

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

“Enabling Kleptocracy”

Committee Staff Present:

**A. Paul Massaro, Senior Policy Advisor, Commission on Security and
Cooperation in Europe**

Participants:

**Lakshmi Kumar, Policy Director, Global Financial Integrity and Author,
“Acres of Money Laundering: Why U.S. Real Estate is a Kleptocrat’s
Dream”;**

**Casey Michel, Journalist and Author, “American Kleptocracy: How the U.S.
Created the World’s Greatest Money Laundering Scheme in History”;
Josh Rudolph, German Marshall Fund, Malign Finance Fellow and Author,
“Regulating the Enablers: How the U.S. Treasury Should Prioritize Imposing
Rules on Professionals Who Endanger National Security by Handling Dirty
Money”;**

**Frank Vogl, Co-Founder, Transparency International, Partnership for
Transparency Fund and Author, “The Enablers: How the West Supports
Kleptocrats and Corruption – Endangering Our Democracy”**

**The Briefing Was Held From 1:03 p.m. To 2:04 p.m. via videoconference, A.
Paul Massaro, Senior Policy Advisor, Commission on Security and
Cooperation in Europe, presiding**

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MASSARO: OK. Well, here we are at the Helsinki Commission briefing on – this is a Helsinki Commission briefing on “Enabling Kleptocracy.” It is looking at the enablers of kleptocracy that bring dirty money into our country, and into the countries of our allies and allied democracies, that launder the reputations of kleptocrats, and that do engage in all sorts of other malfeasance on behalf of their kleptocratic overlords. I want to thank everybody for joining today.

I really want to emphasize that I think that this topic is maybe the most important topic that there is the counter kleptocracy space. We absolutely need to be disabling networks, but there really can be nothing more important than taking on these enablers of kleptocracy. Because without them, the whole kleptocratic game falls apart. So without them, the people that have stolen so much money abroad, the people that have destroyed the lives of so many, are forced to live in the sort of bed that they’ve made. They’re forced to stay in the systems in which they’ve – that they’ve created, that they deny very fundamental rights that crack down on basic freedoms and that are completely outside of the rule of law.

And that’s really the great irony in all of this, is that they – these kleptocrats, they need – they need the rule of law. The great irony of dictatorship in the 21st century is that modern dictatorship relies on access to the West. And it is enablers that provide this access. So those that have heard me talk before, I am Paul Massaro. I am the counter-kleptocracy advisor at the Helsinki Commission. I’ve often spoken about counter-kleptocracy in three prongs. That is cleaning up our act at home, disabling oligarchic networks and kleptocratic networks, and building the rule of law abroad.

I think we’ve done, and we are doing, very good at that second prong, disabling kleptocratic networks, with all manner of sanctions, indictments, public visa bans, and so on. And we’re getting there on promoting the rule of law abroad. We’re rethinking security assistance – well, I hope we’re rethinking security assistance eventually. We’re rethinking foreign aid, rule of law aid, and that sort of thing. And we’re working now also to dismantle the off-shore system – also very, very important. But it’s cleaning up our own act that, at the end of the day, is leading by example that can be the most important thing in the world.

So there have been good news in this space. Last Congress the Congress abolished anonymous shell companies, which simply could not be more important. The United States has ended up being one of the largest providers of money laundering services in the world because shell companies were so easy to incorporate in various U.S. states. But that will be ending soon. We’re all watching very closely the rule that’s coming from the executive branch. But one thing that’s remained open – completely open in the United States is the enablers.

So in the United States, the only – the only group at all that has to do any sort of due diligence are banks. Banks must follow a customer due diligence rule. But no other professional enablers, nobody who works for kleptocrats – lawyers, lobbyists, consultants, real estate professionals, whatever it is – they do not have to check the source of their client’s funds, they do not have to ask any questions. Art dealers, whatever it is, are completely free to take dirty

money with impunity. And, of course, they have multiple reports. And many of our panelists will speak about that today, so I don't want to spoil anyone's presentation.

But at the end of the day, this should give us all pause. The way that the United States has made itself complicit in the horrible crimes committed by kleptocrats abroad, in the – in the horrible crimes that have been committed against the victims of kleptocracy in the world, should give us all pause. It is harming our national security. It is making us complicit in some of the worst crimes in history. And it's something we all need to be aware of. So as the paradigm shifts, as we – after 30 years, at the end of the Cold War we recognized that it can't go on like this. That we have to – we have to find ways to purge ourselves of this dirty money. We have to find ways of fighting back against modern dictatorship. This is the next frontier. This is the next step. This is the next thing we have to do.

And our job won't be done until it's just completely unacceptable to take dirty money from a dictator. That's the end game. You know, in the Cold War nobody would have thought at all – nobody would have even considered – no self-respecting American would have taken money from the Soviets, would have worked to further Soviet aggression. And yet, now we have so many that are working for dictatorships that are furthering them, that are helping them hide their money and launder their reputations. We'll hear a lot more about that today. And we'll also hear a lot more about how we're going to solve it.

So with that, I'd like to hand it off to our first panelist to talk about – well, let me – let me actually give a little overview real quick, because we do have some really amazing people with us today. There's Lakshmi Kumar, the police director for the – for Global Financial Integrity, an outfit that has looked at these problems, the problems of illicit finance, for so long. It was – it was the book from Raymond Baker, right? “Capitalism's Achilles Heel,” one of the first really great alarms about this issue of kleptocracy. So we're really excited to have Lakshmi today to talk about a recent report about U.S. real estate, “Acres of Money Laundering: A Kleptocrat's Dream,” which will be really, really fantastic.

And then we'll hear from Casey Michel, coming to us from New York where he's been following a lot of very – a lot of oligarchs, a lot of kleptocrats, for a very long time. Looking at their role in the global financial system and various influence operations, and how – particularly how they've hidden their money and how they've taken advantage of U.S. enablers to make this happen. And has a book coming out soon, very soon – in the next few months – called “American Kleptocracy,” how the United States created the world's – the world's craziest, the world's greatest – I don't recall exactly what superlative you use, Casey – but it's the world's worst money laundering scheme in history. So that's going to be very exciting to hear Casey talk about that.

And then we'll hear from Josh Rudolph of the German Marshall Fund. Josh is the malign finance fellow over there. And he's actually going to look at policy solutions. He's going to talk about how we're going to solve this both from the executive branch direction and also what Congress needs to do. Which we're all very excited about. Of course, the Helsinki Commission based in Congress, thinking a lot about these issues. And of course, the new Caucus Against Foreign Corruption and Kleptocracy thinking a lot about how we're going to do this.

And finally, we're going to hear from Frank Vogl, who is the co-founder of Transparency International, which anybody that's been in this space long enough – perhaps even the second you dip your foot in you hear about Transparency International. Is going to – also has a book coming out on looking at the enablers, looking at how the enablers are undermining democracy. And he's going to give us a little bit – talk about his book, and also give us a little bit of the long-term perspective, how he's been, and many others have been, campaigning for this, working for this for many decades. Why it hasn't happened and what could be different this time around.

And then we're going to go to questions. And I will ask some questions. There will be some audience questions, so please share your questions in the chat. And without further ado, let me hand it off to Lakshmi.

Lakshmi, the floor is yours. Thank you.

KUMAR: Thank you so much, Paul. I feel like you did such a wonderful job summarizing that we can dispense with the rest of this discussion. (Laughs.) But, you know, I'm very happy to be here with Casey, Frank, and Josh. And I have the easy job of going first, so I get all of my points out ahead of time.

So GFI, we recently put out a report looking at the real estate sector because, I'm sure as many of you know, the real estate sector is a sector that for the longest time continues to be regulated by temporary orders called the Geographic Targeting Orders. And our idea was to sort of really make the case to better understand the degree to which money laundering takes place in the U.S. real estate market, and to make an assessment whether the current approach that the GTOs take of targeting what you'd commonly refer to as luxury or high-value real estate markets was – is best suited to address the ongoing problem.

No surprises there. The answer was it is – while beneficial, it does not in any ways or means adequately cover the scope and breadth of the issue. And our report did find that looking at publicly reported cases over a five-year period – and it was about 56 cases – we found that over \$2 billion moved through the U.S. real estate market. And I'm just sending a link to the report so that the attendees can take a look at it if you're interested. I know it looks intimidating. It's a hundred-page report. But I promise you there are lots of infographics to make what we are saying more interesting. There's a lot of case examples. And if you really boil it down, it's more a 20-page report.

But what we found particularly interesting – and I think this is very relevant to this discussion – is that most of the money that was laundered through the U.S. real estate market was from outside the U.S. Eighty percent of money was from foreign sources. And we were able to track this money to over 26 different countries, with the vast chunk – over 50 percent of these cases, money coming in from the Latin American region.

And now, you know, the reason I'm sort of shooting out these numbers and statistics is because as we – as we sort of broke this down what became apparent is that over 50 percent of the cases involved particularly exposed persons. By which essentially you mean people that

have ties to high-level government, people that are ultra-high net worth individuals, or high net worth individuals. And when you are that kind of a person, you're not buying a property. You're not doing the dirty job of trying to figure out how do I launder my money. You hire an arsenal of individuals to help you navigate and move through this space.

And that's where we – and that's why it is particularly important that so much of the money that's being laundered through the U.S. real estate market is being done by high net worth individuals. It's not by some average person that's done sort of a money laundering scheme, your small-time drug trafficker. It is people with a lot of money, a lot of resources. And the truth about individuals who are criminal actors with a lot of money and a lot of resources, is that laundering money is a criminal enterprise. And it is a business, like any other business, that looks at the long-term horizons to make sure you make more money.

And who best to help you make more money? Lawyers, accountants, and in the case of the real estate market, real estate agents. And what our report did find is that in the way enablers worked – and when you talk about enablers, at least in the real estate market, it is lawyers, real estate agents, real estate developers, investment advisors – anyone and everyone who can help facilitate a real estate transaction. Thirty-five percent of cases in the U.S. involved a lawyer. Next to it, in a smaller portion, were real estate agents and title agents. And while reports by Treasury and FinCEN have previously talked about this, what we found is that – and this really talks to a point that I know Paul made and everyone else here will also make – is that we saw their role in three distinct categories.

Which is, they were either directly complicit – which means they were actively participating with the criminal actor to find a way to launder money. And with lawyers, often it was the lawyer who'd take the money, put it in the law firm's account and pretend it was for client services, and then funnel it to purchase a house. Or it was they were willfully blind. In the case of glaring evidence you didn't ask a question because you didn't want the answer. And in the last case, you just – you wanted to make that safe space, you know, I hear no evil, see no evil, and speak no evil. So no one – and when we sort of look at this, we realized that the absence of rules and regulations around enablers is what creates this environment and creates a culture around which it becomes – the financial centers of the world, the countries that have the strongest democracies and strongest rule of laws essentially become safe havens for the illicit capital of the world because we have an arsenal of individuals who know how to bend the rules, who know how to manipulate the rule of law in this country.

And with that, and I hope there are more questions on the report itself, but I will hand it back to Paul. And I don't think I've used up – I think I'm well within my five minutes. So thank you for inviting me.

MASSARO: Yes, I think – I think you are. You set a very good example, Lakshmi. Thank you very much. Thank you for those comments.

And now I want to hand it off to my good friend Casey to put even further context to those comments. Casey, please.

MICHEL: Yeah. Absolutely. Thanks, Paul. Obviously, thanks to everybody at the Helsinki Commission. Today, obviously, it's fantastic to be here. I will try to follow Lakshmi's fantastic example and keep it to about five minutes. Paul, cut me off at any point you want.

But what I wanted to start with is there was a term that Lakshmi used in her talk just now – arsenal. And we're going to be talking a lot about this today, all the different ranges of services, all the different ranges of policy loopholes allowing these figures, these industries, and these networks to develop. A lot of it is going to be kind of at a 10,000-foot level in terms of that policy discussion, in terms of the impact on things like national security, again broader anti-money-laundering policy, electoral legitimacy, et cetera, et cetera.

I want to take my few minutes to really get it down to the granular level and talk about one specific case study in particular that I think colors a lot of the discussion today, certainly touches on a lot of the different elements of all the enablers today. So as Paul mentioned, I have a forthcoming book, "American Kleptocracy." So I have to bring it up. My publisher tells me to bring it up as much as possible to, you know, help the sales and all that stuff. But that book broadly looks at the U.S.'s overall transformation into whatever called it, the craziest or the greatest, whatever it might be, offshore money laundering haven in the entire world.

But there's one case study that the book looks at, among a number of other case studies. And that's a figure named Teodorin Obiang. Now, if you work in this kind of kleptocracy space, you may be familiar with Teodorin. His father is the longest-standing dictator in the world, in the country of Equatorial Guinea. It's an absolutely brutal family. Absolutely brutal regime. Kind of, you know, just this side of North Korea in terms of human rights atrocities. And Teodorin, no surprise, just as with most dictators and their families, has profited from his father's rule. He's worth hundreds and hundreds of millions of dollars, potentially billions of dollars at this point.

And in reporting on him and reading all the other reportage on him, it's very clear – (laughs) – I mean, it's absolutely clear that Teodorin wants nothing more than to become this kind of global celebrity. He wants to transform himself into kind of this Jay-Z of Africa type figure. He even had a – I think he became a record producer at one point and had a sing called "I Love Teodorin," which is not something I would recommend listening to. But it's out there if anybody has any interest.

Anyways, to achieve these kind of celebrity dreams – kleptocratic celebrity dreams – Teodorin came, as so many do, to the U.S. to launder all of his money and to do so perfectly freely, perfectly legally, and to use all of these enablers that Lakshmi just laid out. And for a while, everything was fine. You know, he could use any Americans that he wanted to, for instance. But then he had 9/11 happen, we had the Patriot Act come after that, with a significant degree cleaning up the American banking sector. And there is a fantastic Senate report from around that time that details all of the Obiang family's American banking proclivities around then, if anyone wants further reading.

But fast-forward to the mid-2000s. And Teodorin, he still has this gigantic pot of money that he's sitting on, but he doesn't quite know what to do with it. He doesn't quite know how to

move it. He doesn't quite know how to spend it. Which, Lakshmi just pointed out, they don't quite know how to navigate all of these systems themselves. So what he did, what Teodorin did, is what I think many of us would do. He hired a lawyer. He hired an American lawyer. And this was a gentleman named Michael Berger who's based out of California who claims, and this is true, that he is a Mensa-certified genius. And I hadn't checked with Mensa, but he might be on the ranks. Who knows?

So Berger, as again Lakshmi mentioned, he has no due diligence requirements. He has no anti-money-laundering requirements when he signs up Teodorin. Instead, what he has is a knowledge of how the U.S. anti-money-laundering regime is supposed to work and knowledge about how to get around it. So what Berger does on behalf of Teodorin is start identifying banks that have lax money laundering rules. You know, the ones that claim they're following the rules, but everybody knows they're a little bit sloppy. Berger begins setting up anonymous American shell companies to help Teodorin hide his money even better. He also, as Lakshmi pointed out – I feel like I'm saying that a lot – he also used his own law firm's bank account, mixing Teodorin's money with his firm's own money in the same account to add an additional layer of secrecy and, oh by the way, provide some attorney-client privilege if anyone comes asking.

So already we see Berger taking the reins of Teodorin's finances to help him specifically work around the American anti-money-laundering legislation. And if that was it, that would already be as egregious as you can find. But unfortunately, that's not all at all. See, Berger also connects Teodorin with a real estate agent, who helps Teodorin – perfectly legally – spend tens of millions of dollars in dirty money on an absolutely incredible palace, this mega-mansion, in Malibu. One of the biggest real estate sales of the entire decade in the U.S. He also helps Teodorin pay his bills, including for things like designers and all the staff that he hires at this mega mansion.

And then he also continues to oversee the shell companies to help Teodorin purchase this whole armada of luxury vehicles. Over 30 different Rolls Royces, Maseratis, Ferraris. You know, at one point Teodorin was not only the biggest luxury car purchaser and customer in California, but in the entire U.S. as a whole. And Berger's doing all of this over, and over, and over again. And this is – I don't know if it's ironic or not – but he's just one lawyer, because Teodorin has a whole number of other lawyers working on his behalf as well to help with escrow agents that can set up a private jet purchase. Even to use American art and auction houses to create the world's – or to accrue, to buy – the world's biggest collection of Michael Jackson memorabilia. So he's definitely a colorful character.

But in many ways, Teodorin achieved his dream of becoming this kind of kleptocratic celebrity. He built his American empire of illicit finance of truly American kleptocracy. And he did so because of the American enablers that were more than willing to help him move his money, hide his money, launder his money, and spend his money however he wanted, with American lawyers especially at the center of all these nodes, the key figures helping him navigate and avoid America's anti-money-laundering regulations.

And I know I've taken five minutes already. I just want to close on one quote from Berger himself who, it's worth noting, knew exactly what he was doing. He had all these

clippings of all the articles about Obiang's corruption. I mean, it's not as if any of this was a secret. But there's a question from an email that Berger sent to Teodorin after the two of them went to a party at the Playboy Mansion. You can't make this stuff up. So Berger said, quote, "I appreciate the super VIP treatment that you gave me. I appreciate you telling your friend that I am your attorney. I am proud to work for you." And then he goes on a little bit later to say, quote, "I had an awesome time. I met many beautiful women and I have the photos, email addresses and phone numbers to prove it. Your loyal friend and attorney, Michael Berger." So I guess I'll just close there. It's not always just the financial interests that motivate these guys.

MASSARO: Hey! I'll tell you – I'll tell you what, though. I think it's not just the sleaziness of the whole story, which is really extremely impressive, but it also I think points to a larger theme that you often see again and again and again. Everybody knows exactly what they're doing. There's no – there's no – there's no mistakes in this space. And this is – I think also comes back to something Lakshmi was saying. You know, these aren't small-timers. These are the big fish. The big fish are the ones that are laundering money, they're the ones that are buying the big luxury property. They're the ones that are engaging in this kind of large criminal activity. They're the kleptocrats – the transnational kleptocrats, right?

And when you are a real estate agent, or lawyer, or whatever, or luxury goods dealer, you know you're doing business with these people. You know it, you know? So I mean, it's just – it's just obviously the whatever ethics rules or guidelines or whatever's out there is not getting the job done. And that's why we – it seems as though we may – America may finally need to comply with its own financial action taskforce obligations and get around to implementing and moving rules and laws around this space.

And for that, I want to hand it off to Josh Rudolph, who's done a lot of thinking on how to do this in the most efficient, effective, non-interventionary way. So, Josh, please.

RUDOLPH: Well, thanks, Paul. You're right. They know exactly what they're doing. And the kleptocrats fund them. And they have virtually endless resources. But we in the West govern them. And so it's time for us to know exactly what we are doing. It's time for a plan of regulatory attack, because all too often we have events like this and, you know, we all – I'm guilty of this – rattle off, like, these enabler professions in need of anti-money-laundering rules – lawyers, accountants, real estate – but we do not often enough rack and stack them – you know, rank them in order of priority based on analysis of the U.S. Treasury Department's capabilities and authorities.

And so that's what my new 80-page resource report aims to do, to provide an analysis and to go into some detail about what exactly Treasury, FinCEN should do to impose anti-money-laundering regulations on six to seven sectors of enablers over the next few years. There's also more that, of course, the rest of the government can do. And there are issues around banks, as Frank covers very well in his fantastic new book that everyone should pre-order. It's called "The Enablers." And I'm sure we'll hear more from him on that. But my focus is limited to how exactly to expand AML rules to make U.S. non-bank enablers look for dirty money. I also provide detailed recommendations about where congressional action is needed, where Treasury does not have sufficient resources and authorities.

But let me start where Treasury already does have all the information and the power it needs, with three sectors that the Biden administration should announce at the Summit for Democracy in December that it will be imposing AML rules on these professions in the months ahead, ahead from there, so in 2022. First, the FBI warns that investment fund advisors are increasingly used by adversarial regimes to enrich beholden individuals. From Russia dangling deals to hedge fund managers to the Saudis and Emirates pouring billions into the private equity fund of an alleged secret agent.

Treasury needs to repropose the rule it drafted in 2015, but not before making seven expansions to also cover investment advisors that do not have to register with the SEC for various reasons, because they're, you know, smaller and more limited funds that, you know, are not relevant for the SEC's mandate of nationwide investor protection and market function. But they are certainly big and broad enough to serve as conduits for national security threats. For example, I'm surveyed over 100 cases of authoritarians – mostly Russia, also China, and Emiratis, and some Middle Eastern actors – funneling money into elections. And not a single one of those 100-plus cases involved \$100 million or more. So FinCEN cannot use those loose SEC registration parameters. That's investment advisors.

Secondly, real estate professionals have the most useful information about the crooks, mobsters, and oligarchs who secretly own U.S. properties. On the right here is Ihor Kolomoyskyi, the other costar of – sharing the stage with Obiang in Casey's new book, "American Kleptocracy," which everyone should also go out and pre-order, because it's cited, that book – "American Kleptocracy" – 56 times in my report. But that's limited to some of the policy implications, you know, not the new exclusive reporting and vivid narrative detail, and graphic storytelling that, trust me, you don't want to miss.

So to bring transparency to the U.S. real estate market, Treasury needs to take its geographic targeting orders – which Lakshmi explained and researched in "Acres of Money Laundering." These are the orders that make U.S. title insurance companies collect and report beneficial ownership data to the Treasury. And make these obligations both permanent – as you can see in the first row here – but then also at the same time expand their scope to be nationwide for all price levels, including commercial, identify sellers not just buyers, and with a good definition of beneficial ownership.

Thirdly, the last sector that Treasury could easily announce that it will be regulating, is art dealers. Because when Russia invaded Ukraine, and U.S. sanctioned Kremlin cronies, the world's largest auction house plotted to help the Russians evade the new sanctions by selling them art on the ground in Moscow. Treasury is already statutorily required to study the art market by December 27th. So they are doing the work anyway of analyzing this sector. They're also statutorily required by year's end to write regulations for the antiquities market. So in both, the art study and the antiquities regs, Treasury should focus on money laundering on pieces that are worth more than \$10,000, and should cover the whole range of dealers, advisors, consultants, freeports, galleries, auction houses, museums – the whole market. Make them establish anti-money-laundering compliance programs.

Because, stepping back, the United States is among the less than 10 percent of countries that do not require nonbank enablers to watch out for dirty money. One of just 11 nations who are noncompliant with the international standard. Part of the problem here is that FinCen, the bureau within the Treasury Department that's responsible for this issue, is severely underfunded, running on antiquated computer systems in a Virginia office building known as the toilet bowl. They need a bigger budget, but in terms of how to allocate resources, as I mentioned, no one has sorted out all of the legal, political, and practical considerations around which enabler sectors Treasury should prioritize first, second, third. Until now, nobody has recommended how to stage a regulatory expansion from now through the end of Biden's four-year term.

And so, again, the first Summit for Democracy in December should include a side event on financial transparency where Treasury can, you know, yes, brag about what they're doing that's statutorily required – beneficial ownership and the antiquities – but also go beyond the bare minimum by announcing that in 2022 Treasury will be imposing anti-money-laundering rules on private investment funds, real estate title insurers, and art dealers. Because those are the three lowest hanging fruit.

But, as Paul said, because we are here at the Helsinki Commission – which, I will say, has been the fount of America's most powerful counter-kleptocracy legislation, from Magnitsky sanctions to the six bills that Paul has managed to get into this year's NDAA on the House side – like, let's talk about how Congress should combat enablers. Regulating what I call the four horsemen of nonbank dirty money would probably require action from Congress because those sectors are not named in the Bank Secrecy Act. And even though Treasury does have some catch-all authorities it could – it could use with the right determinations, the horsemen are organized as politically powerful interest groups. So regulating them would require broad political support in D.C., ideally expressed through legislation, adding these sectors to the BSA.

So first, legal professionals are the single most important enabler sector to regulate, because they're the most useful to – or, as Casey has written – the best friends of oligarchs and kleptocrats, you know, looking to secretly funnel their dirty money through law firms' bank accounts. They are also the most obstinate and organized group in their resistance to AML rules. The ABA has spent a quarter-century in this war of attrition with the FATF, as you see here. So a legislative strategy carefully scoping the statutory language – and I provide, you know, exactly what that could look like in the report – would also need to be accompanied by political strategies to, for example, divide and conquer the ABA from within, the way we did with, you know, Chamber of Commerce during the beneficial ownership drive. So that's lawyers.

And then the second horseman is company formation agents which, in the United States, are the worst in the world – or, I'm sorry – second worse after Kenya in terms of their willingness to incorporate anonymous entities without asking for any form of identification. And third are accountants, the ultimate keepers of secrets when it comes to sophisticated criminal organizations. The most detailed example that we have is the klepto-empire of Isabel dos Santos. This – Luanda Leaks actually won an Emmy, I think, last night. So check that out.

Dos Santos really knew how to utilize accountants, because the only honest job she ever had was straight out of college as an accountant at a firm that later became PwC. So she knew

how to retain the most talented and pliant accountants in the world, their various offices, you know, using the Cyprus for this one and using other branches for this one, hiring some to run her own – you know, cook the books, audit the same books, advise on corrupt restructurings, going so far as to have the accountants actually draft the self-dealing presidential decrees that made her Africa's richest woman.

So accountants are the third and final sector to be added to Bank Secrecy Act that would be – sorry – not the final sector to be added, but it's the final one that would need to be added to come into compliance with the FATF's international standards, in terms of what Congress would have to do. If Congress were to add those three, then we'd be in FATF compliance, and Treasury were to do its work, as already authorized on real estate. However, there's one more horseman that's new on the scene of national security threats and the FATF's standards have not caught up.

And that's covert PR and marketing firms. Covert meaning that they have clients who they offer, you know, deniability, like black ops. This is how the Russians are laundering disinformation about how, you know, for example, you know, they say the AstraZeneca vaccine will turn you into a monkey, the Pfizer vaccine is lethal. Lies that they pay influencers to promote without attribution, funneling everything through these fly-by-night PR firms that ultimately tie back to secret funders in Moscow and provide the same talking points that the Russian government uses to promote its own vaccine. So it seems to likely be associated with the Kremlin.

Now, beyond that one case, an entire industry of disinfo for hire has been exploding over the past three years, to the point that Facebook no longer knows who's even behind 36 percent of the disinformation that they take down, because their investigations hit dead ends in the form of PR and marketing firms with secret clients. So if Congress makes these firms establish anti-money-laundering programs – and I lay out precisely what that legislation could look like – it could be the cherry on top of the most powerful policy campaign against dirty money in American history, equipping Treasury to hold its own in modern warfare against weaponized corruption, and showing how democracies can deliver against corrupt adversaries and powerful special interests.

And if there's just one point that I want to leave you with today. It's that if Congress does not act against enablers, then Treasury cannot address the four horsemen. And these American professionals will continue to be the great enablers of kleptocracy. And in that unfortunate situation my research lays out how Treasury should spend the next couple of years with lower ambitions, repealing regulatory exemptions for some important sectors that are already named in the Bank Secrecy Act. So please read the full report. I will share a link of it now in the chat. And I appreciate you listening. And looking forward to what Frank has to say.

MASSARO: Yeah. Thanks so much, Josh. And I'll tell you, we are certainly examining your report with great, great interest, thinking a lot about how Congress might be able to move on these issues.

So I want to – I want to hand it now to our final panel, Frank Vogl, to close us out. Frank, the floor is yours. Thank you.

VOGL: Thank you, Paul. Thank you, everybody. Paul, it's wonderful that you put us all together. I agree with absolutely everything that's been said. I want everybody to read Casey's book and order it, and Lakshmi's report, and, of course, Josh's report.

I want to just step back a little bit. Foreign policy of the United States, the EU, U.K., America's strongest allies, has been characterized over long, long periods of time by being fundamentally transactional. We talk a lot in our official diplomatic rhetoric about anticorruption and about human rights, and the need to have the Universal Declaration of Human Rights applied. But the reality is that so much of our strategic diplomatic interest by Western governments has been securing opportunities for natural resource companies based in our countries to access oil, which we've always seen as security thing. This goes back decades. And nobody's asked too many questions about how that access has been secured. And you can go back a long time to see all the dirty details in oil. And I put a few of them in my book.

Then another major area has been weapons systems. We've devoted an enormous amount of our governmental resources and our strategic diplomatic relations to selling arms. We provide arms to Azerbaijan, which is a major money launderer. We supply arms to Saudi Arabia. And all of this at the same time saying how bad it is that Khashoggi was killed, or how bad it is that there's human rights abuses. No sector – no business sector has received greater support than – from Western governments over the years in its international operations – than the financial sector. The leaders of our major financial institutions – lawyers, auditors, bankers – have been pillars of the political networks and political establishments right across the board.

When HSBC started a major money laundering activity through its U.S. subsidiary for Mexico – Mexican drug cartels, a man called John Bond was the chairman. And I worked with Bond. I knew him very well. His successor as the continued and increased the money laundering, was a man called Stephen Green. When Bond retired, he became Sir John Bond, knighted by the Queen of England for his services to banking. When Stephen Green retired, he became Baron Green, a member of the House of Lords. When the U.S. Justice Department fined HSBC, and they settled the agreement for something like \$1.9 billion, the largest fine of its kind at the time, when Green was still in office, what happened?

The British government complained. They sent letters to the Fed and to the Treasury saying, oh, you got to be lenient. And a couple of years later, the French government did exactly the same when BNP Paribas had laundered \$6 billion for then-president al-Bashir of Sudan, who was murdering tens of thousands of people in Darfur. The Western governments have been protecting the bankers to an incredible degree, and the auditors. You know, we heard from some examples about the auditors just now from Josh. Look at what the auditors did in South Africa. The massive scams that happened under Zuma, the complete looting of Eskom, the major energy supply, was facilitated to no small degree by McKinsey's as well as the auditors, not to mention the bankers.

Time and time again, these financial institutions have been protected by our governments. When they get caught red handed, what do we do? We impose fines. They settle. They don't even publicly go out and say they're sorry. And what happens to the top executives? Not a single chairman or CEO of the world's biggest banks that have been caught money laundering has ever been prosecuted, let alone even fired. They all stay in their positions. And the money laundering? Eh, that's like a cost of doing business. And let me roll back a bit. This transactional history that I'm talking about in foreign policy comes through to the 1990s.

By the late 1990s, two things happen. First, across Central and Eastern Europe we see the oligarchization of governments. We see how mafia, organized crime, together with business will security monopolies, together with intelligence services, grab hold of the apparatus of the state and maintain it. And at the very same time, by coincidence, the huge explosion of the internet and the collapse of Glass-Steagall banking regulation, unleashed an enormous competitiveness in the global banking arena. And with tremendous pressures from hedge funds and other institutional investors, the sole priority of the bankers is that they tried to build massive global empires.

And don't forget, JPMorgan Chase today has more asset under management than the GDP of Germany – the fourth-biggest economy in the world. Fifteen Western banks have more assets under management than the GDP of Russia. As this competition increased, the bonuses to executives who get profitable deals exploded. The short-term maximization of profits became the sole ethos. And what was the result? The first result was the financial crisis of 2008 and 2009, the Great Recession. And it's got worse ever since. And what's happened in the 10 years ever since? We've seen an explosion of money laundering. And at the same time, we have seen an increase in authoritarianism across the world, and a reduction of democracy.

And when we are discussing the whole issue, I really hope that our audience and everybody keeps in mind that what we're fundamentally talking about is the preservation and sustaining of democracy and the rolling back of authoritarianism. So in addition to taking a lot of measures against money laundering, against all of the enablers that I talk about in my book but which you've heard so much about already from our wonderful panelists here, I want to raise one final other issue that's no less important. And this has to do with licit finance, legal finance.

The international bond markets have exploded. And the result is that the Western bankers, primarily, and lawyers and investment community, provides hundreds of billions of dollars through the bond markets to authoritarian regimes. Gazprom, just to give you one example. Gazprom, the piggybank of Vladimir Putin and his allies, the biggest state-owned enterprise in Russia, has borrowed over \$100 billion in the bond markets. That's its current outstanding debt. Paul Kagame, who keeps on arresting and jailing anybody he thinks is a critic in Rwanda, three weeks ago his government borrowed \$650 million from the bond market.

And when the huge, gushing flows of these funds go into Belarus – yes, Belarus owes money in the international markets. Not your most friendly state. You have to ask yourself, why is this allowed? The Treasury, in response to a report from Congress earlier this year on Russian interference in our elections – the Treasury introduced sanctions on U.S. institutions that were engaging in Russian bond deals. That was terrific. That came into effect in June. But it didn't

include Gazprom. It didn't include the state-owned enterprises in Russia. It was really symbolic. But it's a start.

My point to you is this: Through aiding and abetting money laundering for kleptocrats, and through supplying incredible sums of money through the official bond markets – and, by the way, when countries default, the International Monetary Fund, and the U.S. is the largest shareholder in the Fund, just goes in and bails them out. We don't know where the money goes. We don't know how much of that money is stolen. But we have to put these licit and illicit things together, look at the role of the enablers in the middle, and say to ourselves: If we allow this to continue the trend of rising authoritarianism and populism will continue, and the damage to our democracy and our security will be exacerbated.

Time is running out. And I wrote this book because I really believe we are now at a very urgent point in time. And I want to thank you, Paul, again. You and the Helsinki Commission, and Congressman Cohen and the others are making a huge dent in all this. But please give much more money to enforcement. You can have all the laws in the world. If we don't enforce, we don't investigate – and I must tell you here, the Europeans are way behind the Americans. Enough for the time being. Thank you so much.

MASSARO: Thank you so much, Frank. And thank you to all the panelists. Really just fascinating, wonderful discussion. And I really – I couldn't agree with you more. I mean, we really are at a crux in history, really an absolute inflection point, where the paradigm has to shift now if democracy is to have a future. So I think that's why we're all here, why we're all so passionate about this. I think everybody on this panel sees global corruption and kleptocracy as the biggest issue that we face today and, in fact, one that we – you know, we can't solve the other pressing global issues without addressing corruption, including the other major global issue of climate change. But, I mean, we've got to get after this global system of corruption and impunity.

And I also want to flag, because I think you nailed something that hadn't been brought up yet in the auditors, that recently a large Chinese real estate conglomerate, Evergrande, it looks as though it might collapse. There's another lovely industry, another business that was given a clean bill of health over, and over, and over, and over again by auditors, as if it was nothing, it was fine. Everything was going OK. But this is – this is what we're dealing with, you know? This is – this is – this is what happens when there's no checks at all on the enablers. And that's what we're trying to do here.

So let me move to a question – so question and answers. Please put your question – I assume you already have a couple, so I want to get to those. And we've only got 10 minutes, so I'm really going to try to keep this – keep this lightning ground. And I think the first thing I want to ask – and I know this is to Casey and Lakshmi. And that's that, you know, one of – you know, Congress is really – we're really concerned about how, you know, this impacts, this hurts our constituents, right? I mean, constituencies.

And I think that, you know, we've talked a lot about the many, many ways that this occurs. But I know that both of you in your reports and in your work have taken a look at two

different parts of this phenomenon that is, you know, the real estate market and the affordability of U.S. real estate, and so on and so forth, and living expenses in the United States, for Lakshmi. And, Lakshmi, I'll toss it to you first. And then, Casey, I know you've looked at, you know, commercial real estate, actually. So if you two could speak briefly about how that affects – how kleptocracy comes home and destroys the lives of average Americans in a very tangible way, I'd be interested.

Lakshmi, please. Lakshmi, I think you're muted, or I'm not hearing you.

KUMAR: Yes. Two years into the pandemic, still muted.

MASSARO: Hey, I've been playing with my audio this while time. So go ahead.

KUMAR: So to quickly summarize, with real estate what we find – and I'll point to sort of another great report which covered the Boston real estate market, which talked about sort of how the purchases of Boston real estate was – had negative impacts – effects on sort of the rental and lease market. But the other thing to sort of just conceptually think about is on the one hand the U.S. continues to have exhaustive foreign aid, foreign assistance, and technical assistance programs to a whole host of countries. But on the other hand, all of those programs become meaningless if the money that's given is quickly stolen and then rerouted back into the U.S. And you saw that with the purchase of the New York skyscrapers.

And you see that now with sanctions against Venezuela. Our report shows that one of the top countries to launder money in the real estate, U.S. market are the Venezuelans. And the last thing I will say in terms of devastating consequences is because things are often unchecked. And very often, when you are investing in markets where there's less scrutiny, you know, when you're moving outside the New York and Miamis of the United States, you move to parts of this country where, you know, jobs are no longer as prevalent as they used to be.

And there's a certain desperation for capital and capital injection. And so that creates a disastrous situation, because you're willing to trust anyone in a desert because you want that drink of water. And that's what we often see with a lot of real estate cases. And you see this with the EB-5 program, where a lot of that money has come into places in the U.S. that have not had a lot of investment, and goes into real estate, and goes into commercial real estate. But I know Casey is going to expand on that so I will let him do that. Always happy to sort of talk about it as well.

MICHEL: Yeah. Thanks, Lakshmi. Obviously, Paul, that's a great question. One of the things working in this kind of broader kleptocracy space over the last few years is, you know, how do we highlight the fact that this isn't just, you know, high net worth individuals, despotic families, oligarchs who are purchasing, you know, Malibu mansions, or Miami condos, or Manhattan penthouses. I think, obviously, again, to echo what others have been saying, Lakshmi's report is a fantastic document outlining exactly how it is. You know, obviously we're speaking here at the U.S. Helsinki Commission. I imagine we're speaking for a largely American audience.

How it is that these figures, their financial networks, their, again, arsenal of enablers, how that has now begun rotting really under – rotting away the kind of underpinnings of mainstream America and middle America. You know, one of the case studies in the book that I highlight is a – you know, is a figure named Ihor Kolomoyskyi. He’s a Ukrainian oligarch. You may not have heard of him. If you have heard of him, it’s probably because of everything out of Ukraine circa 2014-2015. Obviously Ukrainian pro-democracy revolution, the Russians come in, and they are looking to shore up their national defenses against the Russians.

One of the people that they tap is a figure, an oligarch at the time, named Kolomoyskyi. He’s a banking and steel magnate. I won’t go into all the details of it. But he kind of transforms effectively into this warlord type figure in Central Ukraine. He has his whole – you know, his tens of thousands of private militiamen serving, you know, at his behest. Lo and behold, what he also ends up doing, as American and Ukrainian investigators later uncover, is that he’s also running one of the largest banks in Ukraine at the time.

You know, he claims that it’s nothing but a retail bank and that all Ukrainians should trust him for their deposits. Well, again, lo and behold, turns out that’s nothing more than a Ponzi scheme that he and his partners are looting to the tune of \$5 ½ billion. By no means are they the only Ukrainian oligarchs involved in money laundering and Ponzi-related schemes of that nature, nor are they the only ones that are then taking ill-gotten gains and illicit funds and parking that money elsewhere.

But what they are doing that is unique, what they are doing that is different is they’re not going to Miami. They’re not going to Manhattan. They’re not going to Malibu. Instead, as we now know, Kolomoyskyi and his team, again, of American enablers, these are real estate professionals, these are lawyers, they go to, of all places, Cleveland, Ohio and become the commercial real estate kingpins of Cleveland, Ohio. Now, again, Cleveland’s a lovely town. There’s nothing wrong with Cleveland. But it’s not one that you traditionally associate with modern kleptocracy. But they don’t stop in Cleveland.

They go to small towns all across the Rust Belt, all across the Midwest, all across these generally economically depressed areas that are suffering from what we like to describe as economic anxiety, that leads to populist rhetoric and policies, et cetera, et cetera. From there what they do is they purchase steel mills, the purchase manufacturing plants, they purchase other commercial real estate. They come in and they say: We’re going to bring the jobs back. We’re going to revitalize local economies. We are going to be the ones that turn these areas around.

They say that, but then nothing ends up happening because, as we now know, they’re not interested in job creation programs. They’re not interested in basic upkeep, basic maintenance of these steel plants, of these manufacturing plants that are the lifeblood of these small towns, of these communities in West Virginia, in Illinois, in Kentucky. Instead, they are just using it to park their money away from Ukrainian investigators, away from any of those who are looking to disentangle these offshoring networks. And as we now know, you know, they have no interest in updating any of these plants themselves. And they are now effectively leading to the implosion not only of the plants themselves, not only of the manufacturing plants themselves, but also of the broader economic base of the region.

And again, this is just one network that we know about. This is just one oligarch that we know about. And this is just one place, like Cleveland or some of these small towns, that we know about. We know this is happening across the country because there's ever incentive to continue these networks across the country. And we have so much more to find out exactly how it has been impacting middle America.

MASSARO: Yeah. Yes, thank you. Thank you so much, Casey.

So somehow we've ended up crunched for time despite my best efforts. So we're at three minutes here. There is a – there's a few more questions. We've got some questions in the chat. So I want to do kind of just a little – so a little very lightning round, like 30 seconds. I have a final question from a friend for Josh. And that is that, very quickly, any thoughts – 30 seconds of thoughts – on keeping the issue bipartisan as it's been, which is very important to passing anything, and getting diaspora groups involved and other constituent interest groups?

I've got something from Duncan Haimen here. He's TI-UK. A great guy. And he says, you know, I was struck by how long we've been making and improving rules to act on illicit funds. Shouldn't we ask why they have been inadequate to the task? Is it intentional in design by lawmakers or is it the implementation that is half-hearted? If so, why? So I kind of thing that may be for Josh. Or, Josh, do you want to take that when you get to the other one? I'd be interested in your thoughts on that.

We've got Ian Gary, FACT Coalition. Would panelists see the World Bank, IMF, and other IFIs as enablers of kleptocracy? And if so, how should the U.S. use its voice and vote to influence these institutions? And that one is for Frank. Let me see here.

And this is also for Josh. Josh, you got three. So this is all you, baby. Considering our legal system believes in innocent until proven guilty – this is from Maria A. Marquez (sp) – and the right to an attorney, how to prohibit – how do you prohibit enabler lawyers, lobbyists, PR firms, et cetera, to become part of the defense team for kleptocrats after they have benefitted from dirty money? Really, really, really critical question, actually. That's a – that's a really important question as to how you regulate lawyers, particularly, because of the attorney-client privilege.

So I'm actually going to toss it to Frank for 30 seconds for the IMF question, and then Josh you're going to close us out by answering three questions. So think about how you're going to answer all three of those.

Frank, please, for international financial institutions. Thanks. We're going to go over by a minute. I'm sorry. Go, Frank.

VOGT: OK, the answer – the answer to Ian's question, very quickly, is yes. We started Transparency International because the World Bank did not want to do anything about corruption. We've been fighting ever since. But the IMF and the World Bank are still far too secretive. They are still not holding their governments, who they lend to, to adequate account

when it comes to telling their citizens where the money is really going, who's really getting it. There has to be far greater transparency in the international financial institutions.

And may I just – because I've got 10 seconds left – just add one thing about bipartisanship that you asked. I was a journalist who covered the Foreign Corrupt Practices Act legislation in the '70s. And what was so interesting was how Republicans at that time – in fact, very right-wing Republicans – were very adamantly in favor of anticorruption legislation because they said: We believe in free markets. We believe in market competition. And all of the secrecy and bribery distorts markets. So it is truly a bipartisan issue in its philosophical depths. And I think we should never forget that. Thank you so much.

MASSARO: Thank you.

Josh, the big – the big round. You got a minute.

RUDOLPH: All right, so I'll go in reverse order. The last question about regulating lawyers, I mean that goes for some other professionals as well. There are questions about, you know, do you make them partially complicit, or share liability in their clients' crimes? And there's a lot of tricky regulatory questions that I do not answer. They're hard, and my focus is limited to getting the receipts – imposing anti-money-laundering regulations on them so we can start seeing the dirty money flows, and then we'll go from there.

On the question of whether or not it's – if I understood correctly – an intentional – you know, whether there's dirty money behind the fact that we haven't regulated these groups. Perhaps in some cases. I don't think of that as the main explanation in all quarters, certainly. I mean, the main thing – I think Treasury is really interested in doing this stuff, but FinCEN is so strapped for resources that they have not been able to get to it. You know, it may be a mixed bag. For sure there are some elements where, like, the NFIB gets their money and it's dark money interests that are – that are stopping reform. And we saw that in beneficial ownership. They've got folks on the gatekeeper's committee at the ABA. They've got their folks in. And, yes, that is an interest to focus on.

And then lastly, to end on the note of how to do it bipartisan, you know, we should follow the mold of what worked well with beneficial ownership. That was stuck for years. And, you know, there were some interest groups, probably many of us on this call, that were focused on it. But it was after 2016, after the Panama Papers, after Russian interference, after – when it became a top national security priority, and the national security community and the law enforcement community came in loud and strong on the importance of the issue. Yes, we had to play hardball with some groups – like I mentioned the Chamber.

And you got to replay those elements of the beneficial ownership playbook as well, with groups like the ABA. But it's that national security framing that will make it bipartisan and have, frankly, very strong logic around the need to spend, you know, perhaps, yes, billions of dollars on this – on this compliance, because we're up against trillions of dollars of dark money pools from kleptocracies. And we're comparing it to the trillions that we spend on military power. So that's the context you need for that bipartisan framing.

MASSARO: Beautiful. Well, thank you all so much. Fabulous panel. I'm already getting notes. People are very excited, have learned so much. So thank you again. And we will close the panel. Thank you to all those that have been with us today and all those that have provided questions. See you around. See you next time. Bye-bye.

VOGL: Thanks, Paul.

[Whereupon, at 2:04 p.m., the briefing ended.]