

Troika Bank Scandal Exposed Global Failure to Prevent Money Laundering

And this might have grave implications for Russia.

By [Ilya Shumanov](#)

March 07, 2019



Dmitry Medvedev and Ruben Vardanyan, Troika Dialog's Board Chairman **Dmitry Astakhov** / TASS

When the International Consortium of Investigative Journalists published the Panama Papers in 2016, they exposed the rogue offshore financing networks of the global elite.

At the time, Russians actively discussed the role of Sergei Roldugin, President Vladimir Putin's old friend and godfather of his oldest daughter. The famous cellist failed to explain how the offshore company of which he was a shareholder had earned such a significant sum of money via strange transactions with Russian companies.

This part of the Panama Papers turned out to be crucial in the new Troika Laundromat investigation. According to the Organized Crime and Corruption Reporting Project and Novaya Gazeta, one of Roldugin's offshore business partners was the Russian investment bank Troika

Dialog, owned by entrepreneur Ruben Vardanyan.

Vardanyan's bank is now at the center of a \$4.6 billion laundering scheme. The Troika Laundromat report named at least half a dozen major Western banks that had been recipients of the money, sending their shares tumbling and sparking internal investigations. The report also identifies shell companies allegedly used in a scheme uncovered by the late auditor Sergei Magnitsky.

Although Vardanyan's name appears in the nomenclature of state and international authorities, it was not found in the international database of politically significant individuals who are subject to additional checks as part of standard anti-laundering procedures.

Ironically, as Vardanyan's bank helped illegally channel money overseas, his offshore companies mentioned in the investigation paid fees to the International Economic Forum in Davos.

Related article: [Russian Officials, State Media Meet Explosive 'Troika Laundromat' Report With a Shrug](#)

If we divert our attention away from specific actors, it seems that in general, the European financial system is poorly protected, and that national regulators lack the knowledge, tools and power to detect and stop suspicious transactions.

The Troika, Moldovan and Azerbaijani Laundromat investigations, as well as the recent scandal with the Estonian branch of Danske Bank, show that there are too many safe entry points into European banks — and with due diligence, you can disguise illegal cash flows for many years.

This points to a meltdown of the global anti-laundering system: National regulators in Lithuania, Estonia, Spain, Britain, Austria and other European countries all failed to detect suspicious financial transactions.

Compliance specialists didn't ask questions after state-owned Sberbank [bought](#) Troika. However, this time the Russian government should be worried that the country has once again wound up in the center of an international scandal. Russia is currently undergoing compliance due diligence with the international anti-laundering recommendations of the Financial Action Task Force on Money Laundering (FATF). With the Troika Laundromat revelations, Russia risks falling into the FATF blacklist.

If that happens, transactions between Russian banks and foreign business partners will fall into the high-risk category, which would be highly undesirable: Nearly every Western bank refuses to conduct financial operations with members of the "blacklist."

For Russia, this would mean economic isolation and a dramatic rise in the cost of financial

services for its major banks.

This year, the United States chairs FATF, which means Russia can't count on any concessions, given the geopolitical tensions between the two countries.

Ultimately, it is not Vardanyan who will suffer the consequences of the Troika Laundromat scandal — but anyone who works or has worked within the Russian financial system.

The views expressed in opinion pieces do not necessarily reflect the position of The Moscow Times.

Original url:

<https://www.themoscowtimes.com/2019/03/07/troika-bank-scandal-exposed-global-failure-to-prevent-money-laundering-a64730>