

# The Russian Laundromat and Blackpool Football Club

Andrew Rosthorn

The Laundromat is a 20 billion dollar offshore money laundering racket exposed last month by the Sarajevo-based Organized Crime and Corruption Reporting Project (OCCRP). Its deepest secrets are still hidden in the British Virgin Islands, where fewer than 25,000 residents of fifteen tropical islands host the registered offices of 800,000 offshore companies.

Researchers in the multinational OCCRP network have been tracking bankers who act as money launderers when they move the proceeds of both legal and illegal commerce – along with the profits of political corruption and tax evasion – out of Russia and Eastern Europe and into remote tax havens.

Between January 2011 and October 2014, the illegal network, known for years to bankers and businessmen in the former Soviet Union as The Laundromat,<sup>1</sup> moved 20.8 billion dollars through Latvia and Moldova by false accounting, from nineteen Russian banks, into the accounts of 5,140 companies at 732 banks in 96 countries.

In March 2017 OCCRP released details to 32 participating newspapers and news services worldwide. The *Süddeutsche Zeitung* in Munich immediately revealed that Deutsche Bank, the only remaining clearer of Latvian dollars with a US base, had processed 24 million US dollars for firms in the Laundromat scheme.

Deutsche Bank's own analysis in 2015 had suggested that

'There is strong evidence that a good chunk of the UK's £133 billion of hidden capital inflows is related to Russia.'<sup>2</sup>

Lucy Fitzgeorge-Parker<sup>3</sup> of *Euromoney* described the part played by Latvian bankers:

'... fictitious debts between UK shell companies were guaranteed by Russian entities, enforced by rigged Moldovan courts and then

---

<sup>1</sup> <<https://www.reportingproject.net/therussianlaundromat/>>

<sup>2</sup> <<http://tinyurl.com/j7ev3dw>> or <<https://www.theguardian.com/uk-news/2017/jan/14/corrupt-money-crept-britain-property-kleptocrats>>

<sup>3</sup> <<http://tinyurl.com/n5ma9ga>> or <<http://www.euromoney.com/Article/3585825/Emerging-Europe-Latvia-looks-beyond-its-big-bank-clean-up.html>>

funnelled through the Latvian banking sector. Anti-corruption campaigners estimate that more than \$20 billion of stolen money was washed by Russian officials and organized criminals before the scheme was exposed and shut down.'

In presenting its findings, the OCCRP's opening online statement describes the scheme.

'Call it the Laundromat. It's a complex system for laundering more than \$20 billion in Russian money stolen from the government by corrupt politicians or earned through organized crime activity. It was designed to not only move money from Russian shell companies into EU banks through Latvia, it had the added feature of getting corrupt or uncaring judges in Moldova to legitimize the funds. The state-of-the-art system provided exceptionally clean money backed by a court ruling at a fraction of the cost of regular laundering schemes. It made up for the low costs by laundering huge volumes.'<sup>4</sup>

Nicholas Shaxson, a consultant at Britain's Tax Justice Network, has shown how offshore tax havens are now financially starving both the neo-liberal capitalist states and the European social democracies by diverting much needed tax revenue. In his *Treasure Islands: Tax Havens and the Men Who Stole the World*,<sup>5</sup> he has this towards the end of the prologue:

'Offshore connects the criminal underworld with the financial elite, the diplomatic and intelligence establishments with multinational corporations. Offshore drives conflict, shapes our perceptions, creates financial instability and delivers staggering rewards to *les grands* -- to the people who matter. Offshore is how the world of power now works.'

Then, in his first chapter, Shaxson quotes the economic academic Marshall Langer:

'...the most important tax haven in the world is an island...the name of the island is Manhattan. The second most-important tax haven in the world is located on an island. It is a city called London in the United Kingdom.'<sup>6</sup>

Some big users of the Laundromat have been named. One of them is Georgy Gens, a Moscow businessman who owns the **Lanit group**, the information

---

<sup>4</sup> <<https://www.reportingproject.net/therussianlaundromat/>>

<sup>5</sup> London: Bodley Head, 2011.

<sup>6</sup> Shaxson, *Treasure Islands*, p. 21.

technology product distributor in Russia, for Apple, Samsung, and AsusTek Computer Inc (a Taiwanese multinational computer hardware and electronics company).

'From 2013 until 2014, a company from the British Virgin Islands (BVI), Comptek International Overseas Ltd., received **\$27 million** in its account at the Swiss bank UBS AG, mostly from paper companies in the UK. All of them are dissolved as of today.

Retracing the money trail shows that the funds originated via the Laundromat.

Comptek International Overseas Ltd. is [sic] owned another BVI entity, Amerton Commercial Inc. that the Panama Papers revealed is owned by Georgy Gens.

The Russian state is a major Lanit client. According to OCCRP calculations, from 2010 until 2016, Lanit companies signed contracts with Russian agencies worth at least 51 billion rubles (about \$890 million at today's rates).'<sup>7</sup>

## **The predecessor scheme**

**T**wo weeks before OCCRP published details of the Laundromat, the Paris Appeal Court of the French Republic revealed the workings of a predecessor scheme, an international money transfer system constructed by an inventive Latvian banker, Valeri Belokon (pictured below). His network closed down after a political uprising and the Laundromat kicked into gear just six months later. Money from Russia and Ukraine moved to offshore tax havens through a bank, acquired with political muscle, in the remote and desperately poor central Asian republic of Kyrgyzstan. This bank was controlled from Latvia.

The bank was seized from its Latvian owner during the Second Kyrgyz Revolution of April 2010.<sup>8</sup> In the preceding 32 months, the total value of transactions at the Manas Bank in Bishkek amounted to 5.2 billion US dollars – a sum greater than the annual gross domestic product of the six million people of the Republic of Kyrgyzstan. Of these international transactions, 4.2 billion dollars involved 17 non-resident offshore companies, described by the Paris appeal court as having no commercial or industrial purpose.

Valeri Belokon (shown below) is a former tailor and was a conscript soldier during the Soviet invasion of Afghanistan. In 1993 he founded the Baltic

---

<sup>7</sup> <<https://www.occrp.org/en/laundromat/the-russian-laundromat-superusers-revealed/>>

<sup>8</sup> Two thousand people died during the Second Kyrgyz Revolution.



International Bank (BIB) in Riga and by 2006 owned a house in Surrey, between three classic golf courses at Wentworth, near Virginia Water. BIB has branch offices in Moscow, Kiev and Berkeley Square, London.

Valeri Belokon has since served as a trustee of The Prince's Trust, a charity founded by the Prince of Wales to help young people. In October 2006, on the occasion of a royal visit to Riga by the parents of Prince Charles, Prince Phillip expressed surprise when the President of Latvia, Vaira Vike-Freiberga, introduced Valeri Belokon to Queen Elizabeth II as. . .

'The President of Blackpool FC from Latvia.'<sup>9</sup>

In June that year, the Baltic International Bank in Riga had transferred an initial loan of one million pounds to the HSBC bank account of Blackpool Football Club (Properties) Limited. In July 2006 another £1.8 million landed in a Natwest account in Blackpool, this time from VB Football Assets in Latvia to pay for a 20 per cent shareholding in Blackpool Football Club Limited.

Less than four years later, on 22 May 2010, one month after an uprising had ended the rule of the Bakiyev family in Kyrgyzstan, Blackpool FC won the most lucrative match in world football, beating Cardiff 3-2 in the Football League Championship play-off Final at the brand new Wembley stadium, thus winning a place in the English Premier League.<sup>10</sup>

---

<sup>9</sup> <<http://www.blackpoolgazette.co.uk/news/valery-belokon-exclusive-interview-1-413193>>

<sup>10</sup> The richest match in world football is universally accepted to be the English Championship Playoff Final. Admission to a season in the Premier League and the future revenue that goes with it is worth about £200 million. See <<http://www.mirror.co.uk/sport/football/news/200m-championship-play-final-glory-8043676>>.

## **Belokon versus Oyston**

The value of Valeri Belokon's investment in a team that put Blackpool into the Premiership, and in various stadium-building activities in the famous Lancashire seaside resort, is now the subject of a legal battle between the Latvian banker and the Blackpool businessman Owen Oyston, owner of most of the remaining shares in the football club.

Blackpool are now back down in League Two, which is actually the fourth tier of English league football.

In April 2016, Eric Shannon – barrister for the Oyston family, also representing their holding company, Segesta Limited – appeared at a case management hearing in London and warned registrar Sally Barber that Baltic International Bank JSC had just been fined 1.1 million Euro by the Latvian Financial and Capital Markets Commission for 'repeated violations' of money laundering rules. Shannon asked for an adjournment for a month for a possible amendment to his case to allege that funds from Belokon,

'...one way or another were the proceeds of crime, or probably the proceeds of crime.'<sup>11</sup>

Representing Belokon, the barrister Fraser Campbell, a former solicitor and fellow of All Souls College, said:

'They are making wild and extremely serious allegations, which we have responded to in a detailed letter setting out precisely the source of the funds involved.'

Mrs Registrar Barber felt there had been 'an element of grandstanding' by the Oystons and refused an adjournment.

The Oystons – father Owen and son Karl, who is the Blackpool FC chairman – were facing two cases brought by the multinational solicitors Clifford Chance that could cost the Oyston family up to £20 million.

When the Oystons gave their evidence in the Manchester Mercantile Court in December 2016, they were unaware that Clifford Chance were simultaneously defending Valeri Belokon against money laundering allegations in Paris.

Judgement in the Manchester court case, finding in favour of the Baltic International Bank, was delivered on February 21. That decision, given by Her Honour Judge Jane Moulder, could cost the Oystons two million pounds. Discontented football supporters from Blackpool applauded the judge as she

---

<sup>11</sup> <<http://tinyurl.com/lvp3e9o>> or <<http://www.blackpoolgazette.co.uk/sport/football/blackpool-fc/explosive-start-to-oystons-v-belokon-court-showdown-1-7883364>>

left the Manchester Mercantile Court.<sup>12</sup> But two days later, on February 23 in Paris, the *Cour d'Appel de Paris, au nom du peuple français*, ruled that:

'Manas Bank, was acquired under suspect conditions by Mr Belokon with the sole intention of creating a money laundering platform thanks to his close connections with the son of President Kurmanbek Bakiyev, Maksim Bakiyev, who used to his personal gain the extensive powers over the country's economy that his father conferred on him.'<sup>13</sup>

In 2014, under the terms of a 2008 bilateral investment treaty between Latvia and Kyrgyzstan, arbitrators in Paris had awarded Belokon just over 15 million US dollars as compensation from Kyrgyzstan for the nationalisation of his Manas Bank after the Second Kyrgyz Revolution of 2010. In his original claim he had sought 100 million dollars.

But two years later new evidence from Bishkek, the capital of the Kyrgyz Republic, persuaded the Paris Appeal Court to set aside the fifteen million dollar award to Belokon on grounds that:

'Recognising or enforcing the judgment of the arbitration tribunal would make Mr Belokon into the beneficiary of unlawful activity, quite obviously violating international public order in a very concrete way.

The Republic of Kyrgyzstan produced evidence that the major activity of Manas Bank, from its creation and during the entire time of its activity, was solely the handling of sums of money for laundering and/or tax evasion, so much so that its seventeen principal clients, controlling 3.3 billion Euro, were all offshore companies registered in the British Virgin Islands, Belize or New Zealand, all without any commercial aims or objectives.

The evidence was that the executives of Manas Bank, notably its president Sergey Kostyrin and another member of its administrative council Juris Kachnovs, not only tolerated these practices but directly participated; that Manas Bank was conceived and created as an annex of the Baltic International Bank [BIB], the Latvian bank of Mr Belokon, which supplied Manas Bank with two thirds of its principal clients; that the sole objective of Mr Belokon in investing in Manas Bank in 2007 in a rigged bidding process was to undertake money laundering which he could not carry out through BIB alone, since BIB

---

<sup>12</sup> Press Association and see e.g. <<http://tinyurl.com/mlg7fc2>> or <<http://www.itv.com/news/2017-02-23/blackpool-owners-the-oystons-lose-court-battle-with-belekon/>>

<sup>13</sup> < <http://www.gov.kg/wp-content/uploads/2017/02/DECISION.pdf>>

was more strictly overseen by the Latvian authorities; that BIB has indeed been fined in Latvia 1.1 million Euro for breaking anti-money laundering rules between 2003 and 2015, a period which coincides with the period in which Manas Bank was active, that is 2008 – 2010; that during the course of the arbitration proceedings very little of the evidence of money laundering had been assembled, due to the length and complexity of the investigations, aggravated by subterfuge from Mr Belokon who was very closely associated to the son of the former President Bakiyev and a beneficiary of a notoriously corrupt régime; that the arbitration judgment by which Mr Belokon was to be compensated for the Manas Bank at a value computed to include the proceeds of massive money laundering operations would negate efforts undertaken to combat money laundering and truly legitimise those practices.’<sup>14</sup>

The judgment of the Paris Court of Appeal quoted replies received from the original Paris arbitrators:

‘156. This Tribunal was aware of financial operations, apparently involving significant money balances, mentioned in the second expert report of East Star Capital. In this context, the Tribunal had in mind the definition and characteristics of money laundering.’

and

‘158. If substantial tests and proof of the activities of Manas Bank in money laundering had been produced before the Tribunal, the claim made under the Bilateral Investment Treaty [TBI] between Latvia and Kyrgyzstan would have been rejected. We do not need to be reminded that the protection of investments is not intended to benefit criminals or investments founded on the proceeds of criminal activity.’

The Paris Court of Appeal declared:

‘In reality Mr Belokon and Mr Maksim Bakiyev were co-founders and executives of the company LLC Maval Aktivi, established in Riga on June, 20, 2006, with the object of supplying financial services. Each owned half of the company.

It appears therefore that the relationship between Mr Belokon and Mr Bakiyev was not superficial and could certainly be qualified as “inappropriate” in as far as commercial property, let by Manas Bank

---

<sup>14</sup> <<http://tinyurl.com/lat6wl8>> or <<http://24.kg/files/Belokon%20v%20Kyrgyz%20Republic%20-%20Paris%20Court%20of%20Appeal%20Decision.pdf>>

to Mr Bakiyev, was the misappropriation of corporate assets.

Furthermore, the Manas Bank enjoyed a particularly favoured relationship with the Kyrgyz public sector. On September 23, 2009, the Kyrgyzstan development fund deposited in the bank 8 million US dollars for three months. This deposit was renewed on December 26, 2009 and on March 26, 2010. The social fund of the Kyrgyz Republic also made important deposits, amounting to 14 million US dollars by May 2009. [Republic of Kyrgyzstan exhibit 27].

Mr Verbickis alleged in his evidence, not challenged, that that this amount represented a small part of the sums deposited by these funds around various banks.

Mme Aiylichieva, in a testament conforming to article 202 of the civil procedure code in respect of issues before this court, repeated her written evidence to the arbitration tribunal: "*In normal times, I would have been surprised that the Government would have transferred an amount so important from the public funds to a bank that had been in existence less than a year.*" [exhibit RK 57 page 4]."

According to a "report on the inspection of procedures at SPAF Manas Bank" conducted by the administrator of the bank on 2 June 2011, the external auditor of the bank, Mme Ulyana Yurievna Pak, held seven safety deposit boxes at the bank. Four boxes contained cash sums of USD 1.35 million, USD 1,419,800, USD 1,619,000 and USD 1,959,900. The fifth contained the rubber stamps for several commercial firms, one of which was registered in the British Virgin Islands, as well as rubber stamps for regional tax inspectors in Kyrgyzstan [Pervomayskyi District, Octjabrskyi District, Sverdlovskyi District, etc.]

The contents of safety deposit boxes registered to Mme Pak were suspicious, suggesting to the Kyrgyz authorities that she was dishonest and that her supervision of the bank was in reality suspect.

This same Ulyana Yurievna Pak, general manager of the Kyrgyz company Top- Audit KG, was registered by the central commission of elections and referendums of the Kyrgyz Republic, by a decree of May 3, 2009, as having the power to sign financial documents in the name of the presidential candidate K.S. Bakiyev. [Exhibit RK 28].

On March 10, 2016, the capital and markets commission of Latvia published a decision of its council imposing fines on the Baltic International Bank and its president Mme Ilona Gujcaka, amounting to respectively EUR 1.1m and EUR 25,000.00. [Exhibit RK 36].

The following facts appearing in the second report from East Star Capital [Belokon Exhibit 68] are not contested. That in two years and eight months the total value of transactions at Manas Bank exceeded USD 5.2 billion, a little more than the entire GDP of the Kyrgyz Republic in 2008. Eighty per cent of the total value of the transactions, USD 4.2 billion, implicated non-resident companies. . . .

The volume and the structure of these transactions, effected by a bank that had been in ruins before its rescue by Mr Belokon at the end of the summer of 2007 appeared to have no connections with the actual state of the Kyrgyz economy, a success so stunning, achieved in so little time in such a poor country, cannot be explained by orthodox banking practices.

These alarming indices show precisely and simultaneously that the Insan Bank was rescued by Mr Belokon in order to develop a bank in a state where his relationship with the holder of economic power guaranteed no interference with his activities in money laundering, activities that would not have flourished in the less favourable climate of Latvia.

Recognising or enforcing the judgment of the arbitration tribunal would make Mr Belokon into the beneficiary of unlawful activity, quite obviously violating international public order in a very concrete way. It is therefore agreed that the annulment requested shall be granted.'

## **Global Witness**

**T**he accounts of Maval Aktivi, the Latvian investment company named by the Paris Court and owned by Valeri Belokon and Maksim Bakiyev, were first queried in 2012 by the non-governmental anti-corruption organization Global Witness:

'. . .in 2008 VB Football Assets, a company owned by Valeri Belokon that holds shares in Blackpool FC, [borrowed] 1.8m Latvian lats (£2 million) from a Latvian company called Maval Aktivi which was co-owned by Belokon and Bakiyev, according to its company filing. The VB Football Assets document shows that it then loaned the same amount to Segesta Ltd. Segesta Ltd owns 76% of Blackpool FC, has a company address that is the same as Blackpool FC's football ground and has directors who are the same as Blackpool FC's chairman and director. We assume from all this evidence that the £2 million was

loaned to Blackpool FC.’<sup>15</sup>

Maksim Bakiyev told associates in Kyrgyzstan about his investment in Blackpool and appeared with his party of 31 guests in directors’ boxes at Blackpool’s first home game of the season, after the announcement of the Belokon investment in 2006.

Valeri Belokon registered Maval Aktivi just fourteen days after he signed an agreement with Owen Oyston to subscribe to a 20% shareholding in the club for £1.8 million, payable on or before 3 July 2006.

Six days after the registration of Maval Aktivi, the Baltic International Bank in Riga transferred a million pound loan on the order of Valeri Belokon's 18 year-old daughter. This was paid into the HSBC current account of Blackpool Football Club (Properties) Ltd.

The published accounts of Maval Aktivi list a 15-year loan of 12.5 million US dollars, at 1% interest, made to a private resident of Latvia and repayable on 22 June 2021.

Global Witness calculated that this was loaned just two days after Bakiyev and Belokon formed Maval Aktivi and four days before the million pounds from 18 year-old Vlada Belokon landed in the club bank account at HSBC in Blackpool.

Valeri Belokon was questioned about this transaction before HH Judge Moulder during the previously mentioned Manchester Mercantile Court case in 2016.

Mr ALAN STEINFELD QC for Segesta Limited. Let me just ask you another matter, which is a curious matter in its way. The original loan agreements were entered into, ostensibly, the name of your daughter Vlada. This is paragraphs 12 and 13 of your witness statement. Can you just tell me: how old was your daughter in 2007?

VALERI BELEKON [by interpreter] Nineteen.

Q. Seventeen, was it?

A. [in person] Nineteen.

Q. And what was her occupation at that time?

A. Student.

Q. A student. And did she have money of her own?

A. [by interpreter] No.

Q. Nothing? So the money did not come from her?

---

<sup>15</sup> <<http://tinyurl.com/mkyn4j6>> or <<https://www.globalwitness.org/en-gb/archive/maxim-bakiyevs-extradition-case-raises-concerns-over-his-activities-united-kingdom/>>

A. I gave her the money.

Q. You gave her the money to lend on, not to freely deal with. You gave her the money to lend on to Blackpool Football Club, did you not? Or to Segesta?

A. Because it was discussed with Owen that our daughters should take part in this.

Q. Why would your daughter want to take part in a loan to an English football club?

A. We were talking about family businesses, jointly working for another thousand years.

Q. I do not think this was the... these are before the 2008 agreement?

A. We always thought so.

Q. At the time these agreements were entered into, the 2008 agreement had not been entered into and had not even been negotiated.

JUDGE MOULDER. Mr Steinfeld, I am very conscious of the time and we have a lot more witnesses to get through.

ALAN STEINFELD QC. Yes.

Back in the Manchester Mercantile Court on 3 March this year, Steinfeld's junior, Eric Shannon, tried and failed to persuade Judge Nigel Bird that £200,000 paid into court on behalf of the Baltic International Bank might represent the proceeds of money-laundering in Kyrgyzstan.

Fraser Campbell again insisted on behalf of Belokon that a 'lengthy letter', sent in April last year,

'...repeated the confirmation that no relevant funds had been sourced from Mr Bakiyev. It also set out a detailed explanation of the provenance of the circa two million pound loan from Maval Aktivi to VBFA.'

Judge Bird ruled that he *could, and should*, rely on the very strong indication that international solicitors would have reported any suspicions about the origins of money received from their clients: '...it would be nothing short of remarkable if Clifford Chance had not taken precautions.' The high court judge found the Oyston application had been '...an attempt by the defendants to subvert the order of the court'.

Yet the Baltic International Bank has been under continual international money laundering strictures and investigation for the last six years.

The Organized Crime and Corruption Reporting Project – which is partially funded by aid from the United States government – reported on 20

November 2011, that bank accounts at the Baltic International Bank in Riga had, indeed, been used for money-laundering. In one single year 680 million dollars were stolen from Moldova and Russia through a phantom company called Tormex.

'Yet Tormex didn't really exist. It was a phantom. It had no offices, no employees. Its director was a Russian citizen; an unwitting stand-in with no idea there was such a thing as Tormex. *What Tormex did own was a bank account at the Baltic International Bank in Riga, Latvia.* Who really runs the operation, no one knows, so carefully have they disguised themselves behind layers of dead-end proxies and offshore companies.

But their goal is boldly clear: launder money and hide assets. It insured that crime profits were hidden behind outward-looking legal import-export operations or consultancy and intermediary agreements. Money that flowed through Tormex has been connected to criminal activities or is simply lost in the maze of offshore companies. *It is no coincidence that Tormex's account was in Latvia, a country with one of the least transparent banking systems in the world.* It is recognized as a hotbed for international money laundering.

OCCRP also found out that Tormex Ltd played a role in laundering the money for a fraudulent scheme that ultimately led to the death of lawyer Sergei Magnitsky, a brave Russian whistleblower. Two companies involved in the Magnitsky case and in the looting of the Russian state budget, Nomirex Ltd and Keronol Ltd, sent almost US\$15 million to the Tormex account.' (emphases added)<sup>16</sup>

In 2012, HSBC Holdings plc in London closed Valeri Belokon's personal bank account when US regulatory fines were being imposed on five hundred foreign banks. Valeri Belokon revealed this in comments about the Ukrainian crisis published by Bloomberg in 2015.<sup>17</sup>

In 2012, the Kyrgyz news service *Tazabek* announced that Maksim Bakiyev was involved in the investment at Blackpool FC. *Tazabek* published a photograph of Mr Bakiyev and Mr Belokon on the terraces of the Bloomfield Road stadium in Blackpool and asked questions about a '*dark situation*' [The following is a translation from Russian.]:

---

<sup>16</sup> <<https://www.reportingproject.net/proxy/en/the-phantom-accounts>>

<sup>17</sup> <<http://tinyurl.com/m8tee62>> or <<https://www.bloomberg.com/news/articles/2015-02-17/-baltic-wall-looms-large-as-banker-frets-on-latvian-reputation>>

'It is interesting that the chairman of Blackpool Football Club after June events in 2010 announced that M. Bakiyev has no relationship with this football club. It is possible that he [chairman of the football club] did not know that M. Bakiyev was at the game and that Maval Aktivi invested money in the club. But why did not V. Belokon deny that they had both invested in the club? This is a dark situation as we have revealed that Maval Aktivi has given two million US dollars to Blackpool Football Club.'

Tom Mayne, the Global Witness investigator, says Valeri Belokon admitted that Bakiyev had an *involvement* in the football club, if not a shareholding.

Discussing with this author the discovery of emails in Russian, Latvian and English which passed between Riga and a Latvian director at Blackpool called Normunds Malnacs, Tom Mayne said:

'Thanks for bringing this to my attention. I never received such an email from Belokon or Malnacs. The date is 6 months after we published "Grave Secrecy". I know that he had written to others to "seek clarifications", trying to get retractions. I'm not quite sure what he was objecting to. I can't remember speaking directly to an organisation called Tazabek, but the Russian, though badly translated, is a point I would have made. My point was: after it came out that there was a possible link between Bakiyev and Blackpool, Mr Oyston said that as far as he was aware, Maksim had never been to a game and that there was no link. But in actual fact, Maksim had been to a game, and had loaned money to Blackpool via Maval Aktivi. My point was - why didn't Mr Belokon seek to correct Mr Oyston and the public record? I would not have said that Maksim owned shares in Blackpool as that's not what the evidence showed, but there was definitely a financial link. I interviewed Mr Belokon before the publication of "Grave Secrecy" where I quizzed him on Maval Aktivi and Bakiev's involvement. He said it was Bakiyev's only involvement. Going by memory, I think I may well have asked him why he did not inform Mr Oyston as to the actual situation - he just brushed the question away, saying that Oyston wouldn't have known and he hadn't thought it necessary to tell him.'<sup>18</sup>

On 11 May 2017, the Pervomaiski Criminal Court in Kyrgyzstan sentenced Valeri Belokon and three Latvian former executives of Manas Bank to 20 years 'custodial service' in their absence. Belokon was found guilty of organising

---

<sup>18</sup> Email to Andrew Rosthorn, 24 January 2017.

money laundering. The absent Latvian executives, Anita Lase, Yury Kachnov and Sergey Kostyrin, were found guilty of money laundering and ordered to serve sentences in a 'penal colony with high security regime'.<sup>19</sup>

The Baltic Course news service in Riga described the Pervomaiski Criminal Court hearing as 'Kyrgyz Government Exacts Its Revenge on Belokon'.<sup>20</sup>

## **Belokon's defence**

**I**n a question and answer exchange with latviannews.lv, published online in December 2012, Valeri Belokon said in defence of his activities at the Manas Bank:

'Our bank appeared in Kyrgyzstan after the revolution of 2005. An interesting place, small country, like Latvia, surrounded by big ones, like Uzbekistan, Kazakhstan... The easiest part would be obtaining of a new license to start operations. Yet in Kyrgyzstan, as in any country, they have their own red tape and their own economy protection methods. We did not get a license to open a new bank, yet were offered an opportunity to acquire one of their banks on the verge of failure. There were enough of them. And I acquired a bank, which had already failed. After purchase of its license I paid out the money to depositors. It was much costlier as compared to a new license. Afterwards I filled it by hundred per cent with a capital required for a bank of such standings.'

Question: 'Was it a display of your good will?'

'You see, it is a business you need to consider many conditions. I was aware of the fact that the faith in banking system was undermined there and it was my task to restore it. And I made a step towards the goal. It was dictated by common sense. Of course, I could complain to our embassy about missing license, refer to the law... '<sup>21</sup>

A Kyrgyz court jailed Maksim Bakiyev in his absence in March 2013 to life imprisonment for complicity in corruption concerning the privatisation of state-owned assets, including the sale of a leading state-owned telecoms company which had been sold to an offshore tax haven.

In 2014, when the authorities finally cracked down on the Russian *Laundromat*, US regulators ordered JPMorgan Chase & Co. to cut all

---

<sup>19</sup> <<http://tinyurl.com/mtbq9ff>> or <[https://24.kg/english/51908\\_Kyrgyz\\_court\\_sentences\\_Maxim\\_Bakiyev\\_to\\_life\\_imprisonment\\_in\\_absentia/](https://24.kg/english/51908_Kyrgyz_court_sentences_Maxim_Bakiyev_to_life_imprisonment_in_absentia/)>

<sup>20</sup> <<http://tinyurl.com/lq9zrxq>> or <[http://www.baltic-course.com/eng/legislation/?doc=129770&underline=BelokonBelokon's defence?](http://www.baltic-course.com/eng/legislation/?doc=129770&underline=BelokonBelokon's%20defence?)>

<sup>21</sup> <<http://www.latviannews.lv/interview/6>>

correspondent banking ties with Latvia.

A month later, in February 2014, the international credit rating agency Moody's, citing business reasons, withdrew Baltic International Bank's standalone bank financial strength rating, despite its reported assets of 266.41 million Euros.<sup>22</sup>

In April 2014, Maksim Bakiyev was sentenced to life imprisonment in his absence for ordering the murder of a British businessman. Sean Daley barely survived the assassination attempt near his residence in Bishkek, during his discussions with the parliamentarians and the prime-ministers office about the second largest asset in Kyrgyzstan.<sup>23</sup> Daley is pursuing legal action against Bakiyev in London.

In October 2014, Bakiyev was living in £3.5 million house in Surrey (owned by a now liquidated offshore company in Belize) when – yet again – he was sentenced to life imprisonment in his absence in Kyrgyzstan. This time it was for the theft of £35 million in state funds held at the Asia Universal Bank. On the last night of the Bakiyev regime, 7 April 2010, 170 million dollars – that's ten per cent of Kyrgyzstan's banking assets – were wired out of the country.

The Interfax newswire service had following report on 22 October 2013:

'Maksim Bakiyev, the son of the second president of Kyrgyzstan, has been sentenced for life in a case of diverting funds from Asia Universal Bank (AUB), the press service of the Supreme Court of Kyrgyzstan reported on Wednesday.

'Bakiyev was sentenced for life in the case of diverting funds from AUB. The judgment was brought today by Pervomaisky district court in Bishkek chaired by Adylbek Subankulov,' the press service said.

The court concluded that Bakiyev who was also the head of the Central Agency for Development, Innovations and Investments, his financial advisor Yevgeny Gurevich and Chairman of the AUB Managing Board Mikhail Nadel were guilty of corruption in relation to diverting 2 billion som from the Social Fund. Bakiyev's accomplices were sentenced to 25 years of imprisonment, confiscation of property and a ban to hold state posts for three years.

---

<sup>22</sup> <<http://tinyurl.com/lmvd6gz>> or <[https://www.moody.com/research/Moodys-withdraws-all-ratings-of-Baltic-International-Bank--PR\\_292471](https://www.moody.com/research/Moodys-withdraws-all-ratings-of-Baltic-International-Bank--PR_292471)>

<sup>23</sup> The Jerooy gold mine project, which is majority owned by a British plc.

The court also ruled to recover 3 billion som from the defendants for the benefit of the state, the Supreme Court said.<sup>24</sup>

Yevgeny Gurevich, a Russian-born US citizen and adviser to AUB, was extradited from Italy to the USA on criminal charges brought by the New York District Attorney.

Gurevich was jailed for five years after confessing to wire fraud related to insider trading. He handed to the US authorities over six million dollars which he admitted diverting in 2012 from Bakiyev's American bank accounts. In reporting his sentencing by the American court, Bloomberg quoted the judge who had described the theft as 'an egregious breach of trust' by someone displaying 'less than genuine remorse'.<sup>25</sup>

A request to extradite Maksim Bakiyev from Britain to the USA was filed in December 2012 at Westminster Magistrates Court, but later withdrawn without explanation.

In 2015, Daniel Glaser, Assistant Secretary for Terrorist Financing at the United States Treasury warned Ainars Latkovskis, head of the Latvian Parliamentary Defence Committee:

'Although your country is small, and your administration is small, the amount of dollars going through your financial system is one per cent of all US dollar transactions in the world. That's hundreds and hundreds of millions. You must be able to control it. How you do it is up to you.'<sup>26</sup>

The International Monetary Fund estimated in 2010 that the balance sheets of small island tax havens alone, (and, therefore, not including the enormous laundered holdings in Manhattan and London), added up to 18 trillion US dollars, equivalent to about one third of the world's GDP.

The US Government Accountability Office found in 2008 that 83 of the 100 largest corporations in the USA ran subsidiaries in tax havens. Tax Justice Network discovered that ninety-nine of Europe's hundred largest companies were using offshore subsidiaries and in each country, the largest user was an international bank.

---

<sup>24</sup> <<http://www.interfax.com/newsinf.asp?id=545829>>

<sup>25</sup> <<http://tinyurl.com/m6ekbvn>> or <<https://www.bloomberg.com/news/articles/2016-07-10/banker-sitting-in-u-s-prison-has-a-most-incredible-tale-to-tell>>

<sup>26</sup> See the article on the Latvian investigative news website re:baltica at <<http://tinyurl.com/lppjtdr>> or <<https://en.rebaltica.lv/2016/02/u-s-pressures-latvia-to-clean-up-its-non-resident-banks/>>"

When the *Guardian* revealed last month that British banks handled 740 million dollars in 1,920 transactions involving the Laundromat conspirators there was a question in Parliament.<sup>27</sup>

'HSBC was by far the biggest conduit for the payments, of which it handled \$545.3m, mostly through its Hong Kong subsidiary. Royal Bank of Scotland handled \$113.1m and its Coutts private bank in Switzerland handled \$32.8m.'<sup>28</sup>

In the case of *Belokon versus Oystons*, however, all attempts to discover the origin of a million pounds wired to HSBC in Blackpool from the bank account of an eighteen year-old Latvian girl have so far failed in the English courts.

\*

*Andrew Rosthorn wrote about the political conspiracy against Owen Oyston in 'Our Friends in the North West' in Lobster 34.*

---

<sup>27</sup> <<http://tinyurl.com/k55dqfr>> or <<https://www.theguardian.com/world/2017/mar/20/british-banks-handled-vast-sums-of-laundered-russian-money>>

<sup>28</sup> <<https://www.ft.com/content/425ff7ce-0e87-11e7-b030-768954394623>>