

**Commission on Security & Cooperation in Europe:
U.S. Helsinki Commission**

“Asset Recovery in Eurasia: Repatriation or Repay the Patron?”

Committee Staff Present:

**Paul Massaro, Policy Advisor, Commission for Security and Cooperation
in Europe;**

**Stacy L. Hope Director of Communications, Commission for Security and
Cooperation in Europe**

Participants:

**Sona Ayvazyan, Executive Director, Transparency International Armenia;
Bryan Earl, Retired Supervisory Special Agent/Assistant General Counsel,
Federal Bureau of Investigation;**

**Karen Greenaway, Retired Supervisory Special Agent, Federal Bureau of
Investigation;**

**Kristian Lasslett, Professor of Criminology and Head of School, Ulster
University**

**The Briefing Was Held From 10:00 a.m. To 11:33 a.m. in Room 562, Dirksen
Senate Office Building, Washington, D.C., A. Paul Massaro, Policy Advisor,
Commission for Security and Cooperation in Europe, presiding**

Date: Wednesday, February 13, 2019

MASSARO: Thank you all so much for being here. Good morning, and welcome to this briefing of the U.S. Helsinki Commission. The Commission is mandated to monitor compliance with international rules and standards across Europe, which include military affairs, economic and environmental issues, and human rights and democracy. My name is Paul Massaro and I am a policy advisor for economic and environmental issues, including asset recovery.

I would like to welcome you today on behalf of our bipartisan and bicameral leadership to discuss this topic so central to international anti-corruption efforts. Asset recovery, or the process of repatriating funds previously stolen by corrupt officials, is one of the major facets of anti-corruption work. Ideally, we would have a system through which assets recovered were directly returned to the people from whom they were stolen. These people would then directly benefit from the funds that were denied them by their corrupt leaders, and there would be a greater understanding of the benefits of the rule of law internationally.

Unfortunately, there are big question marks around this process. Rather than the funds going back to benefit the people from whom they were stolen, these assets may reenter the cycle of corruption, to be stolen once again by corrupt leaders. Instead of providing inspiration and impetus for the rule of law globally, this cycle of steal-recover, steal-recover undermines the rules of law and gives the impression that the whole system is a charade. It is imperative that this be avoided. But that is easier said than done with the anonymous financial architecture that currently exists in the West and enablers who assist transnational kleptocrats in their creative accounting.

Clearly, there's more that must be done. There is an opening here for a foreign policy breakthrough if Western jurisdictions can, instead of hiding money, recover those funds and see them used in visible and constructive ways in the jurisdictions from which they were stolen. Rather than being viewed as a black hole for ill-gotten gains, the rule of law states of the West have the opportunity to be seen as defenders of the victims of corruption globally if they can develop creative methods to make those funds work for the people, not the autocrat.

Finally, it should be noted that though asset recovery is a vitally important topic, only a small amount of funds is ever recovered. That is, in large part, due to how easy money laundering has become in the globalized world. Only through plugging the gaps that exist in the Western financial architecture – though policies such as beneficial ownership transparency – can we raise this amount of recovered funds and begin in earnest the long process of responsible repatriation.

We're thrilled to have four brilliant panelists with us here today to explore this topic. First, we have Bryan Earl, to my left, formerly with the FBI. Bryan worked the Pavlo Lazarenko case, one of the earliest cases of the investigation and indictment of a transnational kleptocrat from Eurasia and, arguably, asset recovery case zero for the region. We'll then hear from Kris Lasslett of Ulster University. Professor Lasslett will speak to asset recovery efforts as concerns Kazakhstan, with an emphasis on how to approach asset recovery to an autocratic regime. Sona Ayvazyan will be the next speaker. She is the executive director of Transparency International Armenia and will speak to asset recovery efforts in her country. Finally, we will hear from

Karen Greenaway, who just recently retired from the FBI. She will speak to asset recovery efforts in Ukraine.

Thank you all very much for being here. And, Bryan, the floor is yours.

EARL: Thank you very much, Paul. I'd like to first thank Paul and the Commission for inviting me and us to come here today and talk about this subject that's been part of my life for over 20 years. As was indicated, I think I've been invited here to be a bit of a historical relic, talk about some work I did 20 years ago, which was sort of case zero. It laid the foundation for the effort to stop Eurasian public corruption and kleptocracy, and certainly stop it from infiltrating the United States financial system and the Western financial system. So in a number of ways, I'm here to sort of lay the groundwork for a lot of good work that's happened since.

I can't possibly discuss the entire investigation in the 10 minutes I have. So what I'm going to do is talk about a couple of ways in which this investigation was the first. And I'll assume that a lot of you know a bit about it. It was the investigation that led to the prosecution of Mr. Pavlo Lazarenko out in San Francisco federal court in 2004, which was a long time ago. But it was a longer time ago the investigation began, in 1997. One of the ways it was a first, it was my first investigation. It was the first investigation I ever did.

I joined the FBI in 1996 and was put on a Eurasian organized crime public corruption squad. And the big issue at the time was the capital flight that we saw coming out of the former Soviet Union, sort of an unexpected development of the fall of the Soviet Union. We saw lots of money and lots of people with lots of money, and no discernable ways of making that money legitimately come into places like San Francisco, and New York, and Miami, and London, and other places. And our job was to find out what was going on. And if anything illegal was going on, to stop it.

And so I got handed, in December of 1997, when I was a relatively new agent, one of the first MLAT requests – in fact, it was the first one to come out of Ukraine. Another first. Dealing with Ukraine was new for us. It was a new nation. It hadn't existed as an independent nation before that. We had entered into mutual legal assistance treaty, and we received in the Lazarenko case the very first iteration of that – of a request under that treaty.

To back up a little bit, when I joined the FBI in '96, it just so happened that Mr. Lazarenko became prime minister of Ukraine. That was sort of a parallel thing going on with our careers. He became prime minister and was prime minister from '96 to '97. I received this MLAT request in '97 because at that time he had been let go by President Kuchma as prime minister, and an investigation had started in Ukraine into his financial activities.

And so the mutual legal assistance treaty request that I received was one of many that were sent out by the Ukrainians at that time, and it was the general prosecutor's office I worked with, all over the world to trace Mr. Lazarenko's assets and the financial activity that he was accused of engaging in, and that they had yet to investigate. And part of it was in San Francisco, so I started doing that. At the time, he became a member of Parliament, and continued his political activities.

So another first for this, is I think it was the first time Ukrainians had access to a color printer, because this was a 35-page document that was in about seven different colors. I'm not sure why. I never really figured out why. I'm convinced that this particular translator had translated something Ukrainian into English, because it was very hard to understand. It was very hard to read. So I spent weeks and weeks just reading this document, coming in every day and reading it, and trying to figure it out.

But in essence, I figured out that they described several fraud schemes in Ukraine, schemes in which money was generated. It wasn't stolen as much as it was generated by Ukrainian assets and Ukrainian labor, and then it was monetized by selling silicon, manganese, cattle, whatever it was that Ukraine produced. And then that money didn't go back to Ukraine. It didn't go back where it belonged. It stayed in Switzerland in accounts that they suspected were controlled by Mr. Lazarenko.

And then my part of the case was, we had an associate of Mr. Lazarenko living in San Francisco who also had a tremendous amount of access to unexplained income – tens of millions of dollars of his own, hundreds of millions of dollars otherwise. And so I started investigating where that income came from. I did what every good investigator does. I followed the money back to where it came from. The Ukrainians were investigating it from the Ukraine side, and sort of following it forward. And in the middle there was Switzerland. Just – not to put too fine a point on it, but there was Switzerland in the middle.

And so we were conducting the investigation. The Ukrainians were working. We had received them as guests a couple of times, and then it was our time in December '98 to go over to Ukraine and sit down with the Ukrainians, look at their documents, talk to their witnesses, and really verify whether what they were describing in this MLAT request was true. So a prosecutor and I got on a plane. And we were going over to Ukraine, December of '98, the first time – another first – I'd ever been to the former Soviet Union. The first time the FBI had engaged in this kind of cooperation with the Ukrainians.

And it was all very hush-hush, because back in '98 things were new, and it was still very Sovietized. We land in Ukraine, in December '98, and there's all these people out in the airport with "Free Lazarenko" signs, chanting: Free Lazarenko. And we were quite surprised by that, because we thought we were on the QT, going in under the cover of night. But what had happened while we were in the air is Mr. Lazarenko in one of his many foreign trips had entered Switzerland to do some business there, to move some money, to engage in political – or, financial activity. Not political. And he had been picked up by the Swiss authorities because the Ukrainians had also sent an MLAT request to Switzerland.

And there was a magistrate – investigating magistrate there in Switzerland that had received this request, was doing an investigation. And when Mr. Lazarenko came into Switzerland over land, they picked him up, put him in jail, and the investigation all of a sudden took off because once you have someone in custody, even in Switzerland, all of a sudden things become urgent. So that was why there were all these people in front of the airport chanting "release Lazarenko." It wasn't us.

But the good thing about it was – and the reason I tell this story – was the investigating magistrate rushed to Ukraine to do what we were doing, to talk to the Ukrainians, to look at the documents, to interview the witnesses, to find out what the basis was of this request, to see if he could proceed with his investigation at the same time we were there. So in December of '98, the Swiss, and the Ukrainians, and the Americans were all there at the same time. And we spent a week doing what I said – talking to witnesses, talking to investigators, reviewing documents, and sitting down together, during the day, at dinner, and creating the kind of relationships that ended up lasting for five or six years.

We got to a conviction of Mr. Lazarenko in 2004. So that was six years later. We worked with this Swiss magistrate and with those Ukrainian investigators and prosecutors for those entire six years. But it all started out with that meeting in Ukraine in 1998, in December. And my point in telling this story is that's what has to happen for these cases to be investigated – that kind of investigative liberty, resources, and just hard work needs to happen in order to identify the criminal activity that generates the income, to identify the assets, find out where they are, and then to, you know, land charges in court, pursue those charges, and get a conviction.

I'm not going to tell blow-by-blow for six years, but I thought it would be important for you to know how the whole thing began. We then did what we had to do. We went all over the world. We talked to witnesses. We talked to investigators. We established basically that Mr. Lazarenko, after six or eight years as a politician – locally and then nationally in Ukraine – ended up with \$7(00) or \$800 million in his various accounts.

There was one particular bank that he had – he and some partners had sort of purchased down in Antigua. It was called Eurofed – European Federal Credit Bank, at the time. This is going back for me a ways. And we traced money back to him. And that was the basis of our U.S. account, because that money had come through the United States. He had violated U.S. law by moving money – the corresponding accounts of that particular bank were in San Francisco. And that's where we were. No money ever makes it to Antigua. It was just debits or credits on a ledger down there. But the money actually ended up in corresponding accounts in Antigua. And those were the basis of our charges.

So we ended up with a conviction in 2004 of Mr. Lazarenko based on the fact that he had been involved in a number of schemes to generate income that had occurred in Ukraine during the time he was in power. Largely people that he had influence over were involved in those schemes. And then he siphoned off about 50 percent of the profits and put them in his bank account, so that he could push through his political aspirations. That was the basis of the case. That was the conviction.

And then while that investigation was going on, another parallel asset recovery case was begun out here in Washington, D.C. by a good friend of mine, FBI Agent Debra LaPrevotte, who is now retired as well. And she doggedly pursued that case for much longer than my six years, for decades it seems, in order to not only go after Mr. Lazarenko criminally but also go after the assets and recover the assets, and get them back to Ukraine, where they belonged.

So that's an overview of the investigation that I was involved in. It gives you a flavor for the kind of hopes and dreams we had back then. We thought at the time that this was the next big thing. In 1996, there was nothing sexier than asset recovery – capital flight out of the former Soviet Union and going after corrupt Russian and Ukrainian officials. We thought we were going to do this our whole career.

The reason it didn't go like that, I think, was September 11th, 2001. We were hit with a terrorist attack and all the resources – there are limited resources in the government, as everyone knows here. And resources got dedicated to antiterrorism – as they should have been. And when there's finite resources and you get some siphoned off to bigger priorities, the lower priorities get fewer.

And so by 2004, very frankly speaking, when we took this to trial and got our conviction, I was frankly being asked by a number of people in my organization: Why are you still working this violation? Who cares about Ukrainians and Russians anymore? We've got people knocking down buildings. We've got people blowing up London. And you're worrying about politicians? And so at that time I decamped and went to Kyiv, Ukraine and Moscow, Russia, and represented the FBI over there for six years. And then I, very frankly, shifted over to the cyberthreats coming out of Ukraine and Russia, because that became the big thing that everyone cared about.

But now the issue's back. I've since retired from the FBI, but historically, that's the way it went. We had a lot of resources. We had a lot of support. And we, I think, did a good work in the investigation, the prosecution of Mr. Lazarenko. And I would have done that for 25 years, if I could have. But the resources went away, and I was unable to continue that process. So it sort of ended with that. The asset recovery element was pursued by my partner, Debra LaPrevotte, in the Washington field office.

So that's a background. And I'm happy to answer questions later.

MASSARO: Thank you so much, Bryan. And it may have taken 20 years, but I definitely think we are back to it, and in the biggest way possible. Certainly in the last few years I think a lot of people have recognized the fundamental national security importance of this sort of work. So thank you so much for walking us through that incredibly important, essential case to understanding the efforts today. So now, coming into today, we'll move on to Kris. Thank you.

LASSLETT: Thanks very much, Paul, for convening this event. So I'm just going to talk a little bit about the other side of asset recovery, where we get to the stage of asset return. My colleagues would probably speak here about the many challenges that we face in actually freezing and seizing the assets. But when returning it, the challenges don't end because we often face a situation where significant volumes of stolen assets are seized by a returning nation, and they're aiming to return it to injured parties in another nation. But intervening between them is a state that is still deeply impacted by corruption and may even indeed be a kleptocracy.

So how, in that situation, can you assure that the hundreds of millions of dollars of stolen assets actually makes it back into the hands of the injured parties, and not back into the pockets

of the people who stole it in the first place? And this is where and why we need a robust system for facilitating asset return. And the dangers of not having a robust system for facilitating asset return is brought to the fore by cases I've been researching with my colleague Tom Mayne on – known as Kazakhstan two. Kazakhstan two is not to be confused with Kazakhstan one. Kazakhstan one, in the asset recovery community, is a very famous case of asset return where \$117 million of frozen assets was returned by the Swiss and U.S. governments to Kazakhstan.

And it was done very publicly, though a third-party mechanism known as a BOTA fund. A BOTA fund was a completely independent fund, a foundation. It had independent governance. It was arm's length from the Kazakh government. And it was arm's length because they wanted to avoid the money being potentially abused a second time round. And they brought in some international not-for-profit organizations, like I think it was IREX and Save the Children, who were there to do the work on the ground in applying the money. And it was seen as one of the most successful asset return cases in a very difficult environment.

I'm dealing with Kazakhstan two, which is a different asset return case. It involves the sum of \$48.8 million. And it has a very different history. It begins with silence. No one knew about this money – that it had been frozen or that it had, indeed, been returned. I was given a tip-off by a colleague in Switzerland who said: Have you heard about this asset return? And we hadn't. No one had. So we proceeded – we were told that this money was returned through two programs – an energy efficiency program and a Youth Corps program.

So the first thing that we did was we went out and we were told that the World Bank acted as the mediator. So we went to the World Bank website, where we found the Youth Corps program and the energy efficiency program. However, when we found it they said that this was money – it added up almost to \$48 million – that was provided by the Swiss development agency. It was aid money that was being used to fund these projects. So from the World Bank's side, it was aid money, not stolen asset.

We then got the contract numbers and found the original trust agreements between the Swiss Development Agency and the World Bank and the grant – the sub-granting from the World Bank to the Kazakh government. Not one mention that this money was frozen asset or was being returned to the victims of corruption in Kazakhstan. It was all presented as aid money. So the mystery continued. Then we found a – one obscure reference, published on the Swiss government website on the 21st of December 2012, as people were jetting off for Christmas, stating that money had been frozen in 2011 – 48.8 million (dollars).

It was being returned to Kazakhstan through an energy efficiency and Youth Corps program project. And that it emanated from a money laundering case. The details of who was involved in this money laundering case weren't made clear. All we know is that they voluntarily consented to the return of this \$48.8 million. We weren't made aware of whether they were given anonymity, whether they were given a non-prosecution agreement. We assume they were, in order to consent to this money. But subsequent inquiries to the Swiss government has not produced any answers to date.

So the first danger was that no one knew this was an asset return case. No one was watching how the money was being used. And we know that having the scrutiny of the media and civil society is absolutely essential to responsible asset return. Then, to compound the danger, the money was not returned through a third-party mechanism. It was returned – we followed the case of the Youth Corps program, which was 21 million (dollars). In that case, it was returned directly to the implementing agency, which was the Kazakh Ministry for Education and Science.

So they had the money and were now responsible for applying the money, procurement, financial management. And this is a country where the public service is decimated by corruption and mismanagement. The groundwork, the day-to-day work of the Youth Corps program would then be done by a coordinating agency who would be appointed through public tender. And the World Bank would provide oversight of this process.

So, we were concerned by that – two layers of concern. The third layer of concern came when we looked at the tender for the implementing agency. IREX, who had successfully executed the BOTA fund, had bid it, and had lost. Who had won? Three NGOs in Kazakhstan that were the initiative – created at the initiative of President Nazarbayev, were funded by the government, and the head of the consortium was the president's daughter. So we had restituted assets being returned to the victims of corruption, and it was going firstly to a coordinating agency who was run – headed by the president's daughter. So you can imagine all our hair on all our arms, and legs, and every other place, was now standing up.

So then we thought, well, the biggest danger in a place like Kazakhstan, where we're going to see this significant volume of money get lost, is during the procurement and during sub-granting. Because that was how the money was going to get spread out. Unfortunately, the World Bank did not publish the tender information that it had promised to publish. We could not get the information that it had undertaken to release. It didn't do it. It still hasn't done it. The Kazakh government has released some tender information. It was very selective. It wasn't full information. And it was only some of the contracts. But we took that information and we began to conduct some groundwork. And we came across a number of key themes.

Firstly, we came across evidence of potential fraud. Some of the money was being sub-granted out to host institutions who had run these Youth Corp programs. And we had a source who said that they were told that if they were to run one of these programs it was meant to be tendered through a competitive, independent process. The coordinating agency would be hand-picking host organizations, and that if his organization was picked could he please supply two fake bids, so it could look competitive. So that was the first evidence we had of potential fraud going on.

Then we found out that money through procurement and sub-granting was actually going to Zhas Otan, the youth wing of Nur Otan, the president's ruling party. So they were getting money directly from these restituted assets. We then came across also procurement – contracts going to organizations to engage in PR for the Youth Corps program. And they were quite sizable, indeed. For one tender, you could get paid \$1,800 U.S. to write a favorable article about the Youth Corps projects – \$1,800 U.S. When we asked the BOTA people about how much they

paid for similar promotional articles, they said \$90. So we saw quite a significant inflated contracting.

We came across one award of \$300,000 of restituted assets belonging to the people of Kazakhstan that was spent on 60 videos. And these videos – the ones that we saw – were nothing short of propaganda for the government – pictures of President Nazarbayev going across the world meeting ministers, with rousing music, celebrating the greatness of the motherland. So this was restituted assets being spent on propaganda. And also when we began to release some of our preliminary results, we found that the World Bank eventually published a procurement plan, very, very late, several years after we'd expected it.

And we straightway saw something very odd. Forty percent of the contracts from their procurement plan went to one company. And all those contracts were for one service, divided up into, I think, 14 different contracts, adding up to 750,000 (dollars). Now, when you see one company getting 40 percent of contracts and they're divided up into small amount but come to a cumulative total that would require international bidding – competitive bidding, you start to raise questions.

So just to conclude, I think what this case really raised for us was, at best – at worst, should I say – the restituted money returned by Switzerland through the World Bank to Kazakhstan has been the subject of fraud and corruption. That's at worst. At best, it's been used for some noble purposes, but also it has definitely been used to further the aims of Nur Otan Party in its autocratic control of the country. And it's been to further their ideological ingraining of their rule in young people in Kazakhstan. And this is extremely important that we develop mechanisms to ensure this doesn't happen again.

And this is a problem that's going to face the United States in particular, as they look to return near a billion dollars U.S. of money belonging to the people of Uzbekistan, where they're going to face the same very complex environment, the very same levels of corruption. And hopefully the U.S. government will learn from the mistakes of the Swiss and do something much better and successful this time around. Thank you.

MASSARO: Thank you so much, Kris, for that alarming example. One thing you said in there really stuck out to me, and that is the role of the media in highlighting this and keeping the lights on and everyone's attention on these sorts of things. I think that that cannot be emphasized enough. And I hope we see more of that in the future. And I think that there's been some really excellent reporting from groups like OCCRP or others recently. And, I think we'd all love to see that grow. So thanks very much, and let's move on to Sona.

AYVAZYAN: Thank you for this opportunity to speak. For about two decades, Armenia was ruled by a kleptocratic regime, where an accepted way of governance was the embezzlement of funds, while the exploitation of natural resources, monopolies, kickbacks, law and policymaking for personal gains of certain individuals and clients. Though since 2003 Armenia and the government declared the fight against corruption and joined a number of international conventions and initiatives, there has not been any significant change. And the

corruption perception index was fluctuating during recent years, and is fluctuation still, around 35, indicating systemic corruption.

Most of the so-called fight against corruption was of imitative nature, mainly in order to convince the international donors to provide more financial assistance to the country. Meanwhile, there was no true political will to eradicate something which was the source of power for the leadership of the country. In 2018, the Armenian people mobilized against the corruption and injustice in the country, and through peaceful demonstrations managed to remove the kleptocrats. Now for the first time, we have a government – or, better to say – we have a leader who is genuinely interested in eradication of corruption and has intention to take bold steps towards this end. Such interest and such intention were demonstrated by putting an end to corruption pyramidal schemes and activated detection of corruption crime with engagement of former hiring officials and their relatives.

With the new government, there came much hope for justice, but also an extreme raise of expectations that need to be met. One of the expectations is the recovery of assets stolen from the Armenian people. Many high-ranking officials of the corrupt regime managed to accumulate wealth both inside and outside of the country, including the U.S. and EU countries. According to global financial integrity, the illicit flow from Armenia during 2004-2013 was \$9.8 billion. And it showed growing dynamics over years. Currently, the asset recovery is the priority for the anti-corruption agenda of the new government. In its five-year program, which is being discussed on these days in the Parliament of Armenia, the government proposes revision of the legal framework for the asset recovery and strengthening international cooperation as part of its fight against corruption agenda.

In addition, the government puts a particular emphasis on the transparency of beneficial ownership, and also intends to continue its fight against the organized crime and money laundering. Nevertheless, aside from just willing to recover the stolen assets, there are a number of problems that need to be addressed by the new government related to the policy, legal framework, institutional framework, human resources and the justice system. There is no policy with regard to asset recovery. Obviously the previous government didn't need that. And there is nothing at the moment. How is it going to be performed? What will be the principles to be followed? What will be the criteria, thresholds, procedures, et cetera? And lack of clear and transparent mechanism will pose risks for discretionary approaches that might put at risk the integrity of process, as we heard just now in the case from Kazakhstan.

In terms of the legal framework, there are certain limitations that need to be addressed, particularly the constitution prescribes that the laws and other legal acts deteriorating the condition of a person should not have retracted effect. So there is a need to elaborate and come up with some methodology which will allow to pursue stolen asset cases. Armenian legislation prescribes for conviction-based asset recovery. There is no civil procedure to confiscate property for the state. And hence, it's worth to consider the adoption of the so-called civil forfeiture. There is no prescribed responsibility for the legal entities for criminal acts. And meanwhile we know that money generated through corruption are used for money laundering through companies.

The institutional framework is underdeveloped. There are a number of law enforcement bodies with overlapping and missing authorities and lack of independent, specialized law enforcement entity which could deal with corruption-related cases. There is a need to establish a specialized entity as soon as possible in order to deal with such cases. This entity should also have a dedicated unit for the search of the property, both inside and outside the country. There shall be a decision of how and who will be managing the confiscated assets. The investigative authorities shall possess all the tools for adequate examination of cases, and have access to respective databases, property declarations, and bank information.

As there has never been a practice of asset recovery in the country, there is a serious lack of capacities and skills for search of assets, for understanding of corruption schemes and money laundering schemes. The problem of capacity shall be resolved through specialization of institutions as well as series of capacity-building efforts that will involve officials of those institutions. In order to have a more holistic approach, we should mention that there is a need to address also justice-related issues. According to the constitution, it says that nobody can be deprived of its property without judicial procedure, which brings us to address the issues of the judiciary. Currently in Armenia, we have pretty discredited judicial system.

And now, though we have this legitimate legislative and legitimate executive, the judiciary is considered to be corrupt, unprofessional, and it is considered one of the five most corrupt institutions in the country. Justice reforms should take place with a special focus on increasing the public trust. In parallel with working in these directions to improve the system on a short-term basis, the authorities should prove that there is – that the political reason is not merely a wish. But they should also show operative reaction to the articles of investigative journalists, which were plenty, and now so they continue, and launch their own investigations. They shall reopen the cases that have been closed or suspended during the previous regime.

As of today, we have two major cases of stolen assets that have been revealed through Panama Papers and Paradise Papers. In one case, which was before the revolution, it was Panama Papers mentioned the name of Mihran Poghosyan, the head of the Compulsory Enforcement Unit of Judicial Acts, who the case was opened against him. However, not much efforts have been taken apparently for investigation, and the case was closed. And soon after that, he was elected as a member of parliament, via very controversial elections. This case needs to be reopened during this new government.

And another case revealed by Paradise Papers is related to Gagik Khachatryan, who for many years held high positions in the government. He was the minister of finance, head of the Committee of State Revenues. And though the case has been published after the revolution, there hasn't been any concrete process. There hasn't been any progress and investigation by the law enforcement bodies to pursue this case of stolen assets. The government needs to show as soon as possible to take concrete and practical steps to indicate that it has a political will to restore the assets and return the assets to the country. Thank you.

MASSARO: Thank you so much, Sona, for speaking to Armenia's current opportunity. We're all rooting for you.

So with that, we'll move on to Ukraine. Karen, please take it away.

GREENAWAY: Good morning. Thank you all for coming today. So how do you talk about asset recovery in our world today? The focus here obviously is repatriation, but what you're hearing also is the frustrations not just in repatriation but even getting to the point where you get the asset in the first place. And so, summing that up and moving forward as to where we are what we can do better, I think is most important.

On the good side, the United States has been at the forefront of trying to do a repatriation of assets. But I have to tell you, being the investigator who was brought in – Bryan set the stage for asset recovery after the change in government in Ukraine back in 2014. And I followed him in to a position in the FBI where we were working with a number of investigators and analysts to try to help the Ukrainians recover the assets that had been stolen by the Yanukovich regime.

And in talking about what's Sona's bringing, there were all kinds of challenges within the government of Ukraine. They didn't have an investigative body. The investigations were left with individuals who were the same people who were supposedly investigating corruption before the government changed. Not having the laws in place to support, never mind the investigations, the repatriation of assets, having an asset management agency.

We here in the United States have the U.S. Marshal Service is responsible for asset management once we seize assets under criminal forfeiture. But having an agency that is responsible – in my career in investigating transnational organized crime from the former Soviet Union, we seized a number of assets – including very valuable assets. The problem was is that somebody's got to take care of those assets. If it's an ongoing business, you've got to have people run the business.

If it's bank accounts – like in the particular case that Bryan was talking about with Lazarenko – which, by the way, is not settled yet; that money is still outstanding, and the bank in the interim that he had purchased nearly collapsed under the weight of the money that was frozen in it – you have had people who have been involved in the receivership and the maintenance of that bank. So, all of these things go to not just the capacity of the country to regain the assets that had been stolen from them, which we can't – as the FBI or the Department of Justice – do without their assistance.

To the point of, let's say we get the assets back, now we are dealing potentially with a country who may have changed its leadership or not. For example, in Nigeria the leadership has changed and is very engaged in recovering assets that we are still trying to forfeit from the Sani Abacha regime. They have their own say in the way that they want this to work. And so you come into these countries – like Ukraine, like Bryan first did and then I did – and you say, OK, tell us what happened. And you have these people who look at you like a deer in the headlights. And they go, well, our assets were stolen. And we go, great. Can you give more help than that? Just telling me that is not enough.

Some investigative journalists, and some civil society had done some really good work, and they had some good leads out there. But unfortunately, some of those leads were old. And

the biggest problem, frankly, with asset recovery, as Paul mentioned in the beginning here, is – I'll use the analogy of a drug trafficker who makes cash. I've done searches in homes of drug traffickers. And what happens is they have all of this disposable cash, they have to spend it on stuff. And so one home that I did many, many years ago – because some of you probably have never even seen these – the guy decided he was going to buy some alligator shoes and a belt, which were very stylish in the 1990s but don't have a great resale value.

And so the biggest problem with asset recovery, is that assuming you can get to the point that you can get the asset, a lot of times the money has been spent on stuff that no longer has a resale value out in the community. So in one of the recent cases the FBI did, where we seized quite a bit of property related to a theft from the government of Malaysia and the people of Malaysia a significant portion of the money is never going to be recoverable because it was spent on non-recoverable items – like tickets to the Olympics or gambling in Las Vegas.

So now we are working with the government of Ukraine trying to get back money. They're telling us these exorbitant amounts of money that had been stolen. But we still have to have an idea as to how this person actually stole the money. So one particular lead that we followed up on – which was already old – we were looking for \$400 million. At the time that I left, we had not found a significant pot of money of that \$400 million because it had been moved through 10,000 or more transactions, some of which had taken it from \$10 million down to \$1,500 that was spent on furniture in Spain. And that's not recoverable.

So first you have the challenge that you have a country now, like Armenia, that has significant amounts of money that have been taken from it. They don't have the legal structures to put into place. You're trying to work with a host country, like we were working with the Ukrainians. And they are trying to, with civil society and NGOs, put the legal structure in place to get people up to speed to be able to help in order to do this. But then you've got all of those people who were there before this happened and were working in the government when it happened. And they might have the desire to get the money back, but they don't have the capacity.

So you're working with all of these structures. But we did a lot of things that we have learned lessons from what we did do in Ukraine for potentially the next country like Armenia, Venezuela, that we have put into place, like trying to build capacity very quickly within the organization, trying to put mentorship in there to help them really sit down with these organizations to get the investigations going, to get us what we need in order to be able to freeze the money and forfeit it under our civil statute.

For those of you who don't know, we do have a civil procedure called non-conviction-based forfeiture, where we can forfeit money for countries. And that's what we're talking about here. Not criminal statutes. That's a separate authority, where we'd have to charge somebody with a crime – the United States – the asset would have to be linked to the crime, or the person. I wish there was some of that in Lazarenko.

So now you get to the point where you get enough information to work with a country or get somebody to work with. And let's say the best-case scenario, you get the asset. And then

you have the question, what's going to happen? Who should get the asset back? Depending on the capacity of the country, because, again, we're going back to that discussion about asset management.

So, for example, in the example of Malaysia, we seized a yacht, which we immediately turned over to the Malaysians. And now the Malaysians have to try to resell that yacht. And so it becomes very difficult for asset repatriation when you're talking about things like real estate, boats, et cetera. So let's focus then on repatriation of assets sitting in a bank account – the best-case scenario from us.

We have a number of countries who will honor our civil forfeiture orders. So the money is sitting out in these accounts. And then eventually we get the order to forfeit, which we have gotten order to forfeit and repatriated money to a number of countries, like Kazakhstan. Now we've got to decide how to do that. Well, there's a whole separate part of the Department of Justice that all they do is negotiate how to return this. But the country gets a say in how that money gets repatriated. Of course they should. They're the sovereign. The money was stolen from them and their people.

But the challenge is, is that often the people who are sitting at the table talking about the repatriation still are, you know, in some ways, connected to the corrupt environment. And so what I have talked about before I retired from the FBI and since then, is that I believe that civil society and NGOs should take a bigger role in inserting themselves in these negotiations. I understand that there is some concern that NGOs and civil society, that might, you know, taint the work that they are doing, in that it looks like they're self-interested by potentially getting some of this money. But on the other hand, I think that you can put it in the BOTA trust for their benefit.

And I'm saying in a large amount that it has to be the entire \$300 million, or whatever it might be. Maybe \$10 million to do something to further a group of civil society organizations. Because the government will is obviously important, but the people's will has been the most important part of furthering asset recovery around the world – the people being on top of what's going on with the government corruption.

So I would use, for example, Odebrecht – a construction company out of Brazil. Once it came out that Odebrecht had been a massive violator of anti-bribery statutes, a number of demonstrations were held in countries where Odebrecht worked that really put the pressure on their own governments to get engaged, to get involved in asset recovery. So what about our friends back here in Ukraine? Well, the bad news is, is that we have not been able to return a single dollar to Ukraine.

Why is that? Well, part of that is because, thanks to Mr. Lazarenko, a pittance amount of money actually came into the United States. It was moved in U.S. dollars. That's pretty much out in the open now. But it was moved through what we call correspondent banking accounts, which allows us to get those transactions, but it doesn't give us necessarily the ultimate destination of the money. It also doesn't tell us how the money was generated in the first place, or necessarily who even put it in the account that it was transferred out of or into.

And so what we found is that while a significant amount of money was moved in U.S. dollars, using the existing systems that I think Latvia's now seriously trying to rectify, some other countries are not trying to rectify, which is this connection of shell companies – beneficial owners who were paid \$5 to sign their signature to a corporate incorporation document, and who had no control over the corporation once it was created. Hundreds of millions of dollars moved very, very quickly.

And, through company, after company, after company, and then ultimately in many cases dissipating sometimes back into Ukraine. Part of our frustration, and the Ukrainians have worked to rectify that, was even if we had gotten an order and we could show that money had gone back into Ukraine to a house or something like that, we couldn't get the Ukrainians to honor our civil forfeiture order. But they have changed those laws, thanks to civil society working with the government to say, hey, look, we need to have our own asset management and our own asset forfeiture program.

When you hear the stories initially from Ukraine – the \$4 billion, \$9 billion, \$10 billion that was out there – it becomes very hard then, with the country to tease down what we're actually talking about in terms of money that we can find and money that we can forfeit. So kind of going forward and the lessons learned from Ukraine is, number one, is these structures that are out there that Paul was talking about in the beginning make it very easy to dissipate lots of money very quickly. And when you have a lot of time lag – two, three, four years – the farther you get out from it the easier it is to move the money from account, to account, to account, and make it much more difficult for us to sit and actually get what we need.

Number two is this system that getting those records through the mutual legal assistance treaty process is very painfully slow, as Bryan can tell you from his investigation. That work is not prioritized – getting somebody to be able to write the information correctly, and then getting somebody to honor it. And I can tell you in the one case that we looked, a country that should be our very good friends took two years to honor one of our MLATs – two years. And by that time, of course, the bad guy had been able to move the \$50 million we thought we had many, many times.

So, like I said, let's say you can get all of those things, and the stars align, and you put the money in the account to get ready to return it. We as the investigators – or, in my old position – don't have a lot of say in what happens to the money afterwards. And that's why I think civil society can and should take a bigger role in monitoring what happens to the money, and making their own voices heard as to how they would like to see it repatriated.

But finally, I think, there has to be a recognition here that when this money is seized and frozen, it is the property of the sovereign. And so for the government official who's going to be in the negotiation – what is his role in terms of all of this? And I can tell you that that – in particular in these countries like Kazakhstan and Uzbekistan, the sovereign is asserting their right, as they should. You do question whether that is on behalf of the people or on behalf of themselves. But, there has to be a methodology to monitor that, which has been typically through the World Bank, which has its good sides and its downsides.

And how that gets done through the World Bank, and some of the projects that they do, also has some limitations, including the fact that the project managers in some of these projects sit here in Washington, and aren't in these countries when they get these projects, as well as the fact that the documents that World Bank generates are, for me as an investigator, unavailable because they are privileged documents. So even if they identify a crime in these repatriated assets, they can't turn around and tell the FBI that there's a crime there. They have their own internal process of review, which has its limitations. And they have tried to refer some to criminal cases. But that's stuff that's written into the structure of the World Bank. And those are other considerations that may be out there to change.

But believe me when I tell you, as Bryan can tell you from his work, is it's not a lack of interest or desire on the part of investigators or prosecutors in the U.S. to do that. And we have a few more than we did a few years ago. We have about 45 to 50 people that now do this work in the FBI and DOJ – not as much as there could be, but more than we had. But, the mechanisms that frustrate you in getting this done are some of the things that I think that we could be much more proactive as a government in working.

So with that, I will turn it back over to Paul.

MASSARO: Great. And thank you so much, Karen, for that comprehensive and important account of your recent work. And I know a lot of that is said from experience. And I know you were in the field. And it's really important to have you here today.

So we're going to go ahead and move to the Q&A now. I'm going to ask a couple questions, and then we'll call on audience. If you'd like to ask a question please just raise your hand, name, affiliation, and who your question is for. So I'll give an example right now. I'm Paul Massaro, U.S. Helsinki Commission, and my question is for Bryan.

And I'd like to start from kind of the 30,000-foot level, and thinking about kind of the U.S. national security strategy and how this has changed, and where things are going. And, Bryan, I know you've lived through many transformations of this, having worked at the FBI during a very turbulent period. I think many people in this room recognize the national security threat posed by having large amounts of autocratic wealth in the country. This gives these guys access to elite circles; it gives them levers of power to push. Last I read 30 percent of Manhattan was just piggybanks. That's a problem. That's a problem for the United States, not just a problem for the people that it's stolen from.

And if we see kind of the 21st-century foreign policy as an interlocking ideological conflict between, on the one side, democracy, human rights, and the rule of law, and on the other side authoritarianism, transnational organized crime, and globalized corruption, then we're in a really tough position right now, just given the way that money's moving, and the anonymous way it's moving, and anonymous goods.

So my question is, what does it take to get the resources? What does it take to get the prioritization? What does it take to see the national security strategy say: Transnational

organized crime and its new relationship with the nation-state is a humongous threat to the United States? And, how can Congress be a part of that, and how can civil society be a part of that? And how can we move toward that recognition?

EARL: Well, the good news on what it takes is it's happening more than it did, say, 10 years ago. Like Karen mentioned, in 2014 the FBI established what's now three private corruption squads – one in New York, one in D.C., and one in L.A., that devote their entire times and efforts to these sorts of issues. That didn't happen in 2005-2006. It happened in 2014. So we're going in the other direction. The pendulum's coming. So it takes resources. It takes certainly the people that are working in this area are interested and motivated, and they're doing good work. And I know DOJ's very supportive of all that. And I know that the money laundering/asset recovery section has a bunch of very good, very professional people.

So the mechanism is there from the law enforcement, prosecution, and investigative side. It needs more resources, of course, but everything does, right? And nobody has everything that they need. But I think it's gotten the attention certainly of policymakers and people within the executive branch. I guess what Congress can do is provide more resources. (Laughter.) That's always what they can do.

But the problem, of course, is being recognized. And I think it's recognized more now than it used to be. There's two problems with this piggybank that Manhattan represents. Number one, the wealth is in the wrong place. Money that's been generated through either the natural resources or the labor of the people in Kazakhstan, or Ukraine, or Russia, whatever, is sitting in Manhattan in townhomes – in \$50 million townhomes, or whatever it is. That's just fundamentally immoral and unfair. And so the wealth is a problem by itself. It should be back where that wealth was generated doing good, growing infrastructure, producing wealth for the people that actually deserve it – the people where the wealth came from.

And number two, the people who own this wealth, the oligarchs – and I can give you a list – we don't want them either. (Laughs.) We don't want their money, and we don't want them, because they're the kind of people who do not respect the rule of law. They'll corrupt our system. They'll bribe our people. They'll take advantage of our financial system. I have always said that these oligarchs coming out of the former Soviet Union, and the rest of the world, couldn't move the money they move, they couldn't get away with what they've done without our system.

Now, our system was made to promote legitimate business. And it does that very well. And 95 percent of the business that it promotes is legitimate. But if you put 5 percent of poison in the soup, you don't want to eat the soup, right? It's that 5 percent of illegitimate business that can corrupt and is, I think, corrupting our system – both through the wealth being in the wrong place and also having the people that just simply don't respect rule of law. They don't respect decency. And they don't respect ownership. All they respect is power and money. And I'm being a little dramatic, but there's no other reason to amass \$800 million. You don't need that to live. You don't need that to live well. You need that to maintain power and influence and outdo you buddy, who has \$900 million.

And I think we're recognizing that more and more, especially with all the turbulence that's happening in the world. It's gotten a lot better since 2014. But it took the ouster of Yanukovich and the annexation of Crimea and all those very dramatic events for it to get people's attention. If it's not in the newspaper, sometimes the government doesn't pay attention to it. And that needs to change.

MASSARO: Oh, yes, please, Karen.

GREENAWAY: So I also want to add, I'm not sure people do understand how damaging taking dirty money really is to the United States. I like to use the analogy of – if you've ever lived out in the far west – a dry streambed. Dirty money is like a rainstorm coming into a dry streambed. It comes very quickly, and a lot of it comes very fast, and the stream fills up, and then it gets dry again. So what if you are a company that's purchased by dirty money? That dirty money is not going to be a steady flow into and out of the account so that you can run that company the way – or the business the way it's supposed to.

So what happens? Well, maybe you don't pay the electric bill the way you're supposed to this month, or you own real estate and you're not paying the FedEx bill on time, or the tax bill comes due. Because it's dirty money, and because you sunk 23 million (dollars) or 48 million (dollars) of it into the purchase of that property, now you got to go find some other money to pay all of the bills that go with it. And so what does that do if that's now a business that has U.S. workers employed in it? And their operating incomes are constantly being drained so that the oligarch can pay for his next yacht bill, or whatever it might be?

What happens is, of course, is that the safety standard goes down. But people don't want to say anything because they want that job, and they need that job, and they need that business in their community. And I've asked a number of people to look at this. Look at our communities where it turns out, oh, by the way, we have a Russian oligarch that owns a business there. And look at how that business is functioning. And what you're going to find out is that after 2008, when the financial institutions collapsed, essentially, in the United States – was there was a fire sale for a lot of our properties.

And as a result, what we have is people who don't live in the United States, who don't have any intention of really investing in the United States, but they needed a place to put their money. And that business down the road was a perfect place to put it. And so now what we're seeing is, of course, that those businesses, some of their assets that they were used to purchase in the first place have gone dry. For example, banks out of Ukraine. Now the money is drying up. And now those businesses are going into default. And maybe that's the only business in that community that's employing people.

So I think it's hurting small town America. I just don't think that we've come to that realization yet, because so much money flows into our country that that kind of looks like a one-off. When you really look at it, there really is a pattern out there. It doesn't just hurt the country it comes from. It hurts our country as well. And it hurts the financial institutions as well that end up relying on that money in order to keep themselves going.

MASSARO: Thanks so much, Karen.

Could we take some questions from the audience? Yes, please. So, again, if you could say name, affiliation.

Q: My name is Bob Homans. I'm with Aperio Associates. And I'm a part-time resident of Ukraine.

Karen, you've just gotten on the board of an organization called AntAC, which is doing some incredible work. One of the things that they're doing, as I understand it, is working with Kyiv-Mohyla Academy to start training people, like forensic accountants, investigators, lawyers, and so forth. I was wondering if you could elaborate on that work a little bit further. And I also think the audience would like to know a little bit more about AntAC itself, and the people who run AntAC who have been incredibly courageous.

GREENAWAY: Yeah. So AntAC is a civil society organization in Ukraine. And it's founded by some very intelligent, hardworking, young people, some of whom have been trained in the United States. But they were there at the Maidan and they have been committed ever since to trying to work with Ukrainian government to do exactly what I've been talking about: investigative reform, judicial reform, legislative reform. They are very thoughtful about what they are looking for in terms of trying to change what's going on in Ukraine.

They are accredited with really being the organization that was leading civil society and pushing changes like developing an independent investigative unit, the National Anti-Corruption Bureau, the special prosecutor's office. They are working very closely for the creation of an anti-corruption court. And they are very vocal about getting on Twitter and Facebook about immediate action that needs to happen as it relates to supporting those institutions.

I think they are really a model for civil society. And their next step is, in talking with one of the leaders of the organization is that now they're trying to look to themselves to be a more sustainable, long-term development type of institution. As I like to tell them, after the Maidan happened, they were in a kind of the hair on fire moment where they're trying to get the assets back, and they're trying to do all of these things. And they realized that that was exhausting their personnel, and also putting themselves at some security risk.

I will say that they have been attacked a number of times by the law enforcement institutions in Ukraine, particularly the intelligence services. But what they realized is that they see themselves as an honest broker of trying to make sure that the Ukrainian government lives up to its commitments. So they're currently meeting with the government official – or the presidential candidates. Ukraine will be electing a new president the end of March to talk about what their anticorruption platform is going to be.

And then the other thing that they have really worked with, and I have told them that it's extremely important – is having some sort of board and connection with all the other civil society and NGO organizations in the country so that if somebody has a specialty, let that person run with the specialty, and let them, do what they do best. And then you put your resources to doing

something else, so that it's a holistic approach to government development. But they also realized too, you can't just punish people in government. You have to build good leaders.

So one of the things that they're also working to do with their other civil society and NGOs in the country is work to build good leadership for the next generation of leaders in Ukraine, so that we get away from the model of the expectation that a particular individual's son or close friend is going to be the one who's going to be the next person in the party to run the country. So they have done some really great work in Ukraine and continue to do great work.

But I should also say too the important point of the supervisory board, which I might not actually assume my duties for a few months, is to make sure that they're also transparent and that they have independent individuals overlooking the decisions that they make and review the decisions that they make. So we see ourselves on the supervisory board as to make sure that there's no question that what they're doing is transparent and open to the public. And if anybody has any questions of how the money's spent or the decisions are made, that there's another board that's overlooking what they're doing.

MASSARO: Thanks so much, Karen.

OK, yes, right here up front.

Q: Thank you. Everybody said very interesting things, but I'll limit my question to Professor Lasslett. I'm Robert Thomason. I'm a reporter for MLex.

Q: My question relates to some recent changes in asset recovery, and what your critique is of it, relating not only to Kazakhstan too but in general. Switzerland adopted a new law in 2016 where it outlines what it will do in asset recovery following the London summit. There was a global asset recovery forum. And here in the United States, we have the Global Magnitsky Act, which can sanction PEPs for acts of significant corruption. So, and the story you told about Kazakhstan too started in 2011, before some of these new initiatives came to bear. So I'd just like to ask your critique of recent changes.

LASSLETT: Yeah, well I think it's not necessarily so much a critique. I think there's very positive things happening. We have the GFAR principles that have been developed. And they're looking at developing a standardized international framework for responsible asset return. At the moment, they're, however, articulated at a very broad aspirational level. But, they contain things like there should be full right to transparency with respect to returned assets and take that as an example. A very noble and important ideal, but actually delivering it is very difficult because you need the administrative processes to be put in place to ensure that from the moment where things can become transparent and made public they are made transparent and public. And so at the moment, what we see is the birth of a new policy framework that's emerging at an international level and at a national level about how we do responsible asset recovery.

The work that needs to be done is to develop an international administrative framework that we can develop to implement policy, because policy's a dime a dozen if you don't have

good administrative processes to put it in place. So if we're to have transparent asset return, if we're to have accountable asset return, if we're to have asset return that, as Karen would say, incorporates civil society, you can't just have that in a noble policy statement. You need to have concrete administrative processes that all states sign up to implementing that will allow that to happen. So they need to say from day one, the second that we've frozen those assets, seized them, that we're going to engage civil society in that conversation. And here are the forms through which we're going to do it. And those are the sort of things that need to take place.

I mean, the United States at the moment, they're having to work with Uzbekistan money of nearly a billion. They're consulting with civil society, they're supportive, but there's no established framework. We're all doing it kind of ad hoc, working on positive interpersonal relationships. But there's no clear fulcrum to which we can point to. So I think we've got some broad policy statements at the moment. They need to be put into international law in ways that are enforceable. We need to have that replicated in national laws. And then we need to, crucially, have public administration that can make the principles of responsibility practical.

And if I could, just two seconds, say something, just an issue [Paul] raised there. You raise a question about the national security. And I mean, we got to remember, on the one hand we have these very important initiatives going on. But on the other hand, the United States, the United Kingdom where I'm based, are actively creating frameworks that attract the illicit flows. I mean, they call London Londongrad, because we've set up everything you want over there to launder your money straight from Scottish LLPs, where you can set up a limited liability partnership and no one need to know whoever set it up, it's a Seychelles company that's behind it, through to having service providers who will set it up for you and get a bank account, and you'll be able to begin your laundering needs. You'll have lawyers there to protect, you'll have real estate investment brokers there to help you.

The United States faces the same problem. It's not the BVI – the British Virgin Islands – you need to come in there and show identification. There's actually regulation with setting up a company there, though it's odious that they have a zero percent tax rate for corporations. However, you can come to Delaware and set up a company in about 10 minutes.

MASSARO: Or do it online.

LASSLETT: You can do it online. And set it up in 10 minutes. So our jurisdictions are providing do-it-yourself money laundering kits. And also, we have a cadre of high-price lawyers, high-price accountants, high-price executives who are providing privacy services, asset protection services, and tax minimization services – everything kleptocrats want. And so you've seen colleagues here, we're working around on very limited resources trying to stop this. And the people that are fighting against us have billions behind them. That's the challenge.

MASSARO: Thank you very much, Kris.

Let's get back there, please.

Q: Rick Messick from the Global Anticorruption Blog.

And I have a question for those who have been fortunate enough to paw through the documents of a correspondent bank transactions. Tell me, can't you see from the records of the U.S. correspondent bank where large chunks of money come in? And don't we impose – or, shouldn't we impose if we don't – some sort of AML requirements on U.S. correspondent banks? The example I'm thinking about is where \$700 million of Jho Low's money moved out of Malaysia into some private Swiss bank, right after one of the first 1MDB transactions. And of course, it moved through a U.S. correspondent bank because it was all in dollars. So I would think somewhere we would have a record that \$700 million from the government of Malaysia went through this U.S. correspondent bank on the way back to Jho Low's account in the private Swiss bank. And therefore, wouldn't the U.S. correspondent bank have said, gee, \$700 million going to from the government of Malaysia to the account of some young private citizen? Is there that kind of evidence? And shouldn't we be imposing some sort of AML due diligence to sort of catch that kind of thing?

MASSARO: Sounds like maybe a Karen question.

GREENAWAY: So the answer is, is that, yes, you can see the transfer. You may not always see what the account is attached to based on the transfer. But my experience is, depending on the bank, because a few of them have gotten some challenges thanks to the U.S. Department of Justice. You know, they will now try to impose AML standards on the people who are using their correspondent accounts. Some of the bankers – and I've presented with bankers before and talked to compliance officers before – will tell you they're limited as to how far they can go, depending on what the bank that is doing the transaction maintains in terms of its own standards. So there is potential to see some of that, depending on how detailed the information is.

And remember, though, that the messaging that was what the, you know, transaction is for goes separate from the actual movement of the money. So what I mean by that is, is that in a correspondent relationship you don't always see – other than it goes from account A to account B, and then potentially the name of the account, more information about what that money is for. That also being said, just to give you some idea, a few years ago I talked to our financial crimes enforcement network because I was talking to them about the problem of some cases we'd done on the organized crime side, where U.S. citizens' or foreign citizens' ATM cards were stolen, and then they would be reencoded in the United States, and then the bad guys would cash out.

And I would say for the court cases we needed to find the victims, and we would talk to banks. And banks would say, look we just pay out here, and it's \$1,000. Once they find out in Switzerland it's been stolen from their account, the Swiss bank just reimburses them. And I said, well, how does this whole settlement work? And I couldn't find a banker who could answer my question. And so I asked FinCEN. I said, can you tell me, is there a way to tell how much happens in terms of settlement? And FinCEN said: We try to just do one week of settlement – and what I mean by settlement is how much money moves between banks in the United States and outside of the United States through our correspondent accounts, and where they are going. And they said it was in the trillions of dollars, and there was no way we could keep a handle on that.

So, yes. There is a record. Yes, you can look at it. Should you put an AML requirement? Most banks now, because they have gotten in trouble for it, do try to put that on the people that use their correspondent accounts. But it is limited as to what they can ask, depending on the country. And then also, for example, if it's a private bank in Switzerland, there's still some differences in rules there. But the settlement between banks in the United States and their correspondent account is just incalculable. So to see one \$700 million transaction, unless you're looking for it – is just \$700 million of potentially a trillion or \$20 trillion that went through some of these correspondent accounts in a week.

MASSARO: Thanks so much, Karen.

We have a question right here.

Q: Thank you. I'm Oksana Bedratenko from Voice of America.

Karen, you described in detail how difficult it is to track money after some time passes. Could you comment, is it realistic for Ukrainians to expect any asset recovery from the Yanukovich's regime cases at this point in time?

GREENAWAY: That's a really hard question to answer. I can tell you that I did everything – and my team did everything we could – to try to help the Ukrainian people to get back their money. I'm still hopeful that there's money out there to get. And so I'm not going to say it's completely out of the question. There is still stuff ongoing that I cannot comment on, and I can no longer be a part of, because I have retired. So I'm not saying it's out of the question, but we're not going to find \$9 billion. And it breaks my heart, because, you know, there is a lot of people who really, really worked really, really hard to try to do that. But, like it was said already, the financial system is just set up to benefit the people who have the money and not the people who are trying to get it back.

EARL: And let me just make a quick comment, just to give some context. The money that generated Mr. Lazarenko's wealth, or the activity that generated his wealth, occurred back in the mid-'90s. And as we heard today, asset recovery has happened yet to Ukraine. It's over 20 years later. So it's a complicated, difficult, and sometimes impossible task.

MASSARO: Thank you, guys.

Yeah, right over there, please.

Q: Hi. Valeria Jegisman, also with Voice of America.

I was wondering whether you could touch on Russian dirty money? I know it's not directly the topic of this panel, but still Russian dirty money is a big topic now in the United States. And we can see that the political will of the United States is growing to – in general – just to tackle money laundering and corruption. So, yes, I just appreciate your comment on Russian dirty money. Thank you.

GREENAWAY: So my history in doing this work is really I lived in Russia and I worked in Russia before I came in the FBI. And I first encountered money stolen from Russian citizens when I was a private citizen in St. Petersburg in 1991 – how shall I say – the thief in chief is now the thief in chief of the country. And everybody knew what was going on. The problem with recovery of Russian money, as we have seen in the theft that was involving Mr. Browder's company, Hermitage Capital, about capacity and building capacity in the places where the money is coming from, is I have to have a partner to work with. I have to have somebody in Russia who ultimately is going to give me bank accounts.

I did a number of cases in my career where I really did try to work with Russian investigators. I think in the '90s it was a lot easier. One of the first cases I had involved a Russian who I will not identify, who is still out there, who was basically using his position – and the accounts attached to his position – to write himself checks and buy property in the United States. And, we had a very draconian process of trying to get cooperation. We'd write essentially a letter. So I dutifully wrote my letter, and got a Russian investigator engaged. And they went to get the records. The records were in the hinterland. And on the way back from the hinterland, the truck with the records, and the person driving the truck, were blown up. And there went my records.

But, being persistent, I did keep trying. But really, the point that really killed our cooperation related to organized crime and money laundering was when the previous president – interim president, whatever you want to call him – got rid of the organized crime investigative unit. Said, we're done. We tackled organized crime. It's all good. So all of that experience of people who really were trying to do the right thing and did some actually great cases. In San Francisco early on there was a massive corruption case in San Francisco where the government of Russia was shipping diamonds into San Francisco, trying to create their own diamond exchange, and using the Russian consulate out there. And they arrested a number of people. The investigator from Russia did a fabulous job. And he was not only demoted, he was beaten up and thrown out of the force.

So on that happy note, my answer is I would be happy to try to get money back for the people of Russia and hold for as long as it's needed till they would be ready to take it back in a way that it was going to actually benefit the people of Russia. But I can't get the most basic financial record out of the Russians to be able to do that. And I don't, frankly, trust when the Russians send us a request that what they're giving to me is legitimate records, because I know the way it works there. And I don't trust that the people who are making the request aren't making it for a political reason. And so our work that we try to do on organized crime, basically, essentially ended in 2009. And I would be very reluctant to try to start that that relationship again.

MASSARO: Thanks so much, Karen. OK, we have a quick final external question.

HOPE: Thank you. We have a question online from Lester Salamon from Johns Hopkins University.

He says: Praise for Kristian's comment about the success of the BOTA asset return process. How can we make this a more general approach?

LASSLETT: Well, I think that it's to look at what were the ingredients behind what made BOTA successful. And I think there it was the fact that it was arm's length from government. It had an independent board overseeing it. It engaged civil society in that board. And it also had a very tight financial management system. BOTA worked at a certain place, in a certain time. It's not necessarily that you'd want to take that exact same framework and do it the exact same way in other regions. But you can take the principles that worked and apply that.

And so that goes back to my previous comment. It's about beginning to have a more rigorous international framework, where we go beyond just having notional guiding principles that are signed up for after a conference, which is what we have not, into something that's more enforceable in international law. And then we sit down together with governments, civil society, and experts, and try and define more concrete public administrative approaches that can be used to make those principles work in different regions, and in different ways. So I think that's the key thing.

I think the other key thing is to really have a strategy. One of the things we see with asset return is that it's seeing that if you just return the asset and spend it on broadly charitable services, that that's somehow an appropriate use. I mean, of course, it's good to spend money on books for underprivileged kids, or whatever it might be, but, I mean, there's got to be a strategy behind it. And that's a strategy that's got to be developed between policymakers and civil society. That is, can we use this money as a long-term tool to try and counter corruption in the country? So, you know, and that's a standard framework.

If you go to other areas, like transitional justice which deals with post-conflict environments, if we do a reparations and restitution in other areas, it's a basic principle that when you're doing reparations, when you're doing restitution, when you're doing post-conflict justice, you need to have a strategy to use your resources in order to tackle the underlying sources of the problem. And asset recovery gives us a chance to use money, to not simply return it to a population but to also use that money to prevent the problem happening again, to tackle the problem at its source. And that's what I think is a real strength in future asset return.

MASSARO: Thank you so much to our panel. We're going to close there. I encourage you to come talk to our panelists after we're finished. Thanks so much.

[Whereupon, at 11:33 a.m., the briefing ended.]