

SHRINKING BOTTLENECK FOR THE UK-RUSSIAN ILLICIT TRADE RELATIONS

**THE UNITED KINGDOM HAS ITS FIRST-EVER TRADE
SURPLUS WITH RUSSIA — COULD ILLICIT OPERATIONS
EXPLAIN IT?**

Transparency International Russia is an integral part of the global Transparency International movement, committed to combating corruption and promoting transparency and accountability worldwide. Our efforts include conducting thorough research, publishing detailed reports, and collaborating with various partners to expose and address corruption in all its forms.

Since March 2022, we have been operating in exile due to Russia's repressive regime and stringent war censorship. Despite these significant challenges, we remain unwavering in our dedication to the principles of freedom and openness. We continue to advocate for a future where governments are transparent and accountable, free from corruption and injustice. We believe that, through collective effort, we can build a society where power is exercised with integrity and in the best interest of the people.

Our mission is to combat corruption and uphold the values of transparency, accountability, integrity, and honesty. We aspire to create a world free of corruption, and together, we will achieve this goal.

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LIST OF ABBREVIATIONS

- **BAFT** — Bankers Association for Finance and Trade
- **BVI** — British Virgin Islands
- **CJSC** — Closed joint-stock company
- **EAEU** — The Eurasian Economic Union
- **EBRD** — The European Bank for Reconstruction and Development
- **EU** — The European Union
- **FATF** — Financial Action Task Force
- **GFI** — Global Financial Integrity
- **HS** — Harmonised system
- **JSC** — Joint-stock company
- **LLC** — Limited liability company
- **LLP** — Limited liability partnership
- **LP** — Limited partnership
- **PSCs** — Persons with significant control
- **RUB** — Russian ruble
- **SBML** — Service-based money laundering
- **SLP** — Scottish limited partnership
- **TBML** — Trade-based money laundering
- **TIN** — Tax identification number

KEY FINDINGS:



Since the end of 2022, when the United Kingdom for the first time in decades had a net trade surplus with the Russian Federation — its exports to Russia began to exceed imports, although in relatively small amounts compared to previous years.

The total volume of trade flows between Russia and the UK has fallen by more than 80% since the beginning of 2022, at the same time the risks associated with sanctions restrictions for Russian residents wishing to conduct illicit financial transactions through the UK have increased significantly.



British ports are still actively used by Russian buyers as a point of departure for cargo, including for those Russian firms subsequently subject to sanctions restrictions.

Firms with mass registrars and officers addresses in London and Edinburgh are also used for trade deliveries to Russia. At the same time, the firms have among their general and limited partners persons involved in previous money laundering schemes.



In 2022-2023, we identified suspicious trade transactions by Russian firms through the British Overseas Territories, in particular the Cayman Islands and British Virgin Islands. These included both trade in marine vessels, high distillates, and dual-use commodities.

In the context of the current shrinking bottleneck situation for the UK-Russian economics relations, we suggest that intermediaries involved and continuing to be involved in facilitating illicit trade operations between Russia and the UK can now operate in a one-stop shop: deliveries of dual-use goods, money laundering, and other illicit financial flows as well as ordinary economic activities.



1. INTRODUCTION

Background

Our previous report showed that between 2013 and 2022, at least 20 billion roubles (or £150 million) had been withdrawn from Russia through firms registered in the United Kingdom using trade-based money laundering (TBML) and service-based money laundering schemes (SBML). This is approximately 10% of the total amount of funds illegally withdrawn through trade from the Russian Federation over this ten-year period¹.

Now, we can state that TBML flows in their previously known form are dying in Russia. This, in our view, has happened in a two-way format. Firstly, the Bank of Russia introduced multiple changes in terms of international trade operations following Russia's full-scale invasion of Ukraine

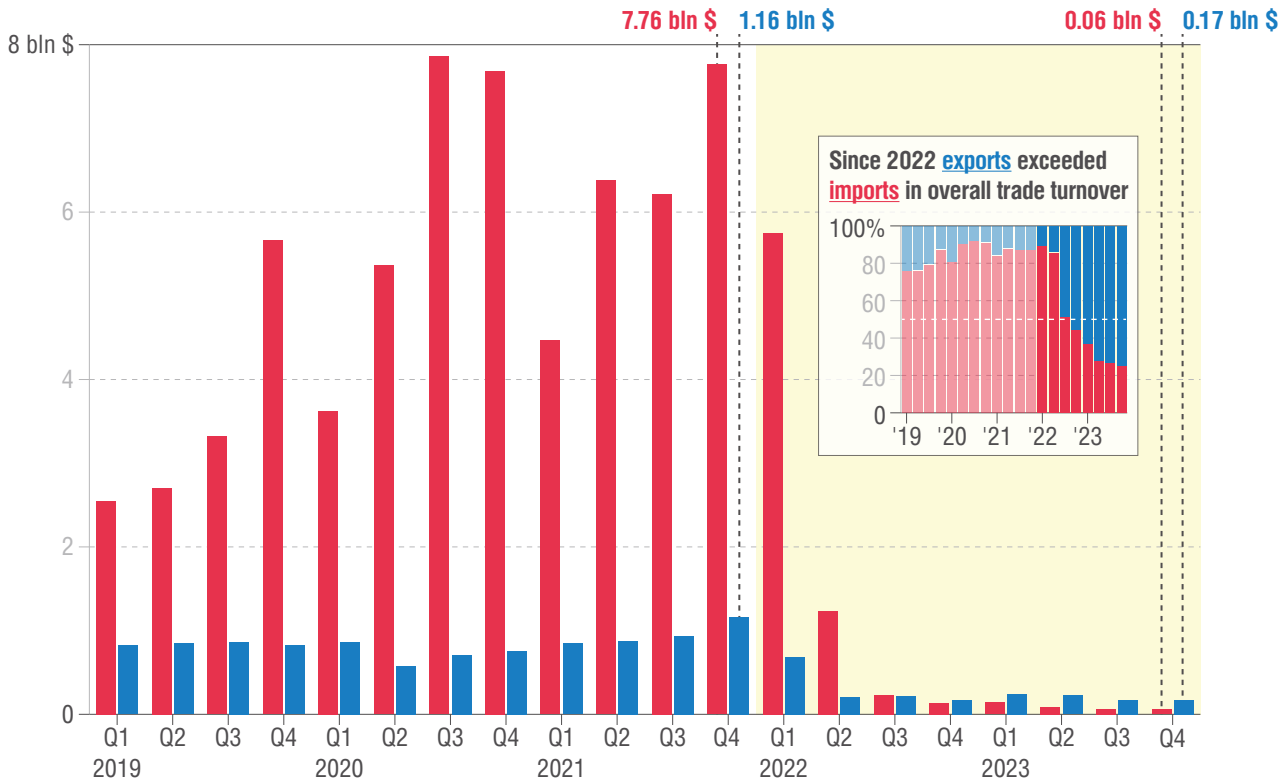
in February 2022 and the subsequent international economic restrictions in terms of economic relationships with Russia. Secondly, at the same time there has been a dramatic decline in bilateral trade between the Russian Federation and the United Kingdom.

As an illustrative example, imports of goods from Russia have fallen to £18 million in November 2022, a decrease of 98% compared with the monthly average from the 12 months to February 2022, and exports of goods to Russia decreased to £57 million, a fall of 77%².

The figure below provides quarterly data for UK imports and exports to Russia from 2019 to the end of 2023:

United Kingdom's trade with Russian Federation by quarter

Import and **Export**, US Dollar



Source: TradeMap, authors calculations

¹ <https://ti-russia.org/en/wp-content/uploads/sites/2/2023/12/ten-years-of-uk-russian-tbml.pdf>

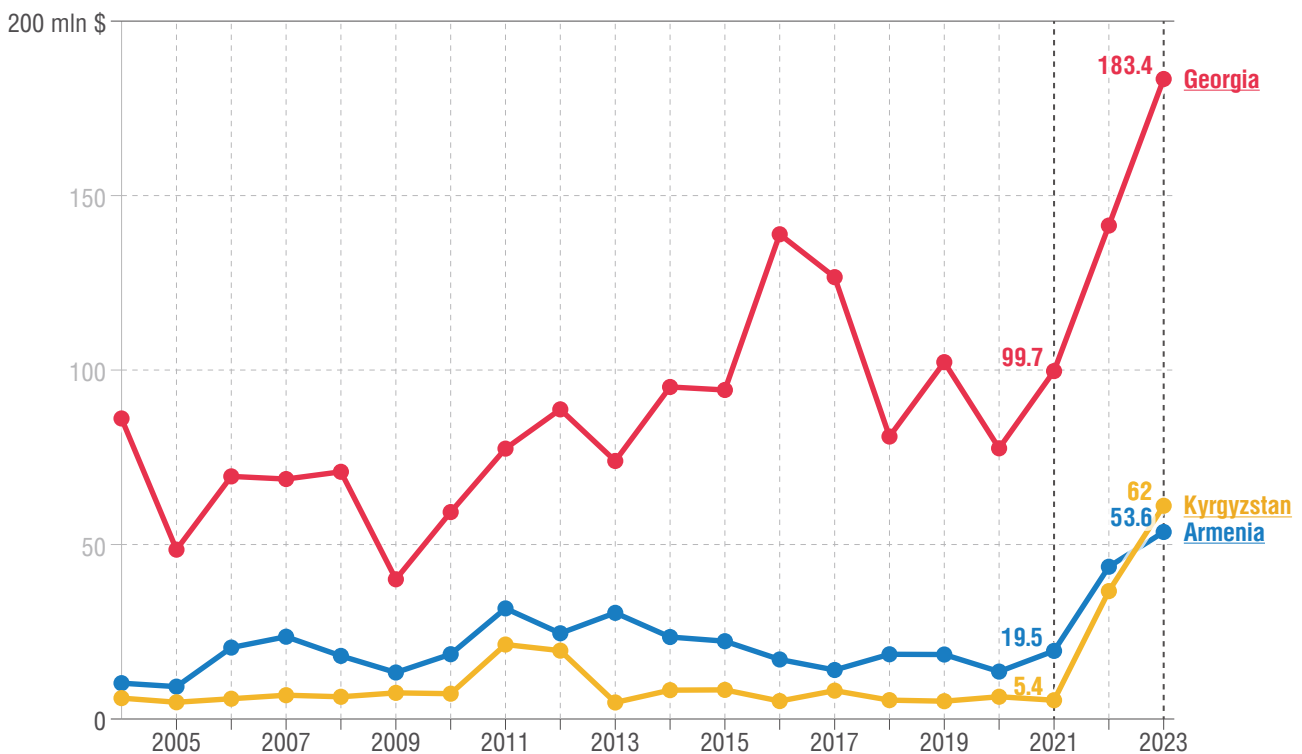
² <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments/>

The data show that bilateral trade between Russia and the UK has fallen by more than tenfold since the second quarter of 2022. And since the end of 2022, when the UK even had a trade surplus, its exports to Russia began to exceed imports, although in relatively small amounts.

However, we do note meaningful patterns in suspicious trading activities. On the surface, of course, it is the spillover

of trade routes to third countries. These countries border the Russian Federation and/or have not joined the Western sanctions regimes. Over the last two years, many authors have shown this shift in trade flows, and below we present the most striking examples among three countries that share a border with Russia or are in a trade union with it (EAEU): Armenia, Georgia and Kyrgyz Republic.

Selected significant changes to the United Kingdom's exports since the beginning of 2022 by countries



Source: TradeMap, authors calculations

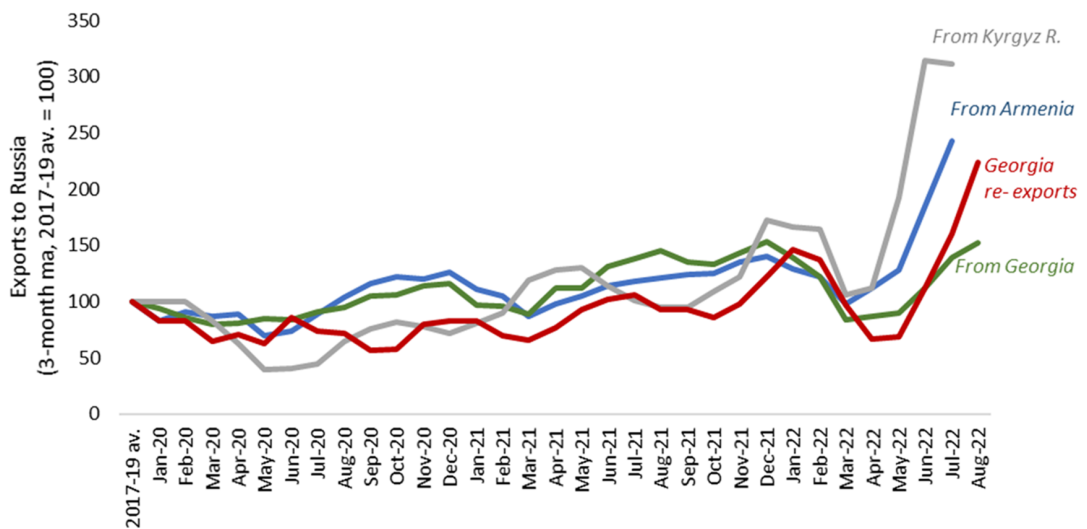
These observations on the United Kingdom are also confirmed by academic studies on Russian international trade after 2022. For example, authors from the EBRD show that a substantial change in regional trade patterns was precipitated by the Russian invasion of Ukraine and the subsequent introduction of trade sanctions on Russia³. It provides evidence suggestive of intermediated trade via neighbouring economies being used to circumvent the sanctions.

The analysis, based on HS6 product-level data on bilateral monthly exports, shows a sharp drop in direct exports from the EU to Russia following the introduction of sanctions in March 2022. At the same time, an increase in the EU exports to Armenia, Kazakhstan, and the Kyrgyz Republic is observed. Both patterns are particularly pronounced for product groups partially or fully subject to the EU sanctions as well as goods that are similar to the sanctioned ones.

³ Chupilkin, Maxim, Beata Javorcik, and Alexander Plekhanov. "The Eurasian roundabout: Trade flows into Russia through the Caucasus and Central Asia." (2023)

Exports to Russia from Kyrgyz Republic, Armenia and Georgia have increased substantially

Chupilkin et al. (2023)



Note: Based on trade reported by exporters. Trade in nominal US dollars is adjusted for US tinflation
Sources: Authors' calculations

CONTEXT

At the time of publication of this material, we already understand that this substitution of trade routes and the involvement of third countries is due to parallel imports, smuggling, and circumvention of the sanctions regime used by Russian state-owned and private firms. And also, in general, the usual economic reasons that are not illicit — replacement of risky intermediaries with less risky ones and replacement of a variety of consumer goods in favour of lower quality and simplified logistics.

But we know, for example, that shipments of spare parts for the aviation industry and aircraft still occur through the UAE, China, Turkey, and even EU countries. The Lancet military drones (their parts are also

manufactured in the USA) end up in Russia through a complex chain via, again, European countries, Turkey, and the EAEU⁴.

Bellingcat examined trade shipments between the UK and Russia from 24 February 2022 to 31 March 2023 through the UK Limited Partnerships⁵. And found that these Limited Partnerships acted as intermediaries for over 17 000 imports. And 3 211 exports into Russia contained items included in the “universe of critical components”⁶, and more than 600 of the shipments concern items flagged by the EU and its partners as “High Priority” battlefield components, potentially dual-use and sanctioned items.

4 <https://www.swissinfo.ch/eng/business/russia-s-killer-drones-still-boast-swiss-components-how-come/48940138>

5 <https://www.bellingcat.com/news/2023/11/03/frontline-facilitators-how-secretive-uk-partnerships-supply-wartime-russia/>

6 A Term the International Working Group on Russian Sanctions uses to define components found on the battlefield.

On 7 May 2024, The Royal United Services Institute for Defence and Security Studies issued a brief that considers common mechanisms by which professional service providers facilitate sanctions evasion. They point out that “fundamental policy and practice gaps continue to allow enablers to help their clients improperly protect their assets and interests from sanctions”⁷.

In fact, this has been going on and emphasised ever since the investigation of “The Azerbaijani Laundromat” and other laundromats. Laundering schemes, intermediaries, and gaps in legislation and enforcement are inextricably linked. It happens that the same types of firms, the same agents, and even the same bank accounts turn up in anti-money laundering investigations many years later⁸.

METHOD

To frame this report, we applied the Financial Action Task Force (FATF) and Global Financial Integrity (GFI) methodology on red flag indicators and risk-based approach for:

1. TBML. Specifically, these are the works of: BAFT, Combatting Trade-Based Money Laundering: Rethinking the Approach, (2017)¹⁰ ;
2. ATF/Egmont, Trade-based Money Laundering: Trends and

In the summer of 2023, Russian media The Insider’s investigative team published a piece showing the entire smuggling network revealed the FSB and SVR (Sluzhba Vneshnei Razvedki and The Russian Foreign Intelligence Service) military units involved in acquiring the equipment by analysing open-source Russian government data, customs operations, and government contracts⁹. British Limited Liability Partnerships (LLPs) were also involved in this network, and it is through such examples that it can be seen that even in a situation of a shrinking bottleneck for international economic relations with Russia, **intermediaries find ways and opportunities to both supply dual-use commodities and vulnerabilities to launder money.** Possible ways for this to happen between the United Kingdom and Russia in the present moment we have tried to cover in this report.

- Developments, (2020)¹¹ ;
3. FATF/Egmont, Trade-Based Money Laundering: Risk Indicators, (2021)¹² ;
4. GFI, Trade-Based Money Laundering: A Global Challenge, (2023)¹³ .

And also based on the accumulated experience of investigative journalists and our expertise in this field.

We verified and collected information using the ImportGenius platform¹⁴. General international trade data was obtained from

7 <https://www.rusi.org/explore-our-research/publications/policy-briefs/disabling-enablers-sanctions-circumvention>

8 <https://www.occrp.org/en/azerbajjanilaundromat/>

9 <https://theins.press/en/politics/263930>

10 https://www.amlc.nl/wp-content/uploads/2018/11/baft17_tml_paper.pdf

11 <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-trends-and-developments.html>

12 <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-indicators.html>

13 <https://gfintegrity.org/report/trade-based-money-laundering-a-global-challenge/>

14 <https://www.importgenius.com/>

the International Trade Centre — TradeMap¹⁵. UK statistics¹⁶ are compiled from UK Trade Info¹⁷ and Office of National Statistics materials.

Besides that, we analysed more than 300 000 international trade transactions involving Russia and the UK from the beginning of 2022 to the end of 2023. Approximately 140 000 of these transactions were transactions in which the UK was the originating country and approximately 22,000 were transactions in which the UK was the destination country. To categorise and filter these transactions, we used a large amount of previously published materials, our knowledge of counterparties, and expertise from Transparency International UK.

In the initial stages of preparing this material, we wanted to use the Trade Misinvoicing detection methodology to identify and uncover money laundering schemes. This approach has proven to be robust and, for example, the Financial Times has used it to demonstrate grey shipments of goods from the European Union to countries that border Russia¹⁸. Previously, we identified Trade Misinvoicing patterns by identifying discrepancies in trade between the UK and Russia, but in the spring of 2022, Russia stopped publishing detailed foreign trade statistics¹⁹. This means there is only data on one side (and we also have to work with mirrored data), which makes such analyses impossible.

To answer the question, “*The United Kingdom has its first-ever trade surplus with Russia — could it be explained by illicit operations?*” we have also examined all the commodity groups for which there has been an increase in exports from the UK to the Russian Federation following the full-scale invasion of Ukraine in February 2022, as well as atypical anomalies or one-off large shipments.

The major part of current exports from the UK to the Russian Federation is medicines, which account for more than half of the total export structure. In particular, this is HS300490 — *medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes*.

Among the very small number of goods for which there has been an increase in exports from the UK since 2022 (excluding medicines) are consumer goods and HS843390 — *parts of harvesting and threshing machinery*. Also, in Q2 2022, there was an abnormal growth (700 times more), in the HS853810 — *boards, panels, consoles, desks, cabinets* group — after which trading in it stopped completely. Other major commodity groups that have seen growth in UK exports can be seen in the figure below.

¹⁵ <https://www.trademap.org/>

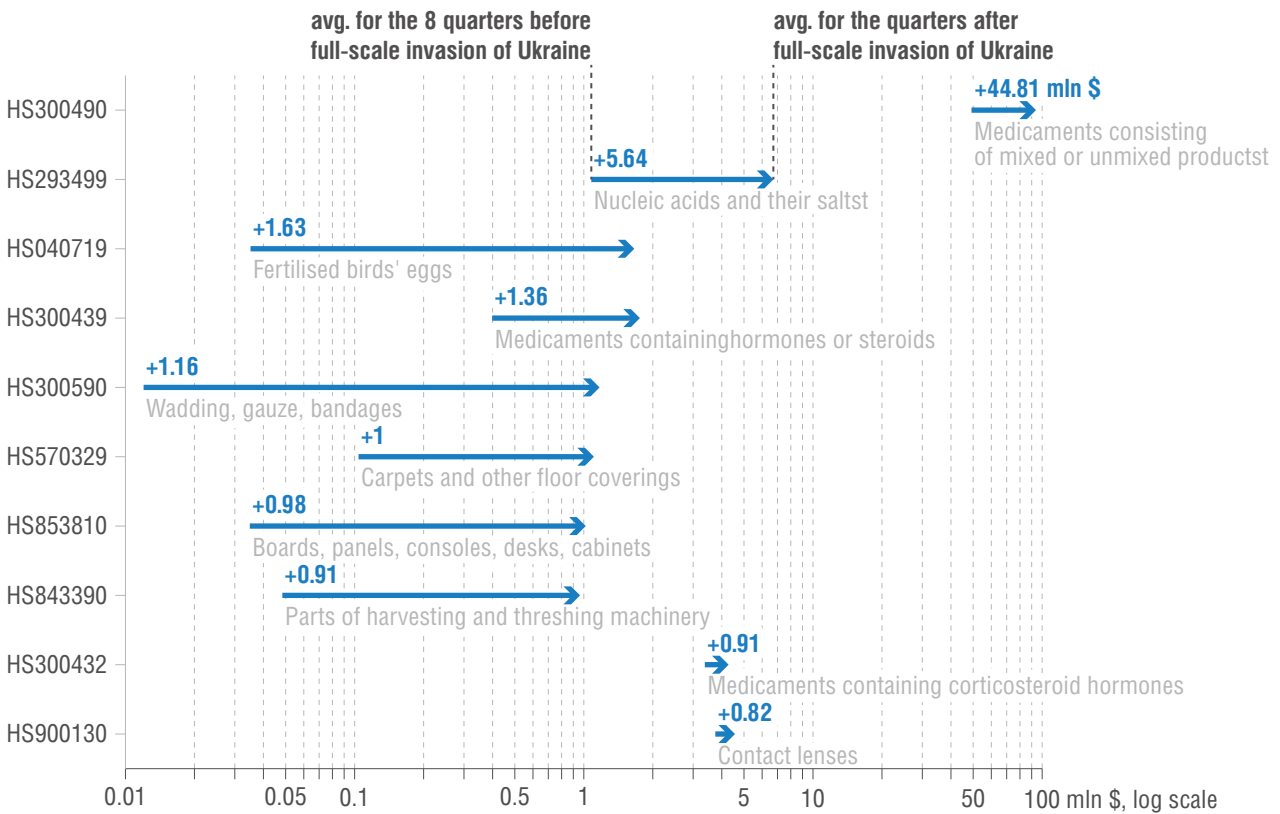
¹⁶ <https://www.uktradeinfo.com>

¹⁷ <https://www.ons.gov.uk/economy/nationalaccounts/balanceofpayments>

¹⁸ <https://www.ft.com/content/1cef6628-32eb-49c9-a7f1-2aef9bce4239>

¹⁹ <https://www.reuters.com/article/business/russia-suspends-publication-of-import-export-data-to-avoid-speculation-idUSKCN2MD1T6/>

Top-10 commodity groups in which exports from the UK to Russia have grown



Source: TradeMap, authors calculations

We found no direct evidence of illicit trade flows in the operation of main commodity groups in which exports from the UK to Russia have grown on average for the eight quarters before and after the full-scale invasion of Ukraine. However, we think there is room for future research for those commodity groups for which the UK has suddenly become or will become a supplier to Russia.

This report also analysed commodities exports from the Russian Federation where the destination country was the UK, as well as supplies to the British Overseas Territories. You can see a description of

these cases in the Patterns section. Using the methodologies described above for red flag indicators and a risk-based approach to trading operations, we have identified certain descriptive [cases](#) and [patterns](#) in current bilateral trade relationships between Russian and British firms, including third parties (trading partners, countries of origin, and places of departure/arrival of commodities).

We sent requests for comments to all Russian firms mentioned in this material, but at the time of publication we had not received a response from any of them.

2. RED FLAGS AND RISK-BASED APPROACH

Falsely describing goods and services

Falsely describing products involves misrepresenting the quality or type of goods or services to manipulate the transaction value; for example, shipping a high-quality good, but listing a lower-quality product on the invoice and customs documents to reduce the tax obligation²⁰. We also included incorrect or incomplete names of the traded product, lack of description, or mentioned something that is not explained by the activity of the company.

Russian firm LLC Import-Detail (TIN 3662992828) in 2023 purchased from an England firm located in Snodland almost **two thousand goods with the same name**: “spare parts for previously imported agricultural machinery” for a total amount of about £3 million. It is noteworthy that although all the two thousand goods have the same name in the declaration **they have different HS codes**. Import-Detail is also known to buy the same “spare parts for previously imported agricultural machinery” pieces (under the same product description)

from a lot of countries and territories, such as Afghanistan, the EU, U.S. Virgin Islands, Mali and others.

In 2022-2023, a Scottish Limited Partnership (LP) received nearly roubles 40 million worth of bitumen-polymer resin and mastic from the Russian LLC Khimpromsnab (TIN 7805634323). However, in 2018, the same delivery involving the same firms was held under the Russian criminal article on smuggling²¹. It was found that the resin in the tanker was no more than 10%, and the rest of the cargo was fuel oil. In other words, there was a classic attempt at smuggling by mixing a small share of the declared product with the bulk of the dummy product, which costs many times cheaper. In 2023, such a delivery was successful. It is also worth noting that among the partners, this Scottish LP has at various times been well-known laundromat intermediaries²² — Laneks Services LTD, Akron Resources Corp, Brennan Development Inc., Redshift Prism corp, NIS Global Corp.

ROUNDED PRICE OR WEIGHT VALUES

Rounded large prices or weights of declared goods are classic, simple, and outdated red flag indicators of illicit trade operations. For example, the price

or weight of the goods in the declaration ends with several zeros in a row²³. We also include here cases with consecutive missing important data

²⁰ <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-trends-and-developments.html>

²¹ <https://www.fontanka.ru/2018/09/27/146/?feed>

²² <https://www.theguardian.com/world/2017/sep/04/the-scottish-firms-that-let-money-flow-from-azerbaijan-to-the-uk>

²³ <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-indicators.html>

in the trade declaration and pay attention to this signal.

In 2022, LLC Domodedovo Fuel Facilities (TIN 5009097236) made 25 export shipments to the UK worth more than 11 billion roubles or more than £150 million. Only two types of goods were supplied: “jet fuel for refuelling civil aviation aircraft” and “protective drying fluid”. All deliveries are at a rounded price, e.g., 7 deliveries for \$15 000 000 each and the weight in these deliveries was also

15 000 000 kilograms for each. In 2023, there were at least 74 such deliveries to different countries for 50 billion roubles (approximately £450 million), but already without the UK firm’s participation.

In 2023, Russian LLC Kontur (TIN 3664224130) purchased through Belarus (LLC Teleloader) used self-propelled loaders always for a rounded price — for ~£270 000 in total in that year. At the same time, the country of dispatch and origin is always Great Britain.

HIGH-RISK COMMODITIES

Publication FATF/Egmont Trade-based Money Laundering: Trends and Developments (2020)²⁴ contains descriptions of certain economic sectors and products vulnerable to TBML activity. For example, goods with wide pricing margins or goods that are difficult for customs authorities to examine. These include jewellery, spare parts, agricultural products, and electronics. Some of these vulnerable goods continue to move between the UK and Russia through suspicious patterns.

For example, we found that LP from Scotland supplies Russia with various machinery, lasers, and semiconductors. Deliveries take place via Estonia and Belarus. The final Russian customer, LLC Santross (TIN 7703469600), is a major supplier to the Ministry of Internal Affairs and an active participant in government procurement²⁵. In this cooperation, it is worth mentioning two more aspects. Firstly, Santross supplies commodities of group HS844399 — spare parts for laser printers. Secondly, the described Scottish LP exporter mainly specialises in the supply of whisky and other alcoholic beverages to Russia. At the same time, among

supplying tech products the manufacturers are the well-known HP Hewlett Packard, Kanon, Xerox, and Samsung Electronics.

We also see deliveries of two aircraft engines HS841122 from a Scottish firm to Russian LLC Advanced Aviation Technologis (TIN 7810568980) via Hungary in May 2023. It is also curious that over 200 other firms are registered at the same address as this Scottish export firm: 9a Tinto Place, Edinburgh, United Kingdom, EH6 5GD. For the years 2022-2023 alone, we were able to detect 5 488 deliveries from firms registered at this address to Russia.

At least one shipment from Dunfermline, Scotland in February 2023 is known to have been made to Russian LLC Vneshekostil (TIN 7724362880). The trading party was China and digital data processing units manufactured by IBM worth \$1 448 020 (or £1 205 377) were delivered to Russia. Six months after this delivery, the U.S. Department of the Treasury included LLC Vneshekostil in the SDN list²⁶. It is known that it was due to the supplies of computer equipment to Russia Vneshekostil’s revenue increased by 1 000% in 2022²⁷.

²⁴ <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-trends-and-developments.html>

²⁵ <https://tenderscope.org/contractsex.php?oid=575155>

²⁶ <https://ofac.treasury.gov/recent-actions/20230914>

²⁷ <https://verstka.media/rassledovanie-kak-v-rossiyu-popadayut-lyubye-sankcionnie-tovary>

Recipients of supplies from the UK side can be not only firms but also individuals. For example, in the summer of 2023, yacht the Rebecca — Princess 58

from the Welsh firm was shipped to a Russian individual entrepreneur (private person) from Vladivostok. The dispatch was from the Republic of Korea.

Photo of the yacht Rebecca Princess 58



Source: <https://www.marinetraffic.com/en/ais/details/ships/shipid:707732/mmsi:341679000/imo:0/vessel:REBECCA>

3. PATTERNS

Old illicit networks

As noted above, firms, intermediaries, persons with significant control (PSCs), and even the same commodities that have already appeared in investigations and court judgments continue to surface when analysing the risks of money laundering and other illicit flows through trade transactions.

For example, we identified that Russia is supplying anthracite (HS270111) produced by Luhansk People's Republic²⁸ RTK Vostokugol State Unitary Enterprise

through the still-operational Scottish LP. The final destination point for these deliveries is Bulgaria. But the main red flag pointer here is the general partner²⁹ of that Scottish LP — Poramto Group Inc. (Belize). Poramto, as we know from the investigation by Bellingcat, was involved in the creation and control of hundreds more UK LLPs³⁰.

Also, Scottish LPs, whose intermediaries have previously been implicated in corruption schemes, have been seen

²⁸ Occupied parts of eastern Ukraine's Luhansk Oblast.

²⁹ Together with a limited partner — Admiral Group Corporation.

³⁰ <https://www.bellingcat.com/news/uk-and-europe/2019/10/01/smash-and-grab-the-uks-money-laundering-machine/>

trading whisky and other alcohol with Russia. These are two shell companies from the Seychelles, Monter Impex and Solter Management³¹. Previously labelled as Valton Group's official partners, Scottish Valton Group was part of a big offshore investigation several years ago. In 2023, such a Scottish firm supplied wine products to Russia to the value of about £4 million.

Another London firm registered at a mass address 2nd Floor, College House, 17 King Edwards Road, London, HA4 7AE and having among its partners participants of the money laundering investigations (Tallberg LTD, Monohold A.G. and Intrahold A.G.)³² continues to import pipes, buckets,

SELF-SUPPLY

This indicator suggests that an international trade transaction was conducted between two firms with the same ultimate beneficial owner. This, in our view, creates significant risks for manipulation and vulnerability for the price, volumes and creates conditions for the replacement of the commodities being shipped.

Coincidentally, the following is about JSC Kontur (TIN 7801091041, not to be confused with the aforementioned LLC Kontur). This Russian firm supplies plywood to a British firm from Doncaster. The British firm is controlled by the same person who previously managed the Russian JSC Kontur. Deliveries were made until the end of 2022, ceased in 2023, but have been moved to Uzbekistan and other countries. In 2022 alone, 285 million roubles

rocker arms and other equipment from a number of Russian companies. The final destination countries for these imports are the UK itself and Bosnia and Herzegovina.

A British LLP, registered in Liverpool, purchases from Russian LLC Bohema (TIN 9728003028) potassium carbonate for the glass industry. Always at the same price and the same volume, 50 import operations in 2022, for around 70 million roubles in total in that year (~£825 000). A person with significant control in that firm — the Paradise Papers³³ figure. This LLP, at the same time, sends to Russia various products made of glass: crockery and vessels, and has empty accounts on Companies House.

(~£4 million) worth of identical plywood products were shipped from the Russian to the British firm in this way.

Lab Innovations LP³⁴ changed its name to its number — SL030758 LP. In doing so, it procured commodities named simply as “mechanical devices with individual functions” from the Russian firm LLC Neolab (TIN 7704642007) via the Maldives in 2023. The founder of LLC Neolab is the same person as the PSC of Lab Innovations LP. The former partners of Lab Innovations LP are offshore companies Redshift Prism Corp³⁵. and Brennan Development Inc³⁶.

One of the Scottish LP and its intermediaries have been previously mentioned in our material Ten Years of UK-Russian Trade-Based Money

31 <https://www.heraldscotland.com/news/15327791.assets-scots-shell-firms-affiliate-embroiled-corruption-scandal-frozen-ukraine/>

32 <https://www.occrp.org/en/daily/9401-swedbank-s-shady-business-in-estonia>

33 <https://offshoreleaks.icij.org/nodes/56090130>

34 <https://find-and-update.company-information.service.gov.uk/company/SL030758>

35 <https://offshoreleaks.icij.org/nodes/240121196>

36 <https://www.bellingcat.com/app/uploads/2019/09/Smash-and-Grab-The-UKs-Money-Laundering-Machine.pdf>

Laundering (2023)³⁷, but it is worth emphasising separately here. This SLP firm is registered (since 2020) at the same mass registration address mentioned above: *9a Tinto Place, Edinburgh, United Kingdom, EH6 5GD*. Among its partners is Ms-Proxy Services Ltd, an intermediary in laundering through trade for “Samara” organised crime group through Latvian bank. And at the same time, Ms-Proxy Services Ltd³⁸ is the founder of Gleyline Logistics LP³⁹ which has the same PSC as the described Scottish LP. And this SLP still operates and makes a large number of deliveries to Russia, just for connected

to its PSC firms. For at least 10 years it has actively supplied commodities through Latvia to Russia and continues to do so now. In 2023, there were 611 deliveries to Russia, almost all of them — saunas and spare parts for saunas.

Additionally, in conducting our research, we found and would like to point out — if you have data in which the declarant is indicated (surname, or full name), it can greatly simplify the search and check for red flags. Often this person is the director, the owner or the participant of the importing firm.

ROUTED THROUGH MULTIPLE COUNTRIES & RISK COUNTRIES

Anti-money laundering institutions, such as FATF and Egmont Group have consistently drawn attention to the vulnerability of a large number of unconnected countries within a single shipment, as well as countries with a high laundering risk⁴⁰. After February 2022, Russian international trade, as illustrated above, has significantly changed and redirected its flows, adding a wide variety of intermediary countries. Including those on the list of countries with a high risk of money laundering.

In December of 2023, Limited Partnership from Edinburgh shipped to Russian Federal State Unitary Enterprise Morsviazsputnik more than 100 pieces of equipment for transmitting and receiving voice, images

and other data — HS851769. We also noticed that Morsviazsputnik purchased the same equipment from a Turkish firm in the same year and the dispatches originated from Norfolk. Surprisingly, Iraq is listed as the trading party⁴¹ in this shipment. Also in 2023, Russian LLC Bring IT (TIN 7842323887) imported hundreds of storage servers with shipment from Heywood. All transactions are in Chinese Yuan, and the trading territories are Turkey and Hong Kong.

Critical equipment manufactured in the UK is also being shipped from Suffolk, UK, for Russia’s LLC Valadar (TIN 7723390612), for 32 million roubles (~£285 000) in 2023. It should be noted that Valadar was previously a supplier to the Russian Federal State Institution “Military Unit 95006”.

³⁷ <https://ti-russia.org/en/2023/12/18/ten-years-of-uk-russian-trade-based-money-laundering-a-collection-of-long-stories/>

³⁸ <https://find-and-update.company-information.service.gov.uk/officers/gAm8zbuZCvVNVKKiP09hm6PIFdk/appointments>

³⁹ <https://find-and-update.company-information.service.gov.uk/company/SL018738/filing-history>

⁴⁰ <https://www.fatf-gafi.org/en/publications/Methodsandtrends/Trade-based-money-laundering-indicators.html>

⁴¹ The country where the legal or natural person who sold or bought the goods is registered (permanently resides): https://www.consultant.ru/document/cons_doc_LAW_101257/8a8d6a19520c13bf5d62d306623efef92f3e14ee/

Spare parts for the aviation industry are also shipped from the UK to Russia, for example, “S 7 Engineering” LLC (TIN 5009049835) buys equipment for civil aviation (HS401130 and others) for about 100 million rubles

through Saudi Arabia, Kyrgyzstan and UAE in 2023. All these deliveries were made from different points in the UK, such as Ashford, Birmingham, Fordingbridge, Watford, and others.

EXPLOITATION OF THE UK OVERSEAS TERRITORIES

Over the period analysed (2022-2023), we have looked at the pattern of goods supplied from Russia that were and are of particular importance to the UK. Such supplies often take place via the British Overseas Territories.

JSC Arktimor Neftegaz Razvedka purchased the Nevskaya (previous name “ENSCO 101”) floating drilling rover for around 2 billion roubles (~£18 million) in June 2023 through Ensco Offshore International Company, Cayman Islands. Point of delivery — Dundee.

Photo of the Nevskaya (previous name “ENSCO 101”) floating drilling rover:



Source: https://www.marinetraffic.com/en/ais/details/ships/shipid:752981/mmsi:273293870/imo:8764779/vessel:ENSCO_101

In 2022 and 2023 we see active shipments of high distillates and gasoiles from Gazpromneft Marine Bunker to the Cayman Islands. At the same time, there are **active and large exports of lead** from various Russian firms for one Sybex Alliance LTD, registered in the Cayman Islands.

In the same period, there were shipments from the British Virgin Islands to Russia of such goods as telephones, furniture, as well as several yachts. And, of course, **supplies of dual-use commodities — integrated electronic monolithic circuits.**

SPECIAL EXAMPLE

Russian LLC AS-Tanker (TIN 7714931150) at the end of 2022 delivered to a London firm, and **in fact to itself**, a Palflot-5 (Палфлот-5) self-propelled oil tanker for exactly 15 000 000 roubles (~£117 700). All other related export shipments from this Russian AS-Tanker are **rounded up in terms of price and weight**, and destination countries are the Bahamas, Turkey and the UK. The executives of the Russian LLC are the same as those of the British firm. The director and members of the Russian exporter's firm are business partners of the founder of the UK importer's firm.

Monolithic integrated circuits, electronic modules and antenna parts are actively imported into Russia through the British Virgin Islands, namely through one of the firms registered at P. O. Box 957, Offshore Incorporations Centre, Road Town, Tortola⁴², in 2023. For example, products of Texas Instruments, Vishay and others. At the same time, all transactions are made in Chinese Yuan. For example, in 2023 Russian LLC Element (TIN 9715429355) purchased more than 4,5 million Yuan worth of commodities from this BVI firm.

In 2022, AS-Tanker supplied gas oils and other fuels to the same London firm. Again, value and weight in those shipments were also rounded up.

And the final point of delivery was the Bahamas. The deliveries themselves were carried out via Russian-controlled Kerch (**Crimea**).

In 2023, another sea vessel “Yamal” was delivered by AS-Tanker to a firm from the Marshall Islands registered at the address of **mass registration** — Trust Company Complex Ajeltake Road Ajeltake Island, Majuro Marshall Islands MH 969600⁴³.



Source: <https://fleetphoto.ru/photo/119239/>

42 See <https://offshoreleaks.icij.org/nodes/236312>.

43 <https://offshoreleaks.icij.org/nodes/287331>

4. CONCLUSIONS

Illicit trade operations with Russia are becoming more and more scarce, and there are fewer and fewer intermediaries who take on such risks. Third countries are actively used to cover their tracks. As we showed in the Patterns section, some participants in trade operations have previously been the subject of various smuggling and money laundering investigations and continue their work personally or through partners.

We cannot confidently conclude whether the changing pattern of trade structure between the UK and the Russian Federation is primarily due to illicit financial flows. However, we have seen a significant number of signals of suspicious trade transactions with Russian partners. These include:

- atypical economic activity for exporters;
- the use of firms with mass registration addresses and partner-figures of laundering schemes;
- trade between two firms with the same ultimate beneficiary;
- ambiguities in customs declarations (rounded amounts and overly general descriptions of traded goods).

There is an even greater burden on UK regulators to vet counterparties — for more regulatory reasons and because of limited co-operation with the Russian side. There is a demand and need for greater and deeper transparency

and publicity of trade data by UK customs regulations. Regulators should look closely at the banking operations of organisations engaged in foreign trade with Russia. In addition, intermediaries in trade transactions can change quite quickly, unlike the requirements for banks and the requirements for goods manufacturers to verify counterparties and intermediaries.

We draw attention to the importance of taking into account general and limited partners who have been previously identified in trade-based money laundering schemes. Firms that have previously or currently have these same partners should be the focus of attention, as well as the registration addresses of these firms.

Moreover, in our opinion, some of the money laundering activity that previously may have been carried out through shell trading is now taking place through using crypto-payments and exploiting loopholes in the operation of e-payments platforms⁴⁴.

Based on our analysis and the information presented above, both in the general context of current economic relations between Russia and the UK and in individual trade cases, we conclude that since the start of Russia's full-scale invasion of Ukraine in 2022, trade intermediaries in illicit transactions **may have become a one-stop shop** — to help launder money through trade and to participate in the supply of dual-use goods. Of course, it is under the guise of normal legal economic activities.

⁴⁴ <https://ti-russia.org/en/2024/08/09/unraveling-the-web/>



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