

Money laundering in British football

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Liverpool agree £7.5m fee with Blackpool for Charlie Adam

- Scotland international set to complete move
- Roma's Doni also heading for Anfield, says agent

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▲ Liverpool are set to sign Blackpool's Charlie Adam. Photograph: Action Images

Liverpool's six-month pursuit of Charlie Adam is almost over after they agreed a fee with [Blackpool](#) for the midfielder.

After weeks of negotiation, a deal understood to be worth £7.5m, rising to £8m based on appearances, has been agreed. A proposal to include loan

Money stolen from the social fund of one of the poorest nations on earth was spent on transfer deals in British football.

A share of the profit from the buying and selling of the brilliant Scottish midfielder Charlie Adam was wired to a Latvian brewery jointly owned by an international banker and the fugitive son of the deposed president of Kyrgyzstan.¹

In September 2017 the English Football League disqualified banker Valeri Belokon for failing an Owners and Directors Test, four months after a court in Kyrgyzstan sentenced him in his absence to 20 years in prison for 'money laundering, tax evasion and dishonesty'.²

¹ 'The Russian Laundromat and Blackpool Football Club' in *Lobster* 73 at <<https://www.lobster-magazine.co.uk/free/lobster73/lob73-russian-laundromat.pdf>>.

² 'Valeri Belokon: Football League disqualifies former Blackpool director' (28 September 2017) <<https://www.bbc.com/sport/football/41429743>>

The Paris Appeal Court of the French Republic had already annulled compensation for the nationalisation of his bank in Kyrgyzstan on the grounds that rewarding its 'massive money laundering operations' would 'negate efforts undertaken to combat money laundering' and 'violate international public order'.³

The law on money laundering in the United Kingdom had been tightened by Part 7 of the Proceeds of Crime Act 2002. Sections 327 to 329 created three principal criminal offences:

concealing, disguising, converting, transferring, removing criminal property from England and Wales

acquiring, using, possessing criminal property

entering into an arrangement that facilitates the acquisition, retention, use or control of criminal property on behalf of another person.⁴

Yet eight months after the Paris court found that Valeri Belokon was a money launderer, a high court judge in London ordered the banker to be compensated for his 2006 investment in Blackpool Football Club in a £34 million award in damages and costs.

Mr Justice Marcus Smith decided that the majority owner of Blackpool FC, estate agent Owen Oyston, and his son Karl, the chairman of the football club, had 'abused their majority powers' to the detriment of both Valeri Belokon.⁵

The Belokon investment started on 6 July 2006, when a million pounds landed in the bank account of the parent company of the football club, a loan wired from Riga in the name of the teenage daughter of the founder of the Baltic International Bank.

Four years later, Blackpool won the richest match in world football and promotion to the FA Premiership for the 2010-2011 season. Charlie Adam scored their first goal in a 3-2 play-off final win against Cardiff City. The

³ <<https://www.italaw.com/sites/default/files/case-documents/italaw8476.PDF>> [in French] See also <<https://www.italaw.com/sites/default/files/case-documents/italaw8476.PDF>> Melissa Ordonez and Chris White, 'Paris Court of Appeal sets aside an award on the basis of serious indications of money laundering' at <<https://www.bilaterals.org/?paris-court-of-appeal-sets-aside>>.

⁴ <<https://tinyurl.com/y34krvt6>> or <<https://www.lawcom.gov.uk/anti-money-laundering-crackdown-should-be-more-focused-on-most-suspicious-activity-law-commission/>>

⁵ 'Oyston family lose High Court battle over Blackpool FC' (November 7, 2017) <<https://tinyurl.com/y3ulzeke>> or <<https://www.theleaguepaper.com/featured/9475/oyston-family-lose-high-court-battle-over-blackpool-fc/>>

extra revenue for winning the match in front of 82,244 in Wembley Stadium in 2010 amounted to £90 million.

When Blackpool FC sold Charlie Adam to Liverpool FC in 2011 for a club record of £7.5 million, they wired a £731,250 slice of untaxed transfer dealing profit to the bank account of a brewery in Latvia jointly owned by Maksim Bakiyev, son of the deposed president of Kyrgyzstan and the banker Valeri Belokon, president of Blackpool Football Club.

After a popular revolution against his father's rule in Kyrgyzstan, Maksim Bakiyev flew from Latvia to Britain by private plane and applied for political asylum in Surrey.⁶

The personal computer that held the secrets of the transfer deals that took Blackpool into the Premiership is now missing. Police at Lancaster were told on 25 February 2020, that a computer used by the chief accountant at Blackpool FC, along with its server and thousands of documents, disappeared after the High Court in London had appointed a receiver to manage the football club.

Owen Oyston had been ordered to pay over £34 million in damages and costs for unfair prejudice against Valeri Belokon. He handed over £10 million within 31 days of the court judgment but after Oyston missed later payment deadlines the court appointed Paul Cooper, of David Rubin and Partners Ltd, to administer the football club and its parent company.

In February 2019, the receiver moved into the Bloomfield Road offices of Blackpool FC, dismissed the Oyston directors and installed a new management team to run the club. The receiver sold Oyston's shares in Blackpool to Simon Sadler, then aged 49, a hedge fund manager at Segantii Capital Management Ltd in Hong Kong.

Simon Sadler also bought 20% of the shares in Blackpool FC in a separate deal from Valeri Belokon after the receiver had persuaded Mr Justice Marcus Smith to vary his earlier judgment whereby the Belokon shares would have reverted to Oyston after part-payment of the court order.

Early this year, Oyston discharged the judgment debt and regained control of various companies including Blackpool Football Club (Properties) Ltd, but not Blackpool Football Club Ltd. The receiver's sale of a package of shares and assets to Simon Sadler along with the former Belokon shares in

⁶ Jim Armitage, *The Independent*, 15 July 2016 at <<https://tinyurl.com/y6e8gmbr>> or <<https://www.independent.co.uk/news/business/analysis-and-features/curious-case-despot-son-10150608.html>>.

the football club is now being challenged as 'derisory' in a £78 million Oyston claim against the receiver and others.⁷

In 2012 the non-governmental organisation Global Witness examined the accounts of Maval Aktivi, a Latvian investment company jointly owned by Valeri Belokon and Maksim Bakiyev. Global Witness calculated that Belokon and Bakiyev had ploughed at least two million laundered US dollars from Central Asia into Blackpool.

A Central Asian website published a photograph of Maksim Bakiyev watching the first home match at Blackpool, after the initial 2006 Belokon investment. He was accompanied by a group of twenty people described as 'former citizens of the Soviet Union'.



Two years after Global Witness published their report, Maksim Bakiyev was jailed for life, *in absentia* in Kyrgyzstan, for diverting \$40 million of state funds into his personal bank accounts at the time of his investment in Maval Aktivi.

Valeri Belokon was also sentenced in his absence to 20 years jail for 'criminal actions expressed in the legalisation and laundering of the proceeds of crime'. The court traced stolen state funds from the Manas Bank in Bishkek to the Kimmels brewery in the Latvian capital Riga.

Maksim Bakiyev flew into Riga in 2010 after his father Kurmanbek Bakiyev fled to Belarus during the *April Revolution* – in which 2,000 people died in Kyrgyzstan. Later that year Maksim Bakiyev arrived in England by private plane and took up residence in Surrey in a £3.5 million house (owned by an offshore company in Belize) and near a Belokon family home that was situated between two golf courses at Wentworth, Surrey.

The fugitive Russian billionaire Boris Berezovsky lived four miles away at Sunninghill near Ascot. After a bodyguard found Berezovsky's body in a

⁷ Author's interview with Owen Oyston, 1 November 2020.

locked bathroom on 23 March 2013, the *Financial Times* revealed that the biggest creditor against the Berezovsky estate would be Valeri Belokon's Baltic International Bank in Riga.

A court in Kyrgyzstan, where Valeri Belokon took over the Manas Bank, accused the banker of 'criminal intention relating to the use of the commercial bank for the laundering and legalisation of the proceeds of crime'. This came after Belokon had appointed, in 2006, Maksim Bakiyev – the son of the former President of the Kyrgyz Republic K.S. Bakiyev – as Deputy Chairman of the Supervisory Board of the Kimmel brewery, and also the co-owner in the investment company Maval Aktiv.

In April 2016, the barrister Eric Shannon, appearing for Owen and Karl Oyston, warned a case management meeting that Baltic International Bank JSC had just been fined €1.1 million by the Latvian Financial and Capital Markets Commission for 'repeated violations of money laundering rules'. Shannon asked for an adjournment of one 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'.

Representing Valeri Belokon, the barrister Fraser Campbell, a former solicitor and fellow of All Souls College, told the court: '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 Sally Barber refused an adjournment, remarking on 'an element of grandstanding' by the Oystons.

On 24 November 2016, Eric Shannon again warned the Manchester Mercantile Court, claiming that funds being paid into court by Clifford Chance, the solicitors for VB Football Assets SIA, were 'tainted'.

On 23 February 2017, the Paris Appeal Court of the French Republic found that Valeri Belokon was 'very closely associated to the son of the former President Bakiyev and a beneficiary of a notoriously corrupt regime' with 'massive money laundering operations at the Manas Bank owned by Valeri Belokon'. The Paris court found that Valeri Belokon was the beneficiary of money laundering:

'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, were all offshore companies registered in the British Virgin Islands, Belize or New Zealand, all without any commercial aims or objectives.’⁸

Mr Shannon told the court the Baltic International Bank in Riga had been raided on May 16 by an ‘Omega’ armed task force supporting economic police. The bank had then been fined €1.1 million for

‘repeated violations of the provisions of the Law on the Prevention of Laundering the Proceeds from Criminal Activity (Money Laundering) and of Terrorist Financing and Regulations on Customer Due Diligence, getting involved in transactions that subject the bank to material money laundering and reputational risks.’⁹

A few days after the 2017 Paris Appeal Court judgment, Eric Shannon cited the case in the Manchester Mercantile Court, telling Judge Bird on 3 March 2017:

‘At that stage, everybody who reads that judgment, in my respectful submission, everybody and anybody, a lay person unconnected, would be led to a suspicion in relation to laundered monies in the hands of Mr Belokon, Mr Bakiyev, Manas Bank, Baltic International Bank. It is the inevitable, I submit, the inevitable consequence of those findings of the French court.’

A year later, when Owen Oyston gave evidence in the High Court in London in the case of *VB Football Assets SIA v. Blackpool Football Club (Properties) Ltd*, he too accused Valeri Belokon of laundering stolen funds from Kyrgyzstan. The allegation appeared as a footnote in the final judgment:

‘Can I tell you the evidential basis is that the Courts of Appeal of Paris, the French Republic, handed down a judgment on Mr. Belokon that he is a money launderer and should not benefit from the proceeds of crime, that he is avoiding – evading taxes to the tune of £5.9 billion, huge sums of money’¹⁰

Ruling on the civil dispute between the owners of Blackpool FC, the High Court in London did not concern itself with money laundering through Kyrgyzstan or Latvia. A 2011 letter from Global Witness, warning Blackpool

⁸ <<https://www.italaw.com/sites/default/files/case-documents/italaw8476.PDF>> [in French].

⁹ <<https://www.occrp.org/en/daily/5033-latvia-baltic-international-bank-fined-1-2-million>>

¹⁰ See the footnote space at the bottom of page 12 of <<https://www.judiciary.uk/wp-content/uploads/2017/11/vbfa-v-blackpoolfc.pdf>>.

FC about the Kyrgyz origins of the Belokon investment, merited only six-lines in Mr Justice Marcus Smith's final judgment:

'On 21 September 2011, Mr. Karl Oyston received a letter from "Global Witness", a non-governmental organisation based in London that campaigns for greater transparency in the natural resource and banking sectors. This letter raised a number of questions regarding Mr. Belokon's relations with Blackpool FC. Mr. Karl Oyston forwarded the letter to Mr. Owen Oyston and to Mr. Belokon, but otherwise determined to ignore it.'¹¹

The judgment in *VB Football Assets v. Blackpool Football Club (Properties) Ltd* was revised at a late stage, not because the judge had learned that the Paris Appeal Court refused to reward money laundering at the Manas Bank in Kyrgyzstan, but because the English Football League had learned of the prison sentence imposed on Valeri Belokon in his absence from Kyrgyzstan for laundering the proceeds of crime.

Alan Steinfeld, QC for the Oyston side, had written to the judge and to Andrew Green QC for VBFA in September 2017:

'My clients have asked me to update you on the following developments that have occurred since the trial was adjourned in case they have any impact on your judgment:-

1. On 23 August 2017, [Blackpool FC] received a letter from Mr. Belokon dated 22 August 2017 giving notice of his resignation from the board. I am instructed that my clients were told by the English Football League that such resignation followed discussions between the Football League and Mr. Belokon and Clifford Chance [VB Football Assets' solicitors] concerning the implications as regards his eligibility to continue as a director of a football club playing in the English Football League of his recent conviction in Kyrgyzstan for money laundering offences and fraud.
2. I am instructed that my clients have recently been told by the English Football League's in-house solicitor that the League has now decided that Mr. Belokon should, in view of that conviction, be disqualified from acting as a director of a football club playing in the English Football League.'

Mr Justice Marcus Smith decided to vary his proposed settlement of the case:

'Of course, I know nothing about the events that have brought this exclusion of Mr. Belokon about, and it does seem extraordinary that a

¹¹ See paragraph 260, at the bottom of page 103 of <https://www.judiciary.uk/wp-content/uploads/2017/11/vbfa-v-blackpoolfc-2.pdf>.

conviction not on the merits but based on non-attendance by Mr. Belokon should have this effect. But, as I say, I know nothing of the background.'

The judge knew nothing of the background because both sides in *VB Football Assets SIA v. Blackpool Football Club (Properties) Ltd*, a case argued for 17 days in the Royal Courts of Justice, neither presented nor contested evidence of money laundering through Blackpool FC.

In November 2017 the judge ordered Owen Oyston to spend £31.7 million buying all the VB Football Assets interests in Blackpool FC, including a Latvian interest in the new South Stand at Bloomfield Road, owned by the Baltic International Bank. To outsiders, money laundering remained an elephant in the courtroom.

On February 26, 2019, as a British court-appointed receiver was starting to enforce repayment of £34 million to Valeri Belokon for his 2006 investment at Blackpool, the US Department of Justice announced

'The U.S. Department of Justice repatriated stolen assets to the Government of the Kyrgyz Republic arising from the corruption and theft of government funds by the prior regime of Kurmanbek Bakiyev and his son Maxim Bakiyev. [...]

These funds were identified in the United States in the criminal prosecution of Eugene Gourevitch for insider trading in the U.S. District Court for the Eastern District of New York and a \$6 million forfeiture order was subsequently entered by the Court. Following the conviction in the prosecution led by the U.S. Attorney's Office for the Eastern District of New York, the Kyrgyz Government filed a Petition for Remission with the U.S. Department of Justice, Money Laundering and Asset Recovery Section, claiming that the funds subject to the forfeiture order traced back to monies stolen by Maxim Bakiyev from Kyrgyz state authorities and other banking institutions. On Oct. 4, 2018, the Department of Justice granted the Remission Petition.'¹²

After settling the court judgment Oyston's chief accountant discovered emails from court proceedings that showed how Valeri Belokon's £731,250 share of the profit from selling Charlie Adam to Liverpool had been transferred to A/S Kimmels Riga (a now defunct brewery founded by a Bavarian in 1815 brewing *Rigas Originalais*, a pilsner lager advertised as Joseph Stalin's favourite).

The emails showed that Valeri Belokon's VBFA share of the profit on the Charlie Adam transfer deal was wired from a Blackpool FC bank account direct

¹² <<https://tinyurl.com/y5pqhvpn>> or <<https://www.justice.gov/opa/pr/justice-department-repatriates-forfeited-funds-government-kyrgyz-republic>>

to the bank account of Kimmels brewery, on instructions emailed from Mihail Morozov at the Baltic International Bank in Riga.

Most of the management and company taxation history of Blackpool FC in the 21st century and the records of the transfer of funds back to Latvia is currently inaccessible. An accounts computer disappeared after the court-appointed receiver handed control of Blackpool Football Club (Properties) Ltd back to Owen Oyston.

The new buyer of Blackpool FC, Simon Sadler, the receiver Paul Cooper, and some football club directors appointed by the receiver, were individually asked about the computer after its disappearance was reported to police by Blackpool Football Club (Properties) Ltd on 25 February 2020. A hard disk drive, described as copied from the missing computer in February 2019, was handed to Oyston's lawyers in May 2020, but the hard drive showed no sign of football transfer transactions or money being transferred to Latvia. Solicitors wrote to the receiver on August 21, 2020:

'In the absence of any other explanation, our client fears that the Computer could have been stolen or destroyed in an attempt to conceal the evidence of money laundering activities of Mr Belokon and therefore to conceal the commission of a serious crime.

These transactions included an instruction by Mr Belokon, through his banker, to Mr Dyer [chief accountant of Blackpool Football Club] on July 13, 2012, to send the proceeds of the sale of Charlie Adam, a footballer sold to Liverpool by BCF Ltd for a record transfer fee, to Kimmels, a brewery in Latvia, owned at the time by Mr Maksim Bakiyev and Mr Belokon.

Mr Bakiyev and Mr Valeri Belokon were co-founders and joint owners of Maval Aktivi SIA, a Latvian company exposed by a judgment of the Paris Court of Appeals of the French Republic on February 21, 2017, as part of a money laundering operation. The Paris court also exposed the Baltic International Bank of Latvia and the Manas Bank of Kyrgyzstan as part of the same money laundering operation. The Paris judgment revealed that Valeri Belokon had laundered over five billion US dollars.'

The court-appointed receiver did not reply to a letter from a journalist alerting him to five investment transactions between Riga and Blackpool:

26Jun06:

£1,000,000 loan from BIB on order of Miss Vlada Belokon to the current account of Blackpool Football Club (Properties) Ltd (later renamed Segesta Ltd) at HSBC.

4Jul06:

£1,800,000 transfer from the BIB account of VBFA to the Natwest current account of Blackpool Football Club Ltd. for the purchase of shares.

27Mar07:

£1,700,000 loan by order of Vlada Belokon from BIB to the current HSBC account of Blackpool Football Club (Properties) Ltd, later renamed Segesta Ltd..

21Jul08:

£ 2,500,000 loan from VBFA bank account at BIB to the account of Segesta Ltd at BIB.

Approximately 1Mar10:

*£2,500,000 loan credited to the current account of Segesta Ltd at BIB.
Source unknown*

I received no reply when I asked you to help me find out what had happened to the personal computer used in July 2012 when £731,250 fell due for repayment from Blackpool Football Club Ltd to VB Football Assets as a result of the sale of the player Charlie Adam. The computer went missing during or after the court-appointed receivership.

The importance of the computer to me, rather than to Blackpool Football Club (Properties) Ltd., is that I know that £731,250 was on the instructions of Mihail Morozov of A/S Baltic International Bank transferred from Blackpool at the request of A/S VB Football Assets to A/S Kimmels Riga, a company whose deputy chairman was Maksim Bakiyev, son of the deposed president of Kyrgyzstan. The missing computer would have had a record of this email:

Fri, Jul 13, 2012 at 6:17 PM, Rod Dyer wrote:

Hi Mihail

The funds have been received today by BFC for the next instalment for C Adam, can you confirm the account details of where you would like the VBFA share sending and we will arrange transfer. To confirm the amount is 731,250 GBP.

No UK tax was paid on this or any other remittance from Blackpool FC to Valeri Belokon or to Maksim Bakiyev. The anti-money laundering 'Know Your Customer' rules designed to prevent businesses from being used by criminal elements for money laundering should have prevented payments

to a convicted money launderer whose activities were described by the Paris Appeal Court of the French Republic on February 21, 2017. That court annulled a French arbitration award to Mr Belokon on the grounds 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.”

The Paris Appeal Court found that no tax had been paid on over five billion dollars of bank transfers through the Manas Bank in Kyrgyzstan during its ownership by Mr Belokon.

Mr Belokon’s conviction in Kyrgyzstan for ‘criminal actions expressed in the legalisation and laundering of the proceeds of crime of foreign citizens’ and the 20-year prison sentence imposed his absence in that republic involved:

“his criminal intention relating to the use of the commercial bank for the laundering and legalisation of the proceeds of crime and, has since 2006 appointed the son of the former President of the Kyrgyz Republic K.S. Bakiyev - Maksim Bakiyev as Deputy Chairman of the Supervisory Board of the Kimmel brewery, and also the co-owner in the investment company Maval Aktivi.”

Maksim Bakiyev has been convicted in Kyrgyzstan of ordering the attempted murder of the British businessman Sean Daley who was gunned down in a street in Kyrgyzstan in 2006 when acting as a mediator in a dispute about the ownership of a gold mine. Bakiyev was sentenced, in his absence, to 25 years in prison.

Maksim Bakiyev was also tried and convicted in his absence and sentenced on October 22, 2014, to life imprisonment for embezzling forty million dollars from the social fund of the Republic of Kyrgyzstan.

The Kyrgyz Prosecutor General stated that companies controlled by Maksim Bakiyev owed the state over \$80,000,000 in unpaid taxes on fuel supplied to US military aircraft at the Manas air base when it was leased to

the Pentagon for operations in Afghanistan. The Prosecutor-General said that Maksim Bakiyev diverted \$35,000,000 of a \$300,000,000 Russian loan for the construction of the Kambarata-1 hydro-electric project into his private bank accounts when he was director of the Central Agency for Development, Investment and Innovation of the Kyrgyz Republic between October 29, 2009 and the revolution against his father's rule on April 7, 2010.

In 2013, the authorities in the United States of America froze more than \$74,000,000, in three bank accounts allegedly controlled by Maksim Bakiyev and stolen from the Republic of Kyrgyzstan. The tax records of Maksim Bakiyev, during his career in the Kyrgyz Republic, showed no declaration of any income commensurate with the lawful possession of any such personal wealth. I have already sent you evidence that the funds invested in Blackpool were generated by back-to-back financial arrangements between Mr Bakiyev and Mr Valeri Belokon.¹³

This was one of 15 warning letters, sent between 2019 and 2020 to persons concerned with the takeover of the football club; to the receiver Paul Cooper, to the buyer Simon Sadler and to directors of Blackpool Football Club appointed by the receiver. They were warned that Valeri Belokon had been convicted in Kyrgyzstan. They were warned of the Paris appeal court finding that his banks had laundered over five billion dollars in the two years he was investing in Blackpool FC through Maval Aktivi, controlled in Latvia by Maksim Bakiyev and Valeri Belokon.

Wealth stolen from some of the poorest people of the world was eventually intercepted in Paris by *la République française, au nom du peuple français*, and in New York by the U.S. Attorney's Office for the Eastern District, but not in London.

¹³ Letter from Andrew Rosthorn to Paul Cooper of David Rubin & Partners Ltd, 1 June 2020.