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Transparency International Latvia warns that voluntary liquidation of ABLV can lead to loss of 102,3 million USD laundering evidence

Riga, 25th June 2018 - Hermitage Capital Management Limited (Hermitage), the former employer of Sergei Magnitsky, has sent a complaint to Latvian prosecution and law enforcement authorities on the 21st of June 2018 to investigate money laundering through ABLV bank. The application has been submitted as a matter of urgency after the Financial and Capital Market Commission authorised ABLV to undertake voluntary liquidation. Such urgency is necessary because the process might create a substantial risk for loss of evidence and dissipation of funds pertinent to the investigation.

Hermitage has turned to the Latvian Financial Intelligence Unit and the General Prosecutor's Office to investigate and to identify the ABLV employees suspected of facilitating the laundering of over \$100 million linked to the famous [\\$230 million fraud uncovered by Sergei Magnitsky](#) ten years ago.

Overall, according to the application, ABLV employees, between 2008 and 2013, allowed for the laundering of \$19 million in the interest of Dmitry Klyuev and Andrei Pavlov (who were sanctioned by the US Treasury for their central role in the Magnitsky affair) and \$102.3 million in total illicit transfers through ABLV accounts connected to the \$230 million fraud.

ABLV officials knowingly allowed for the creation of shell company accounts with no traceable and legitimate economic activity. Additionally, they allowed transactions of several millions of dollars with similar counterparties in other countries despite clear money laundering signals – for example, contradictory and insufficient descriptions for the purpose of payments with no apparent business rationale. All the entities involved are thought to be part of a transnational money laundering network handling proceeds in connection to the \$230 Million Fraud, which also used banks in Moldova, Cyprus, Lithuania and Estonia. According to Hermitage Management, such a scale of illicit activity would not have been possible without the knowledge of ABLV's senior management.

Transparency International Latvia (Delna) calls for comprehensive and thorough investigation of money laundering which threatens the integrity of Latvian financial system and has clear public interest. If the law enforcement institutions are willing to act in the interest of the investigation, they should freeze the assets and secure all available evidence, including electronic databases, electronic banking, electronic messaging and correspondence of ABLV bank and its former and current employees. Liquidation management, bank employees and shareholders should be notified of their

legal obligation to preserve and not conceal evidence, and of their possible criminal liability in acting otherwise.

Notably, many of the accounts in ABLV also appeared to be administered fraudulently. They featured the use of common mass registration addresses and of common murky nominees, or they included layers of nominees to conceal the true controllers of the accounts – a factor which is likely to complicate the investigation. These nominees included several Latvian nationals known as “[Latvian Proxies](#)”, already flagged in the investigations following Sergei Magnitsky’s death in 2009.

This case emphasises once again the need to investigate more in depth the hidden connections between employees of Latvian banks and suspicious company service providers in Latvia and abroad. Furthermore, there should be stricter implementation of anti-money laundering measures to bring this industry under control.

Latvia’s financial system has been abused for many years. Despite clear signs of large scale money laundering, most notably the laundering of the \$230 million fraud uncovered by Sergei Magnitsky, it is only after intense international pressure that the government has acted. The new head of Latvian FIU’s that took office on 1st June 2018 has an opportunity to show commitment and pursue a detailed investigation to a conclusive end.

Following the February crisis, Delna has submitted [a number of recommendations](#) to the government aimed at tackling the problems associated with company service providers. Delna supported the recent “ban” on shell companies and recommended to issue licenses for operators and forbid them to provide nominee services and corporate structures favouring anonymity. The measures are currently under consideration by the government which will take a decision by the end of 2018. However, following this latest episode, Delna invites the government to implement them as soon as possible.

About Transparency International Latvia

Transparency International Latvia is a non-governmental organization that was founded in 1998 as a Latvian chapter of the international anti-corruption organization Transparency International. Its aim is to foster a democratic society that is free from corruption in politics, business and mutual relations. For more information visit: www.delna.lv