90) – later charged in the US with involvement in a scheme to bribe officials in India (charges he denies)[131] – made a substantial donation to the University of Cambridge, endowing a research centre on Ukrainian studies and establishing two permanent academic posts.[132] Facing significant corruption accusations in Ukrainian media, Firtash brought a libel case against the *Kyiv Post* in the UK. His line of argument rested on him being presented as a respectable businessman and a philanthropist, with 'substantial and important connections'[133] in the UK, including his donation to the University of Cambridge. While this specific lawsuit was dismissed, it is emblematic of the explicit use of donations to prestigious universities to establish good standing – even in court.

In the UK, universities and think-tanks increasingly compete in an unregulated global market for donations. Unlike in the US, they are not required to make donors, amounts or any conditions public. For this reason, we know little about the role in UK universities of donations from abroad, except in the rare cases when they become public knowledge. In the US, when a 1980s amendment to the Higher Education Act of 1965 was enforced fully for the first time in 2019, $6.5 billion in previously unknown donations – many of them originating in autocracies – was reported with more than 60 institutions reporting donations for the very first time.[134]

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131 *The Economist* (2015), 'Ukraine's fugitive oligarch: Catch me if you can', 3 May 2015, https://www.economist.com/europe/2015/05/03/catch-me-if-you-can (accessed 15 Sep. 2021).
132 University of Cambridge (2010), 'Cambridge becomes a home for Ukrainian Studies', https://www.cam.ac.uk/research/news/cambridge-becomes-a-home-for-ukrainian-studies (accessed 15 Sep. 2021).
133 High Court of Justice (2011), 'Dmitry Firtash v Public Media, John Marone, Brian Bonner and Mohammad Zahoor. Skeleton argument for the claimant', 23 February 2011 [private archive].
134 U.S. Department of Education Office of the General Council (2020), *Institutional Compliance with Section 117 of the Higher Education Act of 1965*, https://www2.ed.gov/policy/highered/leg/institutional-compliance-section-117.pdf (accessed 25 Oct. 2021).

While certain safeguards have been put in place following previous scandals – such as when the London School of Economics and Political Science accepted funds from the son of Libyan leader Muammar Gaddafi[135] – the concerns by university managers still largely centre on the reputational risk presented to the institution. This is one of the conclusions of research carried out by some of the authors of this paper for the National Endowment for Democracy.[136] From our survey of the measures put in place for philanthropic gifts at Russell Group universities, we know that only seven out of 24 institutions have established both public ethical guidelines and a dedicated and independent gifts committee.[137] Even where they do, credible cases of reputation laundering have arisen. What matters, most of all, is to prevent negative media coverage.

What is essentially an 'outside-in' dynamic pertaining to funds coming from abroad is complemented and made possible by a distinct internal vulnerability. Over the past decade, the amount of private donations to universitites in the UK and Ireland has nearly tripled.[138] In the same period, public funding of higher education has been inconsistent and latterly has been disrupted by the uncertainty caused by Brexit and cuts to overseas development aid, which supports a great deal of research by British universities. The focus on universities as 'businesses' has brought reliance on private donations to unprecedented levels. All this, in the words of one of our respondents, 'is lowering the bar of what is considered acceptable' by universities.[139]

Pressuring journalists and researchers

London's transformation into a centre of so-called 'libel tourism' – such as in cases like that of Firtash – has been detailed elsewhere.[140] The English court, despite libel-law reforms in 2013, remains a jurisdiction of choice for those wishing to aggressively manage their reputation.

In February 2021, for example, Anglo-Kazakh mining group ENRC issued libel proceedings in the UK High Court against author and investigative journalist Tom Burgis and the publisher of his book *Kleptopia*, HarperCollins.[141] A month

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135 Hughes, S. (2011), 'LSE criticised for links with Gaddafi regime in Libya', BBC News, 30 November 2011, https://www.bbc.co.uk/news/education-15966132 (accessed 15 Nov. 2021).
136 Cooley, A., Prelec, T., Heathershaw, J. D. and Mayne, T. (2021), 'Paying for a World Class Affiliation: Reputation Laundering In The University Sector Of Open Societies: An International Forum Working Paper', National Endowment for Democracy/International Forum For Democratic Studies, 25 May 2021, https://www.ned.org/reputation-laundering-in-the-university-sector-of-open-societies-working-paper (accessed 15 Sep. 2021).
137 UK Parliament (2021), 'Make Donations to Universities Public', written evidence submitted by John Heathershaw et al., Higher Education (Freedom of Speech) Bill, 22 September 2021 (HEFSB23), https://bills.parliament.uk/publications/42847/documents/707.
138 Council for Advancement and Support of Education (CASE) (2021), *CASE-Ross Support of Education: United Kingdom and Ireland 2020 - Generating Philanthropic Support for Higher Education*, 13 May 2020, https://www.case.org/resources/case-ross-support-education-survey-united-kingdom-and-ireland (accessed 19 Oct. 2021).
139 Interview with a university donations officer for a UK Russell Group university, September 2021.
140 Shapiro, A. (2015), 'On Libel And The Law, U.S. And U.K. Go Separate Ways', NPR, 21 March 2015, https://www.npr.org/sections/parallels/2015/03/21/394273902/on-libel-and-the-law-u-s-and-u-k-go-separate-ways (accessed 15 Sep. 2021).
141 Crump, R. (2021), 'ENRC Sues Author, Publisher for Libel Over 'Kleptopia' Book', Law360.com, 2 September 2021, https://www.law360.com/articles/1418311/enrc-sues-author-publisher-for-libel-over-kleptopia-book (accessed 4 Oct. 2021).

later, Russian oligarch Roman Abramovich also launched proceedings against HarperCollins, this time targeting journalist Catherine Belton and her book *Putin's People*.[142,143]

The standard professional defence that lawyers must take on and represent such clients is belied by increasing awareness that cases such as these are what are referred to in the US as Strategic Lawsuits Against Public Participation (SLAPPs) – cases taken not for their legal merit, but for the effect of silencing a critic by locking them into a long legal struggle.

On 24 November 2021, 19 free-speech organizations issued a statement that Abramovich's lawsuits against Catherine Belton and HarperCollins are SLAPPs.[144] The Abramovich case centres on the claim in *Putin's People* that he purchased Chelsea FC at the behest of Russian president Vladimir Putin. A statement from the firm Harbottle & Lewis, representing Abramovich, claimed that Belton's book 'falsely alleges that [Abramovich] acted corruptly'. Abramovich added that the 'false allegations in this book are having a damaging effect… on my personal reputation'. But the chilling effect under English law is the time and expense of litigation for the UK defendants in a case brought by a person who is no longer resident in the UK.

There is an increasing awareness that cases such as these are Strategic Lawsuits Against Public Participation (SLAPPs) – cases taken not for their legal merit, but for the effect of silencing a critic by locking them into a long legal struggle.

A further three Russian billionaires and the Russian state oil company Rosneft followed Abramovich in filing civil claims against HarperCollins.[145] Two of these billionaires, Mikhail Fridman and Petr Aven (who settled their claims), were represented by Geraldine Proudler, one of the UK's leading reputation-management lawyers.[146] Proudler also sits on the board of the Guardian Foundation (an independent charity which, among other activities, supports media under threat), is a former lawyer for the *Guardian* newspaper and is a former trustee of English PEN, one of the UK's leading free-speech organizations.

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142 Reuters (2021), 'Russia tycoon sues publisher and Reuters reporter over Putin book', Reuters, 23 March 2021, https://www.reuters.com/article/us-chelsea-abramovich-book/russia-tycoon-sues-publisher-and-reuters-reporter-over-putin-book-idUSKBN2BF1XV (accessed 19 Oct. 2021).
143 Chelsea FC (2021), 'Statement on Legal Action', 22 March 2021, https://www.chelseafc.com/en/news/2021/03/22/statement-on-legal-action (accessed 19 Oct. 2021).
144 Index on Censorship (2021), 'Lawsuits against the author and publisher of Putin's People are SLAPPs', 24 November 2021, https://www.indexoncensorship.org/2021/11/lawsuits-against-the-author-and-publisher-of-putins-people-are-slapps (accessed 6 Dec. 2021).
145 *Financial Times* (2021), 'Russian billionaires file lawsuits over book on Putin's rise', 1 May 2021, https://www.ft.com/content/a355a200-4b90-4d73-b193-b73650ab8b77 (accessed 15 Sep. 2021).
146 HarperCollins (2021), 'Press release. Petr Aven and Mikhail Fridman', 3 August 2021. (Link no longer active, but archived at http://web.archive.org/web/20210805065647/https://corporate.harpercollins.co.uk/press-releases/petr-aven-and-mikhail-fridman.)

This chilling effect is most visible in the threat of action rather than action itself. Karen Dawisha, the author of the 2014 book *Putin's Kleptocracy*, was forced to change publishers due to legal concerns in the UK. As her initial publisher, Cambridge University Press, stated after announcing it was dropping Dawisha's book: 'We believe the risk is high that those implicated in the premise of the book… would be motivated to sue and could afford to do so. Even if [Cambridge University] Press was ultimately successful in defending such a lawsuit, the disruption and expense would be more than we could afford, given our charitable and academic mission.'[147] Dawisha's book was eventually published by the US publisher Simon & Schuster.

Legal enablers of reputation laundering also innovate to protect the privacy and public image of their clients. A recent trend to emerge after UK libel laws were made less punitive for defendants in 2013 has been for high-net-worth individuals to use data protection and privacy laws to bring 'quasi-defamation' cases.[148] Mikhail Fridman and Petr Aven's claim against HarperCollins (which led to the above-mentioned settlement) was in regard to data protection.[149]

Managing reputations

The market in 'reputation management' is booming and lucrative for legal firms and other companies that compete to offer services to clients. Firms specializing in reputation management offer not only defensive but offensive services to their clients. These include the removal of critical coverage of the sources and uses of wealth accrued in kleptocracies.

Former Russian official Vladimir Yakunin – an ex-head of the Russian state railway company, who has been specifically sanctioned by Canada, the US and others for his ties to the Kremlin[150] – has turned to British entities on multiple occasions to help bolster his image, while simultaneously preventing the publication of critical

147 E.L. (2014), 'A book too far', *The Economist*, 3 April 2014, https://www.economist.com/eastern-approaches/2014/04/03/a-book-too-far (accessed 19 Oct. 2021).
148 Freeman, L., Kinchlea, K., Cooper, D. and Cusworth, T. (2020), 'English High Court Awards Damages for Quasi-Defamation Data Claim', *Inside Privacy*, 17 September 2020, https://www.insideprivacy.com/international/united-kingdom/english-high-court-awards-damages-for-quasi-defamation-data-claim (accessed 15 Sep. 2021); Pinsent Masons (2017), 'Data protection claims can be 'linked to' claims in defamation, says Court of Appeal', 30 January 2017, https://www.pinsentmasons.com/out-law/news/data-protection-claims-can-be-linked-to-claims-in-defamation-says-court-of-appeal (accessed 15 Sep. 2021); Kuncewicz, S. (2020), 'Aven V Orbis – Man Of Steele Or A New Hybrid In Defamation And Data Protection Claims?', 8 September 2020, BLMLaw, https://bestofboth.blmlaw.com/insights/news/aven-v-orbis-man-of-steele-or-a-new-hybrid-in-defamation-and-data-protection-claims (accessed 15 Sep. 2021).
149 Tobin, S. (2021), 'Abramovich wins first round of 'Putin's People' libel claim', *The Law Society Gazette*, 24 November 2021, https://www.lawgazette.co.uk/news/abramovich-wins-first-round-of-putins-people-libel-claim/5110676.article (accessed 5 Dec. 2021).
150 MacKinnon, M. (2019), 'Long-time Putin confidant Yakunin among names on Ottawa's latest Russian sanctions list', *The Globe and Mail*, 16 March 2019, https://www.theglobeandmail.com/politics/article-long-time-putin-confidant-yakunin-among-names-on-ottawas-latest (accessed 19 Oct. 2021).

information regarding his background.[151] In his efforts to deter reportage into significant corruption allegations, Yakunin turned to the British firm GPW + Co to 'provide the Yakunins with information they needed to keep assets hidden from anti-corruption investigators'.[152] According to one report, the firm further 'provide[d] the home address of a British journalist who had written a negative story about the family', something the firm would neither confirm nor deny.[153]

Certain firms are very prominent players in this market. The Yakunins (Annex, numbers 70–71) also employed the law firm Mishcon de Reya (whose slogan is 'It's business. But it's personal'). After a range of media outlets covered the 'kleptocracy tours' that took members of the public to a series of London properties tied to assorted oligarchs and non-UK political figures, including the Yakunins, Mishcon de Reya forced the removal of at least one article, with the publisher both issuing a public apology and covering assorted legal costs.[154] Mishcon de Reya also represented Maxim Bakiyev, threatening Global Witness with legal action before it published a report on a money-laundering scandal in Kyrgyzstan.[155] In 2021, the same company acted for Dariga Nazarbayeva to issue a legal threat against a London-based magazine to prevent an article about the death of her son, Aisultan, from natural causes related to cocaine addiction in August 2020.[156]

By leveraging the threat and cost of legal action to prevent publication of damaging information in the first place, law firms in the reputation management sector thus offer more than just the right to a legal defence. Regarding Yakunin, for instance, one British journalist recently revealed that 'upwards of 50 percent of the critical material on the oligarch [ends up] on the cutting-room floor', due largely to concerns about legal threats.[157]

This is but one oligarch amid a far broader series of similar stories regarding those from other kleptocratic states. As another British investigative journalist who has written extensively on post-Soviet oligarchs said: 'They hint that they're very rich, while we have limited financial resources and they will just close us down. That doesn't always work, but that does have a chilling effect. It's intimidating, and it's gotten out of control.'[158]

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151 For more on the corruption allegations, see for instance: Busvine, D. and Grey, S. (2012), 'Special Report - Russian Railways' family connections', Reuters, 24 July 2012, https://www.reuters.com/article/uk-russia-railways/special-report-russian-railways-family-connections-idUKBRE86O06T20120725 (accessed 19 Oct. 2021); or Michel, C. (2019), 'Clinton Official Pulls Out of Putin Crony's Vanity Project', *The Daily Beast*, 25 September 2019, https://www.thedailybeast.com/clinton-official-james-rubin-pulls-out-of-putin-crony-vladimir-yakunins-vanity-project?ref=author (accessed 19 Oct. 2021).
152 de Haldevang, M. (2017), 'How the family of Vladimir Putin's US-sanctioned ally uses British companies to burnish its reputation', Quartz, 25 July 2017, https://qz.com/1037549/how-the-family-of-vladimir-putins-us-sanctioned-ally-uses-british-companies-to-burnish-its-reputation (accessed 19 Oct. 2021).
153 Ibid.
154 *Ham&High* (2016), 'Andrey Yakunin: an apology', 26 April 2016, https://www.hamhigh.co.uk/lifestyle/property/andrey-yakunin-an-apology-3521666 (accessed 15 Sep. 2021).
155 Brooks, R. (2018), 'How City of London suits joined the Moscow gold rush', *Private Eye*, 28 September 2018, https://www.private-eye.co.uk/pictures/special_reports/looting-with-putin.pdf (accessed 15 Sep. 2021).
156 Eckel, M. (2021), 'British Inquest Says Grandson Of Ex-Kazakh President Nazarbaev Died Of Natural Causes, Cocaine Addiction', Radio Free Europe/Radio Liberty, 24 March 2021, https://www.rferl.org/a/british-inquest-says-grandson-of-ex-kazakh-president-nazarbaev-died-of-natural-causes-cocaine-addiction/31167901.html (accessed 7 Oct. 2021).
157 Casey, M. (2020), 'Kill the Messenger', Free Russia Foundation, 16 April 2020, https://www.4freerussia.org/kill-the-messenger-how-russian-and-post-soviet-oligarchs-undermine-the-first-amendment (accessed 19 Oct. 2021).
158 Ibid.

Donating to political parties

Boris Johnson's nomination of Evgeny Lebedev to a life peerage in 2020 was not without controversy. Not only was it viewed by many as cronyism (Johnson and Lebedev have been friends and political allies since 2009),[159] one expert on Russian security issues said it showed Johnson's 'contempt for Britain's intelligence agencies',[160] as Lebedev's nomination came days after the release of the UK parliament's *Russia* report which highlighted the risks posed to UK democracy by the Russian elite. Despite security agency concerns about Lebedev (who became a British citizen in 2010 but retained Russian citizenship) posing possible security risks because of his father, a former KGB agent, his confirmation was approved after discussions between 10 Downing Street and the House of Lords appointments commission.[161] The peerage granted Lebedev the title 'Baron Lebedev, of Hampton in the London Borough of Richmond upon Thames and of Siberia in the Russian Federation'.

Only British citizens and companies are legally able to donate money to UK political parties, but this includes an increasing number of naturalized citizens of Russian and Eurasian background who have given money to the governing Conservative Party. We may ask why this tiny section of the UK population is disproportionately represented among donors to the governing party. One answer is that we should not be surprised that those businesspersons who made their fortunes partly due to their close links to those in power in Russia and Eurasia are so keen to give to the political masters of their adopted country. Their purpose may be instrumental – to gain access and influence decisions – or part of efforts to gain status – to enter the elite and join their conversations.

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A second answer lies in the aggressive approach to fundraising taken in recent years by Conservative Party co-chairman Ben Elliot – an approach dubbed as 'cash for access' where, following a sizeable donation, the rich gain access to senior party figures, including the prime minister, at exclusive dinners.[162]

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159 Harding, L. and Sabbagh, D. (2020), 'Boris Johnson and Evgeny Lebedev: a decade of politics, parties and peerages', *Guardian*, 21 October 2020, https://www.theguardian.com/politics/2020/oct/21/parties-politics-peerages-boris-johnson-evgeny-lebedev-friendship (accessed 26 Nov. 2021); Murphy, S. and Waterson, J. (2020), 'Evgeny Lebedev, Jo Johnson and Ian Botham among 36 peerage nominations', *Guardian*, 31 July 2020, https://www.theguardian.com/politics/2020/jul/31/evgeny-lebedev-jo-johnson-and-ian-botham-among-36-peerage-nominations-boris (accessed 26 Nov. 2021).
160 Galeotti, M. (2020), 'Lebedev's Peerage Highlights London's Need to Address Russian Influence', *Moscow Times*, 4 August 2020, https://www.themoscowtimes.com/2020/08/03/lebedevs-peerage-highlights-londons-need-to-address-russian-influence-a71041 (accessed 26 Nov. 2021).
161 Harding and Sabbagh (2020), 'Boris Johnson and Evgeny Lebedev: a decade of politics, parties and peerages'.
162 Mason et al. (2021), 'How Ben Elliot supercharged Tory donations by targeting world's ultra-wealthy', *Guardian*, 5 October 2021, https://www.theguardian.com/politics/2021/oct/05/how-ben-elliot-supercharged-tory-donations-by-targeting-worlds-ultra-wealthy (accessed 6 Oct. 2021).

Elliot also co-founded and runs luxury concierge service Quintessentially, which caters to the needs of high-net-worth individuals,[163] although Elliot's spokesperson claimed that the company 'is entirely separate from his voluntary role as Conservative party chairman'.[164]

Business figures seeking to develop links with politicians and vice versa is hardly a new phenomenon, but since the turn of the 21st century the relationship between transnational capital and the influence of corrupt states has become a more prominent issue in the UK, especially in light of Russia's attempts to interfere in elections abroad. This increases the risk that, after obtaining British citizenship for themselves, their families and associates, erstwhile oligarchs may seek advantage not only for themselves and their companies, but potentially for their countries of origin.

Lubov Chernukhina (Annex, number 85), the wife of former Russian deputy finance minister Vladimir Chernukhin, donated more than £2.1 million to the Conservative Party after becoming a British citizen – enough to attend monthly meetings with the prime minister and be one of the party's top 10 donors.[165]

However, an October 2021 Pandora Papers investigation claimed that Lubov's wealth flows through Vladimir's secretive offshore structures which 'raises the question over the extent to which it is Vladimir, not Lubov, who may be the ultimate source of some of the cash flowing into the Conservative Party'.[166] An earlier leak of US Financial Crimes Enforcement Network (FinCEN) documents showed that her husband had received $8 million (£6.1 million) from a Russian politician, Suleyman Kerimov, who was later sanctioned by the US.[167] In response to news articles that reported this information, lawyers representing the Chernukhins declined to say whether Vladimir Chernukhin had received this $8 million, but stated that Lubov Chernukhina had never received money derived from Kerimov or any company related to him. They added that Lubov's donations to the Conservative Party had never been 'tainted by Kremlin or any other influence' and had been declared in accordance with Electoral Commission rules.[168]

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163 Quintessentially (2021), 'Our Services', https://membership.quintessentially.com/our-services (accessed 6 Oct. 2021).
164 Mason et al. (2021), 'How Ben Elliot supercharged Tory donations by targeting world's ultra-wealthy'.
165 Davies, H. and Harding, L. (2021), 'Revealed: top female Tory donor's vast offshore empire with husband', *Guardian*, 4 October 2021, https://www.theguardian.com/news/2021/oct/04/tory-party-top-female-donor-lubov-chernukhin-vast-offshore-empire-husband (accessed 7 Oct. 2021); Forrest, A. (2021), "Concentrated power': 25% of Tory Party's individual donations come from just 10 people', *Independent*, 8 August 2021, https://www.independent.co.uk/news/uk/politics/boris-johnson-conservatives-rich-donors-b1898260.html (accessed 7 Oct. 2021).
166 Davies and Harding (2021), 'Revealed: top female Tory donor's vast offshore empire with husband'.
167 BBC Panorama (2020), 'FinCEN Files: Tory donor Lubov Chernukhin linked to $8m Putin ally funding'.
168 Ellery, B. (2020), 'Tory top donor linked to Putin oligarch', *The Times*, 22 September 2020, https://www.thetimes.co.uk/article/tory-top-donor-lubov-chernukhin-linked-to-putin-oligarch-ngrmk5p8s, (accessed 29 Nov. 2021). This article adds that lawyers for Kerimov said that he had 'no dealings with Ms Chernukhin whatsoever'. Following the release of the Pandora Papers, lawyers representing the Chernukhins asserted that Vladimir had not accumulated any of his wealth in a corrupt manner. See BBC Panorama (2021), 'Pandora Papers: Questions over Tory donations by ex-Russian minister's wife', BBC News, 4 October 2021, https://www.bbc.co.uk/news/uk-politics-58711151 (accessed 29 Nov. 2021).

Some donors also have criminal convictions arising from their backgrounds in Eurasia. It must be noted that it is not the origins of the persons themselves which raise concerns, but the origins of the wealth, the nature of their business relations in Russia and Eurasia, and any loyalties and obligations that arise from these relations.

Between 2010 and 2019, the Conservative Party received over £3 million from donors with a Russian business background, including from former arms dealer Alexander Temerko.[169] Since then, the volume of donations appears to have increased. Among other major donors are individuals who, while not themselves of Russian or Eurasian background, have made their money doing business in the region. These include Mohamed Amersi, who has given more than £500,000 to the Conservative Party since 2018,[170] and who the *Guardian* reported as having been one of the advisors on a transaction in 2010 involving the purchase of shares by Swedish telecoms company TeliaSonera from their local partner, based offshore in Gibraltar, which was subsequently revealed to be beneficially owned by Gulnara Karimova (Annex, numbers 93–97). Amersi's lawyers commented to the *Guardian* that any suggestion he 'knowingly' facilitated corrupt payments was false.[171]

The 2020 report of the UK parliament's Intelligence and Security Committee regarding Russian influence quoted the Secret Intelligence Service on 'the very muddy nexus between business and corruption and state power in Russia'.[172] The report warned of the intersection of this nexus with British politics, stating that:

> Several members of the Russian elite who are closely linked to Putin are identified as being involved with charitable and/or political organisations in the UK, having donated to political parties, with a public profile which positions them to assist Russian influence operations. It is notable that a number of Members of the House of Lords have business interests linked to Russia, or work directly for major Russian companies linked to the Russian state.[173]

With an absence of transparency requirements on universities[174] and charities,[175] and no legal requirement to check the sources of wealth behind a political

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169 Thévoz, S. (2019), 'Revealed: Russian donors have stepped up Tory funding', OpenDemocracy, https://www.opendemocracy.net/en/dark-money-investigations/revealed-russian-donors-have-stepped-tory-funding (accessed 19 Oct. 2021).
170 BBC Panorama (2021), 'Pandora Papers: Tory donor Mohamed Amersi involved in telecoms corruption scandal'.
171 Amersi's lawyers said that he was one of many advisers on this deal, adding that 'the underlying arrangements for the deal had been put in place two years before', that others had done due diligence on the arrangement, that he had 'no reason' to believe it might be a bribe, did not know Karimova was the ultimate beneficial owner of the offshore company, and that he had only worked on the project for six weeks. In none of the multiple official investigations into the Telia deal had Amersi been accused of any misconduct, they said. See Davies, H. (2021), 'Major Tory donor advised on Uzbekistan deal later found to be $220m bribe', *Guardian*, 4 October 2021, https://www.theguardian.com/news/2021/oct/04/major-tory-donor-advised-on-uzbekistan-deal-later-found-to-be-bribe-mohamed-amersi (accessed 5 Oct. 2021).
172 Intelligence and Security Committee of Parliament (2020), *Russia*, para 14.
173 Intelligence and Security Committee of Parliament (2020), *Russia*, para 54.
174 Unlike in the US, which has required the publication of details of gifts from outside of the country since the late 1980s (a power enacted under the Higher Education Act of 1965), the UK has no such system. Only in 2019 did the US Department of Education begin to enforce this law and discovered over $6 billion in previously unreported donations, about one-half of which were from authoritarian states and kleptocracies. See U.S. Department of Education Office of the General Counsel (2020), *Institutional Compliance with Section 117 of the Higher Education Act of 1965*, October 2020, https://www2.ed.gov/policy/highered/leg/institutional-compliance-section-117.pdf (accessed 25 Nov. 2021).
175 Charities are not required to publish the names of their donors, although many of the more reputable ones choose to do so. The most recent proposal to require such transparency was abandoned by the auditing regulator, the Financial Reporting Council's Statements of Recommended Practice (SORP) committee, in 2017. See Jones, G. (2017), 'Charities will not have to name donors, says SORP Committee', *Civil Society News*, 22 August 2017, https://www.civilsociety.co.uk/news/charities-will-not-have-to-name-donors-says-sorp-committee.html (accessed 25 Nov. 2021).

donation, British social and political institutions remain open to hidden influences from Russian and post-Soviet elites. Such weaknesses are chronic and institutional – they are not just about a small number of examples of wrongdoing. But UK state and society have the power to fix them.

06 Conclusion and recommendations

The global community and the UK specifically need to adopt a new approach if they are serious about tackling the threat posed by the presence of kleptocrats, their associates and their financial flows.

Despite much rhetoric and progress on paper, the UK remains a safe haven for dirty money, a great deal of which comes from Russia and Eurasia. As we have shown, it is not just money that is laundered, but also reputations. The key allies of kleptocratic presidents merge into UK society and sometimes acquire British citizenship following receipt of a 'golden visa'. They settle down, donate to charities, threaten journalists with legal actions and make political connections. As government has failed to address this problem, British professional services provision to kleptocracies is undermining the fairness and efficiency of the legal system. The British government has placed combating serious organized crime at the centre of its foreign policy, but often fails to recognize the intimate connections UK society and institutions have with kleptocratic states and their elites, the latter of which continue to find a home-from-home in London.

From a traditional security perspective, most Eurasian states offer little concern to the UK. Russia – with 4,000 nuclear warheads, capacity to intervene in its near abroad, intimidatory postures overseas and insistence on being recognized as a 'great power' – is the exception here. In terms of transnational kleptocracy, however, the risks stemming from servicing post-Soviet elites are considerable, and an effective response to these risks is as much a matter of domestic as foreign policy.

Kleptocracy also poses a potential security threat when it involves the merger of the contest between states over national interests and the conflict between elites over their vested interests.

The UK has recently been the site of conflict between Russian elites.[176] A likely possible motive for both the killing of Alexander Litvinenko in 2006 and the attempted assassination of Sergei Skripal in 2018 was that both had continued to brief European intelligence services on links between the Russian state and organized crime.[177] Similarly, the deaths of Boris Berezovsky and several of his associates occurred in the context of transnational struggles between Berezovsky and oligarchs linked to the Russian state.[178] These, and other cases,[179] indicate that post-Soviet kleptocracy has brought political violence to the UK. Coroners have recorded unlawful killings or open verdicts in many of these cases, but no perpetrators have yet been convicted in any of them.

The UK is also vulnerable to cooperation between its own elites and post-Soviet kleptocrats. As major studies have shown, Putin's Russia was built as a kleptocracy which demands the loyalty of its globalized oligarchs and extends its power overseas through transnational networks and intermediaries.[180] Its influence on Donald Trump's business empire (which itself intersected with numerous kleptocratic figures and regimes around the world[181]), and the array of connections to far-right and populist parties in Europe, points to the risks associated with the UK authorities' piecemeal and hitherto ineffective approach to kleptocracy.[182]

When the UK parliament's *Russia* report was belatedly released in the summer of 2020, most attention fell on the question of influence over elections and the 2016 Brexit referendum. Less attention was devoted to the arguably more significant question it raised of kleptocracy. This included the point, summarizing the evidence of the NCA on UWOs, that 'the oligarchy will have the financial means to ensure their lawyers – a key group of professional enablers – find ways to circumvent this legislation'.[183]

Post-Soviet elites are ensconced in the UK, fight their legal battles in the UK and seek to gain cultural and political influence in the UK via philanthropy and political donations, especially to the governing party.[184] Given the absence of transparency covering gifts to universities and charities, and the inadequacy of the UK's lobbying register,[185] the potential for the influence of kleptocrats to remain hidden is high. Where finance is secret and influence is hidden, vital ingredients of democracy – transparency, accountability, the fairness of the law – are at risk. Where the

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176 Sabbagh, D. (2021), 'Kremlin agents targeting Russians in UK, MI5 warns', *Guardian*, 3 March 2021, https://www.theguardian.com/uk-news/2021/mar/03/kremlin-agents-targeting-russians-in-uk-mi5-warns (accessed 29 Nov. 2021).
177 Godfarb, A. and Kirilenko, A. (2016), 'Fresh evidence suggests Litvinenko was killed to keep him quiet', *Guardian*, 12 January 2016, https://www.theguardian.com/world/2016/jan/12/alexander-litvinenko-russia-murder (accessed 29 Nov. 2021); Schwirtz, M. and Bautista, J. (2018), 'Poisoned Russian Ex-Spy Is Said to Have Worked With Spanish Intelligence', *New York Times*, 6 September 2018, https://www.nytimes.com/2018/09/06/world/europe/skripal-poison-russia-spy-spain.html (accessed 29 Nov 2021).
178 Blake, H. (2017), 'From Russia With Blood', Buzzfeed News, 15 June 2017, https://www.buzzfeed.com/heidiblake/from-russia-with-blood-14-suspected-hits-on-british-soil (accessed 29 Nov. 2021).
179 BBC News (2021), 'Nikolai Glushkov: Putin critic 'strangled in London home by third party'', 9 April 2021, https://www.bbc.co.uk/news/uk-england-london-56695489 (accessed 29 Nov. 2021).
180 Dawisha (2015), *Putin's Kleptocracy?*; Belton (2020), *Putin's People*.
181 Michel, C. (2021), *American Kleptocracy: How the U.S. Created the World's Greatest Money Laundering Scheme in History*, New York: St Martin's Press.
182 Belton (2020), *Putin's People*, chapters 14 and 15.
183 Intelligence and Security Committee of Parliament (2020), *Russia*, para 56.
184 Thevoz and Geoghegan (2019), 'Revealed: Russian donors have stepped up Tory funding'.
185 McKay, A. M. and Wozniak, A. (2020), 'Opaque: an empirical evaluation of lobbying transparency in the UK', *Interest Groups & Advocacy*, 9, pp. 102–18, https://doi.org/10.1057/s41309-019-00074-9 (accessed 20 Oct. 2021).

implementation of UWOs is undermined, and new public registers of beneficial ownership are apparently shelved or at least seriously delayed,[186] it appears that damage is already being done.

One response to this failure is to instead declare success. The policy announcements of David Cameron's anti-corruption summit of 2016 and the highly positive FATF review of 2018 are often heralded as a big step forward, despite the lack of evidence of progress in enforcement and the considerable evidence presented above that the risk-based system does not work in the regulated banking and property sectors. In response to the release of the Pandora Papers in October 2021, Chancellor Rishi Sunak somewhat misrepresented the FATF's findings, saying that it had found the UK to be 'one of the best in the world' at tackling money laundering.[187] Such a response disregards the evidence that the system is ineffective in practice, particularly with regard to lack of enforcement.

Post-Soviet elites are ensconced in the UK, fight their legal battles in the UK and seek to gain cultural and political influence in the UK.

A second response is to reframe the problem. Facing defeat in the courts by the lawyers of wealthy elites, the government may be tempted to present 'illicit finance' as a matter solely of organized crime. The March 2021 Integrated Review of British foreign policy appears to take this approach, with no mention of kleptocracy and only a brief reference to 'high-end money laundering' in the context of economic crime and organized crime. Indeed, serious and organized crime is a recurring theme, with a whole section devoted to it later in the report.[188] But – as in several of our examples above – research on illicit finance suggests that criminal groups are second-order actors in a world shaped by political elites. Kleptocrats and their associates have the power and resources to invest and reinvest such that, in the words of the *Russia* report, their capital is 'to all intents and purposes now apparently legitimate'.[189]

By contrast, the US has launched a major anti-kleptocracy drive since the administration of President Joe Biden took office. In June 2021 – a few months after the US Congress finally passed legislation to create a beneficial-ownership registry – President Biden formally elevated corruption to a leading national security threat, requiring all governmental agencies to draft strategy policies specifically addressing corruption, and even announced his administration would seek to address anonymity in US property transactions. The administration also made fighting corruption one of the three main themes of its Summit

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186 Shalchi, A. and Mor F. (2021), *Registers of beneficial ownership*, House of Commons Library briefing paper No. 8259, 8 February 2021, https://researchbriefings.files.parliament.uk/documents/CBP-8259/CBP-8259.pdf (accessed 25 Nov. 2021).
187 BBC News (2021), 'As it happened: Latest Pandora leak updates as PM defends donations', 4 October 2021, https://www.bbc.co.uk/news/live/world-58782599/page/3 (accessed 6 Oct. 2021).
188 Cabinet Office (2021), *Global Britain in a Competitive Age: the Integrated Review of Security, Defence, Development and Foreign Policy*, 16 March 2021, https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy (accessed 20 Oct. 2021), p. 52 and pp. 82–84.
189 Intelligence and Security Committee of Parliament (2020), *Russia*, para 55.

for Democracy on 9–10 December 2021. Without stronger action by the UK – regarded by FinCEN as a 'higher-risk' jurisdiction, comparable with Cyprus, for illicit finance[190] – then the 'special relationship' may come under strain.[191]

Apparently concerned, the UK government introduced the Global Anti-Corruption sanctions regime in April 2021. The new regime allows the UK government to impose sanctions on individuals believed to be involved in serious corruption. The first 22 individuals sanctioned for corruption included 14 Russians linked to the kleptocratic fraud scheme that Sergei Magnitsky was investigating at the time of his death in a Russian prison in 2009.[192] Although this is a welcome step, it remains too early to tell how effective the new regime will be in tackling systemic corruption and in limiting the UK's vulnerability to illicit finance.[193] Unlike the Biden administration, the Boris Johnson government makes no public mention of kleptocracy, remains uncertain as to whether future sanctions and UWOs can be used against kleptocrats, and is reported to be planning cuts of around 80 per cent to its funding of anti-corruption research.[194]

An anti-kleptocracy strategy

A reset is required for the UK government, economy and society to come to terms with and respond to the problem of kleptocracy. It must, however, be noted that none of the following policy recommendations are specifically targeted at Russia and Eurasia. Our point is that this region is merely an acute illustration of a broader problem in the UK with respect to its vulnerability to corrupt capital and its openness to hidden political influence. An effective anti-kleptocracy strategy will need to include the following features:

1. **Mandatory reporting to a state agency of PEP transactions over a certain monetary value.** As the NCA has nothing like the capacity to investigate most SARs, this must be addressed directly or instead via a different kind of reporting system. All transactions involving PEPs over a defined amount should be reported to the NCA or another state agency, thereby removing both the need for professionals to assess 'suspicion of money laundering' and the immediate need for the NCA to investigate. Similar reporting (not just confined to PEPs) has had a beneficial effect in the US in regard to property transactions.[195]

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190 Parkinson, J. (2020), 'FinCEN Files: One of the world's 'dodgiest addresses' is in leafy Hertfordshire', BBC News, 21 September 2020, https://www.bbc.co.uk/news/uk-54204053 (accessed 20 Oct. 2021).
191 Keatinge, T. (2020), 'Get Serious: Illicit Finance is a Threat to the US–UK Special Relationship', RUSI Commentary, 15 December 2020, https://rusi.org/explore-our-research/publications/commentary/get-serious-illicit-finance-threat-us-uk-special-relationship (accessed 20 Oct. 2021).
192 Foreign & Commonwealth Office (FCO) (2020), 'UK announces first sanctions under new global human rights regime', 6 July 2020, https://www.gov.uk/government/news/uk-announces-first-sanctions-under-new-global-human-rights-regime (accessed 15 Nov. 2021).
193 Pegg, D. (2021), 'UK imposes sanctions on 14 Russians under new anti-corruption regulations', *Guardian*, 26 April 2021, https://www.theguardian.com/politics/2021/apr/26/uk-imposes-sanctions-on-russians-anti-corruption-regulations (accessed 15 Sep. 2021).
194 Geoghegan, P. (2021), 'UK government plans 80% cuts to 'world-leading' anti-corruption work', OpenDemocracy, 16 March 2021 https://www.opendemocracy.net/en/opendemocracyuk/uk-government-plans-80-cuts-to-world-leading-anti-corruption-work (accessed 15 Sep. 2021).
195 FinCEN has introduced Geographic Targeting Orders (GTOs), which require US title insurance companies to identify the natural persons behind shell companies used in all-cash purchases of residential property over a certain value in certain parts of the US. Cash transactions in GTO areas have been reduced, suggesting that GTOs act as a deterrent to those looking to launder funds.

2. **A requirement for UK-registered companies to have at least one UK citizen/resident as an officer – with this person, as well as the company's ultimate owner, bearing liability for impropriety.** There is little, if any, incentive for service providers based overseas to ensure that the companies they represent are filing accurate accounts. Following the practice of many other countries, abuse of UK companies could be reduced if one of the company's officers was required to be a British citizen or permanent resident.[196]

3. **Investigation of, and penalties for, those who submit fraudulent information to Companies House.** Proposed reforms to Companies House cannot come soon enough. Regard must be paid to monitoring compliance among those submitting information to Companies House, especially with the (hopefully) upcoming introduction of the Registration of Overseas Entities legislation, which requires companies that own property in the UK to submit their ownership information to Companies House. Fines should be imposed for non-compliance and the individuals involved prevented from acting as company officers in the future.

4. **A clear mandate and better funding for the NCA to investigate and prosecute enablers of money laundering.** The creation of OPBAS has led to increased scrutiny of AML controls in each sector, though supervision remains a problem.[197] While fines against non-compliant companies are to be welcomed, fines also need to be levied against non-compliant individuals to effect real change. Prosecutions and imprisonments are necessary to end the climate of impunity.

5. **Re-examination of AML legislation in relation to PEPs and third countries.** Following Brexit, the UK has pledged to remain in compliance with the EU money-laundering directives. But it could go further. For example, it could add – and properly enforce – a requirement for all PEPs who are beneficial owners of companies ('Persons of Significant Control') to be placed on record no matter what percentage stake in a company they hold. Furthermore, the UK could make its own additions to the European Commission's 'high-risk third countries' list by applying the FCA's criterion of 'a political economy dominated by a small number of people/entities with close links to the state'.[198] By this measure, almost all post-Soviet states would count as high-risk.

6. **A revival in the use of Unexplained Wealth Orders.** A better-funded NCA should be able to renew its UWO work. In 2017, in advance of their first use, the Royal United Services Institute outlined four requirements for UWOs: expertise, inter-agency cooperation, resources and political will.[199] These

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196 Hallman, B., Woodman, S., Fitzgibbon, W. and Kehoe, K. (2020), '6 money laundering reforms that experts say need to happen right now', International Consortium of Investigative Journalists, 19 October 2020, https://www.icij.org/investigations/fincen-files/6-money-laundering-reforms-that-experts-say-need-to-happen-right-now (accessed 20 Oct. 2021).
197 OPBAS (2020), 'Anti-Money Laundering Supervision by the Legal and Accountancy Professional Body Supervisors: Progress and themes from 2019', OPBAS/FCA, March 2020, https://www.fca.org.uk/publication/opbas/supervisory-report-progress-themes-2019.pdf (accessed 15 Sep. 2021).
198 FCA (2017), *Finalised Guidance: FG 17/6 The treatment of politically exposed persons for anti-money laundering purposes*, p. 9.
199 Keen, F. (2017), *Unexplained Wealth Orders: Lessons for the UK*, RUSI, 25 September 2017, https://rusi.org/explore-our-research/publications/occasional-papers/unexplained-wealth-orders-lessons-uk (accessed 20 Oct. 2021).

requirements have hitherto been unmet. In particular, investigations should include greater examination of evidence from a PEP's country of origin, given the increased likelihood that this evidence is unreliable. Expert witness testimony on the sources of wealth should be used more often in legal cases.

7. **Use of the new Global Anti-Corruption sanctions regime against kleptocrats and their associates residing in the UK.** These sanctions may also be used and should be targeted at enablers.[200] Even a small number of designations against kleptocrats and enablers may create a deterrent effect.

8. **The introduction of a specific legal requirement for universities to report the identity of donors, amounts donated and any major stipulations attached to such donations** to the Department for Education, in line with what is required and enforced in the US.[201] The Higher Education (Freedom of Speech) Bill, currently before parliament in draft form, should be amended for this purpose.

9. **The amendment of charity law to require all registered charities, including think-tanks, to publish a list of all significant donors,** plus the amount and any major stipulations in their annual report to the Charity Commission for England and Wales and the equivalent bodies in Scotland and Northern Ireland.

The UK has a long road ahead to address the risks from its servicing of post-Soviet elites and the suspicious capital that flows into the country in its billions. The UK government needs to enforce its laws; create better oversight of regulated sectors; crack down on those who are shown to have enabled money laundering; stop giving visas, residency and citizenship to those suspected of grand corruption; and ensure that journalists and researchers have the freedom to report on the actions of these individuals.

Faced with the challenges of Brexit and an economy under strain after the COVID-19 pandemic, there is a real risk that the UK will move in the other direction – towards deregulation, hoping for quick economic gains. This would present an opportunity for the kleptocrats, one that they have exploited in the past. And it would be a great misstep, given the risks – both actual and potential – that kleptocracy poses to the nation's security, democracy and the rule of law. Now is the time for the UK government to acknowledge these risks and to address them with a coherent strategy.

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200 FCDO (2021), *Global anti-corruption sanctions: information note for non-government organisations*, 26 April 2021, https://www.gov.uk/government/publications/global-anti-corruption-sanctions-information-note-for-non-government-organisations/global-anti-corruption-sanctions-information-note-for-non-government-organisations#who-can-be-designated (accessed 16 Nov. 2021).
201 For more details on how to address the broader issues posed to universities in their partnerships with authoritarian states, see the model code of conduct of the Academic Freedom and Internationalisation Working Group, https://hrc.sas.ac.uk/networks/academic-freedom-and-internationalisation-working-group/model-code-conduct.

Annex

Table 1. Known purchases of UK residential property by politically exposed persons and high-risk individuals from post-Soviet countries, 1998–2020

#	Name	Type of elite	Country of origin	Location of property	Date of purchase	Company used and place of registration	Price paid or value stated (£ million)	Current ownership status	Date of sale and price or date status last verified
1	Zamira/Jahangir Hajiyev	2	Azerbaijan	Ascot, Bracknell Forest, SL5	09/09/2013	Natura Ltd (Guernsey)	10.52	3	24/05/2021
2	Zamira/Jahangir Hajiyev	2	Azerbaijan	Chelsea, Kensington and Chelsea, London SW3	22/12/2009	Vicksburg Global Inc. (British Virgin Islands–BVI)	11.50	3	24/05/2021
3	Ashraf Kamilov	2	Azerbaijan	Bloomsbury, Camden, London WC1	02/06/2014	Perez International Inc. (BVI)	208.60	2	20/09/2016 for around $300m
4	Ashraf Kamilov	2	Azerbaijan	Bloomsbury, Camden, London WC1	03/06/2014	Perez International Inc. (BVI)	0.15	2	04/06/2014 or 11/04/2018
5	Ashraf Kamilov	2	Azerbaijan	Bloomsbury, Camden, London WC1	02/06/2014	Perez International Inc. (BVI)	3.75	2	20/09/2016
6	Ashraf Kamilov	2	Azerbaijan	Bloomsbury, Camden, London WC1	02/06/2014	Perez International Inc. (BVI)	Unknown	2	03/08/2017 for £3.45m
7	Ashraf Kamilov	2	Azerbaijan	Bloomsbury, Camden, London WC1	25/02/2013	Fliptag Investment Ltd (BVI)	6.20	1	29/10/2021
8	Ashraf Kamilov/ Gafar Gurbanov	2	Azerbaijan	Bloomsbury, Camden, London WC1	24/01/2007	Havza Ltd (Ireland)	13.25	1	29/10/2021
9	Ashraf Kamilov/ Gafar Gurbanov	2	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW3	23/03/2012	Savey Trading Corp. (BVI)	7.75	1	27/10/2021
10	Ashraf Kamilov/ Gafar Gurbanov	2	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW3	23/03/2012	Savey Trading Corp. (BVI)	9.50	1	27/10/2021
11	Ashraf Kamilov	2	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW3	29/07/2011	Gigaworks Holding Corp. (BVI)	17.50	1	27/10/2021
12	Ashraf Kamilov	2	Azerbaijan	Warninglid, West Sussex RH17	14/09/2011	Marcin International SA (BVI)	4.45	1	29/10/2021
13	Ashraf Kamilov/ Heydar I. Aliyev	1	Azerbaijan	Mayfair, Westminster, London W1	24/03/2009	Mallnick Holdings SA (BVI)	33.50	2	23/08/2018
14	The family of Ilham Aliyev	1	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW7	01/11/2006	Strahan Holding & Finance Corp. (BVI)	0.50	1	27/10/2021
15	The family of Ilham Aliyev	1	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW7	31/10/2006	Strahan Holding & Finance Corp. (BVI)	3.90	1	27/10/2021
16	The family of Ilham Aliyev	1	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW7	31/10/2006	Strahan Holding & Finance Corp. (BVI)	0.69	1	28/10/2021
17	The family of Ilham Aliyev	1	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW7	17/11/2006	Capper Marketing Inc. (BVI)	Unknown	1	30/10/2021
18	The family of Ilham Aliyev	1	Azerbaijan	Highgate, Haringey, London N6	11/03/1998	Beckforth Services Ltd (Isle of Man)	Unknown	1	11/11/2021
19	The family of Ilham Aliyev	1	Azerbaijan	Holland Park, Kensington and Chelsea, London W8	15/10/2012	Quandu Finance Ltd (BVI)	29.25	1	27/10/2021
20	The family of Ilham Aliyev	1	Azerbaijan	Holland Park, Kensington and Chelsea, London W8	26/10/2006	Sheldrake Six Ltd (BVI)	11.60	1	27/10/2021
21	The family of Ilham Aliyev	1	Azerbaijan	Holland Park, Kensington and Chelsea, London W8	06/09/2011	Sheldrake Seven Ltd (BVI)	0.96	1	27/10/2021
22	The family of Ilham Aliyev	1	Azerbaijan	Marylebone, Westminster, London W1	12/02/2009	Nedo Ventures Ltd (BVI)	9.55	1	29/10/2021

#	Name	Type of elite	Country of origin	Location of property	Date of purchase	Company used and place of registration	Price paid or value stated (£ million)	Current ownership status	Date of sale and price or date status last verified
23	The family of Ilham Aliyev	1	Azerbaijan	Mayfair, Westminster, London W1	29/09/2009	Hiniz Trade & Investment Ltd (BVI)	35.54	2	23/08/2018 for £66.50m
24	Arif Pashayev/ The family of Ilham Aliyev	1	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW7	01/03/2017	Gesoro Ltd (BVI)	13.75	1	29/10/2021
25	Mirjalal Pashayev	1	Azerbaijan	Knightsbridge, Kensington and Chelsea, London SW11	01/03/2014	Unknown	3.50	4	Unknown
26	Leila Aliyeva/ Mirjalal Pashayev	1	Azerbaijan	Westminster, London W1	01/08/2008	Unknown (BVI)	Unknown	4	Unknown
27	Ziya Mamedov	1	Azerbaijan	Hampstead Garden Suburb, Barnet, London N2	14/12/2001	Own name	2.75	4	Unknown
28	Dariga Nazarbayeva	1	Kazakhstan	Chelsea, Kensington and Chelsea, London SW3	20/09/2010	Dedomin International Ltd (BVI)	31.00	1	16/07/2021
29	Dariga Nazarbayeva	1	Kazakhstan	Highgate, Haringey, London N6	02/04/2008	Twingold Holding Ltd (BVI)	9.30	1	29/10/2021
30	Nurali Aliyev	1	Kazakhstan	Hampstead Garden Suburb, Barnet, London N2	10 May 2008	Riviera Alliance Inc. (BVI)	39.50	1	10/03/2020
31	Dariga Nazarbayeva/ Nurali Aliyev	1	Kazakhstan	Marylebone, Westminster, London NW1	01/09/2005	Farmont Baker Street Ltd (UK)	34.50	1	24/11/2021
32	Dariga Nazarbayeva/ Nurali Aliyev	1	Kazakhstan	Marylebone, Westminster, London NW1	01/03/2010	Dynamic Estates Ltd (UK)	98.48	1	07/11/2019
33	Hourieh Peramaa	2	Kazakhstan	Hampstead Garden Suburb, Barnet, London N2	16/01/2008	Hartwood Resources Ltd (BVI)	40.97	2	08/03/2013 for £60m
34	Timur Kulibayev/ Goga Ashkenazi	1	Kazakhstan	Kensington, Kensington and Chelsea, W11	18/06/2007	Bor Investments (BVI)	27.50	1	20/06/2017
35	Timur Kulibayev	1	Kazakhstan	Ascot, Bracknell Forest, SL5	14/09/2007	Unity Assets Corp. (Luxembourg)	15.00	1	12/11/2021
36	Timur Kulibayev	1	Kazakhstan	Westminster, London W1	30/03/2007	Merix International Ventures (BVI)	25.85	1	13/10/2017
37	Timur Kulibayev	1	Kazakhstan	Westminster, London W1	02/08/2007	Lynn Properties Ltd (BVI)	8.35	1	13/10/2017
38	Timur Kulibayev	1	Kazakhstan	Westminster, London W1	02/08/2007	Vitala Investment Holding Ltd (BVI)	11.93	1	13/10/2017
39	Kairat Boronbayev/ Sholpan Boranbayeva	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	30/11/2017	Own names	1.00	1	15/07/2021
40	Kairat Boronbayev/ Sholpan Boranbayeva	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	30/11/2017	Own names	1.00	1	15/07/2021
41	Kairat Boronbayev/ Sholpan Boranbayeva	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	30/11/2017	Own names	1.00	1	30/07/2021
42	Kairat Boranbayev	2	Kazakhstan	Virginia Water, Surrey GU25	13/11/2014	LBV Investments Ltd (NZ)	25.40	1	06/08/2020
43	Kairat Boranbayev	2	Kazakhstan	Virginia Water, Surrey GU25	02/11/2016	Own name	1.00	1	30/07/2021
44	Viktoriya Ni	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	01/06/2013	Own name	Unknown	1	01/04/2021
45	Viktoriya Ni	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	2016	Own name	18.50	1	01/04/2021

#	Name	Type of elite	Country of origin	Location of property	Date of purchase	Company used and place of registration	Price paid or value stated (£ million)	Current ownership status	Date of sale and price or date status last verified
46	Viktoriya Ni	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	05/03/2020	Own name	7.40	1	01/04/2021
47	Rita Ni	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	01/12/2016	Own name	4.15	1	01/04/2021
48	Kamilla Kim	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	01/10/2017	Own name	8.00	1	2020
49	Kamilla Kim	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW7	01/10/2017	Own name	6.00	1	2020
50	Kamilla Kim	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW1	19/06/2017	Own name	27.50	1	16/11/2021
51	Vladimir Kim	2	Kazakhstan	Knightsbridge, Kensington and Chelsea, London SW1	12/04/2011	Andero Trust Reg. (Liechtenstein)	21.00	1	16/11/2021
52	Aigul Nuriyeva	2	Kazakhstan	Regent's Park, Camden, London NW1	24/07/2007	Own name	5.60	1	11/08/2019
53	Zhanar Kaliyeva	1	Kazakhstan	Regent's Park, Camden, London NW1	04/09/2012	Own name	1.00	1	24/08/2019
54	Zhanar Kaliyeva	1	Kazakhstan	Regent's Park, Camden, London NW1	25/09/2012	Own name	0.20	1	24/08/2019
55	Zhanar Kaliyeva	1	Kazakhstan	Regent's Park, Camden, London NW1	10/03/2010	Own name	7.80	1	25/03/2021
56	Alexander Machkevitch	2	Kazakhstan	Westminster, London SW1	08/11/2005	Own name	14.50	1	17/09/2021
57	Mukhtar Ablyazov	3	Kazakhstan	Hampstead Garden Suburb, Barnet, London N2	2009	Unknown	18.00	3	Unknown
58	Mukhtar Ablyazov	3	Kazakhstan	Egham, Surrey TW20	2009–12	Unknown	18.00	3	Unknown
59	Mukhtar Ablyazov	3	Kazakhstan	Marylebone, Westminster, London NW1	2009–12	Unknown	1.00	3	Unknown
60	Mukhtar Ablyazov	3	Kazakhstan	Marylebone, Westminster, London NW1	2009–12	Unknown	Unknown	3	Unknown
61	Mukhtar Ablyazov	3	Kazakhstan	Windlesham, Surrey GU20	2009–12	Unknown	Unknown	3	Unknown
62	Maxim Bakiyev	3	Kyrgyzstan	Kingswood, Surrey KT20	05/08/2010	Limium Partners (Belize)	3.50	1	09/03/2021
63	Abdukadyr family	2	Kyrgyzstan	Croydon CR0	14/04/2016	AKA London Trading Ltd (UK)	1.32	1	22/11/2019
64	Abdukadyr family	2	Kyrgyzstan	Kingston Upon Thames, London KT2	10/07/2015	Abdukadyr Khabibula, Aibubula Nuermaimaiti, Aibubula Paliwanmuhaimaiti and Rezi Maliya	4.40	1	14/08/2019
65	Abdukadyr family	2	Kyrgyzstan	Stoke Newington, Hackney, London N16	04/03/2016	AKA London Trading Ltd (UK)	2.25	1	22/11/2019
66	Abdukadyr family	2	Kyrgyzstan	Uxbridge, Ealing, London W5	29/02/2016	AKA London Trading Ltd (UK)	16.50	1	22/11/2019
67	Aibibula Paliwanmuhaimaiti	2	Kyrgyzstan	Wandsworth, London SW18	09/05/2016	Own name	1.39	1	22/11/2019
68	Roman Rotenberg	2	Russia	Belgravia, Kensington and Chelsea, London SW1	10/08/2007	Loktan Services Ltd (Cyprus)	3.30	1	19/11/2021
69	Sergei Pugachev	3	Russia	Chelsea, Kensington and Chelsea, London SW3	2010/11	Redflame Ltd (Isle of Man)	8.90	3	2020
70	Andrey Yakunin	1	Russia	Golders Green, Barnet, London NW3	30/04/2007	Diamondrock Inc. (Panama)	4.50	1	16/11/2021

#	Name	Type of elite	Country of origin	Location of property	Date of purchase	Company used and place of registration	Price paid or value stated (£ million)	Current ownership status	Date of sale and price or date status last verified
71	Andrey Yakunin	1	Russia	St John's Wood, Westminster, London NW8	2013	Terphos Financial Corp. (BVI)	23.00	2	22/06/2021 for £17.95m
72	Andrey Goncharenko	2	Russia	Belgravia, Kensington and Chelsea, London SW1	2014	M.C.A. Shipping Ltd (Gibraltar)	15.00	2	likely 15/05/2020 for £26.58m
73	Andrey Goncharenko	2	Russia	Mayfair, Westminster, London SW1	12/10/2012	Larkstone Ltd (Gibraltar)	70.00	1	19/11/2021
74	Andrey Goncharenko	2	Russia	Regent's Park, Westminster, London NW1	13/03/2012	Green Palace Gardens Ltd (Gibraltar)	120.00	1	19/11/2021
75	Andrey Goncharenko	2	Russia	Hampstead, Camden, London NW3	2014	Starcluster Ltd (Gibraltar)	41.00	2	29/03/2018 for £23m
76	Andrey Guryev	1	Russia	Highgate, Camden, London N6	2008	Safran Holdings Ltd (BVI)	50.00	2	05/04/2017
77	Alisher Usmanov	2	Russia	Highgate, Camden, London N6	11/03/2008	Hanley Ltd (Isle of Man)	48.00	1	22/11/2021
78	Roman Abramovich	2	Russia	Kensington, Kensington and Chelsea, London W8	15/12/2011	A. Corp Trustee Ltd (Cyprus)	90.00	1	20/11/2021
79	Roman Abramovich	1	Russia	Westminster, London SW1	13/04/2006	Own name	10.37	1	22/11/2021
80	Roman Abramovich	1	Russia	Rogate, West Sussex GU31	2000	Transferred to own name in 2005	18.00	2	16/02/2007
81	Roman Abramovich	2	Russia	Chelsea, Kensington and Chelsea, London SW3	2017	Unknown	8.75	4	Unknown
82	Roman Abramovich	2	Russia	Chelsea, Kensington and Chelsea, London SW10	2018	In own name	22.00	4	Unknown
83	Igor Shuvalov	1	Russia	St James', Westminster, London SW1	01/08/2014	Sova Real Estate LLC (Russia)	11.44	1	24/11/2021
84	Oleg Deripaska	2	Russia	Westminster, London SW1	04/04/2003	Ravellot Ltd (BVI)	Unknown	1	17/11/2021
85	Lubov Chernukhina	2	Russia	Regent's Park, Camden, London NW1	13/05/2021	Own name	100.00	1	29/11/2021
86	Andrei Borodin	3	Russia	Henley-On-Thames, Oxfordshire RG9	1/06/2011	Durio Company Ltd (BVI)	119.75	1	29/11/2021
87	Vladimir Sokolov/ Irina Sokolova	1	Turkmenistan	Primrose Hill, Camden, London NW8	24/05/2004	Own names	Unknown	1	26/03/2021
88	Dmytro Firtash	2	Ukraine	Kensington, Kensington and Chelsea, London SW3	29/11/2012	Own name	1.00	1	02/11/2021
89	Dmytro Firtash	2	Ukraine	Kensington, Kensington and Chelsea, London SW3	27/05/2014	Own name	53.38	1	02/11/2021
90	Lada Firtash	2	Ukraine	Kensington, Kensington and Chelsea, London SW3	25/03/2013	Own name	1.00	1	23/07/2015
91	Rinat Akhmetov	2	Ukraine	Knightsbridge, Kensington and Chelsea, London SW1	10/03/2011	Water Property Holdings Ltd (BVI)	50.24	1	16/11/2021
92	Rinat Akhmetov	2	Ukraine	Knightsbridge, Kensington and Chelsea, London SW1	10/03/2011	Water Property Holdings Ltd (BVI)	86.20	1	16/11/2021
93	Gulnara Karimova	1	Uzbekistan	Belgravia, Kensington and Chelsea, London SW1	23/09/2010	Oregon Group (BVI)	12.34	2	19/04/2013 for £13.25m
94	Gulnara Karimova	1	Uzbekistan	Belgravia, Kensington and Chelsea, London SW1	23/09/2010	Oregon Group (BVI)	1.11	3	18/02/2020
95	Gulnara Karimova	1	Uzbekistan	Belgravia, Kensington and Chelsea, London SW1	likely 23/09/2010	Oregon Group (BVI)	1.11	2	25/09/2013 for £1.85m

#	Name	Type of elite	Country of origin	Location of property	Date of purchase	Company used and place of registration	Price paid or value stated (£ million)	Current ownership status	Date of sale and price or date status last verified
96	Gulnara Karimova	1	Uzbekistan	Mayfair, Westminster, London W1	31/01/2012	Porchester Industries (BVI)	3.68	3	18/02/2020
97	Gulnara Karimova	1	Uzbekistan	Wentworth Estate, Surrey GU25	01/08/2011	Rawtenstall International Ltd (BVI)	18.10	3	18/02/2020
Total known spend on property in the UK by individuals listed (£ million)							**1,986.62**		

Key

Type of elite

1. **Kleptocrat**. A government official, senior politician or a close family member at the time the property was purchased.
2. **Oligarch**. A member of the country's business elite or a close family member.
3. **Exile**. A political exile or a close family member.

Individuals are categorized according to their status at the time a property was purchased. Thus, individuals can change categorization depending on when the property was purchased.

Current ownership status

1. Currently owned by the same party as given in Column 7
2. Sold or transferred
3. Frozen or sold following legal proceedings
4. Unknown

Where properties are owned by offshore companies, a change in the ultimate owner of the property may have taken place if the beneficial owner of the company has been changed. This would not, however, result in a change noted by the Land Registry.

Note on prices

This is the price paid, as confirmed by the Land Registry title, or occasionally, house value as given in land register extract. Other Land Registry documents give no value in the extract but indicate in the Proprietorship Register section that the house value is 'above £1 million'. This is the highest valuation grade that the Land Registry uses in the Proprietorship Register section, but the actual value of these properties is likely to be in excess of £1 million given their location. However, this Annex gives valuations in these instances as £1 million to avoid providing unsupported estimations (this applies to the entries numbered 39–41, 43, 53, 88 and 90).

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Cover image: Dark clouds over the Canary Wharf business district of London, UK, on 28 October 2008.

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