

Foreign Affairs Committee

Oral evidence: Russian Corruption and the UK, HC 932

Wednesday 28 March 2018

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Members present: Tom Tugendhat (Chair); Ian Austin; Chris Bryant; Ann Clwyd; Mike Gapes; Ian Murray; Priti Patel; Andrew Rosindell; Mr Bob Seely; Royston Smith.

Questions 1-132

Witnesses

I: Oliver Bullough, Journalist and Author on Russia; Juliette Garside, Financial Correspondent; Luke Harding, Journalist and Author on Russia; and Tom Keatinge, Director, Centre for Financial Crime and Security Studies, RUSI.

II: Vladimir Ashurkov, Executive Director, Anti-Corruption Foundation; and Roman Borisovich, Co-founder, ClampK.

Examination of witnesses

Witnesses: Oliver Bullough, Juliette Garside, Luke Harding and Tom Keatinge.

Chair: Welcome to this afternoon's session of the Foreign Affairs Committee, and our inquiry into Russian corruption and the United Kingdom. Clearly there is a lot to get through in a very short space of time, so please forgive us that questions will be directly targeted at one of the witnesses. If you feel that you absolutely must add something on the back of somebody else's evidence, please let me know, and I am sure that you can, but as much as possible if we could narrow it down so that we do not have four people answering each question, that would be ideal.

Q1 Priti Patel: The first question is to Oliver. Can you give the Committee a sense of the scale of so-called "dirty money" being laundered through London?

Oliver Bullough: Blimey—that is tough one to begin with. I do not know how long we have, but looking at the historical context, we have been doing this for a long time. This money is deeply embedded in our system, and has been since at least the 1950s. In that regard, how much money is being laundered that has already been laundered becomes a bit of a tricky question. Possibly the interesting thing to draw attention to is the Deutsche Bank analysis of the errors and omissions data from 2015, which is called "Dark matter". It reckoned at that stage that the amount was accelerating—it was putting it at about £1 billion a month. That is on the low side compared with the National Crime Agency's estimate, which is £100 billion a year. I would say it was a minimum of £1 billion a month. Obviously there are quite a lot of zeros at the end £100 billion, which possibly alerts us to the fact that it is a guess.

Q2 Priti Patel: To build on that point, what assets has that hidden money gone into?

Oliver Bullough: The majority of it is going into property—just because if you have that much money, there is not that much that you can spend it on—and, obviously, luxury goods, art, yachts and so on. A certain amount goes into private schooling—if you look at the nationality of foreign children attending British private schools, you can see that the top three are China, Hong Kong, and Russia, in that order. Obviously they are three jurisdictions that have a bit of a dirty money problem. It is possible to speculate that some of that may be dirty.

If you look at the nationality of people getting tier 1 investor visas, again, the top two are China and Russia—two countries with significant capital flight problems. It is possible to speculate that quite a lot of the money is also going into visas.

Q3 Priti Patel: Tom, do you have a view on how good, strong and moderate



HOUSE OF COMMONS

our UK intelligence is at understanding the relationship between Russian authorities and associates of Putin, and at following the money that comes into London?

Tom Keatinge: Not very, I suppose, is the simple answer. Realistically, to build on what Oliver was saying, we have had the welcome mat out to money—it has been financial investment as opposed to industrial investment over the past 20 years. We have had a regulatory stance that has welcomed that money—it is not something that we have been particularly concerned about, so why would we consider it a security risk? That is a question that we should debate this afternoon.

I do not think we have a genuinely good sense of how all the connections work. Frankly, it comes down to the work revealed by things such as the Panama papers and the Paradise papers—that is where you start to see the links being revealed. Were it not for the journalists who do that work, I am not sure that we would have the picture we have today.

Q4 **Priti Patel:** I am interested in views on the intelligence services, the financial regulator and the Serious Fraud Office. Do you think this is on their radar at all? What kinds of measures could be brought in, whether through law enforcement or changing the laws, for them to look at the steps that the Government can bring in?

Tom Keatinge: I cannot really comment on the intelligence services point but, with regard to the FCA, the NCA and the SFO, the fundamental issue is lack of funding. This is something that you cannot engage with unless you are prepared to spend considerable time and effort digging into numbers. We have had a light-touch regulation approach, which means that money has come in and we have no idea really of what money is crossing the border.

I worked in investment banking for 20 years, and I do not mind saying that I look back on some of the deals that happened during that time and wonder whether we would have done those deals today. There are assets that have been listed on the London stock market over the past 20 years, where London wanted to win that business rather than seeing it go to New York or anywhere else, and London facilitated those transactions in London rather than somewhere else.

Q5 **Priti Patel:** Do you think we have deliberately made ourselves attractive and open for that money to come to London compared with other financial centres?

Tom Keatinge: I do. It is a different country, but look at the debate going on about where Saudi Arabia will list its Aramco business—people are talking about bending all sorts of rules to win that business. It continues; it is not a one-off and it has happened over the past 20 years, particularly in the post-98 financial crisis period of 2008.

Q6 **Priti Patel:** Juliette, irrespective of resources—we have already heard from Tom that resourcing is an issue—can I ask you for your views on what other practical steps can be taken? We know what the financial



HOUSE OF COMMONS

regulatory landscape looks like, and we have organisations such as the SFO, the intelligence services and all the conduits of information. How could they fuse that together to be more proactive?

Juliette Garside: To take a step back, I have worked on three of these big international money laundering investigations for *The Guardian*. I started with HSBC's Swiss bank three or four years ago, then the Panama papers and the Paradise papers. We could see how other countries were responding when these big investigations were published, from our partners in Germany, France and Sweden. What was happening in those countries was prosecutions.

Shakira recently received a multi-million pound tax bill from the Spanish tax office. The chairman of Santander was brought to book over money that he had in HSBC's Swiss bank. In France they prosecuted, in a very public way, the heiress of the Nina Ricci fashion empire. In the UK there has been resounding silence. There was one prosecution in the wake of the Panama papers, but that was a chap who had already lied to the tax authorities. He was a minor property guy—no one had heard of him—and it was a slam dunk.

I agree with Tom that resource is an issue, but actually I think it comes down to political will. It comes down to these agencies—the SFO, the NCA and HMRC—being given their head. They do not need to take down a lot of big scalps, but they need to do a few very public prosecutions every once in a while. In that sense, it is a question not so much of resource but of permission.

It concerns me when I hear things like it being Theresa May's long-standing ambition to merge the SFO with the NCA. It creates a certain amount of insecurity. When the FCA was having a certain amount of success punishing banks for misbehaviour during the financial crisis, Martin Wheatley, the head of the agency, was removed. That sends a very powerful message. There were two initiatives after the Panama papers, but the immediate response we received at *The Guardian* was demands here for us to hand over the data. We received calls from the NCA, and at one point our lawyer explained that the possibility of a raid by law enforcement was live. It never happened, but the reaction was similar this time.

What David Cameron did at the time of the Panama papers—it was a bold and brave move, given that he was at the centre of the story—was to insist that the Crown dependencies made available, within an hour of request, information on who owns shell companies, by implementing central registers of the beneficial owners of those shell companies. That initiative was pursued, but I think it has now hit the sand. I am not sure, actually, that any of the overseas territories have made much change to the way they collect the information, but I stand to be corrected.

Q7 **Priti Patel:** You raised the different strands where the Government can intervene and where investigations can take place. Do you have a fixed view of where the authority should sit and which organisation or



HOUSE OF COMMONS

Department should be responsible?

Juliette Garside: It depends whether it is crime, sanctions enforcement, or tax avoidance or evasion. I know that at HMRC, for example, the average tax investigation takes three years. It is an awfully long time. The CPS has had cases going for six or seven years. It just depends.

- Q8 **Mr Seely:** Tom, you talked about security risk. Isn't it the case that there is not so much of a security risk with this? There could have been soft corruption, agents of influence and a certain amount of peddling by banks and upmarket property companies, but the issue is that the Russians are attacking and undermining us in other areas—be it destabilising the Baltic, the Balkans or anywhere else—and they are reliant on a certain greedy self-interest to allow that to happen. They assume that we will keep processing their dodgy money and their dodgy oligarchs—or their oligarchs in general—here while they conduct that cold conflict elsewhere in Europe. They are trying almost to separate this financial element from all the other things they are doing. Is that fair, or do you think that is wrong?

Tom Keatinge: Possibly. The thing that I would point to is that in 2013, and again in the SDSR in 2015, the whole issue of serious and organised crime, money laundering and so on was made a national security threat. The question I would pose is: are we treating it as a national security threat? The Government itself has said it is a national security threat. I have not had a chance to read the national security capability review, which came out at 10 minutes past 2, but I see from the press that, again, organised crime and corrupt elites are going to be a feature of that. If it is a national security threat, let's treat it as one.

- Q9 **Mr Seely:** Do you think it is one? In what way is it a national security threat?

Tom Keatinge: Frankly, I would not have put it as a tier-2 national security threat in the way it has been positioned there. There are ways we can treat this issue without having to run around and be concerned about security, but we have left the door open for 20 years, so if we are going to deal with the issue in front of us, we are going to have to ramp up the way we treat it. If that means we have to call it a national security threat to get the necessary resources in place, that is what we are going to have to do.

- Q10 **Mr Seely:** But what is the threat? That is what I want to know. Is the threat that it buys corruption in this country? Is the threat that it is unhealthy and bad for the system?

Tom Keatinge: Yes, it is that; it is unhealthy. Who knows why what happened in my home town of Salisbury happened? But the fact of the matter is that there is an agglomeration of Russian money in the UK, and with that comes people and activity that I am not sure we want to have here.

- Q11 **Mr Seely:** Mikhail Khodorkovsky named 100 significant beneficiaries around the regime of President Putin. Bill Browder has said that there are



HOUSE OF COMMONS

1,000 to 2,000 people who are big beneficiaries around the Putin entourage. Do we have any numbers on people around the Putin entourage that UK law enforcement agencies should be looking at? Can I address this question to Luke, and then anyone else, such as Oliver, who may want to contribute?

Luke Harding: What we have to understand is the big picture, which is, to go back to your earlier questions, that there is a noisy public project in Russia which is to influence other people's elections and to chew up European borders, based on an ultra-nationalist conservative philosophy at home. But there is also a private project involving the 100-plus people that Bill Browder talked about, which is essentially to steal as much money as you can in Russia and to offshore it.

Actually, none of the Russian elite has any great confidence in the future, or indeed in Vladimir Putin—his regime is more precarious than it seems—and they are terrified about losing their wealth and about predatory attack from inside. So that wealth is offshored—it is in London and other places. The point is that Putin can instrumentalise it. So if you are an oligarch, it is not like being an English or UK businessman; it means that if a phone rings and the Kremlin asks you to do something, you have to deploy that money, whether on a football stadium, active measures across Europe or support for a far-right political party and so on. There is this interplay between people who look like businessmen but I would say actually are informal state functionaries. Of course, we are familiar with these people's names and many of them have got substantial assets in this country.

Q12 **Mr Seely:** You have been talking about the shadow vertical of power inside Ukraine and inside Russia. You have got the shadow vertical outside, which is the oligarchs and their bank accounts, and they do the servicing of the Russian state with the cash they have got. Part of that cash is to be spent at President Putin's will.

Luke Harding: Yes. I have done a couple of books on Russia, and one of them is "Mafia State". When you are thinking about it, it is much easier if you get away from the idea that this is a classical sovereign entity—it isn't. It is essentially a quasi-criminal syndicate where Putin is at the top and he has people around him—oligarchs and other Kremlin officials, all of whom, by the way, are multi-billionaires and many of whom are not Steve Jobs but happen to know him from judo club in St Petersburg 25 years ago—and they are a sort of team. We can talk about Putin's wealth or not, but it is clear that whether or not he formally owns this money, which I would say is somewhere between \$200 billion and \$300 billion, he can use it for political projects, personal projects and domestic projects.

Q13 **Mr Seely:** Have we got a list of the names of those people around him? Are people reluctant to say who those oligarchs are, or can we start naming those people here?

Luke Harding: Very many of them have already featured on a list produced by the US Treasury. They were sanctioned after 2014 and have been sanctioned by the UK. The question for the Committee is whether you want to expand that list. I think one very effective measure would be



HOUSE OF COMMONS

if, for example, you were to draw up a list of the top 5,000 officials in the Kremlin and say that they and their children are on some kind of stoplist for coming to the UK and they are not welcome here. I think that would be hugely effective, because it would not damage the Russian people but it would damage the people at the top.

- Q14 **Chair:** How many of them—or their children—are in the UK or travel frequently to the UK?

Luke Harding: A huge number; a very large proportion. It is an extremely attractive destination. There is a cohesive group of Russian speakers who are here. That goes to my point about official pessimism in the Putin regime. Actually, the kids are here, which in some ways is consoling, because there is not going to be any kind of military conflict involving the UK and Russia.

In other ways, there is a view that basically we—the UK—are suckers, and that you can take advantage of all the freedoms and legal protections you have here while stealing at home. So you steal in a place of legal nihilism and you offshore in a place of legal solidity.

- Q15 **Chair:** Forgive me for cutting to the chase—it sounds like you are saying that actually the UK Government do have an awful lot of influence on the Putin regime through the actions of permitting people to enter or leave the country and permitting people to keep or not keep their wealth here.

Luke Harding: We have, I would say, more leverage than any other European Union nation, because Russians come here and like to come here. Many are decent, by the way; they are not all criminals and crooks. Were we to shut that off, what is the point of having billions if you can no longer go to London or New York or Courchevel or Vienna?

- Q16 **Ian Austin:** An example of this is Igor Shuvalov, the Deputy Prime Minister of Russia, who is supposed to earn £112,000 a year, but is reported to have bought two flats within a few hundred yards of here worth £11.4 million. What sort of action do you think our Government or the British authorities should take in relation to such cases?

Luke Harding: I talked generally. It is tricky, because Shuvalov is Deputy Prime Minister so presumably has some kind of official status, but this is just one egregious example of what happens all the time. It is not just him; there are senators and former senators buying palaces in Hampstead. There are others who buy flats in Knightsbridge and Mayfair for their kids. A lot of this is done through people at arm's length—the chauffeur or the former school friend, and so on. It just goes back to my original point that, because Russia is so precarious, if you are at the top of the system, anybody can fall into the mincer, and therefore you want to get your assets out. I would say that London is the most attractive place to do that.

- Q17 **Ian Austin:** Surely the best way to put pressure on Putin is to go after the people around him, such as Shuvalov and other senior officials.



HOUSE OF COMMONS

Luke Harding: Yes. I think the only sensible method is to go after the money of the people around Putin because actually what everyone recognises inside the elite in Russia is that this is to some extent Putin's money as well.

- Q18 **Ian Austin:** We talked to Ministers about this. We questioned the Foreign Secretary about this last week, and he claims, "Oh it is a law enforcement issue. The law enforcement agencies have got the powers that are necessary. Politicians can't intervene. We can't tell them what to do," and all of that. Do you think that the law enforcement agencies have the tools they need to tackle this? I see that Juliette is champing at the bit.

Juliette Garside: They do have the tools. I just don't think they have the political backing to do it. I think they are discouraged from doing it.

- Q19 **Ian Austin:** Actively discouraged?

Juliette Garside: If you look at donations to the Conservative party, there is a lot of Russian money coming in that way. Generally, in terms of the interests of the City, the engine of our economy, shutting off the Russian money tap is not in the City's interest and those arguments hold sway. I think we have to take a decision. If we are not going to have enforcement, then we have to have transparency. At the moment we have neither. So if you buy a multi-million pound home in Onslow Square, and buy it with an offshore company, and the Land Registry shows the name of that offshore company, then you are relying on a leak from the Panama papers to tell you who is behind that offshore company. We have legislation coming in that should hopefully deal with that, and we want it to come in as soon as possible, but you can't have lots of shell companies that don't declare their beneficial owners in British jurisdictions. At the moment there is no sign that that is about to change. We either need enforcement or we need transparency, but we cannot have neither, because that just means that we are open for all this money.

- Q20 **Chris Bryant:** There are two bits that I don't understand about the assets business. One is that when some of us went on a tour of these properties last week, we were being repeatedly told that such and such a house was bought for £26 million when it was only really worth £6 million. Can somebody explain to me why anybody would do that? Oliver, you were there.

Oliver Bullough: Sadly, I am not a high-ranking money-lauderer, but my understanding is that if your asset is at an inflated price, you can raise quite a lot of money from a bank on the back of it. Therefore, if your asset is worth £26 million, you can then take out a loan for however much it is, and you therefore have essentially laundered your money.

I understand that from some of the indictments that Bob Mueller has brought in because this was exactly the way that Ukrainian money was brought into the United States: by essentially inflating the value of property.

- Q21 **Chris Bryant:** So, in essence, you are laundering it because it is now—

Oliver Bullough: It is now a loan from a bank plc and not money that you have been given in a brown envelope by Mr Putin.

Q22 **Chris Bryant:** And you might have been paying a third party who was sympathetic to you anyway.

Oliver Bullough: Yes. Just on the point about shell companies, they are a very big problem and the sooner we have a register of offshore ownership, the better. Full credit to David Cameron's Government, because it did bring in a number of initiatives to help an element of transparency in the UK.

Essentially, Companies House, which now obliges British companies and structures to report the person of significant control, does not check that information. I have been doing an article recently about a tax haven in the Caribbean—Nevis—which is the smaller part of Saint Kitts and Nevis. That is a secrecy jurisdiction and they like to own quite a lot of British LLPs via two Nevis structures. You can see what the same two Nevis structures will own.

In one case I was looking at, there were two companies called Torberg and Uniworld, which are both registered in the same place in Nevis. They are involved in what is called the Russian laundromat, if you have heard of that, which the OCCRP revealed. There are 372 LLPs controlled by those same two Nevis companies.

All of them declare a different person of significant control, even though they are owned by the same two companies, and that is algebraically impossible. Yet Companies House is not checking that. It should at least have a system that says, "Hang on, at least a second, Mr Nevis International Trust Company. That can't actually be right." But no one is checking that information.

So it is not just offshore companies that are the problem; Companies House is a real problem as well. The information being provided to Companies House needs to be checked, or at the very least notarised or certified by a regulated professional in the UK.

Q23 **Chris Bryant:** And the beneficial ownership of trusts register now exists but it is only available to law enforcement agencies, if I am right, and not to the public. Isn't one of the things that we have learned in the past three years—partly thanks to journalists—is that the public being able to examine some of these things provides a much better disinfectant than the law enforcement agencies?

Oliver Bullough: Yes. As far as I know, I am significantly more nerdy about this than most law enforcement professionals. I think they have more time pressures. I like to spend an evening surfing the Companies House website—that's just the kind of person I am, I am slightly embarrassed to admit. I suspect that law enforcement professionals have got better things to do with their time.

Q24 **Chris Bryant:** The system has existed in this country for 200 years in



HOUSE OF COMMONS

some element or other, perhaps without the offshoring. But it is what the British aristocracy has used for centuries, isn't it? Is that why we are not tackling it?

Oliver Bullough: The system of trusts?

Chris Bryant: Yes.

Oliver Bullough: Trusts, I think, are a relatively minor problem compared with companies, or certainly a harder problem to solve. There are 3.5 million UK companies. An extra half a million are created every year. That is a live issue and it has really taken off in the past few years. There is essentially a belief—partly because of world banks doing business rating—that the easier it is to create a company, the better. When you see those signs on buses saying that Britain is a great place to do business, one of the measures they use to rate that is how easy it is to create a company. If it takes you a day to create a company, rather than 13 minutes, it does not make any substantive difference. It is nonsense, but that is what the world banks system we have got goes on.

Q25 **Mike Gapes:** Juliette is probably the right person to start answering this. Oliver mentioned Nevis. What are the main entry points or intermediary countries that are used as the source of Russian money coming into London?

Juliette Garside: The BVI are very popular—

Q26 **Mike Gapes:** The British Virgin Islands.

Juliette Garside: That's it. In Russia, one of the names for a shell company—one of the words people use—is BVI. They just call them BVIs as shorthand, whether they are registered in Saint Kitts or the British Virgin Islands. We have also noticed slightly more sophisticated set-ups recently in the Isle of Man. We can see there that certain corporate service providers have a very large number of Russian clients. Corporate service providers do what Mossack Fonseca used to do: they incorporate a shell company and offer their staff to act as pretend directors and shareholders of those companies so that the real directors and shareholders can be hidden. We were looking, in particular, at private jets in the Isle of Man.

Q27 **Mike Gapes:** The Lewis Hamilton case.

Juliette Garside: The Lewis Hamilton case. That was kind of the exception, because the list that we had, because of our leak, had about 50 jets on it, and most of the names were from the Russian Federation, Ukraine, etc. They were getting not only a generous tax break from the British Government, in terms of the VAT that would normally be due on a \$60 million private jet, but a certificate that allowed them to fly in and out of European airports unquestioned by customs and undisturbed. We have exposed what we think are failings of enforcement there, just in that one little case with those jets, but the inquiry into that seems to have run into the sand. There is something that can be done right now in the Isle of Man just on private jets. The Isle of Man seems to have been a particular favourite.



Q28 Mike Gapes: You mentioned the British Virgin Islands. What is the role of the British overseas territories?

Juliette Garside: In a sense, we outsource the checking to them. Within those territories, there is information about who the real owners of the companies are. It is not necessarily visible centrally at a Government level, but in companies that provide that service, such as Mossack Fonseca, it should be visible. The truth is that even those intermediaries are often not aware of whose companies they are. Those entities can then open a company in the UK and become its shareholder, and that UK company, because it is registered here, can open a bank account. That is the key. That is how you get the money in.

Q29 Mike Gapes: It has also been reported that there is Russian involvement in money going through Cyprus. How important is that?

Oliver Bullough: Cyprus and Latvia. Latvia, as I understand it, is belatedly beginning to clean itself up. It is all the Baltic states to a certain extent. Latvia was always the biggest, in terms of the amount of money coming in. For Cyprus, part of the problem, as far as I understand it—Tom probably knows this better than me—is that once money is inside the eurozone it is not part of the SWIFT system. They have their own system, because they have significant privacy concerns. Therefore, it is much harder for the FBI to trace it. The FBI tend to be the only people with any interest in actually prosecuting this stuff. It becomes difficult.

On that point, there are two different kinds of jurisdiction involved. You have got the secrecy jurisdictions, which hide the ownership. That is the Seychelles, Nevis and the BVI previously, although the number of new companies there has fallen quite sharply in the past few years—probably because of Juliette. Then there are the countries that have the bank accounts, of which Latvia and Cyprus are the two most important.

Q30 Mike Gapes: What about the role of the people who get hold of EU passports and citizenship and come in that way? I know that applies in Cyprus. It has also been reported that Malta has some role. Is that a general issue?

Oliver Bullough: They are checked. There is a degree of due diligence. There are programmes, although there are questions to be asked about a number of high-profile Russian oligarchs. Recently, Oleg Deripaska was reported to have received a Cypriot passport. I would say that there are considerably more questions about the Caribbean schemes—particularly Dominica and St Kitts. The numbers have been very large, and the checks have been very minimal for a long time.

Q31 Andrew Rosindell: The Crown dependencies and the overseas territories are not part of the United Kingdom, so they are not subjected to laws made in this place; they make their own laws. What laws and regulations do you feel they are not implementing to try to deal with some of these issues, compared with what we in the United Kingdom do? Are they doing less than what we do?



HOUSE OF COMMONS

Juliette Garside: The key one is registering who owns the shell companies—the registers of beneficial owners and making them public.

Q32 **Andrew Rosindell:** Do we do that here? Is everything completely public?

Juliette Garside: We have been trying.

Q33 **Andrew Rosindell:** Do we do it here at the moment?

Juliette Garside: Yes, we do. It became mandatory, starting in April 2016, for Companies House to declare which human is the majority shareholder in a company. That system is imperfect. I was looking at a trust in New Zealand that belongs to the ruling family of a very nasty dictatorship, and I had a look in Companies House at how it appears in the register of what is meant to be the humans who own the company, but there is no human declared, just the trust. So it is not working, or not working in every case.

What are they not doing that we are doing? There is the issue of transparency—simply checking where the money is coming from.

Q34 **Andrew Rosindell:** Do you see the issues that these small places face? Clearly, financial services is a big income for them. They are British and therefore, ultimately, they should abide by international law and meet certain international standards—I absolutely agree with that—but what if you take away their ability to bring in an income? Because they are separate jurisdictions, they can do that, they can have lower taxes—they can have lower rates in that sense—but what if you take it to the extent that you actually prevent them from being self-sustainable? Isn't that something we need to take into account? There needs to be a balance here in what we do.

Juliette Garside: In a sense, we are obliged to support them financially as well as legally, offering them protection by our military and so on, yes, but we have looked at the figures with experts, and we think that the UK is, effectively, through the VAT system, subsidising the Isle of Man to be a tax haven. Well, that should stop straightaway.

The UK has in the past imposed its will—Oliver has written about this. The Crown dependencies were put in a terrible financial pickle around 2008, when we had a Labour Government. Europe insisted that they stop taxing offshore companies and domestic companies differently, so everyone had to pay 20% tax, which is what the domestic companies were paying, or everyone had to pay zero, or they all had to pay something in between. They opted for everyone to pay zero, so overnight the Crown dependencies lost all their domestic tax revenue. If they then lose their financial revenue, they are in trouble—it will be an issue.

Tom Keatinge: May I just pick up on that? The decision might end up being taken out of our hands. Brussels is now publishing lists of high-risk jurisdictions—I am going to sound like an apologist for the banking sector here—and when you see those names appearing, as a banker you are going to say, "Why are we dealing in transactions involved in these



HOUSE OF COMMONS

countries?" We may well find that someone else will force them to change their business model if they want to continue.

We also need to bear in mind that there is a difference between secrecy and privacy. People often mix those up. I don't think many people want their financial dealings open to scrutiny, but there should be a possibility to scrutinise them. That also needs to be considered.

Oliver Bullough: They are not all as bad as each other. I would say that these days Jersey is actually quite good—it probably has almost a better record of returning assets than the UK does. Anguilla, however, is pretty bad; Gibraltar is bad and so is BVI.

- Q35 **Andrew Rosindell:** Do you feel that the Governments of the overseas territories and Crown dependencies that have a financial services sector are trying to resolve the issues and are co-operating, or that they are trying to avoid having to deal with the issue?

Juliette Garside: I have not seen any evidence of political pressure in any of these jurisdictions to change the business model. To be honest, I think it will have to come from the UK. That is a very difficult thing to impose, but the UK has imposed it before—I mentioned the 2008 change—and it can be done if we consider it important enough. It is potentially extremely important, isn't it, to stop dark money being funnelled into the UK? You were explaining about the history of how Russian money came to be here in the first place, Oliver; perhaps you will say that again.

Oliver Bullough: I doubt there is time for all that. There is a strong historical case for the fact that, essentially, the seed capital that formed the post-war rebirth of the City of London came from the Soviet Union. It was money from the Soviet Union that they did not wish to keep in American banks—dollars that they wanted to keep somewhere else—and that became the basis of the Eurodollar market, which essentially then gave birth to post-war London's prosperity. So the roots for connections between Moscow and the City of London go back a very long way.

This is not an entirely post-Soviet thing. The Soviet central bank used to have offshore structures in Jersey, which it used to disguise money and make payments for the Communist party. They were aware of our vulnerabilities pre-1991. They have exploited them to a greater extent since, but this is not a new thing.

- Q36 **Ian Murray:** Juliette, you said earlier that the FCA had had limited success. Obviously, they have a statutory role to require regulated firms to go through that enhanced due diligence process. Has the system broken down, or is it the case that the laws are strict enough but just not being applied properly?

Juliette Garside: I am not a great expert in this area, so I might have to demur, but I do not think that it has entirely broken down. There is genuine supervision. I just think that when it comes to tackling big cases—taking down high-profile perpetrators—there is not the political support or



HOUSE OF COMMONS

the courage among the regulators to do that. I think they have been discouraged.

I recently reported on a Maltese bank that had tried to passport its licence to the UK so it could open accounts here for British residents. The head of that bank has just been indicted for money laundering by the FBI and the bank has been shut down. The FCA actually did confirm that they had refused a licence to that bank on the ground that they had concerns about it, so the system does work to a certain extent.

Tom Keatinge: May I add one thing on that? The supervisory landscape in the UK is highly fragmented. There are 20-odd supervisors. It is not just the FCA; there is HMRC, and there are separate ones for the legal industry and the accounting industry. Some of those are professional bodies, so they are not statutory. We have a highly fragmented supervisory landscape. There is this new animal at the FCA called OPBAS, which is meant to be the supervisor of supervisors. Hopefully, that should raise standards across the board, but we are in 2018 and this issue has been going on for many, many years. The fragmentation of the supervisory landscape probably has hurt us, because not everything sits with the FCA, if you believe the FCA is the most effective regulator.

Q37 **Priti Patel:** Tom, you mentioned OPBAS and the dynamic landscape that we have here. Who do you think should be the pen holder on driving this forward? Is this a case of having better data or more rigorous oversight when it comes to following the money? Ultimately, this is what we are speaking about: we are trying to follow the money and identify the routes behind that money, but we are also looking at high-risk situations, seeing whether due diligence is being undertaken by the FCA, making sure that London is not just being used to launder other people's money and trying to preserve the City of London's reputation.

Tom Keatinge: The question that I have been asked for quite a while is, "Where does the buck stop on all this?" Again, I find it striking that only within the last six months has there been a Minister whose title includes "economic crime"—the Minister for Security and Economic Crime. We appear to have woken up to the fact that someone needs to be responsible for that.

Fundamentally, and partly picking up on what Juliette said, we do not really understand the landscape here. We are quite good at what the NCA might call drugs and thugs and cash in the car park—that bit we are not bad at—but on what they call high-end money laundering, with the best will in the world, your average NCA officer is not going to understand the kinds of structures that we used to put together at J. P. Morgan. Simple as that. I have sat in rooms where lawyers and accountants have explained what they do. Law enforcement are very honest; they say, "Can you explain that again? We don't understand." So there is that capability point.

The second thing is that we are basically flying blind. In this country, the data we have to determine financial crime is based on the suspicious activity reports regime, and it is discussed extensively how behind the



door that is. We do not have any other information. Take Australia as an example: they record every financial transaction that crosses their border; they record every financial transaction that is more than 10,000 Australian dollars, I think. They have a huge amount of data that they can use to understand where a cash flow is coming from, and so on. For me, that is something that we should be considering. At the moment, we have no situational awareness at all. Until we understand where we are, we will not be able to figure out where we are trying to go.

- Q38 Priti Patel:** If we do not have the data, we are not able to trace the flows. The UK's role as a refuge for international capital is pretty well known, and that is what we are discussing. Surely we do have data on the overall economic impact and what that does to our economy in certain sectors such as property, and that is where the Government can leverage that data, to come up with better insights on how we rebalance or tackle the situation.

Tom Keatinge: There are snapshots that we have—often they are produced by NGOs and journalists—but I do not see an overall strategic assessment of where we are and where we want to go.

- Q39 Ian Murray:** Tom, you talked about supervisory fragmentation, and I think we all struggle to get our heads around all the different bodies. We are just about to get another one—the beneficial ownership registration system, which you have touched on. What do you think needs to be in that for it to be effective?

Tom Keatinge: I have to say I haven't looked at that. At the moment we face inconsistency between these different bodies—that is what OPBAS is trying to address. We need to set a baseline of expectation around supervision and we need to enforce that. That is what OPBAS is meant to do. Fundamentally, it comes down to transparency and the ability to find the necessary information, in order to conduct investigations and to operate in an environment where information is available to those who are trying to police it. Part of the problem is that it is not.

- Q40 Ian Murray:** That is your point, Oliver, isn't it? This beneficial ownership registration system might work, but you would have to make sure it was checked.

Oliver Bullough: The suspicious activity report system is a major black hole, but you can see from looking at the numbers where the problems are. The overwhelming majority of the SARs come from the financial sector, but the banks are doing a pretty good job. If you look at trust and company formation agents, though, the number of SARs that they file is in three figures. I have more suspicious Nevis companies on my list right here than there were SARs reported last year. High-value dealers and estate agents are not in regulated sectors. There is no regulation of company formation agents—anyone can become a company formation agent. So how do you check? How do you strike them off?

I did an article about 29 Harley Street, which is a company formation agent called Formations House. It is like a fraud factory in the centre of



HOUSE OF COMMONS

London; there was fraud after fraud, and insane ones—Ocean's Eleven-type fraud. Yet, it is still operating—nothing has happened since the article came out. There are so many giant, gaping gaps in the regulatory architecture. Meanwhile, we are piling all this stuff on the banks and saying that they need to sort more stuff out. It is very inconsistent.

Luke Harding: A depressing thing that comes up time and again is the abuse of British corporate structures. Oliver mentioned Harley Street; the Russian laundromat case that involved \$20 billion of dirty Russian money, about \$740 million of which was processed by UK high street banks, was flowing through hub companies that were properly registered at Companies House. I will give you an example of a company called Seabon Limited, which is just round the corner in Tooley Street. It reported profits of £1 in 2013, and we found \$9 billion going through it, and nobody noticed.

Oliver Bullough: Just to show that everything is connected, Tooley Street was also where the Ukrainian oligarch Yuri Ivanyushchenko controlled Europe's biggest retailer of knock-off designer goods, a market in Odessa. That was registered on Tooley Street.

- Q41 **Chair:** We are focusing on Russian corruption, because of incidents over the past decade and the corruption that is spreading into the UK. May I ask a slightly more general question: how much money are we talking about in terms of fraudulent money from Russia? Tom, you have to be the best person to answer this, although Oliver might have some views.

Secondly, closing these loopholes presumably will have effects other than in Russia. Are there other countries that will be significantly affected?

Tom Keatinge: There is a quote from a former Prime Minister that I like to refer to, which is that the UK has a history of benefiting from regulations elsewhere. We have chosen to create those loopholes, and so those loopholes will be used by anybody and everybody who wants to, for good or bad reasons, for push or for pull, to move money offshore, whether that is China, Nigeria, Pakistan—the list is endless. What we find difficult in the current situation is to determine what money is welcome and what money is not, because all money appears to be welcome.

The challenge we face is that we need to build the wall higher, in such a way as to stop money coming into the country, or at least to know what money is coming into the country and stop money coming into the country that is illicit or should not be here. The difficult question to ask is: to what extent can we pump out from behind that wall money that has arrived that perhaps, in hindsight, should not be here? We have to be honest with ourselves and say that over the last 20 years, a lot of money has come into the UK—the NCA talks about hundreds of billions, but as Oliver said, the more zeros, the more of a guess it is—and the fact of the matter is that it is in the system, it has been invested and we are simply not going to uncover it.

- Q42 **Chair:** In that case, the follow-on question is: is this the fundamental key to Britain's foreign policy for the last 100 years—that it is effectively a



HOUSE OF COMMONS

haven for offshore assets?

Luke Harding: I would certainly say that there was an element of calculation that Russian money was almost a price worth paying after the 2006 murder of Alexander Litvinenko. Maybe that seems indelicate, but we know the Government in about 2010 took the view that international relations were perhaps more important than responding strongly to what happened in the Litvinenko case. In part, our failure to act then, both on Russian money and through stronger diplomatic sanctions, explains what happened in Salisbury three weeks ago.

Oliver Bullough: To add to that, the financial equivalent was the famous confiscation of the Yukos oil company. The original privatisation of Yukos was questionable. The confiscation of it was even more questionable. Rosneft, the main beneficiary of that, then floated on the London stock exchange. That is the financial equivalent of ignoring Litvinenko.

Q43 **Mike Gapes:** One of you referred earlier to the Deutsche Bank report, which says that the UK has received £130 billion of hidden capital inflows, a good chunk of which relates to Russia. Could you estimate how much that would be?

Oliver Bullough: I think in that report it says that, if you compare the amount coming in or showing up in the UK's errors and omissions level with the capital outflows recorded by the Bank of Russia, it would look as if Russia made up under half of it, but by the time the report was published, the rate had accelerated to about £1 billion a month, of which it said that under half was Russian.

Q44 **Mike Gapes:** If we start cracking down on this, presumably some of that money would then go out of the economy. What is the impact of such a withdrawal going to be on the British economy? Would it affect the exchange rate? Deutsche Bank claims that these movements have a particular impact on currency rates.

Oliver Bullough: I think it said it was marginally supportive of the exchange rate, so although I think it would definitely have an impact at the top end of the property market—whether you think that is a bad thing or a good thing—

Q45 **Mike Gapes:** It would be a good thing; it would mean that people in this country could afford to buy properties.

Luke Harding: We saw where this money was spent through our Panama papers and laundromat investigations: it goes on top-end property, as Oliver says, private school fees, jewels, lawyers and sixth-form colleges for kids who have flunked their exams. But I think maybe this is a price worth paying.

Q46 **Mike Gapes:** I am not arguing. I am just trying to get a sense of what the impact would be.



HOUSE OF COMMONS

Tom Keatinge: I would also suggest there are other things going on that will have a greater impact on the foreign exchange rate than Russian money.

Chair: We are not that Committee.

- Q47 **Chris Bryant:** I want to come on to unexplained wealth orders in one minute, but can I just check: do you believe that President Putin himself has any assets in the United Kingdom?

Oliver Bullough: I agree with Luke: I am not sure that asking whether President Putin has assets is a meaningful question. Essentially, rather in the way that aristocrats in the middle ages held property at the pleasure of the king, oligarchs hold property at the pleasure of Mr Putin. They get to own it and enjoy it in return for the fact that he gets whatever he wants whenever he wants.

Luke Harding: It is a system that marries modern kleptocracy with what I would call neo-feudalism. It is a feudal court with Putin as king.

- Q48 **Mr Seely:** So, feudal kleptocracy.

Luke Harding: Modern kleptocracy, neo-feudalism. He can dispose or take away.

- Q49 **Mr Seely:** So, any approved oligarch is effectively part of this neo-feudal system.

Luke Harding: That is a key point that needs to be understood. How many oligarchs have condemned what happened in Salisbury? I think the answer is none, even though they have substantial assets here.

- Q50 **Chair:** Does that mean that any businessman at all who has money in Russia is in some way part of the Putin regime?

Luke Harding: It depends on the level, but I think the famous ones we know about who feature in *Forbes* magazine, who have assets here such as football clubs and houses—of course they are part of the regime. Some of them are open apologists for Putin; others try to keep a lower profile.

It is a bounded political space, if that makes sense. We also see the same oligarchs featuring in the investigation by Robert Mueller, the special counsel, into alleged collusion between the Trump campaign and Russia, acting as intermediaries—they intermediate. They are also used as reasons for plausible deniability.

- Q51 **Chris Bryant:** So, Deripaska, Abramovich—their money in the end is corrupt.

Luke Harding: I would say that their money exists at the pleasure of Vladimir Putin. I think their lawyers would make a very robust case to say that they are extremely talented entrepreneurs who have made their money fairly. But everybody knows, by looking at what happened to Mikhail Khodorkovsky, that you can go from being the richest man in Russia to being in a Siberian prison cell, should you transgress the Kremlin



HOUSE OF COMMONS

code, which is that you don't interfere in politics and you certainly don't mount any kind of meaningful challenge against Russia's kind of eternal President.

- Q52 **Chris Bryant:** Can I check? We talk about kleptocracy—obviously meaning theft. I understand that, at every different level of the Russian Federation, if you get stopped by a police officer, as often as not you have to pay a fine just to be able to carry on for the rest of the day. If you want to sell British whisky in a bar in Russia, you end up having to pay the local police, some official and a senior official. If you want a big contract for an element of the Sochi games or whatever, then you have to salt away money here, there and everywhere. I understand that element. You are all nodding, so you agree. But there might be other forms of dirty money that would relate to controlling drugs cartels and gun running. Is that an element of this?

Luke Harding: It can be, in so far as we know from US State Department cables leaked in 2010 that it is certainly the view of the State Department that there is a close relationship between state bureaucracy and organised crime—hence the term mafia state. Ironically enough, that was the thesis of Alexander Litvinenko and what he was due to testify about in a Spanish court when he was poisoned. The role of organised crime is, first, about money, but it is also sometimes to perform functions for the state that the state does not want to acknowledge that it is doing. So, you contract it out—almost like a kind of outside contractor.

- Q53 **Chris Bryant:** If all of that is true, the blood that is associated with all of that—normally in other jurisdictions than ours, and therefore in places that we don't touch through our legal entities and prosecuting authorities—is washed away when it comes to the UK, and the money seems polite and nice. British lawyers and big legal and accountancy firms are happy to deal with it, but in the end it is blood money, no?

Luke Harding: It is always difficult to make a fortune cleanly, but in contemporary Russia it is impossible. If your assets exceed 50 to 100 million, it is not possible to do that in a clean way, because of the predatory nature of the state and the bureaucracy, and the trade-offs you have to make with power to accumulate that wealth and, more to the point, hang on to it.

Oliver Bullough: On your previous point with regard to drug trafficking, I would draw your attention to the report on Kremlin insider Viktor Ivanov that Alexander Litvinenko made shortly before his death, and which may or may not have been the reason he was killed. It is very instructive.

- Q54 **Chris Bryant:** Do you think the unexplained wealth orders process is going to work? Is that going to have political will behind it?

Oliver Bullough: I think it is potentially very helpful. It is a very powerful new tool. It will be interesting to see how the judges react to it, because it is so powerful. What is important is that it is only civil proceedings, and the evidence that is raised cannot subsequently be used in criminal proceedings. It would be helpful in terms of confiscating property that was



HOUSE OF COMMONS

illegally acquired in this country, but not in terms of putting these people in prison. It depends on what we want to do.

- Q55 **Mr Seely:** I want to round up everything that we have just heard, probably starting with Juliette, and maybe sticking with Juliette unless anybody has anything pressing. We have heard lots of complicated descriptions of all the various different frauds and the way that corrupt Russian money and money from elsewhere comes in. Is there some organisation, like Transparency International or some other NGO, that has done a guide that, if someone follows it, you all agree is the way to really clean up the system? Or is there a bit here, a bit there and bit elsewhere? Where is the standard for what people should do?

Juliette Garside: You might instead want to look at countries that have good, strong economies but don't launder a lot of money. If you look at Sweden, for example, everyone from the Prime Minister down publishes their tax returns. Norway put aside a lot of money from oil into a sovereign wealth fund; we could have done that with our gas fields several decades ago. What you perhaps want to do is to look at countries elsewhere. Australia has a very active tax office, for example. They are now leading international collaborations of tax offices—a bit like the tax office equivalent of the Panama papers—to pursue big international fraud networks. You probably have to look at different nations for case studies.

Tom Keatinge: There is no shortage of ideas. You mentioned TI. I left investment banking to do this kind of thing at RUSI. There is no shortage of ideas. The theme of a number of our comments is that we need the political will to engage with those ideas, to take them forward and to actually deliver on them and to invest in them.

The Foreign Secretary said that they can't influence law enforcement. They can influence law enforcement: they can fund it properly. That is something that remains—

- Q56 **Mr Seely:** But do you see it as being so much easier if you can say, "Here is a document; this is what you need to do" and so forth? For people like us, who are not experts, we need something to recommend, but you are saying that there is a bit here, a bit there and a bit there. It would be great if there was something, somewhere, about which we could say, "This is what you need to do."

Oliver Bullough: I am very happy to put one together.

- Q57 **Chair:** If you could do that in written evidence, that would be very helpful.

Oliver Bullough: There might be better people to do it, though.

Mr Seely: You are the man. Thank you. Done.

- Q58 **Ian Austin:** There has been a lot of discussion about the possibility of a UK Magnitsky Act, which would obviously name human rights violators publicly, freeze their assets and ban them from coming to the UK, in the same way as the US legislation on this. In response to those of us who



HOUSE OF COMMONS

have been pushing for this, the Government have argued that these powers already exist and that law enforcement agencies can do this already. Do you think that is true? How should these people be identified? Should there be a public list, in the way that there is in the States, and how could that be policed and reviewed publicly?

Luke Harding: I can talk briefly to that. I think a Magnitsky list in the UK would be extremely effective. We know from the United States, where it was introduced in 2012, that it infuriates Vladimir Putin. He responded asymmetrically by banning the adoption of Russian orphans by Americans.

Q59 **Ian Austin:** It is unbelievable. Actually, it is a measure of the man, when you think about it. These are sick Russian orphans. He is preventing ill children from leaving the country to get medical treatment abroad. It is unbelievable, actually. It is the personification of evil.

Luke Harding: What happened subsequently was like something out of Gogol. Sergei Magnitsky, who is dead, was put on trial in an empty cage. He was the first dead person to be convicted in the Russian Federation.

It seriously annoys Vladimir Putin, and I therefore think it would be a very effective measure. I think it would have to be public. It could be a template not only for the Russian Federation but for human rights abusers everywhere. You have to have a named list, and you have to give a reason, as the US has done, for why you are including someone on the list, but I think it would be a deterrent and also a message to the Russian elite that, in a way, they have to choose. It is this old dilemma between wanting to live the lifestyle of members of the international super-elite, while being patriots and nationalists at home. You can't have it both ways if you are going to support a regime with an egregious human rights record.

Q60 **Mr Seely:** What about a joint list? Take the US list as a basis, develop it and share it. Canada, Australia, the UK—

Luke Harding: Yes, I think the more it can be done in connection with the allies who recently expelled diplomats over the Skripal case, the better. Putin hates multilateralism. He prefers to do sleazy bilateral deals with weaker sovereign nations. So any kind of institutional collective solidarity would be very helpful.

Q61 **Ann Clwyd:** First, I congratulate you on your tremendous investigative journalism.

Hon. Members: Hear, hear!

Ann Clwyd: I am just sorry that there isn't more of it.

Luke Harding: We are doing our best.

Q62 **Ann Clwyd:** Do you feel constrained now, because the papers, or whoever you are working for, don't give you that time to carry out these kind of investigations, which take time and a lot of application? Do you feel frustrated?



HOUSE OF COMMONS

Luke Harding: No, I feel exhilarated. I think we are in a golden age for investigative journalism. We have all these vast data leaks. The problem is that they take time, resourcing, and man and woman power. We also face being browbeaten by lawyers working for some pretty unscrupulous and ruthless people. So I would say that, actually, we are pretty buoyed by the interest that you, your Committee and others show. There is now a kind of cross-party consensus that things have reached the stage where we actually have to do something. That was not the case a couple of years ago, where we thought we were publishing into a void. Now we have a friendly and receptive audience, and that is great.

Juliette Garside: We were given a year and two full-time people to work on the Paradise papers. We needed it. I had to read the VAT tax code from beginning to end, because quite often you are doing the work of a forensic accountant. You are trying to work out how tax is avoided or evaded and how the structure worked. These things take time, but we do get the resource—I guess because they have impact.

Q63 **Ann Clwyd:** Can I ask you, Luke, about your book, which I haven't read. The title is intriguing: "Collusion: How Russia Helped Trump Win the White House". Given the interest at the moment in the possible effects of Russian influence both in the United States and in this country, could you just reflect on that a moment?

Luke Harding: The question I ask in my book, which is one that everybody has been puzzling over, is why Donald Trump is so nice about Vladimir Putin when he is so rude about everybody, including the Mayor of London and Theresa May, from time to time, in the UK. He seems in some way beholden. I think we have to wait for further indictments from Robert Mueller, the special counsel who is investigating it.

But my view is that there has been an on-and-off attempt to cultivate Donald Trump by both Soviet Moscow and its Russian successors, stretching back at least 30 years to a trip Trump made in 1987 where he was brought over by the Soviet Government on an all-expenses-paid jaunt. I think the connections are financial. I think there was a serious and multi-layered espionage operation, some of which we know about, in 2016, and certainly involving hacking by the FSB, by the GRU, and by Russian military intelligence. The goal was to discredit Hilary Clinton, who Russia thought was going to win, and to push Donald Trump across the line. I talked to Michael Hayden, who is no *Guardian* reader—he is the former director of the CIA—and he said that this was in his view the greatest espionage operation in history. It was a mixture of opportunism and the KGB playbook, but I think it worked.

It has extremely troubling implications for not just US democracy, but all democracies, including ours. You can guarantee that the corollary of that for Putin and the people around him is not to stop because he was caught, or semi-caught, but to continue and to try to subvert our electoral processes and our politicians, and what is done in this House.

Q64 **Chris Bryant:** On interference in political systems, what is your



HOUSE OF COMMONS

perception of Russia's attempt to intervene, either through the ambassador or other means, in Parliament and in the British electoral system? Is that a real thing that we should be worried about?

Oliver Bullough: I am always slightly teetering on the brink of saying that, although Russia is an issue, all the former Soviet countries—apart from the Baltic states—have the same issues; the money from all of them is tainted in the same way. There are a couple of examples that I want to mention of MPs who have done particularly egregious things with people from former Soviet countries. Liam Fox received £5,700 for the Azeri translation rights of his book, plus more than £3,500 to fly over and attend its launch. I did the sums, looking at the cover price of the book and its print run, and there is no conceivable way that that was a commercial proposition.

Chair: Can you be very careful with what you say? You do enjoy parliamentary privilege, but use it extremely cautiously and only factually.

Oliver Bullough: I am very happy to give you the numbers.

Chair: So long as you are factual.

Oliver Bullough: The print run of the book was 1,000 copies. The retail price was \$8, which at the time was about £5. Five times 1,000 is 5,000. If they received every pound from the sales of that book in Azerbaijan, they could only have made £5,000. His advance was £5,700. There may be an issue here that I do not understand, but in a Caesar's wife situation, that is problematic.

The second example is John Whittingdale, who accepted £3,000 to fly to Vienna—I do not know how you spend £3,000 to fly to Vienna—from a Ukrainian oligarch's foundation, at a time when the oligarch was battling extradition to the United States on an FBI indictment.

Q65 **Mr Seely:** Is this Firtash?

Oliver Bullough: Yes. In a Caesar's wife situation, that does not look good. I think there is an issue, if you are expecting estate agents, solicitors, bankers and others not to accept this money, if Members of the House are accepting money from these people. It doesn't look good, and I think that is something that could maybe be addressed.

Mr Seely: Are we talking about just Members of the House of Commons, or are we talking about Members of the House of Lords as well?

Q66 **Chair:** Sorry—forgive me. I am going to stop individual accusations. I appreciate that you are just listing facts, and I appreciate that they are public facts, but the implications can be construed in a different way. If you wish to submit written evidence on those issues, we can consider that separately. I would be very grateful if you did, rather than—

Oliver Bullough: I would like to briefly point out, Tom, that I had no party political intentions with that. I could have mentioned people from other parties. Those people just happened to be Ministers recently, and



HOUSE OF COMMONS

they therefore inevitably came from a certain party. It was not in any way a diss on the Conservative party.

Chair: I am not particularly bothered about which political party they belong to, but these individuals do not have an ability to reply in this forum and I therefore do not think it is fair to list them in this forum. That is what I am concerned about. If you wish to submit written evidence, we can ask them for written evidence in response, and then we can or cannot accept evidence as we choose. But I am very uncomfortable about naming individuals who cannot reply.

Mr Seely: On that point, I absolutely see what you are trying to do, Tom, and I think it is the right thing to do, in order to be fair to those individuals. All I am saying is that I don't think we should be seen to be saying that people can't say something about these individuals or those individuals. If Oliver has this information, he should put it all out on all the individuals. That can be taken as public evidence, and people can then respond. But he has these names, so let's get them in the public domain with the right of response.

Chair: And that is all I am saying: if you submit it in writing, they have the ability to respond on an equal basis. At the moment, they don't have the ability to respond on an equal basis, and it is therefore not fair, no matter whether they were Ministers or whether they are Conservative or Labour or SNP or any other party. It is unfair.

Q67 **Chris Bryant:** I was actually asking a slightly different question, if that is all right? The Prime Minister said in the Liaison Committee yesterday that she had not seen any successful attempts at undermining the British electoral or political system by the Russians. I presume that use of the word "successful" is important in that regard. Do you think that there have been other attempts, whether targeted at individual politicians or the wider political world, through social media and so on? Do you believe that that is important, significant or irrelevant?

Luke Harding: It is important. It is extremely hard to determine or to make any kind of empirical finding as to whether that influence has worked. I just know from my Twitter feed every morning that a huge number of Russian trolls are still active in British informational space and have certain positions, which I think we all understand. The wider strategy, I would say, is to kind of push the far left and the far right. Certainly that happened, in my view, before the Brexit vote, and I think it is ongoing. We see it all across Europe as well. It is something we should be very vigilant about, because the troll factory that famously was involved in trying to influence Americans in 2016 is still there. It is still going and I see it everywhere.

Q68 **Mr Seely:** Is now a good time to raise the issue of agents of influence and ask that question, looking at the role of either facilitators or agents of influence—so people who do the Kremlin's bidding? I am talking not about people necessarily who take modest amounts of money—if they do, or not—but about the people benefiting financially, so the City, high-end



HOUSE OF COMMONS

property companies, but also people, maybe in this House, or maybe who you consider elsewhere, who are public figures, or indeed private figures, who do the bidding of the Kremlin or, more importantly here, their proxies. Do you want to give us any indications of how bad you think that is in the UK, or how good, and what sort of effect it has on the public debate?

Juliette Garside: Well, for example, the big four accountancy firms, if you go to the blue chip end of the spectrum—

Q69 **Mike Gapes:** Could you name them?

Juliette Garside: Ernst and Young, for example. When we were looking at the Isle of Man jet scheme, not only were they providing the tax advice, which allowed them to avoid VAT, but they had clear sight of who was importing jets. Those clients included Dmitry and Arkady Rotenberg, who ended up on a sanctions list with their planes grounded. We saw memos from PwC. Do you want me to name—

Mr Seely: You name names if you want. I think you should.

Luke Harding: PwC were the ones who audited the accounts of the firm used by Sergey Roldugin in the Panama papers—Vladimir Putin's best friend—to process about \$2 billion. They signed off on these accounts.

Q70 **Mr Seely:** That is two of them. What are the other two?

Juliette Garside: Pricewaterhouse, Ernst and Young, Deloitte—certainly we have seen them.

Q71 **Mr Seely:** Are you saying that these people—just looking at the accountants, before you go into other areas—are knowingly helping people on sanctions lists to pay less tax, or knowingly helping people on sanctions lists to get around their sanctions status?

Juliette Garside: No, actually I am not saying that. What I am saying is that they service clients who end up on sanctions lists, as in the case of the Rotenbergs, for example, and don't do very much about it. What happened with the Rotenberg jet was that the sanctions officer on the Isle of Man—you can see this in the email correspondence—was asked, "Should we close these companies down?" The sanctions officer said there was no immediate need to do that. The truth is that if they closed the companies down they would have had to issue VAT refunds to the Rotenbergs, which would have been a very weird thing to do. So what happened was the jets were grounded, and around two years later they were sold. So those assets were monetised, somehow.

Q72 **Mr Seely:** Are you saying that those corporate entities, the big accountancy firms, are behaving either illegally, which it doesn't sound like you are saying—but you are saying that they are behaving unethically and against the broader British national interest?

Juliette Garside: Yes, the latter.

Q73 **Mr Seely:** You are saying yes to that—that they are behaving unethically

and against the interest of the British state.

Juliette Garside: Yes.

- Q74 **Mr Seely:** Thank you. Can you go on to other agents of influence—and anyone else on the panel, please contribute.

Luke Harding: In terms of unethical behaviour, we found in the Panama papers numerous very decent-looking law firms—you look on their website and they have a stucco Georgian house and a topiary tree and, “We will look after your wealth” etc. I will just give you one small example. We found a company next to Buckingham Palace that set up an offshore company for the daughters of the President of Azerbaijan, via Mossack Fonseca, the Panamanian firm. They were asked whether these people were politically exposed. The people in there said no, which was—what is the word in this place?—untrue. Let us say it is untrue. It was untrue and we got in touch with them and said, “Look, we have seen these documents.” They refused to comment. We referred the matter to the Solicitors Regulation Authority, and of course they are still in business. I imagine—I have no proof of this—that they are still setting up similar companies, with similar—

- Q75 **Mr Seely:** What is the name?

Luke Harding: It is called Child & Child. They may have a perfectly decent explanation, but over two years they have yet to offer it. And that is just one example. In a way, it is unfair to pick on them, but because it is the daughters of a very famous kleptocrat, it seems particularly outrageous.

Mr Seely: It is almost too easy a target.

Luke Harding: It is too easy, but there are many, many firms like this, including on the Isle of Man. As Juliette was saying, we see a lot of Russian oligarchs using Isle of Man-incorporated companies—including, actually, the wife of Dmitry Peskov, who is Vladimir Putin’s press guy, setting up offshore companies via the Isle of Man.

- Q76 **Mr Seely:** What about agents of influence in the political world? What sort of people are you looking at there, on the hard left or the hard right, or the right or left or whatever? *[Interruption.]*

Luke Harding: This is a very delicate—

Chair: Please—the reason I am being cautious about this is that it is simply unfair to conduct this as a kangaroo court. This is not a court; it is an inquiry into Russian corrupt influence in the United Kingdom. If there is a specific person you wish to name, if there is somebody you think you really do need to name because that is important for the public record, there are ways of doing it. The way to do it is in writing, so we can give them the ability to respond. To use this as a court session in that way would be deeply unfair and, I think, a form of abuse of privilege, so I would be grateful if you used it with great moderation.



HOUSE OF COMMONS

Chris Bryant: I just want to clarify that privilege in regard to written evidence is exactly the same as it is for oral evidence and proceedings in Parliament. The only difference is that we get to decide whether we are going to publish it.

Q77 **Chair:** That is exactly right. Sorry, I should have clarified that. So you enjoy the same protection; it is exactly as though you gave evidence orally. It just gives the other person the same protection as they respond, which they don't currently have because they are not sitting next to you.

Oliver Bullough: In that case, it might be worth mentioning that there are a number of law firms based here that are also working for Russian individuals, often in order to make sure that they keep their names out of the papers. I don't particularly want to paint a giant target on my forehead, so I am not actually going to say who they are, but—

Q78 **Mr Seely:** The individuals or the law companies?

Oliver Bullough: Either.

Chair: We have exhausted the line of questioning on naming names, if you don't mind, unless you wish to write to us—as I say, you enjoy exactly the same privilege, as indeed would anybody watching these proceedings if they submit evidence and we accept it. That “and we accept it” is the essential bit. Just because you have submitted evidence does not mean you enjoy privilege; we must accept it before you enjoy privilege. Then we can ask whoever you may have cited whether they wish to respond, and they can enjoy the same privilege in response. Ann, you wanted to come in.

Q79 **Ann Clwyd:** I meet quite a number of human rights defenders, both in Russia and those who come to this country. Obviously there are named people who have access to this country and who are considered to be perpetrators against human rights defenders. How do you think we should be dealing with them?

Luke Harding: With human rights defenders?

Ann Clwyd: Defenders, yes.

Luke Harding: Well, first of all, we can give them visas. These are the kind of people we—

Q80 **Ann Clwyd:** The people that they name. They are trying to work in Russia as human rights defenders. It is a very difficult thing to do, as you know. They come to this country to give us evidence every so often, and sometimes they name people who have the freedom to come to this country and go back home without anybody batting an eyelid.

Juliette Garside: Tell us and we will investigate. Give us the names and we will investigate them.

Ann Clwyd: I'll do that.



HOUSE OF COMMONS

Oliver Bullough: It seems that if you are tempted to go ahead with a Magnitsky list-type idea—I hope that if you do, that would not be confined only to Russians, but would be a broader—

Chair: It would have to be international.

Oliver Bullough: It would be counterproductive if it were targeted only at one citizenship. I think that human rights defenders are precisely the kind of people you should be trying to harvest data from. People who are reliable human rights defenders with a track record of good work have very valuable points to make, although I think it is important not to become too closely associated with them, because that can also be harmful.

Q81 **Chair:** Effectively, this says that there is a clear role for the Foreign Office in collecting information overseas that can then be used by law enforcement agencies. Therefore, the Magnitsky Acts that we are talking about are not simply law enforcement tools, but policy tools of Her Majesty's Government in all its forms. Correct?

Oliver Bullough: I certainly think that is how the United States goes about it. The State Department is involved.

Luke Harding: The big point here is that we have to be very clear all the time. When we talk about Russia, there is a distinction between Putin and the 100 to 5,000 people around him and the Russian people who are very much the victims. In this situation they deserve better. Probably all of us appearing here this afternoon will be accused of being "Russophobic", but Oliver and I both live in Russia. We love Russia and are pro-Russian, which is not the same as supporting the regime.

Chair: It is worth being clear that the main victims of the Putin regime are the Russian people, who have lost at least \$300 billion and many years of investment that could have gone into having a better life. Instead they have seen a falling life expectancy and a level of corruption that sadly has led to many incidents, not least of course the recent shopping centre fire that has killed so many so tragically.

Q82 **Ann Clwyd:** What is your view of Russia Today and Sputnik?

Luke Harding: I would urge anyone from this place not to appear on Russia Today, because it legitimises its claim that it is a regular broadcaster that is no different from the BBC, CNN or Al Jazeera. *[Interruption.]* It is unwatchable. Do not go on it. The best thing to do with Russia Today is just to ignore it. Its role is exaggerated. I do not think it is worth closing it down as a future diplomatic measure. It is unwatchable.

Juliette Garside: There were fears raised, when there was a real threat that Russia Today might be closed down in retaliation for Salisbury, that European media would find all their foreign correspondents chucked out of Russia. I imagine that was a short-term threat because I think Putin's

regime thrives on the publicity it gets and enjoys it, so I am not sure that the news blackout would have been sustained for very long by Russia.

Q83 Ian Murray: On the issue of the media, why do you think Sputnik opened an office in Edinburgh in 2014?

Luke Harding: In my opinion, without sounding too conspiratorial, it was said that the Kremlin would be in favour of Scottish independence. Anything that makes the UK weaker is a goal for the Kremlin. I think it was a manoeuvre in anticipation of that—perhaps it won't happen, perhaps it will—with five, 10, 15 years to build a footprint and locate there. It is a classic soft power manoeuvre of the kind that Russia has been doing all over Europe. We have seen a big roll-out in the last 10 years of Russia Today. Sputnik started off in English, but it is now in Arabic, Spanish, German and French—it is everywhere. The media information strategy overall is not to provide glowing stories about how wonderful Russia is, but essentially to be a faux left-wing anti-mainstream channel that pumps out 1,000 conspiracy theories of the kind that we have seen this week concerning Sergei Skripal. I think it is ominous, but I do not think it is very ominous, although it is certainly worth watching and tracking.

Oliver Bullough: A possible second alternative. I am quite keen to try and avoid ascribing to menace what can be ascribed to incompetence. Knowing how Russian state agencies work, it may well be that an employee at Russia Today or at Sputnik had a son or a daughter at Edinburgh University and wanted to get them a really nice flat maybe in the old town.

Luke Harding: Both are possible.

Oliver Bullough: Yes, the Radio Moscow flat, for example, is right next to the London Library. I think that says more about where someone wants to have their office than the fact that this is a radio station no one listens to.

Q84 Chair: It is just petty corruption rather than organised crime.

Oliver Bullough: The two are natural bedfellows.

Q85 Mr Seely: Can I ask about soft power in the west—Joseph Nye, power of attraction? This is soft power in terms of information, but for a divisive and aggressive manipulatory end, so it is a sort of warfare without the war. They want to split up the United Kingdom, and they are using informational warfare to do it. In the same way, during the Senate Intelligence Committees, they found Russian trolls were trying to organise pro and anti-Muslim demonstrations in the same town at the same time in Texas—a place with very high gun ownership rates—in order to spark violence. So this is soft power, admittedly in the sense that it's non-lethal, but it is potentially having a very aggressive and lethal outcome.

Luke Harding: I completely agree. There has been a concerted attempt in both the US and Europe to exploit pre-existing social divisions in this country and elsewhere, on the left and the right. Putin did not create those divisions, but has certainly, post-2008, when there has been a populist

revolt against the establishment and unhappiness with austerity, surfed on that in a very opportunistic way.

It is coupled with something that I do think is sinister, which is to export a form of nihilism and to say that there is no truth, that critical thinking does not exist, that there are various conspiracy theories and that politicians everywhere, including in this place, are venal, corruptible, greedy and unprincipled. Once you establish a playing field of universal cynicism, Russia can do its sovereign thing unnoticed and unchallenged. This may sound a little hyperbolic, but to some degree it is a kind of war for the mind; it is a war for how people think, and an attack on the idea of empirical thinking and reason.

Q86 Mr Seely: And some form of truth.

Luke Harding: And some form of truth. I think it is very dangerous. Putin styles himself as a master of psychology. On a rational level, the Skripal case makes no sense at all, but on a level of spreading fear, both internationally and inside the Russian elite, it was a very effective measure.

Q87 Ian Austin: I agree with all that, but given that Russia Today is owned, funded and set up by the Kremlin—it is a Putin propaganda channel—why are you so relaxed? Why are you more relaxed about that? Why shouldn't we close it down? Why should we stand for this spurious idea that it is somehow a legitimate broadcaster on a par with the BBC? Why should British politicians be allowed to take money from it?

Luke Harding: I don't think we should be complacent, but the thing about Russia Today is that it is blatant. It is out there and it is part of this strategy—

Q88 Ian Austin: No, but, with respect, that is easy for you as a media professional—an author—to say. How do young people in Britain who do not buy newspapers and do not read serious books on this choose and judge between what is reputable and trustworthy and what is not? I've got to say to you that I'm on the receiving end of all this stuff on Twitter all the time. I'm constantly being told that the BBC can't be trusted and people should watch Russia Today instead. I don't think that we should be as relaxed about this.

Luke Harding: I am not relaxed at all, but it is the insidious and invisible use of social media, Facebook and fake accounts. I would be interested to know how many of the people trolling you are real people and how many are sitting in St Petersburg and actually called Sergei but pretending to be Andrew.

Q89 Ian Austin: Does anybody on the panel think that RT should not be allowed to operate in Britain as a legitimate broadcaster?

Oliver Bullough: It is important to preserve what we are good at: we are an open place with freedom of media. But you are making a very good point, which ties back to the beginning, about Russian finance. Russia has consistently exploited the fact that our principles are a free economy, a



HOUSE OF COMMONS

free media space and so on by dishonourably sending things here that should not be here. How we deal with that is a difficult question. I personally think that the retaliation that would come from us losing a BBC presence in Russia, if that were to be the response, would be way worse than what would happen if we were to close RT here. I agree with Luke: I think that RT is a marginal broadcaster.

Luke Harding: I was thrown out of Russia in 2011. This is not to say that we should not do it, but this is what would happen: every British correspondent would be expelled, were RT to be closed. There is a calculation there, but that is not to say you are wrong, because you are right.

- Q90 **Mike Gapes:** There is a precedent though. Ofcom took the licence of the Iranian state propaganda channel PressTV away. Some of the same people who appear on RT used to appear on PressTV. The fact is, that was done because it clearly breached Ofcom's regulations. As far as I am aware, there were 14 occasions when RT was also in breach of Ofcom's regulations—that was what our Select Committee found a year ago. Is there not an argument that Ofcom should be more rigorous with RT?

Luke Harding: Ofcom has to call it. If they decide to shut RT, we will just have to welcome home our returning colleagues from Moscow, because they will be expelled.

- Q91 **Mr Seely:** There is an alternative to this, and it is one that we should look at. Last week, the Congress began working on a Bill to counter propaganda, which requires state broadcasters that do not have an independent editorial line to effectively carry a health warning. Is anybody sympathetic to a Bill countering propaganda that would require authoritarian broadcasters to carry some kind of health warning?

Oliver Bullough: I am not really in favour of Governments telling television channels what they should write on their screens. It is slightly ironic that that comes from America, considering how wildly disparate the various television channels that they have in their country are. The free media should be celebrated, and journalists should be paid more.

Mr Seely: Even when it is not free? Even when it is there as a tool of warfare?

Chair: We could go on for a number of hours on this. I am extremely grateful to our witnesses. As I say, if you have evidence that you wish to submit in writing, you will enjoy parliamentary privilege, as will anybody else whose evidence is accepted. The key is that it is accepted. If you submit it, and you choose to publish it, and it has not been accepted, you do not enjoy privilege. Let me be quite clear about that. Oral evidence has already been accepted because it is oral evidence, but written evidence that is not accepted does not enjoy privilege.

Mr Seely: So if I am tweeting an account of the accountancy firms—

Chris Bryant: It is whether it has been published or not.



HOUSE OF COMMONS

Chair: Yes, it is accepted for publication. That's what I mean.

Chris Bryant: It is not whether it is accepted. We cannot not accept it. We can choose not to publish.

Chair: By the way, tweeting from the Chamber, or tweeting from the Committee, does not enjoy privilege.

Juliette Garside: Really?

Chair: No.

Ian Austin: Chair, Chris's point seems to me important. What is the point you are making?

Chris Bryant: It is a very simple one, which is basically that a proceeding in Parliament, under the Bill of Rights, shall not be questioned or impeached in any court of law or any other place. It has been around for a very long time. That carries a requirement of fair process with it—of fairness: you can't just say anything. You also can't inaccurately report what has happened in a proceeding in Parliament. So long as something is an accurate representation—

Chair: Can I suggest that, if people are questioning what the procedure is specifically, they go to a lawyer and read Standing Orders, where this is covered in detail. I am just warning you that privilege is not automatic. That is what I am saying. [*Interruption.*] In written. Right. We are going to stop there. Thank you.

Examination of Witnesses

Witnesses: Vladimir Ashurkov and Roman Borisovich

Q92 **Chair:** We have two new witnesses, Mr Ashurkov and Mr Borisovich. I am very grateful that you have both come. Thank you very much indeed for being here.

Mr Ashurkov, in 2016 you told our predecessor Committee that the Anti-corruption Foundation had been bringing cases of Russian-related corruption in the UK to the attention of the Serious Fraud Office and financial regulators but that your words had fallen on “deaf ears”. Is that still the case?

Vladimir Ashurkov: That’s correct.

Q93 **Chair:** It still applies—your words on that are still valid.

Vladimir Ashurkov: The most recent submission was about a month ago on the case of Mr Deripaska. We haven’t heard back, but it can still happen.

Q94 **Chair:** You said to our predecessor Committee that those offices—the Serious Fraud Office—were understaffed and under-resourced. Do you still believe that to be the case?

Vladimir Ashurkov: Yes. I think there are several reasons why the Serious Fraud Office and other regulators in Britain turn a blind eye towards Russian corrupt money flows. One is that they do not have enough resources: monetary, staffing etc. There is also a perceived need to get evidence from Russia if they are investigating a particular case of corruption, which may not be true. And there is no real political will to go after corrupt money flows. Maybe it will change in the current political situation. They can expect that the billionaires whom they will investigate will hire the best legal help available, and would the SFO want to compete with the best lawyers? So, on balance, I think they decide it is not very economical to pursue such cases.

Q95 **Priti Patel:** Judging from what you are saying, you think it is intentional—they are deliberately turning a blind eye, and using resources as a cover and smokescreen not to do this. But what are the long-term, wider implications?

Vladimir Ashurkov: It is true that over the last years—probably decades—Britain has become a safe haven for corrupt money, to a certain degree coming from Russia. I hope that the situation will change in the current political climate.

Q96 **Royston Smith:** How is the money of individuals in the UK connected to the Kremlin used to support the regime in Moscow?



Vladimir Ashurkov: There are a number of ways how the oligarchs and kleptocrats are linked to the Putin regime. In some cases, they act as front men for his cronies—maybe for Putin himself—in the political administration of Russia. In some cases, they are used as go-betweens between western elites—political and business elites. The case was recently uncovered of Mr Deripaska, who entertained a prominent Russian Government official on his yacht off the shores of Norway, and there is video footage of them discussing Trump's campaign and Russia-US relations. We know that Mr Deripaska has used the services of Paul Manafort, who was one of the key members of Trump's campaign when he was running for President. That is one of the connections.

Roman Borisovich: In various ways, by far not everything is visible. So the best people to answer that would be MI6. In terms of visible evidence, you have to look at Russia, where all these oligarchs have their chores—I am not sure how they are defined and determined: either building an Olympic construction site like Deripaska, who built an international airport in Sochi for the Olympics, or constructing new football stadiums for the upcoming World cup. Anyway, they are being tasked with all different infrastructure projects and all different rural revitalisation projects. They are used by the Kremlin as its purses.

Q97 **Royston Smith:** If those oligarchs come under pressure in the UK, what effect would that have on President Putin and the regime?

Roman Borisovich: Total and absolute. You have to understand that Russia is an absolute kleptocracy. That means that the political elite is plundering the country—robbing their fellow taxpayers blind—but the money doesn't stay in Russia. As soon as it is stolen it comes out immediately, and after a quick spin in the laundromat of British offshore territories, it comes here. It doesn't sit under a palm tree in the Cayman Islands; it is invested in stocks, shares, bonds, properties, yachts, planes and reputation laundering. It all comes here, so we must cut the link that allows the elite to export their loot. Killing the laundromat is how you fight the regime. There is no other way.

Q98 **Royston Smith:** With the Anti-corruption Foundation, how difficult is it to prove that money brought into the UK through banks or the property market is associated with corruption or illegal activity? We have talked about this broadly, but how do we prove that?

Roman Borisovich: First of all, a lot of this is under a statute of regulations. You have to look at the Russian oligarchs as a class. No matter how different they seem to you—one owns a football club, another donated money to Oxford for a school of government, another sat in a Russian jail for six years under communism, another was a civil servant—they all have very particular things in common. They can all be measured with the same yardstick. It is basically three things. They are not self-made businessmen in the American sense. Every one of them made money through a relationship with the Russian Government. They either bought something for pennies that was worth billions, or sold something for a fortune to the Russian Government. The smartest ones did both—



HOUSE OF COMMONS

first bought, then sold. Some of them—the unique ones—were civil servants working for dozens of years in Russian state-run companies, and as a result managed to get miraculously rich. All of them derived their riches from their relationship with the Russian Government.

The second thing in common is that, in that process, they all committed acts that, in our country, would be criminal. The only reason they got away with it is because either the mafia or the Government—it is sometimes the same thing in Russia—covered it up and allowed them to continue with their riches.

That is the third common thing: the bond they all have with the Russian Government, which grows from how they made their money, and carries on now. That bond forces them to do all sorts of chores for Putin, whether hidden, visible or invisible. It might be donating \$7 million to the GOP in the year of the presidential election in the States, or supporting an anti-EU think tank in Germany. They all do something; it is just that we don't see most of it. We only see the tip of the iceberg.

If you want me to give you some examples, I am very happy to. I am talking about people who live among us. Let's take, for example, the Arsenal part-owner, Mr Usmanov. His riches come from the time when he was working for Gazprom's investment arm, Gazprom Invest. At that time, he was buying, on behalf of the Russian Government's company, stakes in metallurgical plants in Russia. Then, while still an investment officer at Gazprom, he swapped them as an asset swap for 63 gas stations that he bought on the side with his own company here in the UK. Basically, his own entity ended up with these undervalued metallurgical plants. In Russia, Gazprom got 63 gas stations. Obviously, the metallurgical stakes made him a billionaire immediately. They expanded in value. This is all about the dealings with the Government and how this would be perceived to be corrupt in this country.

Now for the cover-up and the bond. All that was done under the watchful eye of the chairman of Gazprom at the time, Prime Minister Dmitry Medvedev. No wonder Mr Usmanov and Medvedev have a very close relationship. No wonder they go through life supporting each other. No wonder Mr Usmanov was recently found, again by our colleagues in the Anti-corruption Foundation, giving a bribe to Mr Medvedev in the form of a plot of land in a prime Moscow suburb. That is one example. That is true for pretty much every Russian oligarch.

Vladimir Ashurkov: If I may add, there have been some estimates of money coming from Russia to Britain over the last 20 years—100 billion is probably a good number. Most of that money is legitimate; I think only a fraction of that is the proceeds of corruption and crime.

Britain has existing legislation—the Bribery Act, the Proceeds of Crime Act and the recently introduced unexplained wealth orders—that, if there was the political will to apply it in a consistent manner, would go a long way to targeting and rooting out corruption. Of course, I would not advocate a blanket ban or restriction of rights similar to what the American



HOUSE OF COMMONS

Administration have done with their list, which is just to cut and paste the *Forbes* list of the top Russian businessmen.

Q99 **Royston Smith:** You say only a small fraction is corrupt. How small?

Vladimir Ashurkov: It is difficult to estimate. People try to keep hush-hush about this, especially about the corrupt money. I think it is in the order of billions, maybe tens of billions.

Q100 **Priti Patel:** Organised serious crime, money laundering and some of the issues we have been discussing so far obviously have national security implications for Britain—for the United Kingdom Government. Do you have any sense as to how effective the UK intelligence services are in terms of following the money of Mr Putin and his associates in the United Kingdom?

Vladimir Ashurkov: We can judge only from public sources. There is anecdotal evidence that a lot of proceeds of corruption are parked in London property or UK financial institutions, but we have not seen any prominent public cases of UK regulators—the SFO or the financial regulators—going after a particular case.

Q101 **Priti Patel:** Do you think that is because that regulatory landscape is piecemeal and fragmented? Do you think it could be more coherent?

Vladimir Ashurkov: There are several factors. Of course there is lobbying of enablers of kleptocrats—the unscrupulous bankers, lawyers and property estate agents who get rich from the dirty money flow. As I said, the SFO also probably thinks it is uneconomical to expend resources on pursuing someone such as Mr Deripaska, who will hire the best lawyers. It will be a long and dragged-out procedure, including courts.

Q102 **Priti Patel:** You mentioned lobbying. Do you think that lobbying goes to high levels in Government? Are they using other influencers as well to get to key decision makers?

Vladimir Ashurkov: Probably, yes. I am not a big fan of conspiracy theories. I think the British political system is quite resilient, and I would not blame a politician if he accepted, in a transparent manner, £5,000 from a Russian company or an Azeri company, as was mentioned, or say that it necessarily influenced his decision making. There are more hidden ways of lobbyists affecting the decisions and affecting the outcomes of the legislative process or the Government process.

Q103 **Mr Seely:** What are those?

Vladimir Ashurkov: I think we can judge from the results, and they are absent. The corrupt money is being parked in London in property, and not much is being done. All we see is newspaper articles.

Q104 **Mr Seely:** So is inertia in the system an example of simply inertia in the system, a reluctance to take this seriously, or partly because of influence—soft corruption, hard corruption—that prevents the system from becoming more resilient and tougher? Out of those three options, which do you think it is?



HOUSE OF COMMONS

Vladimir Ashurkov: Britain has built itself on being an open economy and open to investment finance professionals from all over the world. There is a case to be made that money brought into Britain brings employment and investment. At the same time, if you consider the overall cost, in the case of Russia every month we hear that the Royal Air Force is scrambling jets to intercept Russian bombers. Putin's regime is emboldened in its external aggressiveness—I am talking about the conflict in Ukraine and the potential role of the Russian authorities in the Skripal assassination—because they have this system of economic and political corruption at home. Some prominent Russian businesspeople with connections to the UK are enablers of the regime.

Q105 **Chair:** Is there an argument to be made, then, in terms of your earlier points, that effectively some dirty money is here and we just have to accept it, and actually we should be building a wall for the future rather than for the past?

Vladimir Ashurkov: I think some people and some transactions have to be investigated in the context of existing legislation. There is some legislation that has been introduced, such as the Magnitsky Act. The opening of property registers so that people cannot hide behind shell companies has to be done. That will be very beneficial in rooting out corruption. There is also a case to be made to have something similar to what they do in the US with sanctions lists. They list a small number of people who are barred from interacting with US persons. In Britain's case, that would be UK companies and people.

Roman Borisovich: If I may add something, I think Magnitsky-type legislation is exactly the type of legislation that would allow you to look back at crimes that were committed or corruption that occurred in the past. That may not be a reason for criminal prosecution, but the arrest of assets and the rejection of visa applications or leave to remain can be done on the basis of the discovery of corruption or criminal acts. My suggestion to the Committee is to ensure that the Magnitsky Act being discussed now includes not only human rights abuses but other criminal behaviour, such as money laundering, corruption, bribery or maybe the support of aggressive political regimes that conduct acts of terrorism on foreign soil.

Q106 **Mr Seely:** So it should be Magnitsky-plus, so it does not only have the human rights aspect but goes broader than that.

Roman Borisovich: To some extent you can argue that all those things are against human rights. Corruption, bribery and the pillaging of Russia abuse Russians' human rights, but why not put forward the straightforward case that you can arrest someone's assets if you discover that there have been elements of corruption or money laundering? This is the only country that has made not reporting money laundering a criminal offence.

Q107 **Mr Seely:** This country?



HOUSE OF COMMONS

Roman Borisovich: Yes. You are liable for five years in prison if you do not report evidence of money laundering. It is the same for terrorist activity. So why not include money laundering in the Magnitsky Act?

Q108 **Chair:** That is a good point. That argument, of course, again implies the strength of working with others on the Magnitsky Act. Whether you would have exactly the same list or not is debatable, but you should at least have comparable lists among the United States and the United Kingdom, Canada, France, Germany—one could go on. Do you agree that universality would help enormously?

Roman Borisovich: Absolutely.

Vladimir Ashurkov: Not only in the case of the Magnitsky Act, but in other anti-corruption measures and in countering Russian influence. We have seen a wonderful example of solidarity with the recent expulsions across different countries.

Q109 **Chair:** We have, and we have received an enormous amount of personal goodwill from our sister committees across Europe and the world. May I ask one specific question? We have been focusing on the corruption element. Do you feel that this corruption is a threat to the UK's national security? Is this in some way softening up the UK in ways that endanger the UK's national security?

Vladimir Ashurkov: I definitely think so, and in a number of ways. Corruption permeates the Russian security services. Corruption enables sensitive materials, armaments, information and so on to fall into the wrong hands. We do not know exactly what happened in Salisbury, but it is possible that this nerve agent fell into the wrong hands through corruption. That is one issue.

Another issue is that corruption distorts the market. Let's take VTB, one of the largest Russian state banks, which operates on the international capital markets. It is listed on the London stock exchange, so investment is open to widows and orphans, and it is one of the most corrupt institutions. In 2012 we brought a case to the FSA, which was then the financial regulator, and the Serious Fraud Office, of corruption within VTB Bank to the tune of about \$150 million. We have not heard that any investigation was started; we think that they just let it go.

Q110 **Mr Seely:** Sorry, could we just check the details? When did you report that to the FSA?

Vladimir Ashurkov: 2012.

Q111 **Mr Seely:** And nothing happened?

Vladimir Ashurkov: Nothing happened.

Q112 **Mr Seely:** Was any reason given?

Vladimir Ashurkov: I don't think the FSA or SFO have the obligation to respond.



HOUSE OF COMMONS

Chair: I asked the Prime Minister about that yesterday at the Liaison Committee, and she has agreed to write to the Committee.

Q113 **Ian Austin:** Returning to the Magnitsky Act, which was under discussion a moment ago, how do you think it should be policed? Obviously it would be a public list. Should it be independently assessed each year? How should the Government have to report on actions that have been taken against the people on the list? Do you have any thoughts on that that you could perhaps share with us?

Roman Borisovich: Clearly, it should be absolutely public, initially provided by the Government, and accountable to Parliament.

Q114 **Ian Austin:** Should it be independently assessed each year, perhaps?

Roman Borisovich: I don't think there is a need; Parliament overseeing it is enough.

Q115 **Chris Bryant:** Can I ask the question Mr Seely asked previously, but in a slightly different way and perhaps a bit less diplomatically? As I understand it from what everybody has said today, there is a general feeling that British Governments of different political hues have tended to be rather reluctant to deal with the issue of dirty money in London. *[Interruption.]* I note the nods. You could see various reasons for that—first, that we just think it would be too financially difficult for our economy; secondly, that we have not really noticed that there is a problem, which would be carelessness, or thirdly, that there are individuals or a political culture here that simply does not really care or has been inveigled into not caring by others.

Vladimir Ashurkov: I will start and Roman may continue. I think it is all three of those. First of all, of course there are powerful interests that would not like the situation to change. Let's take one example: the company BP, which owns about 20% of Rosneft, the biggest Russian oil company. Mr Dudley, the chief executive officer of BP, sits on the board of Rosneft, together with Igor Sechin, who is one of the key architects of Putin's architecture of power. It is probably legal, but is that right and ethical? That is one example.

The corrupt money flows, although substantial in absolute amounts, are quite tiny compared to the total financial flows that go through the British financial system. It is billions—maybe tens of billions—but rooting it out would not have a significant effect on the British economy or its financial system. I think until recently the problem was not really recognised as something that required attention. It was only after the corrupt system built by Putin in Russia enabled him to be more aggressive internationally—Ukraine, these assassinations, meddling in electoral processes in the US and European elections—that the problem came to the attention of the British political establishment. I hope there will be enough momentum that something is done in that respect.

Q116 **Chris Bryant:** So a version of that might be that sometimes British politicians have been so keen to do more business with Russia that they have wanted to forget the diplomatic problems, the security problems



HOUSE OF COMMONS

and all the rest.

Vladimir Ashurkov: That is definitely my impression, yes.

Q117 **Chris Bryant:** From your experience of dealing with British businesses that have had to do business in Russia, has the Bribery Act made it more difficult for them?

Vladimir Ashurkov: Probably yes, superficially. But that's the irony—from talking to different anti-corruption practitioners in the UK, from our own experience, it seems like the Serious Fraud Office is more interested in prosecuting a British company that is bribing some Government official, rather than someone like Russian oligarch Oleg Deripaska who is in a corrupt relationship with the Russian Government. At the same time, Mr Deripaska owns property in London, he is a majority shareholder of a company that is quoted on the London Stock Exchange and he was the chief executive officer of that company, so there is clearly British—

Q118 **Mr Seely:** En+?

Vladimir Ashurkov: Yes.

Mr Seely: Which has a former Member of this House as its chairman.

Vladimir Ashurkov: Clearly, Mr Derispaska has a connection to Britain, so the Bribery Act clearly would have jurisdiction in this case and, in the context of the Act, any gift to a foreign Government official—entertaining him on the yacht, and there is evidence of using escort services, private jets and so on—requires prosecution. But I don't expect the SFO to take up this case, unfortunately.

Q119 **Chris Bryant:** Tier 1 investor visas, which haven't been around for all that long, have been taken up by a significant number of Russians.

Vladimir Ashurkov: It's true, but I also wouldn't overestimate the significance of these visas in the context of corruption. Britain has a relatively open economy, it is not hard to get the right to live and work in Britain—work visas, entrepreneur visas. This is just an easy way for someone with significant wealth to get this possibility first—

Q120 **Chris Bryant:** That sounds like a contradiction. That seems to make it more of a problem, rather than less of a problem. If it is awfully easy to come here and bribe your way in with £2 million, which is a gnat on the backside of an elephant to some of these people, does that not make us very vulnerable?

Vladimir Ashurkov: I think most people who came on those visas come with legitimate reasons and with legitimate wealth. I think that each case should be investigated and prosecuted individually. If this visa regime did not exist, they would still be able to come to the UK, either on different kinds of visas or by getting a Cypriot passport or some other kind of passport to come to the UK.

Q121 **Chris Bryant:** So you see Cyprus as an entry point and a problem, potentially.



HOUSE OF COMMONS

Vladimir Ashurkov: As well some other countries, yes—*[Interruption.]*

Chris Bryant: Just finish that.

Vladimir Ashurkov: I think in the EU a number of countries have a regime where when you buy property or make an investment in government bonds, you get either a passport or a long-term residency visa. With a passport, you can obviously work in Britain.

Q122 **Chair:** People have named various countries. Would you like to name any countries?

Vladimir Ashurkov: I think Cyprus has really been the destination of choice for many people.

Q123 **Chair:** May I ask about the implications for British foreign policy? The reason I am asking this question is that, of course, the level of laundering that is allowed with corrupt money in the UK must have an effect on Russia itself; it must make corruption easier and more prevalent. This must, in itself, undermine Britain's security, by seeing an important and valued partner in many different ways over the centuries ruined by a corrupt cartel of thieves. Is it not therefore directly against Britain's foreign policy interests to support this?

Roman Borisovich: It is. I think the lack of serious response to that, which has been evidenced over years, has completely emboldened the Russian kleptocratic elites, to the extent that they think that they own Britain. It is true that is anecdotal evidence, but when, instead of going after where it hurts the kleptocracy—by hitting it in its wallet—Britain sends out 23 diplomats, 123 Russian oligarchs have a party, because their assets have been preserved. Their influence and place in society has not changed. It's the status quo: business as usual. That means that they have a legitimate claim to come here and do business. That has to change not only for the sake of the UK, but for the sake of Russia. Money laundering should be a foreign policy issue, rather than criminal.

Q124 **Chair:** Presumably this also weakens important allies of ours, such as those bordering Russia to the east, and undermines their security. It undermines the security of countries such as Ukraine. It undermines the security of friendly countries such as Georgia. Therefore, money laundering is directly against the foreign policy interests of the United Kingdom.

Roman Borisovich: Absolutely. You have a system that is built on exporting illegal wealth. That system has become aggressive to its neighbours. It can become aggressive in going against multilateral—unilateralism. It is going against democracy. It is undermining democratic processes in the US, in the UK and in Europe. It is totally emboldened by the fact that, unlike in the time of the cold war—in the Soviet era—people who are perceived to be new enemies are allowed to access banks and all financial instruments of the west. Their money is hidden somewhere in plain sight, somewhere here, and nothing is being done to them.

Q125 **Mr Seely:** So you are saying that kicking out 23 diplomats looks good,



HOUSE OF COMMONS

but, in fact, when it comes to deterrence, is irrelevant.

Roman Borisovich: Of course. I think Mr Putin expected that and probably wanted that to happen, because this is when he will go and complain about unfairness—that he has been singled out and that there has been no proof. The British Government at this time has a whole arsenal of weaponry available to it, such as unexplained wealth orders or a Magnitsky amendment to the Criminal Finances Act. A Magnitsky Act is being discussed now, which is very easy to pass. It could also revoke the banking licenses of Russian state banks, such as VTB, which is an embodiment of corruption, or politely ask Russian state-run companies, such as Gazprom, to delist from the London stock exchange, to find themselves a new capital market.

Q126 **Chair:** It's a great irony that what we should actually be doing is supporting the Russian economy—getting Russian money back to Russia— so that the Russian economy grows and the kleptocratic system is undermined. Therefore, all of our interests are actually one with the Russian people, which is to make Russia great again and make Putin poor again.

Roman Borisovich: In fact, Mr Chairman, you are absolutely right. Think about this: you cut that link. If the money doesn't go anywhere, if it has to stay in Russia, maybe—not now, but maybe in a generation or two—those people will start thinking about the rule of law, maybe they will start thinking about property rights, and maybe they will start thinking about human rights. Right now, the system that is based on lawlessness, on racketeering and on stealing from taxpayers totally emboldens them, because the money goes away and is kept safe in our own banks.

Q127 **Chair:** So, Mr Borisovich, you would agree, presumably, that it is very unusual—I can think of no examples—where human rights have preceded economic rights. Because economic rights are meaningless in Russia, human rights are meaningless. Therefore, in order to promote human rights in Russia, we need to promote economic rights, and that means rejecting dirty money.

Roman Borisovich: I totally agree with you.

Q128 **Chris Bryant:** Just one thing on that. The other thing that is a major problem for Russia is the brain drain that is going on, because—

Chair: It's exactly the same—sorry, forgive me.

Chris Bryant: Thank you for agreeing with me. You are quite right.

Chair: Sorry. Would you care to answer?

Roman Borisovich: You are absolutely right. In fact there has been some criticism of the overall blanket approach that the US Government has displayed while putting together the most recent list for sanctions—basically copying the top 100 of the Russian *Forbes*. I actually think that this is the right approach. Instead of the US Treasury being the judge of who is the bad guy and who is the good guy, cutting the ability of the

system to export its wealth—its dirty money—in general would be the most efficient way to fight Putin’s kleptocracy.

Q129 **Chair:** You seem to be going against targeted sanctions, and much more to general financial sanctions. Would that be fair?

Roman Borisovich: Again, think about targeting, but on a broader scale. Target 100 oligarchs close to Putin, not three. Target all Russian state-run banks. They are not only embodiments of corruption; they are a financial support of the system. For some reason, their European branches and foreign subsidiaries were carved out of global EU and US sanctions. It is probably time, at least in Britain, to reverse that decision. Let VTB, Gazprombank, Sber and others go home. It is comical really—not only kind of sad—that when Mrs Prime Minister, addressing you in the Parliament, promises retaliation to Russia for its behaviour and for its act of terrorism on British soil, at exactly the same time the Russian gas state-run monopoly launches a \$750 million bond two miles away from this place. That is sad.

Q130 **Chair:** And VTB did a \$4 billion eurobond on 21 March.

Roman Borisovich: Two days later, VTB launches a \$4 billion eurobond for Russia, which has an interesting clause: payment could be made in roubles. That is clearly the bond issue that is being marketed to Russian kleptocrats abroad. If something happens to them—to their assets—they can get rouble compensation at home. To allow that kind of clause to be publicly sold in the UK is beyond belief.

Vladimir Ashurkov: There is no silver bullet—any measure or set of measures that the British Government or the west in general can undertake to limit Russia’s aggressiveness abroad. It is only after Russia has become aggressive that western Governments, including the British, have started to take notice of the corruption. The abuse of human rights and corruption has been going on in Russia for the last 20 years. Only when Russia became aggressive—only when it became a matter of foreign policy—did Britain notice it and start considering measures against it.

Britain still prides itself on the rule of law. These extrajudicial targeted sanctions have to be used very sparingly and should be limited. There is an existing body of law that should be applied to scrutinising existing money and property in the UK and to a number of individuals, but if we go towards specific sanctions that would ban individuals or companies from access to the British financial system, it has to be limited, very well researched and well based.

Q131 **Chair:** We have covered quite a lot of the Magnitsky Act in conversation already. One of the concerns that many of us have is that there are many Russians in the United Kingdom who not only are welcome but contribute enormously to the UK in many different ways, including scientific—in fact, the graphene discoveries at the University of Manchester are huge credits to Anglo-Russian scientific co-operation. People like that are very welcome. Indeed, people like yourselves are very welcome, as you have been fleeing human rights abuses in your home country. There is a



HOUSE OF COMMONS

concern that many of us have that some of the legislation we are talking about could accidentally make, or lead to a climate in which, perfectly innocent and perfectly welcome Russians feel at risk or intimidated. Do you think that is a major concern?

Vladimir Ashurkov: The UK is a natural magnet for Russians. If they learn any foreign language, it is likely to be English, which comes in handy here. London is a large metropolitan city, similar to Moscow. It has a lot to offer in many respects. London is the capital of finance and business. People trust the British education system and the British court system. London, in any case, will be a magnet for Russians for visits and for settlement. I do not think that will change. Targeted measures against specific individuals and companies on a limited scale would go a long way towards cleaning up the British financial system, which would make Britain even more attractive for legitimate money and people who are coming to the UK.

Q132 **Chair:** Is there such a thing as clean money in Russia today?

Vladimir Ashurkov: I believe so—yes. My firm belief is that most Russian money that came to the UK is not corrupt.

Roman Borisovich: We differ here in opinion, but I believe that there is a difference between clean money and money that is controlled by the regime. Sometimes you have businesses that have a legitimate claim on the origin of the funds; however, just by the virtue of residing in Russia, they are put under the same jurisdiction. If you cannot take your assets out of Russia, you cannot do anything; you will have to do his bidding. That is just the way it is. By virtue of targeting the broader amount of money, I think that the measures would be more efficient to fight the regime.

Chair: I must say I am hugely grateful for your time this afternoon, and for your evidence and your perspective. If there is something that you feel you wish to add, please feel free to write to us. It would be very interesting to hear any further thoughts. Unless there are any other points, thank you very much indeed.