

## Foreign Affairs Committee

### Oral evidence: Global Britain: the future of UK sanctions policy, HC 1703

Wednesday 13 February 2019

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

Questions 26-87

Witness

[I](#): Bill Browder, CEO, Hermitage Capital Management.

## Examination of witness

Witness: Bill Browder.

**Chair:** Welcome to this afternoon's Foreign Affairs Committee session. Welcome, Mr Browder; thank you very much for coming. Bob, you wanted to begin.

Q26 **Mr Seely:** Hello, Bill. Do you have a clear understanding of the UK's overall strategy on the use of sanctions and would you care to comment generally about it?

**Bill Browder:** In the summer of 2018 Parliament passed the sanctions Act, which included the Magnitsky amendment, which was something that I was deeply involved in advocating for. This was the sixth country that passed a version of the Magnitsky Act and I was expecting that the law would then be implemented. The countries that have Magnitsky Acts are the United States, Canada, Estonia, Latvia, Lithuania and the UK.

All of those countries have passed Magnitsky Acts and have sanctioned people in Russia and other countries. The United States has roughly 150 people in their Russian Magnitsky list and global Magnitsky list. Canada has more than 70 people, Lithuania has roughly 70 people, and there are 49 for Estonia and Latvia. The UK has sanctioned zero people since the law was passed.

Q27 **Mr Seely:** Why do you think that is?

**Bill Browder:** The official explanation from the Government is that it is not possible to do it under EU law, until the UK leaves the European Union. However, I have worked together with the most renowned sanctions experts in the country, who helped contribute to the sanctions legislation, and they refute that explanation, saying that it is within the powers of the Government as it stands to use the law right now.

I would point out that Estonia, Latvia and Lithuania are also members of the European Union and have used their Magnitsky Acts, so the idea that it is not possible under EU law or under EU agreements, clearly isn't true. Therefore, that raises the question of what other reason there would be for not sanctioning people. I am sad to say, that I believe that there are people who are connected to the political process here and have influence, who are trying to influence the Government in ways not to make life difficult for some of these people.

Q28 **Mr Seely:** Are you going to specify who those people might be?

**Chair:** We should be careful that those who don't have the ability to reply should not be maligned under privilege, unless there is evidence.

**Bill Browder:** Fair enough. Let me put it this way. There are Members of the House of Lords who have received money from Russian individuals. I am aware of former Government officials and advisers to the Government

who have received money from Russia, in order to assist in blocking sanctions consequences for Russians. I have evidence of those individuals that I am happy to produce to this Committee, either in private or in writing.

Q29 **Chair:** If you have evidence in writing, we would be very grateful to receive it.

**Bill Browder:** I would be happy to provide that evidence, because it is important that this is not a confidential issue but is properly ventilated in the most important body it could be ventilated in—the body that oversees the Government.

**Chair:** Absolutely.

Q30 **Mr Seely:** I am particularly interested in pushing for a foreign agents registration Act—a FARA—like the United States has, and has had since, I think, 1938. I think the Australians introduced their own foreign transparency laws last year. Do you think that would be helpful? Do you think it would be a useful thing for us to have?

**Bill Browder:** Yes, I think it is an excellent idea. Frankly, I am shocked and surprised that there is no regulation demanding transparency of lobbyists, advocates and public relations advisers who are acting on behalf of foreign Governments. I am particularly shocked that those people who are acting on behalf of hostile foreign Governments don't have to disclose their information.

The United States has FARA. As you mentioned, it was passed in 1938. It wasn't properly enforced in the United States until very recently, when it became obvious that Russia and other countries were actively involved in trying to manipulate the US political process. I testified in front of the Senate Committee on the Judiciary in the summer of 2017 about this issue, because a number of Russians, under the guise of the Russian Government, were actively lobbying against the Magnitsky Act in the United States. There are many other examples of where the same thing has happened.

I want to make one further point. I realise that you have to give people an opportunity to reply, but I think I can speak publicly about issues that have already been aired in the public domain. I find the issue of Lord Barker, who has been actively lobbying on behalf of Oleg Deripaska, to be an incredible situation. It is remarkable that a person who is a lawmaker in this country—a Member of the House of Lords—is allowed to be paid by a Russian to lobby against sanctions for that Russian. I can't allege that Lord Barker was lobbying against sanctions in the UK, because we don't have evidence of that, but it is a matter of public record that he was the lead lobbyist in Washington against Russian sanctions, and succeeded in having Russian sanctions deleted against Oleg Deripaska's company. I was in touch with members of Congress yesterday who explained that one of the principal reasons why the Government did that was that the very reputable Lord Barker had come to Washington to do that.



## HOUSE OF COMMONS

I think there should be an absolute ban on Members of Parliament lobbying on behalf of foreign Governments, full stop. I can't even imagine that that is allowed to happen, but it is happening in plain sight and without any consequence.

**Chair:** Lord Barker will be appearing before the Committee on the 27th, so he will have the ability to reply.

- Q31 **Priti Patel:** Mr Browder, you started your remarks by sharing with us your thoughts about the UK's overall strategy. Can I ask you to be a bit more specific about that, given the size of the UK's financial services sector and industry? Brexit is happening. Post-Brexit, where do you think we should be taking our ability to clean up our act, put forward some first-in-class standards and lead others in where we go? What should we be doing specifically?

**Bill Browder:** The first thing to say is that, when I discuss sanctions with Government officials, they throw their hands up in the air and say, "We don't have that much of an influence, so why bother sanctioning people?" I would argue against that very strongly. This country is the go-to country for dictators and kleptocrats. They like this country because there is a proper rule of law—they believe their property rights are secure—and mostly, they believe that they will not be harassed or prosecuted for their blood money and ill-gotten gains being held in the UK. To counter the point that has been made to me before, which is that this country does not have influence: this country has enormous extra influence relative to the size of the economy or anything else, because this is where they all come. All self-respecting Russian kleptocrats have a house in London, and so on. Therefore, we have an opportunity here to lead and be strong on sanctions, but that requires a complete change in the culture of how the Government go about doing these sanctions.

I have a lot of experience in comparing the culture of different Governments in dealing with Russian kleptocracy, because for the last nine years I've been investigating the Magnitsky murder and the money laundering connected to that, and in that particular case, we have found that \$230 million of taxes that we paid was stolen from the Russian Government, and we found out over a nine-year period where that money went. It went to many different countries: the UK was one of the largest recipients. Every time we found that money, we then complained to the law enforcement agencies of the country where we found the money. There are 16 live money laundering investigations open, but one of the countries that has not opened a money laundering investigation has been Britain.

I have sat in these rooms, testifying in front of the Home Affairs Committee and other Committees about the lack of enforcement and the lack of strict rules that are being applied here, and year after year, while I talk about these things, nothing changes. It is very interesting, because oftentimes, probably your reaction will be the same as others' reactions. You will be pounding the table, saying "This is not right and we should do something about it." In the case of money laundering, the Ministers and



## HOUSE OF COMMONS

Government will then be pounding the table, saying, "This is not right", but then the law enforcement agencies are entirely independent of Parliament and Government—for good reason, because you do not want politically motivated investigations—and they do nothing. I don't know how you fix that, but so far it has been a huge problem.

In terms of sanctions, you actually can pound the table and the Government can respond, and the Government is the one who imposes the sanctions. There should be a Committee set up, either under the Foreign Affairs Committee or as a separate sanctions Committee, which regularly meets and reviews sanctions. There should also be serious funding for a sanctions office in the Government, which could be funded from the money confiscated from unexplained wealth orders. It doesn't cost much to employ 15 sanctions experts, and with 15 sanctions experts you could put together proper, well-documented, legally defensible sanctions files and the Government could sanction those people.

- Q32 **Priti Patel:** I have so many questions, but I shall try to narrow it down. In light of your comments about Brexit and the Government's overall approach and so on, what do you think is holding this Government back from acting? Secondly, you have mentioned law enforcement agencies and third parties. Obviously, if you file a complaint, that complaint is with them to pursue; it is independent of Ministers and independent of Parliament. What have they said to you? Why is it that they are holding back? What is stopping them from pursuing the investigations—the very serious cases of crime—that you are highlighting?

**Bill Browder:** Let me start with the investigation question. The evidence that we have is the same evidence that has led to the opening of cases in Switzerland, France, the United States, Germany, Spain—everywhere. We brought that evidence here, and we brought it to five different law enforcement agencies. We brought it first to the Metropolitan Police, and they said, "We're not the right agency." We brought it to the Serious Fraud Office, and they said, "We're not the right agency." We brought it to HMRC, and they said, "We can't tell you what we're doing or not." Then we brought it to the Serious Organised Crime Agency, and they said, "We can't tell you what we're doing or not."

We eventually then brought it back to the National Crime Agency, and the National Crime Agency actually had a person in charge of the international money laundering team who started an investigation. He was subsequently told by the person above him in the National Crime Agency, who was the liaison to the Foreign Office, not to investigate. The reason, he publicly stated, is that Bill Browder is a "pain in the ass". This was in the newspapers, so I can repeat it here. So there was clearly political interference in this lack of investigation, but the National Crime Agency swears on its heart that there was no political interference; but the person in charge of the agency, Lynne Owens, was the person who was also in charge of Surrey police, and at the time that she was in charge of Surrey police, Alexander Perepilichny—a whistleblower who brought us information that led to a major breakthrough in opening a case against Russian organised crime that was connected to Magnitsky—dropped dead



## HOUSE OF COMMONS

in front of his home in Surrey, and her police force dug their heels in and claimed that this was not a suspicious death, there was nothing to investigate—and they did not investigate.

- Q33 **Chair:** Can I move from that, Mr Browder? You have exposed that in the past, and I want to drill down on a couple of issues that you have touched on. Is it that the sanctioned individuals have not been properly sanctioned, or that the agencies will not investigate money laundering? If they have not been sanctioned, surely that is an error in itself.

**Bill Browder:** Right, coming back to sanctions, which is the title of our discussion today, the individuals have not been sanctioned—nobody has been sanctioned. It is not as if the evidence of their involvement in gross human rights abuses or other things is not—

- Q34 **Chair:** Could you give me an example?

**Ian Austin:** Just on this—

**Chair:** Sorry, Ian. Can we just have an example?

**Bill Browder:** The clear example is Lieutenant-Colonel Artem Kuznetsov of the Russian Interior Ministry. Lieutenant-Colonel Artem Kuznetsov is the person who falsely arrested Sergei Magnitsky and threw him in jail for crimes that he did not do, where he was then tortured and killed. The Magnitsky Act in the United States and other countries states that anyone who was involved in the false arrest, torture and murder of Sergei Magnitsky should be sanctioned. Artem Kuznetsov is on sanctions lists in the US, Canada, Lithuania, Latvia and Estonia. The evidence is absolutely compelling, but he is not on the UK sanctions list. Why is he not on the UK sanctions list? I don't know. But I am surprised and upset that we have spent so long on this. Chris Bryant started the campaign when I first started this back in 2010. It took us eight years to get the law passed, and not a single person has been put on the list. That is outrageous; that should not be the case. For all the Government's strong words about being tough on human rights violators, being tough on Russia, none of it has come out in reality as being a consequence.

- Q35 **Ian Austin:** You have partly answered this. There are people who have been sanctioned in several other jurisdictions in other countries and who you believe have invested money here in the UK, against whom our Government have not taken action, when the same evidence is available to them. That is basically the point you are making, isn't it?

**Bill Browder:** I am making two points. One is that there are people sanctioned where there is evidence that they should be sanctioned, and there are people who have invested in the UK that should be investigated for money laundering. Sometimes they are not the same people. You can have somebody receiving the proceeds of crime, where you cannot prove that they were the ones torturing somebody. You might have people who have tortured somebody, but you cannot prove that they have money in the UK. Under different rules, both those people can be either investigated criminally or sanctioned under the sanctions law.



- Q36 Ian Austin:** Why do you think our Government and law enforcement agencies have not taken the same action that other Governments have taken, when the same evidence is available to them about the same people?

**Bill Browder:** I can't get inside the minds of these people to know exactly what they are thinking, but from the outside I can look objectively at the fact that there is lots of Russian money in this country—more than in most countries. That money is sloshing around, and some of that money goes into the hands of people who have influence and power in this country. We have seen examples. To come back to Bob's point on foreign agent registration, we cannot even prove who is getting the money from this stuff, because nobody is being transparent about it. We have discovered some of it from our own private investigations. That would lead me to believe that some influence is being exerted on politicians to lobby against tough sanctions against some people.

- Q37 Ian Austin:** I think this was a point you made in answer to the first question. When you talked about people in positions of power in the House of Lords or wherever making money as a result of their involvement with Russia, you were not talking about legitimate business interests that anybody might have. You were talking about people being paid to lobby against sanctions here in the UK. It is a very separate thing, is it not?

**Bill Browder:** There is an example, again, that has been in the public domain. I am sure he will have plenty of opportunities to answer. Lord Goldsmith was paid £75,000 by Andrey Pavlov, who is a member of the Klyuev organised crime group. Andrey Pavlov paid Lord Goldsmith specifically to use—not as a lawyer, because that is what he is in his profession—his name and his stature to lobby the European Parliament to keep Andrey Pavlov's name off the EU Parliament's Magnitsky sanctions list, of which he was being proposed. Andrey Pavlov, the guy who was involved in this crime in Russia, paying Lord Goldsmith to lobby a European political body to keep his name off the sanctions list. It doesn't get more direct than that.

- Q38 Mr Seely:** So effectively you are accusing these two individuals of being up-market facilitators, whatever word one can use, in the same way that there is a small army of lawyers, lobbyists and PR types in London and the reputation managers who effectively launder these people's reputations and money in whatever way.

**Bill Browder:** I am saying exactly that—that effectively, these people are enablers for very bad people in Russia and other places. In the world that we live in right now, wars are not being fought on battlefields. They are being fought in banks. They are being fought in the media. They are being fought with information. These are the warriors who went to the same schools, worship in the same religious institutions, and were brought up in the same nice families as all of us, but decided to go over to the dark side and to sell out and to use their position and their privilege to cover up the crimes of the bad guys from the Putin regime and other places.



- Q39 **Mr Seely:** Just finally, are we talking about lots of these enablers? Where are they? Are they lawyers, are they PR types? Where do these enablers work? Are we talking about significant numbers or relatively small numbers? Dozens or hundreds?

**Bill Browder:** We are talking probably about thousands. This is a country with tens of millions of people. We are not talking about a lot of people here; we are talking about thousands. They are solicitors who work for some of the top law firms. They are public relations executives who work for some of the largest and some boutique public relations firms. They are private investigators, that are basically hired to go out and try to— The people connected to the crime that Sergei Magnitsky exposed hired former intelligence officers in this country to go after and spy on me. PR investigators, lobbyists and lawyers make up this sort of contingent of enablers for Vladimir Putin and other dictators in this country.

- Q40 **Ann Clwyd:** You mentioned the US earlier. I know that you urged the US to use sanctions against individuals responsible for the death of Jamal Khashoggi. Has there been any development on that? Do you think it is going to develop? Are they better at using sanctions in this instance than we are?

**Bill Browder:** That is a very good question. The Global Magnitsky Act was exactly designed for a situation like what happened to Jamal Khashoggi. Jamal Khashoggi was a truth-teller who was exposing the crimes and corruption of the Saudi regime. He worked for *The Washington Post*. He went to Turkey, into the consulate in Istanbul, and was extrajudicially killed by the Saudi Government, by 17 Saudis.

- Q41 **Chair:** The term is “murdered” really, isn’t it?

**Bill Browder:** Indeed, murdered. That is the exact crime that the Global Magnitsky Act should be punishing the perpetrators of. These guys were not very professional about their murder. They were caught on camera. They were caught with their bone saws. They were recorded. We could see who they were. But most importantly, there is no mystery about who ordered it. The murder of Jamal Khashoggi was, according to everything I have seen, I believe ordered by Mohammed bin Salman.

The United States used the Magnitsky Act. There is a provision in the law that allows a Committee very similar to this—the Senate Committee on Foreign Relations—to trigger what is called the congressional trigger. The Administration then has 120 days to apply Magnitsky sanctions to those people responsible for the Khashoggi killing.

Interestingly, what has happened—this tells you a lot about both the strength and the weakness of the Magnitsky Act—is that the 17 people who were identified in all the investigations were sanctioned. It didn’t take them 120 days to do it; it took the Administration maybe 30 days to do it. Just a few days ago was the lapsing of the 120 days, and everybody was waiting for the Magnitsky report for Jamal Khashoggi, and the report didn’t come. The State Department said, “We’re not going to be issuing a report. We’re effectively going to be defying the Magnitsky Act.”



## HOUSE OF COMMONS

There is now legislation being proposed in the House of Representatives which would specifically target Saudi in much more serious ways than just going after Jamal Khashoggi, but including going after him, because of this lapse by the Government. I should point out that the Canadians have also sanctioned 17 Saudis, and the Lithuanians have sanctioned 17 Saudis, but this country has not.

- Q42 **Priti Patel:** It is self-evident that you are indicating that the amount of dirty money that is coming through to the UK, and London specifically, compared with the number of prosecutions, is a big issue here. It is a major, major challenge. Do you think that equally applies to our Overseas Territories, and are the British Government doing enough in terms of tackling money laundering when it comes to the OTs?

**Bill Browder:** The Overseas Territories are obviously where most of these bad guys keep their money—in the British Virgin Islands, the Cayman Islands, the Bahamas, etc. I have not seen any serious prosecution for money laundering, and certainly I have not seen any sanctioning of individuals, in those places. So, unless and until those places start to crack down on money laundering, money laundering will continue.

I would argue that this is a place that you actually have some influence over, because they are British Overseas Territories. Certainly the first step, which is demanding transparency, which was put into the sanctions Bill, has not happened. There seems to be some weird slippage. I cannot comment—you probably know more than I do about where that all is.

**Chair:** We have challenged the relevant Ministers on the move to 2023. This Committee has been extremely clear that this slippage should not occur, and that Parliament voted very clearly for anti-money laundering legislation to be applied to our Overseas Territories, just as it is in the United Kingdom.

- Q43 **Chris Bryant:** I want to drill down on this issue about the Sanctions and Anti-Money Laundering Act. As you were saying earlier, basically your contention is that nothing has happened.

**Bill Browder:** It is a matter of fact that nothing has happened.

**Chris Bryant:** Indeed. We have challenged both the permanent under-secretary at the Foreign Office and the Foreign Secretary on several different occasions about this. They have come up with two reasons why this might not be true. One is the one that you have already referred to—that being members of the EU forbids it, and that therefore we cannot implement any of this until such time as either we are no longer members of the European Union or the transition period, if there is a transition period, has elapsed. Just to be absolutely clear, your view is that that is complete baloney.

**Bill Browder:** I have taken legal advice from the top sanctions QCs—plural; this is not just one person—in the country, and the analysis is that that is not legally correct.

- Q44 **Chris Bryant:** Could you provide us with that? We really do want to take

this forward, and anything we have—

**Bill Browder:** I will put that in subsequent written evidence.

**Chair:** Including their advice, if you would.

**Bill Browder:** Yes.

- Q45 **Chris Bryant:** Brilliant—that would be great. The second excuse they have come up with is that they have got to draft statutory instruments—secondary legislation—and that that is taking time, and it is terribly difficult to find time to do anything. Do you accept that? Do you buy that one?

**Bill Browder:** That just sounds like bureaucratic mumbo-jumbo in order not to do what needs to be done. I am probably the leading expert in the world on getting sanctions passed and implemented, because that is all I have been doing for the last eight years, and I have not seen this in any other country. Based on the law the way it reads right now, the Government have a legal power to do this. If they are sincere about that, they should set up a working group, do the regulations in the next month and start sanctioning people a month from now.

- Q46 **Chris Bryant:** I agree with you, but what seems unfathomable is that the Government seemed to be supporting this. At the last moment, when the amendments were made to the Bill, it felt as if the Government were supporting this, did it not?

**Bill Browder:** The politics was pretty straightforward. The Government didn't want a Magnitsky Act for eight years—the Government used every opportunity to try to avoid a Magnitsky Act—and then Salisbury happened. When Salisbury happened, no member of the Government could stand up in front of Parliament and say, "We should really be easy on Russia," after they had used military-grade chemical weapons in the heart of England. That was the one moment when the Government had to do what is the right thing to do here.

- Q47 **Chair:** It still required a few of us to sign an amendment to force the Government's hand.

**Bill Browder:** Indeed, and it only succeeded because we have a minority Government here where, if you have some principled Back Benchers, things can happen. The Government did that at that moment in time, and the Prime Minister talked very strongly about doing what was necessary to respond to Salisbury. What has happened? Twenty-three diplomats were expelled from this country, and nothing else. The United States sanctioned people and sanctioned Russia for using chemical weapons in Salisbury. The chemical weapons attack did not occur in the United States; it occurred in Great Britain, but this country has not done anything. By the way, there are now negotiations under way for 23 more Russian diplomats to return. So in the end, with the exception of this expulsion of diplomats, there will have been no consequences for Russia committing an atrocity in Salisbury.



**Q48 Chris Bryant:** So you are accusing the Government of pretty bad faith.

**Bill Browder:** Absolute bad faith. This is not a partisan thing; Labour Governments have been in just as bad faith as Conservative Governments. Nobody in the Government wants to take any action that will be tough on Russia.

**Q49 Chris Bryant:** Just to be absolutely clear about the kinds of sanctions we would be talking about, there is what the United States has done in relation to Deripaska, for instance. That has had some effect in the UK—preventing travel into the UK, for instance—not because of the UK’s action but because of action by the United States. Do you think there is some secret list, which they are just refusing to publish, and that they are sanctioning people secretly without letting anybody know? Or are they just not doing anything?

**Bill Browder:** They are intimating that they are doing that, but even if they are doing that, that is completely inappropriate. In a world where moral stands need to be taken—where a public position needs to be taken—you cannot do this with passive aggression. You cannot secretly not let people into the club. You have to put their name publicly on a sanctions list. That is the point of the Magnitsky Act—to name and shame people who do atrocities.

**Q50 Chair:** Mr Browder, obviously, due to your background, you have mentioned a lot about Russia. Is this solely true of Russia, or is it also true of others who have not been sanctioned?

**Bill Browder:** The most obvious example, which Ann just brought up, is the Saudi example. The Magnitsky Act is named after Sergei Magnitsky, who was my lawyer and who was Russian, but it has morphed into a piece of global policy that goes after bad guys wherever they commit their crimes.

**Q51 Chair:** You have suggested that this is due to influence from people either taking money from, or sympathetic to, foreign actors; Bob has already mentioned a possible change in the law to address that. Is another element of it that the institutions that should be conducting these investigations and prosecutions are not being appropriately resourced?

**Bill Browder:** The excuse is often that they don’t have the resources, but I don’t believe that that is the case. I have been to countries with far less resources. As I mentioned, there are 16 simultaneous money laundering investigations going on all over the world in relation to the crime that Sergei Magnitsky discovered and was killed over. I have worked with law enforcement agencies in much poorer countries that are much more active and much more professional about the whole thing. Clearly resources is not the answer, because the National Crime Agency started an investigation and was told just to stop.

**Q52 Mr Seely:** Is the point about 23 diplomats public knowledge—if it is, I have missed it—or is it something that you have picked up?



## HOUSE OF COMMONS

**Bill Browder:** There was an article written—it was announced by the Russians that they are in negotiation with the British Government to replace those 23 diplomats.

Q53 **Mr Seely:** It sounds like there is a bit of messaging there from the Russians: “Business as usual.”

**Bill Browder:** It’s worth asking the question, and you have the opportunity to ask that question.

Q54 **Mr Seely:** I am just trying to get your reaction, because when you talk to Ministers about this, as I do, they say that it takes time to put together cases with things like the Magnitsky Act or unexplained wealth orders, and that they want to get the easy wins first and build up case law, precedent and all those other fine things that are part of the legal system in this country. I take it that you don’t buy that argument.

**Bill Browder:** The first unexplained wealth order was applied to the wife of an Azerbaijani banker. He was a member of the regime who became an enemy of it and was in jail in Azerbaijan. The information that came to the National Crime Agency came from the Azerbaijani Government. What about the daughters and wife of the President of Azerbaijan? The daughters have properties here. Has an unexplained wealth order been applied to them, or is it just when the enemies of regimes and dictatorships show up here that the National Crime Agency acts?

There was a similar situation where an unexplained wealth order was applied to the son of the former Prime Minister of Moldova. The former Prime Minister is in jail in Moldova. Now, I am not saying that his son’s wealth was acquired properly—if it was unexplained wealth, it is good that it was seized—but what about the current Government of Moldova?

Q55 **Mr Seely:** So it is being used against people who may or may not have had political power but certainly do not now, so they are easy wins, when in fact it is the Government reps that we should be investigating, not the enemies of those Governments.

**Bill Browder:** There is an incredible wealth of information now. Igor Shuvalov, who was Deputy Prime Minister of Russia, has a multimillion-pound apartment just down the street—a couple of feet away from here. Shouldn’t that be addressed by the National Crime Agency? Why not?

Q56 **Priti Patel:** Mr Browder, you have touched on Salisbury and on how the rest of the world, particularly the United States, reacted. Do you think there is more scope for some of the United Kingdom’s bilateral friends and allies, including the US, to put pressure on the British Government to wake up and see what is going on?

**Bill Browder:** It seems inconceivable to me that if the crime was committed here, we should have the United States put pressure—

Q57 **Priti Patel:** Absolutely, but even so, is there not an element of learning from the best practice that has taken place? The Magnitsky Act is actively being adopted and enforced around the world. This is a case of pass the



## HOUSE OF COMMONS

parcel: some countries are saying no to Russians, but obviously things are being moved on. Money is being laundered in other territories, too, and that has a knock-on impact not just on domestic national security but for other countries.

**Bill Browder:** Indeed. I am trying to get the EU to do a Magnitsky Act; we are getting there and there is now a proposal in place. Australia is now considering a Magnitsky Act. I'm trying to create a world where Magnitsky Acts exist in all the places that bad guys would want to keep their money. Then we have to harmonise them.

Coming to your question, the United States and Canada have strong legislation, which is strongly implemented. The other obvious thing that this Government should do is go to Washington and Ottawa, and make sure that the sanctions policy here is harmonised, so that this doesn't become the place where the bad guys keep their money because they can't keep it in the United States and Canada.

**Q58 Stephen Gethins:** I want to take you back a step. What you say about the lack of action in the United Kingdom is really fascinating, and it is something that we as a Committee will have to consider. Can you paint a picture for somebody like me? Why is London—and the UK—so important in this?

**Bill Browder:** If you're a bad guy, London is the safest place you can be. This is the place where property rights are most entrenched, where the rule of law is most advanced and where the courts really are independent. So, as easy as they stole the money in foreign countries, they know it is safe here. They have also been able to come to the conclusion that nothing bad will ever happen to them. Of the 400,000 or so suspicious activity reports that were filed by financial institutions, I think there have been fewer than 10 prosecutions in this country. That means that if you are a crook from Russia, Saudi Arabia or one of these countries, you can be pretty well assured that you will get away with your crimes here in the UK.

**Mr Seely:** So we're going through the motions.

**Q59 Stephen Gethins:** Does that mean that the UK in particular is seen as a soft touch?

**Bill Browder:** It's got two advantages: your money is safe and you are never going to be prosecuted.

**Q60 Stephen Gethins:** What is the extent of the dirty money that could be sloshing about London, or more broadly in the UK? Or is this a London-specific problem?

**Bill Browder:** Probably 95% of the issue is in London, because London is the fashionable place for these people to go. They also buy castles in Scotland and shooting estates in Berkshire. It is not entirely contained in London.

**Q61 Stephen Gethins:** Sure, but if this is seen as a soft touch and a safe



## HOUSE OF COMMONS

place to have your money, this is a much bigger problem for the United Kingdom than it is for other European countries.

**Bill Browder:** I would say it is both a problem and an opportunity. They have all put their money here now. If we ever decide to get tough, we have more leverage in this country than almost any place because they have everything here. It is not an abstract concept to sanction people in the United Kingdom, because they will be affected by the sanctions. People often say to me, "Well, how many of the Russians on the Magnitsky list have money in the United States?" The answer is probably not that many. I bet a lot more of them have money here in the UK.

- Q62 **Stephen Gethins:** That's really interesting. I have one final question. I am really intrigued that there is an opportunity for the United Kingdom to tackle this. When you were talking earlier, I was struck by what the United States and even countries such as Lithuania have done. If we are putting together recommendations for the British Government about this, you set out to a certain extent what we can learn from the US, but what can we learn from our European allies, like Lithuania and others?

**Bill Browder:** Effectively, the Baltic countries have been on the frontline, dealing with Russian aggression ever since they became independent. They are particularly dealing with it right now. In terms of fighting off Russian aggression and understanding who the bad guys are in Russia, the intelligence agencies of these little countries are punching way above their weight, in terms of gathering information that can be used and shared with us and others, to hopefully get the bad guys.

- Q63 **Ian Austin:** I want briefly to return to the question of Igor Shuvalov. I take the view that Russia under Putin is an organised kleptocracy, run by people who have looted the country and invested money all around the world, including here in London. Based on your investigations—it is not as if this guy was massively wealthy before he went into politics in Russia—where do you think that the £13 million or £14 million that he spent on apartments just down the road from here came from? What do you think the UK authorities should do about it?

**Bill Browder:** I have not investigated Igor Shuvalov specifically, but on the public record, you have a shocking story about how Roman Abramovich sent him a few hundred million dollars back in the day. When that was exposed, they tried to paper it over by saying that it was some kind of option agreement he had for providing legal advice to Roman Abramovich before he went into government. I do not believe that. If you have ever seen pictures of his house—"house" is probably the wrong word; it is an estate that rivals Versailles—I do not know where he got the money for that. There is a story about a British man who was one of the contractors who was building his palace and decided to share the information with a journalist named Michael Weiss from *The Daily Beast*. Because he shared that information, he had to go into hiding. He went to Australia and he has been in fear of his life ever since. There is a lot of money involved and a lot of people know where that money is. If it was investigated, I think it would be quite interesting. It seems pretty strange



## HOUSE OF COMMONS

to me: that information has been out there for a long time and the unexplained wealth orders have been in existence, so why is he not the first guy on the list to look at?

**Ian Austin:** The point about the unexplained wealth orders is that we do not know who they apply to. There is no public listing or transparency. It is not like the list in the US.

Q64 **Stephen Gethins:** I have one quick question. In terms of Magnitsky Acts, under what circumstances do you think sanctions against individuals who are designated as human rights abusers could be wound down? What is the carrot? Is there one?

**Bill Browder:** The main reason for the Magnitsky Act is impunity in country. You have a situation whereby terrible crimes, like the murder of Sergei Magnitsky, happen in Russia, and all the people who committed them are basically given a free pass. The Magnitsky law in the United States says clearly that if those people are prosecuted for their crimes in their home country, there is no need to sanction them abroad. They could then be withdrawn from the sanctions list. Similarly, if somebody was not involved and were falsely accused, they should be able to have their name removed through a judicial challenge. Those are the two main ways of getting off the sanctions list.

Q65 **Chair:** May I ask a very straight question? Do you think it is possible to be at the forefront of financial, corporate and commercial developments in Russia today without at least some of the ethical standards you would expect of a professionally regulated organisation in the United Kingdom being called into question?

**Bill Browder:** The answer is that you have two choices when doing business in Russia. You can become part of this criminality and then be left alone. People do not even do it in bad faith. Somebody comes to them with an extortion attempt and in order to fend that off, those people will become partners with members of the Government or law enforcement agencies who then protect them for some period of time. So those who go there and want to survive have to become part of the criminal enterprise of the Putin regime, and those people who try to avoid that then get into terrible troubles, such as the ones I got into, where your offices get raided, your employees get arrested and horrific things happen.

Q66 **Chair:** Just to be clear, the reason I used those words is that those are the words of the British law firm doing most business in Russia today, Linklaters, which advertises itself as being "at the forefront of financial, corporate and commercial developments in Russia."

**Bill Browder:** I think it is not sincere to say that. To go to Russia, you either have to become a criminal or you become an outcast, and becoming an outcast leaves you in terrible financial and physical danger.

Q67 **Chair:** So if you are doing a lot of business out of Russia, you are probably not an outcast?



## HOUSE OF COMMONS

**Bill Browder:** My advice to people doing business in Russia is, "If you want to be left alone, don't make any money."

- Q68 **Mr Seely:** When it comes to Linklaters, there is no issue about their advising on illegal activity—for example, I am not suggesting that Linklaters are advising people in this country how to avoid sanctions—but for these firms that use those sorts of behaviours, there is no law against it in this country, is there?

**Bill Browder:** One would not want to legislate legal advice. In other words, people should be entitled to a legal defence and people should be entitled to legal advice. If you are advising somebody to break the law, of course the lawyer who is advising should be subject to the same kind of penalties as the person breaking the law. It is pretty well defined in the world of tax: there are tax advisers who advise what the tax laws are, and then there are tax advisers who break the law by helping people to evade tax. That is pretty well defined. It is a fine line, but those are the same types of principle that should be implied in terms of sanctions.

- Q69 **Chair:** You are drawing a distinction between having access to justice and whitewashing crime?

**Bill Browder:** Correct.

- Q70 **Mr Seely:** So basically, if I was a lawyer and I was working for an oligarch who said, "I'm on the sanctions list; help me," I would be giving that oligarch advice on how to obey that sanctions law while at the same time clearly indicating how he could best preserve his or her—well, it is always a "his"—wealth?

**Bill Browder:** You get into a grey area, and I am sure many law firms are involved in that grey area. There are situations where people are on the sanctions list and looking for ways off it, and there is probably no way off it other than breaking the law. I cannot say anything about Linklaters, because I don't know anything about Linklaters.

**Mr Seely:** No, this is more of a general argument.

- Q71 **Chris Bryant:** We discussed earlier that it is probably not appropriate for you to name names of people—legislators and so on—but it would be interesting to know how much of an issue you think there is with Members of the House of Lords or, for that matter, Members of the House of Commons seeking to lobby against or trying to prevent individuals from being sanctioned or a list of sanctions from happening.

**Bill Browder:** It is a big enough issue that it should be taken seriously. In other words, over the years I have been aware of probably a dozen people in the House of Lords who have had some type of payment from or connection to Russians for different reasons. Taking a step back, people who are making laws should not have any conflict of interest. I am British, I have been here for 30 years, but I am still an outsider coming in and looking at this, and it is inconceivable to me that that is something that is allowed to happen. How can a person who is making the law be paid by a

foreign country to deal with policy issues? It just does not make any sense to me.

- Q72 **Chris Bryant:** Is there anything we should be learning from the way the US has dealt with En+ and RUSAL?

**Bill Browder:** What the US has done is the exact wrong thing: for reasons that most of the people I talk to in Congress do not understand, they have let this company off the hook. That is something that does not make any sense to me, and certainly should not have happened. I am not sure why En+ was allowed to list on the London stock exchange and what kind of due diligence was done before that.

- Q73 **Chris Bryant:** As I understand it, the argument now is that Mr Deripaska only has 40% and that that is fine.

**Bill Browder:** I have the benefit of coming from a background in hedge fund management before I was a human rights activist. As a hedge fund manager, you understand by your first day of training that if you own 40% of a company, there is probably nobody else who owns 40%, and therefore you control the company. It is an absurdity to say that if you take someone down from 75% to 40%, they no longer control the company—particularly when the block of stock has been passed to VTB, a sanctioned Russian bank that has been called Putin's pocket bank. The idea that all of a sudden they will all be sitting there independently not voting with each other seems like complete nonsense to me.

**Chris Bryant:** Me, too.

- Q74 **Mr Seely:** To be fair to the noble Lord Barker, I think he would probably argue that he does not get paid directly to be Deripaska's lobbyist, but that as a senior officer in EN+ he is trying to keep the company on a legal footing. I take it that you are saying that that is just an incredibly bogus fig leaf—that as part of that, he has been lobbying, but he is also serving the interests of this sanctioned individual. I just want to put Barker's case for you to reply to.

**Bill Browder:** It is very straightforward: after the sanctions were lifted, Oleg Deripaska became much wealthier. That is all you need to know. If he says that he is narrowly looking after the fiduciary interests of EN+, why is he also looking after the interests of RUSAL and the other company? It is just nonsense.

- Q75 **Mr Seely:** You are therefore saying that for a parliamentarian, that sort of behaviour is completely unacceptable because clearly he has a very significant conflict of interest.

**Bill Browder:** It is unacceptable and it should be outlawed—it should not be allowed to happen. What I find most remarkable about it is how brazen it is: he is not even trying to hide it.

- Q76 **Royston Smith:** I think most of this has been covered, but you talked about people who are here and sanctions that should have taken place but haven't, although other countries have imposed them. Do you know



## HOUSE OF COMMONS

how effective the UK is at preventing money laundering in the first place? The things that you have talked about are demonstrable, but what about prevention?

**Bill Browder:** All I can say is based on the analysis that I have done. For example, in the Magnitsky case, where \$230 million was stolen from the Russian Government and Sergei Magnitsky exposed it and was killed over it, we said, "Where did the money go?" We tracked the money, and one of the largest recipients was the United Kingdom. It was not just going to one bank; it was going to all the banks, so it was not as if any bank here were more successful than any other at preventing money laundering. It was basically coming into this country.

At other Committee hearings, I have sat next to witnesses from Global Witness and Transparency International, which have quantified that the United Kingdom is one of the main money laundering centres of the world. I would argue that nothing is being done to prevent money laundering here.

The main thing that you can do to prevent money laundering is create consequences. If you do not, people are not afraid; they will launder money until the moment when they are afraid. There are certain countries that do create consequences, but this one does not.

Q77 **Royston Smith:** I am pushing you because I cannot believe it. That is the reason I am doing this; don't think that I am—

**Bill Browder:** I don't take it the wrong way. It sounds strange, because we think of this as being a really respectable place.

Q78 **Royston Smith:** But take me, personally: if there is unusual activity, my bank phones me up or blocks my card. We are talking pounds, not millions. If I move something in my bank account to buy a car or a TV or something, I get a phone call asking me why I have done that, because it is a large sum of money. You are talking about \$230 million, or large sums of it, coming into this country through multiple banks, and no bank said, "This is a huge sum of money—it's a bit odd."

**Bill Browder:** Yes.

Q79 **Royston Smith:** It just doesn't stack, does it?

**Bill Browder:** It doesn't with me either. I wrote a book called "Red Notice". My bank called me up when I got my \$12,000 royalty cheque and said, "Who's this company, Simon and Schuster?" and I said, "That's the largest publishing company in America." So I'm getting the third degree over my \$12,000 royalty payment, and these money launderers—money is being sent in from Belize companies in Latvian banks to the UK and nobody is asking any questions at all. Don't ask me why.

**Royston Smith:** We can't even get a mortgage because we are politically exposed people and they expect us to be taking bribes from everyone.

**Chair:** It's not that they "expect" us to be taking bribes.



## HOUSE OF COMMONS

**Chris Bryant:** That is just Conservatives.

- Q80 **Royston Smith:** Well, that may be what it is. But it does seem to me to be absolutely inexplicable that that could happen. So from your point of view, how do we find out that is happening and then prevent that from happening? Because it is something that you are talking about, that you know about, and who would argue with individuals or sanctions or the Magnitsky Act or Deripaska, or any of the people that we have talked about, which we have endlessly, when there is a different dimension to this? You are talking about corrupt banking practices. How do we find out about that?

**Bill Browder:** The way you find out about it—I can tell you more. I have years of data, experience, presentations, etc., which I am happy to share; but in terms of how you stop it, it is very simple. The moment there are prosecutions in this country of bankers who facilitated money laundering, every banker will stop in a second. It is all about risk/reward. People do things if there is a reward and there is no risk.

- Q81 **Mr Seely:** These are the enablers you talk about.

**Bill Browder:** The bankers, particularly. If you are talking about money laundering, the bankers get paid commissions, fees, etc. You are not a very profitable client for your bank.

**Royston Smith:** No, I am not.

**Bill Browder:** But if you are a very profitable client for a bank, they are going to tiptoe around you, and particularly if you—some of the dodgiest people pay the biggest fees to the banks, and the banks love them. And there is no consequence. What happens? Nobody is going to jail.

**Royston Smith:** Your written evidence is getting bigger by the moment.

- Q82 **Chris Bryant:** I just want to ask about the housing market. It seems to me that this is an element, in particular in London and the south-east. As I understand it—you will tell me if I have got this wrong—let us say you have £20 million and it is dirty, and you want to clean some of it up, you buy a property that is only worth £1 million, or £5 million, and you do that several times, because then each of those £1 millions has been cleansed in the process. So it is not a great return, but you have managed to cleanse—launder—25% of it. Is that right?

**Bill Browder:** It is even worse than that. You don't have to do a bunch of \$1 million transactions. You can buy a £20 million house, and the estate agent can even act appropriately and say, "This is suspicious," and it will be one of the 400,000 suspicious activity reports that are filed with the National Crime Agency, and nothing will happen. And then you have your house. The next time you sell your house, and let's say it even goes down in value—it goes down to £18 million—when the next bank says, "Where did you get your money from?" you say, "I got it from the proceeds of the sale of my house in London, deposited at NatWest."

- Q83 **Chris Bryant:** And of course that helps keep London and the south-east prices at the top of the market still bubbling along, and that has an effect



## HOUSE OF COMMONS

on the whole of the rest; so it has a pernicious effect on London housing as well.

**Bill Browder:** If the unexplained wealth orders started to be imposed more broadly against kleptocrats, and if the sanctions regime were to be properly implemented here, you would see a crash in the price of Mayfair, Belgravia and Kensington.

**Chris Bryant:** And Royston would be able to buy a house in Belgrave Square.

Q84 **Priti Patel:** You have touched on the financial institutions—banks and the transactions that take place there. Obviously, currency is another commodity that is traded extensively. These institutions are regulated—of course they are. We have standards and regulatory practices in this country. But is it not the case that the Government are acting as an enabler to allow those transactions to take place, and that they themselves are failing to regulate and take the proper action at the outset?

**Bill Browder:** Absolutely. The Government is not regulating in any kind of forceful way that creates consequences. I am not an expert on the Financial Conduct Authority, but the limited experience that we have, because we have taken some of these connected Magnitsky stories to them, is that it is as weak and as unimplemented as all the other agencies. Everything is all very well organised here. People have good titles, and the laws are pretty well written here, but the law is not enforced. Perhaps they would argue that the reason they do not enforce them is because the bad guys can all hire the best QCs and lawyers and run circles around Government lawyers. Maybe that is the reason they don't do it. For whatever reason, they do not enforce the laws here anywhere near as robustly as in other countries. I have seen enough countries to know where there is proper law enforcement, and here there is not.

Q85 **Chair:** So you are saying that the laws are written fine, but they are not enforced—this is a Potemkin regime.

**Bill Browder:** More or less, that is what I am saying. Every law can be improved, and I am sure that we can analyse and come up with amendments to all sorts of laws, but at the end of the day, 90% of the problem is that there is just no enforcement. A Potemkin regime is a perfect way of describing what is here in the UK. We can pull it off really nicely—everyone speaks with great accents, looks very nice and talks very authoritatively, the laws all look good, and the Government say, "Look, we have these laws, objectives and so forth," but then nothing happens.

Q86 **Chair:** Can I go on to an area that we have skirted around? The reason the Committee is interested in this is because we see the pernicious effect that dirty money through London has in undermining the foreign policy of the United Kingdom and in undermining the national security of the British people. We see it in corrupt practices in Russia, which we have spoken a lot about. We also see it in other parts of the world. Could you



## HOUSE OF COMMONS

talk a little bit about your experience, and about how you have seen—in the last eight or nine years that you have been campaigning on this issue—the sordid effects of dirty money through London undermining areas of interest to the British people?

**Bill Browder:** Let's look at the most famous case, which was the Litvinenko assassination. You had a British citizen—Alexander Litvinenko—who was murdered in 2006 with radioactive polonium poison. When the investigation was pursued, it became obvious that the Russian FSB was responsible for the murder. When his widow Marina Litvinenko called for a public inquiry, the Prime Minister, who at the time was the Home Secretary, tried to stop it. She made an argument on a document in her name, saying that this would hurt the business and diplomatic interests of this country. Eventually, the public inquiry went ahead anyway. It determined that this was a state-sanctioned murder, and the High Court judge who was appointed for the public inquiry even concluded that Putin was probably the person who ordered the hit. There were no consequences—zero consequences. I think three diplomats, or maybe a few more, were expelled. As a result, the message sent to Vladimir Putin was that he can kill more people in the UK and there will be no consequences.

I would argue that the Skripal poisoning in Salisbury was very much the responsibility of the Prime Minister, for not creating consequences after the previous poisoning. Putting aside who you want to blame for this—let's just say that it was a cultural thing here—you now have a situation in which there are still no consequences. The national security of this country—when I say national security, we are talking about the physical security of individuals, including my physical security as a prime target of Vladimir Putin—is put at risk because of the lack of consequences.

Q87 **Chair:** We have been making a very clear argument that the reason why the UK Parliament can constitutionally act in anti-money-laundering legislation in the Overseas Territories is because the constitutional provision that would normally apply—that Treasury business is separate and devolved—does not apply because it is a national security interest. The supremacy of the UK Parliament therefore does apply as it would in defence and other areas. Would you agree with that?

**Bill Browder:** I think that is absolutely correct. Money laundering is a threat to the national security of this country. If that provision gives you the power to act, you should use that power.

**Chair:** Mr Browder, thank you very much indeed for coming in this afternoon.