



**TRANSPARENCY
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R U S S I A

**TEN YEARS OF UK-RUSSIAN
TRADE-BASED MONEY LAUNDERING:
A COLLECTION OF LONG STORIES**

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First publication on 18 December 2023 at <https://ti-russia.org>

ACKNOWLEDGEMENTS

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We are grateful for the **support and assistance** of
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KEY FINDINGS

From the review of Russian court cases of money laundering between the UK and Russia, Transparency International Russia in Exile found that:

- Two main approaches to money laundering through trade are (1) overcharging for the commodities delivered, and (2) forging the documents for the deliveries which in fact never happened.
- TBML schemes may involve not only UK and Russian firms but also intermediaries from third jurisdictions, such as Marshall Islands, Belize, Seychelles, British Virgin Islands, and Commonwealth of Dominica. Some of these firms' registration addresses are mass registration addresses linked with other known criminal cases.
- Money laundering crimes are committed both through stable networks established and run by large organised crime groups and in one-off transactions through ordinary firms. Both cases involve Russian and UK firms being used in multiple fictitious trades, with the widespread use of nominees and opaque offshore financial centres to hide their owners.
- Typically cases involve commodities that are exclusive, with a hard-to-determine market price, and can be easily confused with others.
- Illegal activities in every TBML scheme last up to one to two years on average, while the court verdicts on the crimes usually come with a lag of 5 years. Russian authorities pursue cases both through the criminal courts, and the state commercial courts, as customs authorities can file lawsuits against suspicious transactions.
- Criminals used Scottish limited partnerships (SLPs) regularly to launder money through TBML and SBML. Some UK legal entities involved in TBML schemes, including LLPs and LPs, changed their names and continued to operate.
- Some Russian firms that are directly or indirectly involved in the laundering schemes continue to operate as well. We see further investigative potential to identify the ultimate beneficiaries of these illicit schemes and the enablers of these networks.
- Today, there are debates within the Russian state about watering down the Criminal Code, which could make it easier to launder the proceeds of crime out of Russia legally.

LIST OF ABBREVIATIONS

A/S — aktieselskab (a type of stock-based corporation in Denmark)
abt. — about
AG — Aktiengesellschaft (a type of corporation limited by share ownership in Germany and other countries)
AML/CFT — anti-money laundering/combating the financing of terrorism
AS — akciju sabiedriba (a type of stock company in Latvia)
CIS — Commonwealth of Independent States
CO — company
CORP, Corp — corporation
ECB — the European Central Bank
EUR — euro
EurAsEC — the Eurasian Economic Community (now Eurasian Economic Union)
FATF — Financial Action Task Force
GBP — British pound sterling
HS — Harmonized System
ICIJ — International Consortium of Investigative Journalists
INC, Inc — incorporated
JSC — joint-stock company
LBI — Lithuanian-Belarussian import
LLC — limited liability company
LLP — limited liability partnership
LP — limited partnership
LTD — limited
OCG — organised crime group
OOO — obshchestvo s ogranichennoy otvetstvennostyu (a type of private limited company in Russia)
OÜ — osaühing (a type of private limited company in Estonia)
Oy — osakeyhtiö (a type of limited company in Finland)
RUB — Russian ruble
SBML — service-based money laundering
SIA — sabiedriba ar ierobezotu atbildibu (a type of limited liability company in Latvia)
SLP — Scottish limited partnership (a form of limited partnership registered under Scots law)
S.R.L. — societate cu raspundere limitata (a type of limited liability company in Moldova)
TBML — trade-based money laundering
TI — Transparency International
UAB — uždaroji akcine bendrove (a type of limited liability company in Lithuania)
UK — the United Kingdom of Great Britain and Northern Ireland
USD — U.S. Dollar
VAT — Value Added Tax
VASP — Virtual Asset Service Provider

INTRODUCTION

Through detailed analysis of Russian court documents, this paper analyses for the first time criminal cases of trade-based money laundering (TBML) between Russia and the UK over the last ten years.

Schemes like this can be used to disguise the real criminal source of illicit income, as well as its owners. Besides, a perpetrator doesn't just get their money laundered, they also get it on a bank account in a foreign jurisdiction. The money that was obtained by illegal means, e.g. via drug sale, tax evasion or corruption, gets integrated into the bank system of foreign countries.

Our analysis is actually relatively narrow in scope, so it likely presents only the tip of the iceberg. It also explores the currently lesser-known and under-studied practice of service-based money laundering (SBML), which often goes alongside TBML. We examine how illicit transactions took place, who the main actors were, and through what schemes, commodities or services the transactions were carried out. Furthermore, we shed light on previously unknown cases and suggest what we can expect in the future.

Our methodology

We analysed decisions of Russian general criminal courts (courts of general jurisdiction), magistrates' practices¹ and state commercial courts, as well as decisions of the Constitutional Court of Russia on articles related to money laundering through cross-border transactions. These primarily include two articles introduced into Russian legislation in 2013:

- [Article 193 of the Criminal Code of the Russian Federation](#). *Evasion from fulfilment of obligations on repatriation of funds in foreign currency or currency of the Russian Federation.*²
- [Article 193.1 of the Criminal Code of the Russian Federation](#). *Committing currency transfer transactions in foreign currency or currency of the Russian Federation to accounts of non-residents using false documents.*

We also reviewed the court rulings on [Article 15.25 of the Code of Administrative Offences of the Russian Federation](#) on violation of currency legislation of the Russian Federation and acts of currency regulation authorities, but we place less emphasis on it.

To identify illegal schemes related to the UK, we have selected judgments both relating to the UK jurisdiction and UK types of firms (e.g. LLP or LP).

TBML, [as defined by FATF](#), is “*the process of disguising the proceeds of crime and moving value through the use of trade transactions in an attempt to legitimise their illegal origin or finance their activities*”. This can include the proceeds of corruption and organised crime, as exposed by the OCCRP in the [Global Azerbaijani](#) and [Troika Laundromats](#). While the cases we reviewed do not include clear details of a predicate offence, they illustrate in detail the methods via which billions of criminal funds have been moved across borders in recent decades — through false invoices, mischaracterizing goods to circumvent controls, and other violations. And according to the aforementioned FATF definition, the “aim of TBML is not the movement of goods, but rather the movement of money, which the trade transactions facilitate”.

1 The first instance, which hears, among others, petty crimes with an imprisonment limit of no more than 3 years.

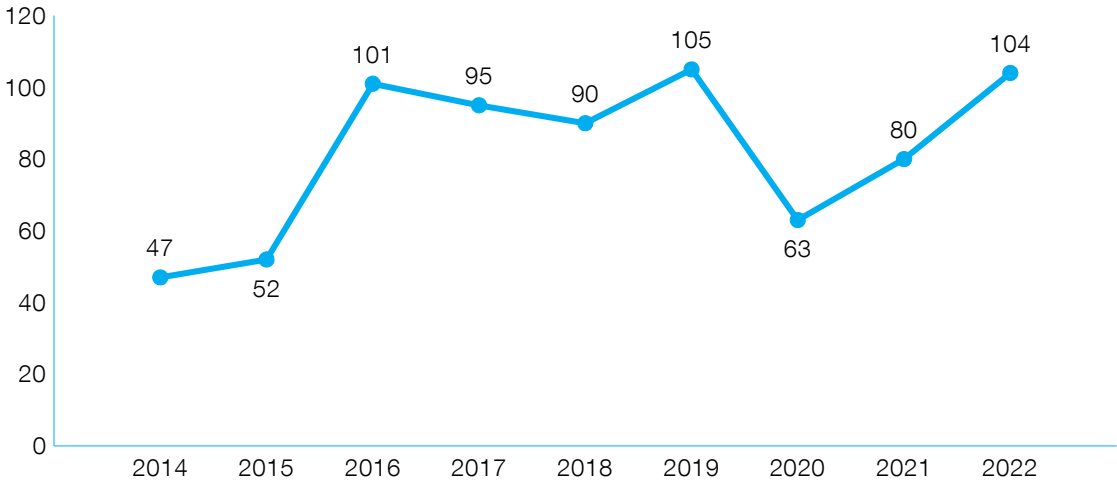
2 This article is directly related to money laundering, since the advance payment scheme associated with the forgery of invoices and fake trading operations leads to the financial advance of a trade operation (money transfer) for export/import and is a form of capital withdrawal and is not related to the further supply of goods (services) between trading companies.

Russian judicial statistics

Court decisions under Articles 193 and 193.1 of the Criminal Code of the Russian Federation include cases of TBML and SBML. According to our research, court cases directly related to firms registered in British jurisdictions comprise one in ten of all those covered under two aforementioned articles, and the vast majority of those which fall under Article 193.1. On average, the criminal cases opened under Articles 193 and 193.1 for all jurisdictions total around RUB 30 billion (or approximately GBP 258 million at the July 2023 exchange rate³) of imputed unreturned foreign currency revenue per year. For comparison, according to the [Federal Customs Service of Russia](#), in 2019 Russian businesses did not return RUB 24 billion (GBP 290 million) from abroad, and 151 criminal cases were initiated on evasion of obligations to return foreign currency proceeds. More than 70% of these violations applied to timber exports, mainly to China and Finland, and a significant part of non-repatriation was attributable to shell companies.

We analysed court cases with a clear link to the UK and UK legal entities from 2013 to 2023. The year 2013 was used as a starting point because then the [Federal Law of 28.06.2013 No. 134-FZ](#)⁴ was adopted, clarifying and expanding the provisions of Article 193 and introducing Article 193.1 of the Criminal Code of the Russian Federation. We identified around 30 relevant cases with a total amount of at least RUB 20 billion (or approximately GBP 150 million at the October 2023 exchange) in revealed offences. In total, we have analysed several hundred Russian court decisions on these articles and we estimate that every tenth crime involving the illegal transfer of funds abroad from the Russian Federation involves British firms. At least 23 UK-registered firms were mentioned directly in the court decisions, and, in addition, some firms do not appear in the text because information about them is hidden in court documents. Below we provide information on the total number of persons convicted under the articles in review in Russia.

Figure — Total number of convicted persons under the Articles 193 and 193.1 of the Criminal Code of the Russian Federation



Source: [The Judicial Department at the Supreme Court of the Russian Federation](#), "Other illegal actions with currency valuables" (RU)

3 Hereinafter we use the average RUB/GBP exchange rate for the respective day, month or year if the exact date is unknown.

4 "On Amending Certain Legislative Acts of the Russian Federation with Respect to Countering Illegal Financial Transactions".

From the materials of Russian court decisions, we see that since at least 2009, the UK firms registered in cities of London, Edinburgh and Belfast, and their intermediaries with registration in a number of offshore zones like the Marshall Islands, Belize and Seychelles have been suppliers or intermediaries in money laundering schemes through trade in goods and services in favour of Russian individuals and legal entities. This echoes findings by Transparency International UK, whose previous research identifies these jurisdictions as key for laundering money from [Russia](#) and [elsewhere in Eurasia](#).

The latest identified scheme dates back to 2019, but we have also identified the continuation of such schemes in subsequent years. It is also worth noting that Russian legislation regarding the aforementioned articles came into force only in 2013 and was not retroactive — that is, the perpetrators could not be held accountable for illegal operations prior to 2013. In addition, such illegal transactions are considered in courts with a lag of about 5 years, so in the near future we are likely to learn about more recent cases.

We believe that the cases identified by Russian law enforcement authorities and brought to court are only the tip of the iceberg of laundering schemes through Russian foreign trade. The estimates of this illegal activity in financial terms are also quite conservative: we only looked at cases that were revealed by the authorities, investigated and brought to court.

Below we use 18 court cases of TBML/SBML with a UK connection to provide more detail on the methods used to enable these transfers, and their linkages to other known or suspected money laundering schemes. We then provide some conclusions on what these cases tell us, and potential changes that could affect the UK-Russian TBML/SBML landscape in the coming years.

CASE STUDIES

(#1)

In 2016, the Russian company [OOO MTsITT](#) produced 25 payment orders and certificates to them for currency transactions under the guise of making prepayments for imported computers and other equipment. These documents contained deliberately false information on the purpose and grounds of payments to [Vestrus Trade LP](#), totalling GBP 690 302. No equipment was imported, nor was it intended to be. In June 2021, the Babushkinsky District Court of Moscow [gave](#) a 5-year suspended sentence under Article 193.1 of the Criminal Code of the Russian Federation to Denis Gennadyevich Nikitushkin, the founder of OOO MTsITT. This case is a classic example of laundering through fictitious trade transactions.

It is notable that Vestrus Trade LP had relations with another Russian customer besides fictitious transactions with OOO MTsITT. We see from the [trade data](#) that on 1 December 2016, Vestrus Trade LP received a large supply of commodities (including medical equipment) from the Russian company [OOO Omega](#) (liquidated in 2022). According to available trade data, OOO Omega is the only Russian seller to Vestrus Trade LP, which in 2016 purchased medical and other equipment on the same day.

It should also be noted that the bank account of Vestrus Trade LP was opened with the Estonian bank Versobank AS, whose licence the ECB subsequently revoked in 2018 due to a [money laundering investigation](#).

In 2017, a Russian citizen [Alekssei Raspitin](#) was notified as the person with significant control over Vestrus Trade LP. In 2018, Vestrus Trade LP announced the [dissolution of its partnership](#).

(#2)

According to the verdict of the District Court of Nizhny Novgorod dated 15 September 2022 ([N 1-31/2022](#)),⁵ an organised criminal group committed 238 illegal currency transactions worth RUB 626 523 916 (abt. GBP 7 500 000) over a period of two years from 2016 to 2017. The transactions were conducted through a large number of firms and banks registered in different jurisdictions. According to the court decision, among them were:

- Trans Logistics Capital LLC registered in the territory of the Kyrgyz Republic,
- Intra Vires OÜ registered in the territory of the Republic of Estonia,
- CC Traderson S.R.L. registered in the territory of the Republic of Moldova,
- UAB Vudfordas registered in the territory of the Republic of Lithuania,
- Jian Bo Economy And Trade Co LTD registered in the territory of the Hong Kong Special Administrative Region of the People's Republic of China.

Among the intermediary firms were British [Quintux LP](#) and [Ridgevox Products LP](#). They are registered in Scotland as Scottish limited partnerships (SLP), which is a form of limited partnership registered under Scottish law. [TI UK & Bellingcat](#) wrote about the abuse of SLPs in detail in 2017. The authors identified a large number of SLPs with controlling partners in clandestine jurisdictions and the addresses of mailboxes and virtual offices used as legal addresses for thousands of SLPs. Hundreds of SLPs operated in sectors with a high risk of money laundering and had generic anonymously owned websites of questionable authenticity. In addition, the authors [found a large number](#) of SLPs used as resellers for firms operating in the former Soviet Union, which attracted the attention of Ukrainian courts, as well as SLPs engaged in political lobbying.

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We know from the court case file that the beneficial owner⁶ of Quintux SLP at the time of the illegal transactions was Dmitry Davidovich Statsevich (Russian Taxpayer Identification Number 781018717190). We know that among its former partners were Brennan Development Inc. (formerly Laneks Services LTD) and NIS Global Corp. (formerly Akron Resources Corp., which [was a key entity in the Azerbaijani Laundromat](#)).

Quintux was dissolved in 2019. It is also noteworthy that in 2019 Quintux SLP changed its name simply to its company number: SL019709 LP. The money received from Russian firms for the supply of commodities and the provision of transport services for the shipment of trade commodities was promptly transferred to the Estonian Intra Vires OÜ account. As a logistics organisation, it performed its activities under the Maersk Line brand, and transportations under contracts of Quintux LP and CC Traderson S.R.L. were carried out under MAEU code belonging to the Maersk company. This is also confirmed by many bills of lading cited in the materials of the court case. However, these firms are not agents of Maersk Line A/S, nor are they authorised in any other way, including powers of attorney, contracts of assignment and the like, to represent Maersk Line A/S and to use the Maersk Line trademark.

The fraudulent foreign trade contracts included commodities such as cosmetics and equipment for the oil and gas industry. At the same time, most of the invoices do not correspond to the real type of commodities, weight and price, except for the vessel's name. In reality, neither the supply of goods nor the provision of services took place. On the Russian side, a large number of different firms were involved in these illegal operations:

- OOO Star Logistik,
- OOO Lodis,
- OOO PromTekhnologiya,
- OOO Tandem,
- OOO Produkt Riteyl,
- OOO Sudokhodnyye linii – Volga,
- OOO Chayka-TNP,
- OOO PromLogistika,
- OOO Modul Grupp,
- OOO UK "Tekhnopark",
- OOO Eksperttekhnologiya – 52,
- OOO Guddi,
- and, finally, [OOO Gekko](#), whose sole owner is Georgiy Nikolaevich Lazarev (Taxpayer Identification Number [525617748948](#)).

(#3)

British firms may act not as main or principal suppliers in illegal trade schemes, but as proxy or as part of a link in a larger supply chain. For example, after studying the materials of [the 2017 court decision](#),⁷ we found out that the SLP [General Trade LP](#) acted as a counterparty supplier of softwood lumber (HS4407109100,⁸ HS4407109300 and others) worth RUB 4 592 500 (abt. GBP 50 000) in favour of the Russian firm OOO Ural-Torg.

Other companies involved in this scheme were suppliers with registration in Belize, such as Fosters Trade LTD Belize City, BZ.⁹ The contracted lumber was then shipped further to third countries: the Republic of Azerbaijan and the Republic of Uzbekistan, and subsequently forged documents were submitted to the

6 LPs and SLPs don't have directors.

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8 Explanation of Harmonized System: <https://www.wcoomd.org/en/topics/nomenclature/overview/what-is-the-harmonized-system.aspx>

9 Quote from the court materials.

Russian tax authorities to obtain VAT refunds from the federal budget. The declared goods themselves are included in the [list of strategically important goods and resources](#) for Russia, which are subjected to heightened scrutiny by Russian customs authorities.

General Trade LP was performing business activity for four years from 2013 to 2016 and was registered in Glasgow (Scotland). Its [two general partners and limited partners](#) were¹⁰ [Integrex Limited](#) and [Corporex Limited](#) registered [in Belize](#), who have both controlled over 100 other UK LLPs each, and at least dozens of other SLPs.

(#4)

In the [case](#) on which the Oktyabrskiy City Court of the Republic of Bashkortostan ruled in January 2023, the defendant was a representative of the Russian firm OOO Topaz. The accusation contained, among other things, the failure to perform capital repair work on a kindergarten. But from the materials of this court case, we see that OOO Topaz conducted fictitious foreign economic transactions with a large number of foreign firms.

Among them was the UK [OAK Commerce LP](#) which was registered in Lisburn, Northern Ireland. The evidence cited in the court's decision concerning OAK Commerce LP includes transactions for several tens of thousands of US dollars.

OAK Commerce LP was registered in 2017 and is still active. [Among its representatives and general partners](#) we see a number of closed and active firms, in which persons with significant control are citizens of Armenia and Belarus, the countries within the Eurasian Economic Union, a Russia-centred economic union with a common customs zone and growing cooperation within its borders.

One example of such companies is [Viala Trade Limited](#) which also appears in another court case that we describe below in the examples involving Russian organised crime groups (see [#13](#)). Viala Trade Limited was also the subject of a [money laundering investigation in the Czech Republic](#) and the already mentioned [TI UK report](#).

(#5)

On August 15, 2019, the Primorsky District Court of St. Petersburg issued a [verdict](#) in a case of unreturned foreign exchange revenue. The case concerned a large scheme with more than 700 million rubles (GBP 8 million) moved out of the country illegally. The scheme included both substitution of mechanical equipment declared for import with a cheaper analogue, and fictitious deliveries of automatic woodworking machines. The latter were not actually imported into the territory of the Russian Federation, but the customs declarations for these transactions were used to bring into Russia combined cargoes of packaging film and natural pork chitterlings supplied to third parties.

Estonian Versobank AS, which was already mentioned in case [#1](#), processed these transactions. On the Russian side, the financial intermediary was [AO Bank "Praym Finans"](#), whose licence the Bank of Russia revoked in 2019.

The court verdict references an Evermond LP registered in Estonia — despite there being no entity in that country going by that name. However, there was an Evermond LP registered in Edinburgh between 2014 and 2016, which we suspect is the same entity mentioned in the court judgement — often court transcripts contain factual errors and typos, of which we think this is one.

(#6)

In TBML cases, the region of a country to which the shipment is made is often relevant, as it determines through which customs office the declaration of import is made. This is well illustrated by our

¹⁰ General partners control the activities of the partnership and (unless it is a LLP) are liable for any partnership debts, while limited partners only contribute capital.

[Bottle Laundromat](#) investigation into money laundering through the supply of bottle blowing machines, when customs in some regions became hubs for money laundering because the customs authorities were at the very least turning a blind eye on the exorbitant sums stated in the declarations, if not actively sought to profit from facilitating TBML activities.

From the verdict of the [Tagansky District Court of Moscow of 22 April 2016](#), we learned that three UK LLPs were used to knowingly make fictitious shipments of overpriced commodities to the Kaliningrad Oblast: [Carberg Company LLP](#), [Mountlex Import LLP](#), and [Rextrade Management \(SLP\)](#).

These firms had accounts with a number of Estonian, Latvian and Cypriot banks, for example: Hellenic Bank Public Company LTD (Cyprus), JSC Norvik Banka (Latvia) and Danske Bank A/S (Estonia). The accounts with these banks were used to receive funds from the supply of commodities to Russia.

The illicit transactions took place between 2013 and 2014. The commodities themselves are indicative: a line of TEREX Maxtrak 1460 mining equipment, REX Liquid 3/5 concentrate for cleaning industrial equipment, and oxygen-free copper ultra dispersible powder. It is quite easy to substitute such commodities or to quote a price significantly different from the market price. Chemical substances and products based on them require complex expertise for customs authorities to verify the actual content of transported commodities, and we observe that in this case such verification was not performed, but the delivered commodities at first glance appeared to comply with the requirements declared in the declarations.

Mountlex Import LLP was incorporated on September 14, 2011 and dissolved on February 16, 2016. Its registered address (175 Darkes Lane, Suite B, 2nd Floor, Potters Bar, Hertfordshire, EN6 1BW¹¹) is the same as Metastar Invest LLP, [the British firm](#) listed in the [Azerbaijani laundromat](#) as one of the key firms in the laundering scheme. Mountlex's two officers are [Luxhold LTD](#) and [Rainhold LTD](#) (both are LLP designated members), registered in the Seychelles at the same address (1st, Floor Dekk House, Zippora Street Providence Industrial Estate, Mahe, Seychelles) as 269 other officers.

Among the current appointments of Luxhold LTD and Rainhold LTD we see three active LLPs registered in 2011: [Firefield Universal LLP](#), [Unipharm Express LLP](#) and [Tecberg Projects LLP](#).¹² Unipharm Express has one active person with significant control — Russian national Oleg Dedkov and for Firefield Universal the active person with significant control is [Enterberg LP](#).

(#7)

We can call the [case](#) on which the [Moscow City Court made an appeal decision on 03 May 2018](#) almost identical to the previous one. Between 2013 and 2014, the organised criminal group illegally moved more than RUB 1.1 billion (GBP 19 million) out of the Russian Federation. The fictitious deliveries were made specifically to firms registered in the Kaliningrad region. Among the Russian firms involved were [OOO Stroyuskapital](#), OOO TransStroyTrest, OOO Region, OOO Tovary narodnogo potrebleniya, OOO NK Zapadnyy region, OOO Promservis, and others.

[According to trade data](#), the same [Rextrade Management](#) (SLP) as in our case [#6](#) appears among the suppliers, supplying the same REX Liquid 3/5 concentrate for cleaning industrial equipment. The evidence from the case file describes the scheme by which the illegal transactions took place, for example, through the supplies of ultra dispersible copper powder. It is known from the testimony of a witness, who was a senior state customs inspector of the Kaliningrad regional customs post of Kaliningrad airport, that the customs declaration for the delivery of the goods indicated a significantly inflated price. Subsequently, additional invoices were issued for the same delivery containing a completely different price. It was a similar case with REX Liquid 3/5 concentrate for cleaning industrial equipment, for which the market price was estimated at approximately RUB 27 065 (GBP 400), while the declaration indicated USD 1 920 160 (GBP 1 140 000). In addition, a chemical examination of the commodities seized at customs showed that they were actually not fit for cleaning industrial equipment.

11 It is also featured as one of the "world's 'dodgiest addresses'" in [a BBC publication in 2020](#).

12 Linked to the [Khater Massaad embezzlement case](#).

(#8)

Another interesting [criminal case](#) is connected with Kaliningrad and British LLPs. During 2014, Vitaly Valeryevich Zhukov made fictitious transactions on foreign trade operations through Kaliningrad companies [OOO Kenigavto](#) and [OOO Spetstekh](#), both of which he managed. According to the contracts, among the suppliers were British firms [Vitalos Export LLP](#) and [Mountlex Import LLP](#), the latter of which we already mentioned above in another case related to the Kaliningrad Oblast (see [#6](#)).

The suppliers also included the Chinese Zhejiang Jinfei Kaida Wheels LTD and the Austrian RTS Business-Service. The fictitious transactions concerned several types of goods: (1) vehicles, auto parts, boats, yachts and other goods; (2) construction materials; (3) electrical goods and equipment. All of the contracts contained rounded value numbers, exactly \$4 million each, and the goods were not delivered.

Among the intermediary banks whose accounts received funds from the contacts were again the Estonian branch of Danske Bank A/S (see also case [#6](#)) and Versobank AS (see cases [#1](#) & [#5](#)). On the Russian side, the Kaliningrad branch of Bank of Moscow and OAO B&N Bank were mentioned as financial intermediaries.

(#9)

Analysing one of the cases under Article 193.1 of the Criminal Code of the Russian Federation under which Kristina Kalidub was convicted, we came across supplies of machine tools worth RUB 2.5 million (GBP 42 000) from the British [Marketum LLP](#). This LLP also had two officers, HOLDING ASSOCIATES LTD. and WESTA HOLDING LTD., registered on the same day at the same address (Clarence Thomas Building, P.O. Box 4649, Road Town, Tortola, British Virgin Islands). While researching trade supplies and counterparties, we came across [a large commercial court case](#)¹³ containing dozens of British LLPs linked to Russia and previously uncovered illegal offshore schemes. This additionally emphasises the persistence of UK-registered firms in various illicit schemes to move money out of Russia.

(#10)

Analysing court criminal cases under the articles 193 and 193.1 of the Criminal Code of Russia, we found potential smuggling. For example, the [case against entrepreneur Dmitry Kutmenev](#),¹⁴ who was engaged in the supply of grain to Iran, contains an accusation of evading the repatriation of RUB 504 million (GBP 6.2 million).

Kutmenev has been carrying out legitimate grain exports from Russia [for a long time](#). The materials of the court case mention a large number of non-resident firms in Russia, including [Burston Logistics](#) LLP. Again, even such large and mostly economic crimes involve a firm with British registration.

Kutmenev was accused directly of not doing the claim work and not taking the legal steps to influence the counterparties outside of Russia, while "knowing very well that [...] after the expiration of the payment deadline, funds were not received in full". Eventually he fully admitted guilt, including for non-return of foreign exchange revenue, but in his commentary for the Russian [newspaper Kommersant](#) he argued that "the US sanctions imposed against Iran made it impossible to settle settlements within the framework of the [Kutmenev's company] SPK contracts concluded. European bankers who had previously carried out transactions with Iranian banks under SPK transactions refused to make settlements. Therefore, I have taken measures to return foreign currency earnings by other means that formally do not contain references to the number and date of contracts."

Such examples lead us to the fact that, among other things, a law-abiding business was forced to additionally report and justify itself before a court of law. This situation is further described in the conclusion of this review.

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(#11)

In most cases, the schemes through which TBML or SBML is carried out involve many participants, both natural persons and companies from many jurisdictions. Such schemes, sometimes over many years, are carried out by organised criminal groups. In these schemes UK firms are often also part of the supply chain to Russia. For example, in the well-known case of the [Russian Laundromat](#), or the Moldovan Scheme, Northern Ireland's [Drayscott Overseas LLP](#) was among the participants.

Globally, Russian Laundromat was a scheme to move \$20–80 billion out of Russia from 2010 to 2014 through a network of global banks, many of which were based in Moldova and Latvia. We do not know much about the activities and involvement of [Drayscott Overseas LLP](#). It was incorporated in 2013 and dissolved in 2015, and has since been [periodically featured](#) in leaks and investigations into "suspected public/private corruption (foreign)". Among its officers were two LLP designated member firms: [GZP Capital CORP.](#) and [Style Services LTD.](#) They were registered at the same address Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Marshall Islands, MH96960 which [appeared in](#) the Panama Papers.

Drayscott Overseas LLP is mentioned in the court cases which we studied: we can see from the materials of the very recent [Appellate Decision](#)¹⁵ of the Moscow City Court of April 13, 2023, that a judge's order was made in favour of Drayscott Overseas LLP to recover money from a number of Russian companies, including OOO Kombo and OOO Antal.

(#12)

The connection of Russian organised crime groups (OCGs) with British firms to conduct fictitious trading operations was revealed in the [Moscow City Court's Ruling of November 23, 2016](#). This court ruling discloses information that Narkuly Babakulyevich Nazarov, the head of an OCG, carried out fictitious deliveries of goods for the Russian OOO Stames in the period from 2013 to 2014. The operations also involved [OOO Kommercheskiy Bank "Bank Raschetov i Sberazheniy"](#), whose banking licence was revoked in 2015 by the Bank of Russia due to non-compliance with AML/CFT requirements.

Narkuly Nazarov was accused of committing currency transactions to the accounts of non-residents using false documents in the amount of almost 750 million rubles (GBP 14 million). Among the goods supplied under these transactions were:

- construction equipment and construction materials;
- textiles, clothing, footwear; and
- electronic equipment and microchips.

We know from the case file that all the foreign companies involved in fictitious trading operations were registered in the United Kingdom, with offices in Russia and accounts opened with a bank in the territory of Belarus, and all the transactions were monitored as they were of the same transit nature. (Names of these companies are not disclosed in the court case.)

In addition, the testimony of one of the witnesses, an employee of the intermediary bank, contains an indication that the transactions to some of the accounts of non-resident companies were questioned because of key red flags:

- the transfer and receipt of funds offshore,
- the accounts were credited with funds in currency in a certain amount,
- the received amount was withdrawn from the account the same day or the next day.

(#13)

In June 2022, by the [verdict](#) of the Zamoskvoretsky District Court of Moscow, Viktor Vyacheslavovich Rybnikov was convicted under Article 172 of the Criminal Code of the Russian Federation on illegal banking activities and under Article 193.1 of the Criminal Code.

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Rybnikov was charged with foreign currency transactions for the transfer of funds in foreign currency totaling USD 119 213 000 (abt. GBP 95 million). Acting as a part of an organised criminal group, he had been carrying out illegal activities in the provision of telecommunications services since 2010 at the latest, and tried to legalise the proceeds through a network of foreign intermediaries, including two British SLPs: [Rikson Capital LP](#) and [Carens Solutions LP](#).

Telecommunication services were not actually provided, and the funds were transferred to the settlement accounts of legal entities controlled by the members of the organised crime group through illegal banking activities. The bank accounts of non-residents SIA BravoCom SAT, SIA LV Sat Komunikācijas, and SIA Netcom sat were used for illegal transactions.

Rikson Capital LP and Carens Solutions LP were registered at the same address, Suite 4383 Mitchell House, 5 Mitchell Street, Edinburgh, EH6 7BD, and on the same day of November 13, 2012. In addition, their registration documents show the same general partner ([Viala Trade Limited](#), which we already mentioned in case #4) and limited partner ([Gateno Ventures INC.](#)).

In turn, these two partners had the same current appointment — [3NT Solutions LLP \(OC363382\)](#), which [appeared in Offshore Leaks](#) with a different correspondence address.¹⁶ 3NT Solutions LLP (OC363382) is still active and has a registered office at 22 Brondesbury Park, Willesden, London, England, NW6 7DL. Its only active person with significant control is Andrei Parakhnia, a Belarus citizen residing in the United Arab Emirates.

(#14)

In November 2022, a [verdict](#)¹⁷ was delivered against a Samara-based organised crime group that laundered millions of pounds through foreign trade transactions. This OCG [consisted of 10 persons](#), and from January 2015 to August 2019 it cashed large sums for different organisations and people and earned more than 500 million rubles (GBP 6 million). According to the court decision, foreign currency accounts were opened “due to the fact that Russian firms were engaged in conducting foreign economic activities related to purchases of consumer goods and various equipment from England”.

The OCG had several divisions: the financial division was in charge of transferring money through the accounts of legal entities; the operational division withdrew cash; the legal division supported money transfer operations and represented interests in law enforcement agencies and courts; and the security division.

The crime activity involved several UK firms. One of them is [Mastecana Logistics LLP](#), whose two officers were an LLP designated member ([MS-Proxy Services LTD](#) and [Reliance Management LTD](#)) and a Russian citizen [Grigoriy Dunalov](#). The case also involved [SLP Swedtron Alliance](#), which received proceeds from the Russian company OOO MaksLogistik through Latvian AS PrivatBank, and [SLP Barsolle Systems](#), which carried out fictitious transactions in favour of Russian firms through Latvian Baltikums Bank AS. (In 2017, SLP Barsolle Systems changed its name to just a company number, SL017897 LP.)

All British firms involved in this criminal scheme are similar in that under the contracts, they had to carry out freight forwarding services for sea containers, but in reality this did not happen, as the contracts were only a pretext for transferring the money abroad.

In addition to intricate schemes of moving funds out of Russia involving large numbers of intermediaries and front men, we also encountered one-off, rather simple schemes to withdraw funds abroad. They may involve literally two or three foreign firms and one Russian firm, with one main actor.

16 2236 Albert Hoy Street, Belize City, Belize and Global Plaza Tower, 19th Floor, Suite H, 50th Street, Panama City, Panama.

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(#15)

This is the case that interested the Vyborg Customs Office of Russia. In 2021, [customs officials asked](#) the commercial [court](#) to invalidate a contract between OOO R. M. EKO (Leningrad Oblast, Russia) and [Magma Industries LLP](#) which was conducted back in 2013.

Under the terms of the contract, the contractor undertook to supply eight Amomatic 300 SM mobile mini asphalt plants to Russia for a value of approximately EUR 10 million. However, the goods have not been delivered for almost 10 years. The British LLP was closed down back in 2017, and the Finnish manufacturer of the mini-mills, Amomatic Oy, never communicated with either the Russian or the British firm at all. The general director of OOO R. M. EKO noted that imports were impossible due to the sanctions imposed, but according to customs data, there were no restrictions on such deliveries. Meanwhile, after the closure of Magma Industries LLP, someone twice signed an extension of the contract on behalf of the by-then non-existent British company. As a result, the court indicated in its ruling, that the purpose of the contract was not to deliver goods to Russia, but to transfer money abroad.

Since 2018, Russian customs authorities have had the right to appeal to the courts to declare foreign economic transactions invalid and apply the consequences of invalidity. Their use of this procedure, in our opinion, allowed them to identify more violations, while the resulting court rulings, among other things, provided more information for this review. In general, we see an increase in the number of state commercial courts decisions related to cases involving illegal withdrawal of money abroad through trade transactions.

(#16)

Customs officers can also act negligently or facilitate illicit trade operations, too. For example, in [the decision](#) of the Mozhaisk City Court of the Moscow Oblast dated 19 February 2014, a customs officer of the Mozhaisk customs post was charged with negligence in checking customs operations for deliveries between the [Gemsoft Universal](#) SLP (UK) and OOO Kibertronika Region (RU). The officer was accused of failing to detect a fictitious trade transaction for the delivery of an electric generator set manufactured by Magneti motor industries. The generator set was not delivered, but USD 30 250 000 was paid to the supplier (the price of the shipment was artificially rounded, as well as the volume which was stated as 3,200 kg gross). In addition, the classic red flag in the transaction was that this particular product was exclusive, i.e. its equivalents are not produced within the Russian Federation, hence its importation was not subject to VAT.

According to [trade data](#), Gemsoft Universal SLP delivered a large number of different commodities from UAB Resko (Lithuania) to OOO Kibertronika Region on a single day of 22 February 2012. This was the only delivery and the only Russian customer of the British firm. It is also worth noting that, as a result, the court ruled to dismiss the criminal case against the customs officer due to the expiration of the statute of limitations for criminal prosecution.

(#17)

What is intriguing is that there are seemingly independent criminal cases that involve almost identical structures and methods. For example, there is [another case](#) that bears some remarkable similarities to the one mentioned above. This time the sham delivery was carried out by [Dellwood Systems](#), another SLP, and the buyer on the Russian side was [OOO Adamant](#) owned by Vladimir Vladimirovich Borisov. In [the trade data](#) we see a large number of deliveries from this SLP to OOO Adamant which concerned very different goods.

Dellwood Systems SLP was registered at the same address and on the same day as Gemsoft Universal SLP mentioned above. Dellwood Systems and Gemsoft Universal also have common general and limited partners, namely the companies Inhold LTD and Multihold LTD, whose signatories are infamous Latvian nominees from money laundering investigations: [Stan Gorin](#) and [Erik Vanagels](#). The schemes and their results are absolutely identical: the commodities were not delivered, the proceeds were sent to the shell SLP, and taxes and mandatory payments were not paid due to the lack of analogues of imported goods on

the Russian market. Even the names of nominees on the paperwork were the same, and yet these related to two different cases.

(#18)

In March 2022, the Vasileostrovsky District Court of St. Petersburg published its judgement in case [N 1-255/2022](#), in which the defendant was [Artyom Grigorievich Patlis](#). He stood accused of failing to return foreign currency proceeds worth approximately RUB 500 million (abt. GBP 5.8 million at the exchange rate at the time). The case involved money laundering through fictitious trade transactions between the Russian [OOO GST](#) (the buyer) and [Albion Commerce Incorporation Limited](#), a British firm registered at 22 Brondesbury Park, Willesden, London, England, NW6 7DL — the same address as 3NT Solutions LLP (OC363382) from case **#13**.

Under the contract, OOO GST purchased a wide range of commodities from Albion Commerce Incorporation Limited: equipment, chemical products, construction materials, abrasives, hand tools, electric and pneumatic tools, and consumer goods. But the money laundering method itself consisted of a fictitious contract for prompt supply of specific commodities: wall-mounted consoles for life support systems in operating theatres, anaesthetic rooms, intensive care units and hospital wards; trademark Multiport M-PB0512, manufacturer UAB Medical Technologies LBI. The commodities were not actually delivered, and their value was inflated approximately 15 times, from a market valuation of USD 1 million to exactly USD 15 million in the customs declaration.

Such rounding of overpriced costs in customs declarations occurred several times. Artyom Patlis repeated this scheme from at least 2015 to 2019. Whereas in the case of fictitious trade transactions between Albion Commerce Incorporation Limited and OOO GST the declarations were processed through the customs authority of the Republic of Lithuania.

Meanwhile, a similar scheme involved a German company Industrial Technologies Bielefeld (registered address 33719 Bielefeld Ludwig-Erhard-Allee 20). In that scheme, the declarations were made through the customs authority of the Republic of Finland and the customs post at Bronka port in Leningrad Oblast of Russia. The contract also stipulated freight forwarding services, and consequently they were not provided either.

Albion Commerce Incorporation Limited is still active, and from the data on trade deliveries to Russia we can see that it has only delivered to two Russian companies: OOO GST and [OOO TD "Pargolovskiy"](#).

There are several more cases included in our analysis that are related to the topic under consideration, but there is either less information about them in public court decisions, or the information in these decisions is not so interesting in our opinion. Nonetheless they are worth mentioning, because of the increased awareness of the deep and persistent presence of such firms in illicit or illegal withdrawal schemes, in this case mostly based on decisions of state commercial courts:

(a)

In 2016, the [Commercial Court](#) considered the decision to refuse to release commodities between [Central European Assets LP](#) and OOO Ratek. The only active person with significant control over Central European Assets LP is [Konstantin Voropaev](#), a Russian citizen. The firm itself has [only two buyers from Russia](#), one of which is OOO Ratek.

(b)

In 2018, the [Commercial Court ruled](#) on the transaction between the supplier [Megapolis](#) (RU) and the buyer Scientific and Production Enterprise Klass (RU) using third parties ([Merchant LP](#)) to realise the purpose of the "sanctions clearance mechanism".

(c)

In 2020, [Commercial Court ruled](#) on litigation between Marine Overseas LP and OOO TC Severny Project regarding the provision of brokerage services for the acquisition of a marine vessel involving.

(d)

Finally, [the case](#) against OOO Rolf regarding a fictitious transaction for the purchase of shares in ZAO Rolf Estate is worth mentioning — despite the fact that the only connection with the UK is a [reference in one of the court decisions](#) to a discussion between representatives of OOO Rolf and PricewaterhouseCoopers about the possibility of changing the ownership structure of the firm using a trust in the British Virgin Islands.

In 2014, Rolf's founder, former Russian State Duma deputy [Sergey Petrov](#), transferred 4 billion rubles (approximately GBP 63 million) which were received from OOO Rolf commercial activities to the accounts of the Cyprus-based offshore company Panabel Ltd, which itself was the parent company of the entire Rolf holding and controlled ZAO Rolf Estate.

The withdrawal of funds was organised under the guise of buying shares in the Cypriot firm. Thus, the sale and purchase of shares were made by the same beneficiaries and the money received [was transferred](#) to an Austrian bank account.

Criminal case has been opened against Sergey Petrov under Article 193.1 of the Russian Criminal Code for illegally withdrawing 4 billion rubles. Petrov himself does not reside in Russia, but on 1 September 2023, it became known about the sentencing of one of the former members of the board of directors of OOO Rolf: [Anatoly Kairo received a sentence of 8.5 years](#) in a penal colony.

SCHEMES AND COMMODITIES

TBML

Upon analysing cases of money laundering through trade transactions between Russia and the rest of the world, as well as specifically between Russia and the UK, we have identified two main approaches.

One is to provide banks and customs authorities with fictitious documents concerning foreign trade transactions which actually had never been committed. For example, the director of a Russian organisation (importer) personally puts his signature and the seal of the specified organisation on a copy of a foreign trade contract for the supply of goods. The contract contains inaccurate information about the grounds and purposes of transferring funds in foreign currency to a non-resident bank account. At the same time, intermediaries are provided with a specially made seal of a foreign organisation for this purpose and a signature from a non-resident, as which the counterparty under the forged contract acted. Then a completed transaction passport is provided to the Russian bank. Further, funds that were transferred to the foreign currency account of the non-resident counterparty under the foreign trade contract. Since the contract was fictitious, the documents confirming the import of goods into the Russian Federation were not provided to the Russian bank who authorised the transfer and the transferred funds were not returned back to Russia.

The other approach is to carry out the actual delivery of the commodities. However, the cost of the product is significantly overpriced. In fact, a similar or even wholly different product may be supplied, and usually the types of goods that can be passed off as others are used for these deliveries. A characteristic feature of such transactions is that they contain rounded values of both the cargo price in dollars and the gross weight of the cargo. Also, the goods declared for import often don't have analogues within the Russian market, hence their importation is exempt from import duties or VAT by Russian legislation.

We have identified a variety of products that appeared in TBML cases during deliveries from British firms to Russia:

- construction goods and materials;
- high-tech equipment, including medical;
- motor vehicles, motor vehicle parts, boats, yachts;
- electrical goods, and other technological equipment;
- chemical industry products;
- general consumer goods (textile products, clothing, footwear).

In general, this list correlates well with the findings of the [FATF/Egmont Trade-based Money Laundering: Trends and Developments \(2020\)](#) report. Among the economic sectors and products vulnerable to TBML activity, the authors of that report emphasised:

- gold, precious metals, and minerals;
- auto parts and vehicles;
- agriculture products and foodstuff;
- clothing and second-hand textiles;
- portable electronics.

Based on our analysis of Russian court decisions, we see that illegal activities in every TBML scheme last up to one to two years on average. Investigations and court decisions may be delivered with a lag of 5 years from the immediate event of illegal activity. In addition, we have considered the articles of the Russian Criminal Code that deal only with currency proceeds return operations. However, there may be more ways of illegal operations through international trade. Therefore, we assume there are still undiscovered and undescribed cases and schemes of money laundering in trade commodities through Russia.

SBML

Money laundering can occur not only through cross-border trade in goods but also through service contracts. These cases are challenging to identify, and verifying whether the services were actually provided is also not easy. At the same time, due to the growth of services' share in the volume of the world economy and international trade, one can anticipate a corresponding growth in illicit transactions masqueraded as cross-border trade in services.

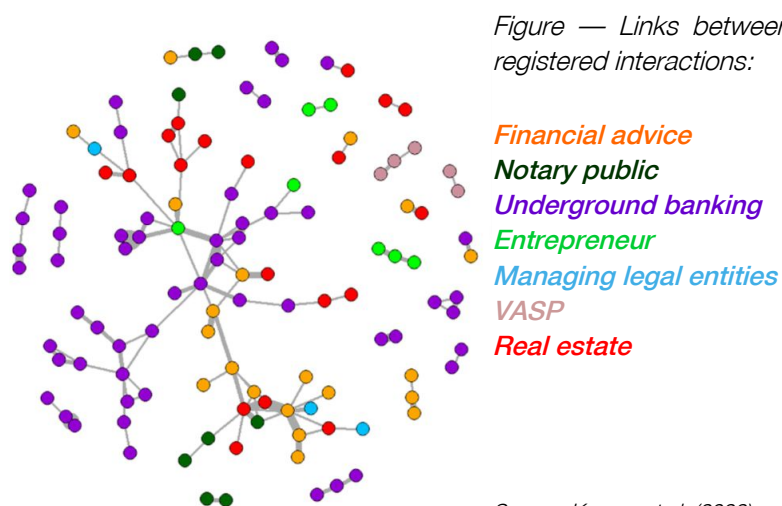
Back in 2016, the Foundation for Defense of Democracies [noted in its brief](#) that SBML is becoming an increasingly common and dangerous practice in the commission of international financial crimes:

“Similar to TBML, SBML revolves around invoice fraud and manipulation. But instead of laundering money or transferring value through trade goods, services are used. Common service-based laundering scams include accounting, legal, marketing, and natural resource exploration fees. Fraudulent construction costs, such as the ones uncovered in [Operation Car Wash](#), are ripe for abuse.”

SBML leaves no physical commodity trail, and the value of the invoice is subjective. In [its 2020 report](#), FATF identifies the following services and sectors as vulnerable to SBML:

- gambling, particularly online gambling service providers;
- software providers, including gaming and business software, such as electronic point of sale services;
- financial services, including virtual asset wealth management;
- consultancy and advisory services;
- trademarks and similar intangible items, such as intellectual property rights.

There are yet few studies and investigations about this type of illicit activities, and the progress in the study of such schemes on the part of international anti-corruption initiatives and journalists is not so noticeable, although a significant contribution is made by the academic community and scientific work in this field. In a recent [Kramer et al. \(2023\)](#) study, the authors examined data from 198 financial intermediaries who operated in the Netherlands between 2016 and 2020. The scholars examined the extent to which financial intermediaries exhibit business acumen and the extent to which they are linked into money laundering networks. This study shows that financial intermediaries can be involved in extensive money laundering networks. The authors identify sub-networks in the real estate sector and the underground banking business as two main types of professional money laundering networks, and describe the interaction of money laundering networks through connections based on the type of services provided:



We have also found similar examples of service-based money laundering in the cases included in this review. In our cases, the network of participants also included underground banks and other financial institutions, as well as consultants in the field of foreign economic activity and sea/land transportation.

Provision of fictitious accompanying services often goes along with fictitious invoices for the supply of goods. Several decisions of Russian courts mentioned unexecuted contracts "for the provision of freight forwarding services related to a customer's cargo". Quintux SLP and Ridgevox Products SLP (see case **#2**) in 2016 participated in contracts for the provision of freight forwarding services of EUR 750,000 using invoice-offer rendering of service, while Mastecana Logistics LLP (see case **#14**) provided freight forwarding services for sea containers in the amount of RUB 25 120 000 (abt. GBP 275 000).

Our observations on SBML are confirmed by [the data of the Bank of Russia](#) on the structure of suspicious transactions and the sectors of the economy that formed the demand for shadow financial services. The data shows that in 2022, suspicious transactions related to the withdrawal of money abroad in terms of advances on imports of goods totaled RUB 17 billion (GBP 200 million), and transfers from services transactions amounted to another RUB 4 billion (GBP 47 million).

In general, we can recognise several patterns over the decade under review.

- Illegal trade operations involving British firms were more likely to be conducted through customs points in western Russia (Kaliningrad and Leningrad regions). The Russian firms involved in illegal transactions are also more likely to be registered in the central part of Russia (Moscow and its neighbouring regions).
- At the same time, the commodities through the fictitious or distorted supplies of which money laundering occurs can be quite different: from high-tech equipment to shoes and clothes.
- Looking at changes over time, closer to 2022, the impact of sanctions and other restrictions is noticeable; it is expressed in changes in supply chains and range of commodities traded.
- These changes are also confirmed by the comments of the actors themselves from representatives of various sectors of the Russian economy.
- We observe a consistent pattern of adding so-called freight forwarding services to money laundering schemes.

Closer research and measurement of service-based money laundering seems particularly important to us in terms of Russian-British ties and globally.

CONCLUSION AND FUTURE PROSPECTS

Russian regulation

The practical aspect of application of the considered articles 193 and 193.1 of the Criminal Code of the Russian Federation is two-fold. While they are utilised to combat cross-border money laundering, in some cases they are effectively used to persecute the lawful foreign trade activities.

Article 193 of the Criminal Code is [more universal](#), as it covers all significant violations of capital repatriation rules, both for export and attempt of import. The *corpus delicti* under Article 193.1 of the Criminal Code is more specialised: the act should be qualified under this article when there is a false committed under knowingly false documents. These articles may be too broad, but nonetheless true crimes get uncovered and prosecuted because these articles exist. It is true that violations of currency legislation are often a means of committing other offences, such as money laundering, terrorist financing or fraud and fraud related money laundering

But in recent years there has been a public discussion in Russia about changing or completely abolishing these articles. For example, back in March 2019, then Russian Prime Minister Dmitry Medvedev proposed the cancellation of criminal liability for failure to return foreign currency proceeds. And in November of the same year, the Russian Ministry of Finance [prepared draft amendments](#) that would abolish Articles 193 and 193.1 and bring the offences currently covered by them under the AML Articles 174¹⁸ and 174.1¹⁹ of the Criminal Code of the Russian Federation. In addition, these amendments would be retroactive, meaning that all cases under these articles would be dropped or re-classified. Current maximum penalty under Article 193 of the Criminal Code is 5 years' imprisonment, while under 193.1 of the Criminal Code it is up to 10 years' imprisonment. For AML Articles 174 and 174.1, the maximum penalty is up to seven years' imprisonment. On average, adding the articles from this review to the current anti-money laundering article could reduce potential penalties.

Meanwhile, security agencies and the Bank of Russia, the financial market regulator, have [consistently opposed](#) the repeal of Articles 193 and 193.1 since as early as 2019. This position may be understandable now, amid concerns about the balance of payments and restrictions on currency transactions after February 2022. The Russian Ministry of Finance indicates that the Bank of Russia has a strong argument against the cancellation of these articles, but we have not been able to find this argument in the public domain. In March 2023, the Russian Union of Industrialists and Entrepreneurs [proposed](#) a package of measures to reduce criminal and administrative pressure on business, including the abolition of Article 193.1 for the purposes of “reduction of criminal liability pressure on business, decriminalisation of economic crimes, and greater freedom of entrepreneurial activity and predictability of government actions in the absence of geopolitical stability”.

There are no clear signs that any change in restrictions on criminal offences relating to TBML is imminent in the future. The amendments proposed in 2018 by the Russian Ministry of Finance and supported by Prime Minister (at the time) Dmitry Medvedev would have meant the cancellation of Article 193 and changes to Article 193.1 (its cancellation was later proposed as well). This idea was also developed by the Russian Union of Industrialists and Entrepreneurs already in 2023, explained both by decriminalisation of economic crimes and by the context of a full-scale war against Ukraine which started in February 2022.

Russian importers may also suffer if the articles in question continue to apply. For example, even a

18 Legalisation (laundering) of money or other property acquired by others by criminal means.

19 Legalisation (laundering) of money or other property acquired by a person as a result of a crime committed by him or her.

verified counterparty may not immediately return the money and ask for instalments, which in the eyes of law enforcers may turn into unreturned foreign currency. In addition, [according to Galina Balandina](#), a senior researcher at the RANEPa, sometimes importers postpone the payment deadline and negotiate it in correspondence without fixing it in writing, for which they may face criminal liability. President of the Continent group Stanislav Ten pointed out that entrepreneurs are constantly faced with non-receipt of goods or recalculation of contracts on exchange rate differences, and sometimes they have to do something at a loss, for example, to ask to supply goods that are not needed, or to write other figures into the contract — just so that the transaction does not arouse suspicion of the control authorities.

At the same time, the Bank of Russia and law enforcement agencies are in favour of preserving the validity of the articles discussed in this review, and no specific changes have been introduced during the 5 years since the beginning of public discussions on this topic. However, in the context of [widespread relief measures](#) taken by the Bank of Russia and Rosfinmonitoring in the regulation of foreign trade contracts and international payments, there is a more relaxed approach to assessing foreign trade transactions which would previously have been flagged as suspicious. Now the potential red flags characterising the transactions may be attributed to the increased complexity of supply chains, including for parallel imports. Therefore we can expect to see an increase in illicit trade transactions, including those committed for the purpose of money laundering and under the pretext of legitimate business activity.

Changes in trade beyond 2022

In recent years, changes in Russian foreign trade and illegal international transactions have been caused not only by the shifts in the structure of economic ties. The behaviour of the Russian customs authorities and other state institutions has also changed. Some of these changes are described in the publication of the [independent Russian media VPost](#). The authors conducted 16 in-depth interviews and one focus group with entrepreneurs and employees of enterprises engaged in carrying goods through customs. From these interviews, we learnt that customs posts have a target for customs offences, and that the indicators for meeting the target increase from year to year (failure to meet the indicators leads to significant sanctions against the staff of the customs post). Under the threat of sanctions, customs officials are forced to inflate, rather than understate, the customs value of goods in order to fulfil the customs duty plan.

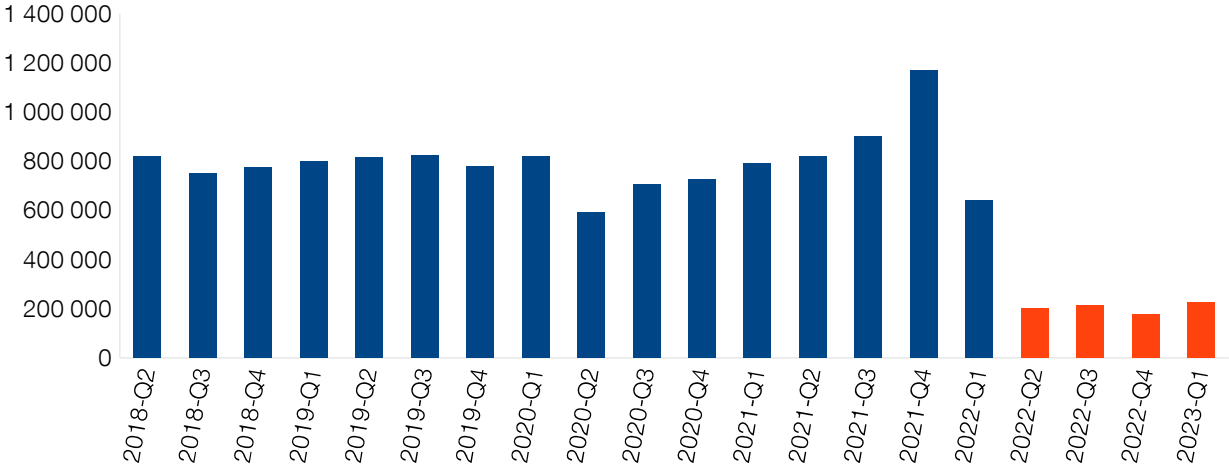
According to the study results, the main corruption problem in customs declaration is not bribery for understating the price but, on the contrary, overstating the price to obtain significant budget revenues from duties. Importers find themselves in a situation where the customs authorities give them two choices: either declare imported goods under a commodity code with a higher duty (hence increasing budget revenues), or preserve the true commodity code stated in the declaration, and face an extended examination. Such an examination can take many months and disrupt intermediaries' delivery dates and plans. Therefore, some importers choose to change the commodity code in the declaration to one with a higher import duty rate. This is especially true for small and medium-sized firms that are not prepared for lengthy litigation with customs. As a result, they change the declarations at customs without notifying the foreign suppliers. In particular, it is precisely because of this practice that we see discrepancies in statistics of trade of specific types of goods between two countries. The exporting party supplied the goods (and believed they were imported into Russia) at a certain price, while the importer declared a different product at Russian customs. According to the idea of the Federal Customs Service of Russia, two positive effects are achieved at once. Firstly, the grassroots corruption at customs is significantly reduced, if not eliminated. Secondly, budget revenues are increased.

If we turn to the data on international trade in goods, there is a sharp decrease in import to Russia from the countries that joined the restrictions and sanctions after 24 February 2022. Of course, this includes the UK. It is also worth noting that Russia has significantly restricted access to its trade statistics since March 2022, and only mirror data from its trading partners is available. The Russian Federal Customs Service has

only returned to publishing trade data in spring of 2023, and this data is also limited, for example, it does not contain structure of trade by country. The data shows that from Q4 2021 to Q4 2022, total exports of goods from the UK to Russia fell by 85%. For a large number of product groups, trade fell to zero, and only 5 commodity groups out of 97 that were traded during the analysed period saw growth after 2022.

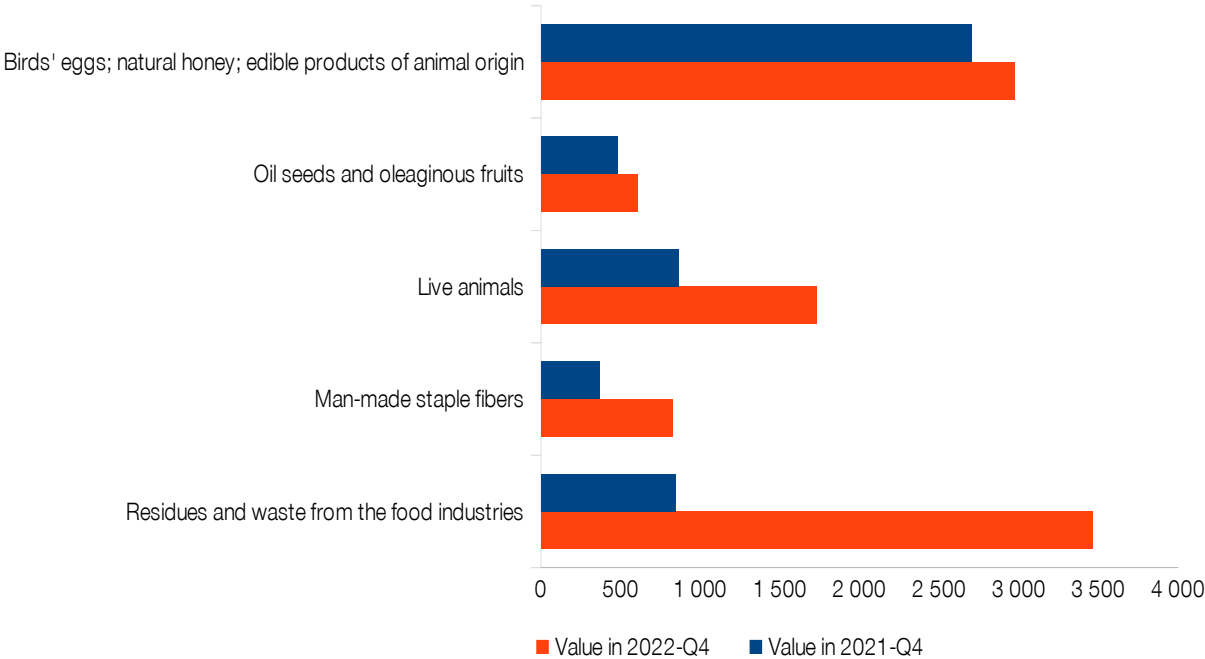
The chart below shows quarterly data on exports of goods at Harmonized System 2 (HS2) level from the UK to Russia.

Figure — UK's exports to Russia, in USD thousands



Source: ITC calculations based on HM Revenue & Customs (HMRC) statistics

Figure — Commodity groups with growth in UK's exports to Russia, USD thousands



Source: ITC calculations based on HM Revenue & Customs (HMRC) statistics

All 5 groups for which there was an increase in trade are the general consumer goods: live animals; oil seeds and oleaginous fruits; birds' eggs; natural honey; edible products of animal origin and some others. The total amount of trade growth is measured in millions of dollars.

Overall, we believe that in the near future illicit economic activity directly related to trade-based money laundering between the UK and Russia will decrease compared to 2013–2019 due to:

- a shift of legal and illegal economic activity by Russian individuals and entities to the Asian region, non-sanctioned countries, and CIS countries where Russia still has significant political and economic influence;
- increasing complexity of illegal international operations due to sanctions from the EU, UK, US and other countries;
- diversion of illegal activity into other [corrupt and lucrative grey areas](#), such as sanctions circumvention, parallel imports, imports of dual-use goods and others.²⁰

At the same time, there are still corruption risks in terms of hiding assets, preventing identification of ultimate beneficiaries and other illicit activities from persons and firms of Russian origin which are located or registered in the UK jurisdiction. These risks remain relevant precisely due to the long and enduring links between the participants of illicit cross-border schemes that have been reflected in this review.

20 Details of the impact of sanctions and the change in trade between Russia and the UK following the Russian invasion of Ukraine in February 2022 can be seen here: <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/articles/theimpactofsanctionsonuktradewithrussia/november2022>



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