

**Commission of Inquiry into
Money Laundering in British Columbia**

Public Hearing

Commissioner

The Honourable Justice
Austin Cullen

Held at:

Vancouver, British Columbia
via video link

Monday, June 1, 2020

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1
Oliver Bullough (for the Commission)
Examination by Mr. Martland

Vancouver, B.C.
June 1, 2020

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2
3
4 THE REGISTRAR: Good morning, everyone. The hearing
5 is resumed.

6 THE COMMISSIONER: Thank you, Ms. Leung. Mr.
7 Martland, are we ready to proceed with our first
8 witness of the day or are there matters that need
9 to be dealt with at this point?

10 MR. MARTLAND: Yes, I think we're ready to proceed,
11 Mr. Commissioner. And I saw Mr. Bullough's name
12 on the screen. So if he can unmute and there's
13 his video. And then I'll ask that he be
14 affirmed, and then I'll be leading his evidence.

15 THE COMMISSIONER: Thank you. Madam Registrar.

16
17 OLIVER BULLOUGH, a witness
18 called for the Commission,
19 affirmed.
20

21 THE REGISTRAR: Please state your full name and spell
22 your first name and last name for the record.

23 A My full name is Oliver James Bullough. My first
24 name is spelt O-l-i-v-e-r, and my last name is
25 spelt B-u-double l-o-u-g-h.

26 THE REGISTRAR: Thank you.
27

28 EXAMINATION BY MR. MARTLAND:
29

30 Q Mr. Bullough, I'll begin simply by asking you if
31 you might, please, to give us a brief
32 biographical sketch and if you could tell us a
33 little bit about where you grew up, where you
34 went to school, and how it is that you came to
35 become a journalist and author.

36 A I am British. I'm from the UK, though I also
37 have a Canadian passport via my father. I went
38 to -- I grew up in Wales. I went to school here
39 in the UK and I studied history at the University
40 of Oxford.

41 I moved to Russia shortly after graduating
42 from university simply because I'd always been
43 fascinated by Russia and it was an interesting
44 time in the late 1990s, and I thought it would be
45 an interesting time to see what was happening.
46 And so it proved, and I remained there for many
47 years.

1 So I am by speciality a Russianist. I have
2 written many articles about Russia for many
3 different publications and I have written two
4 books specifically about Russia, one about
5 Chechnya and the mountains of the Caucasus, one
6 about the Russian dissident movement during the
7 Soviet Union and Russia's alcohol crisis.

8 And then in 2018 in the UK and then in 2019
9 in North America, I published a book about
10 corruption, which has an ex-Soviet element but is
11 more broad in focus than my previous books. It's
12 called *Moneyland*.

13 Q And I'll certainly be asking you some questions
14 about *Moneyland* and a number of the themes that
15 you develop there because they connect with work-
16 -with issues that we're looking at in examining
17 money laundering in the province of B.C.

18 Let me just step back for a moment. At the
19 time that you came to spend this time in the
20 former USSR, was that close upon the breakup and
21 dissolution of the USSR?

22 A Slightly later. Sadly I'm not quite old enough
23 to have experienced the breakup of the USSR for
24 myself. So I had to listen to that on the radio
25 and was profoundly jealous of anyone who was
26 present at the time. I moved there in 1999,
27 feeling rather that I'd missed the story and that
28 everything interesting had happened. But about
29 two weeks before I arrived there, a gentleman
30 called Vladimir Putin became prime minister, and
31 then a couple of months after the he became
32 president. And actually it turned out there was
33 plenty more interesting stuff that was due to
34 happen.

35 So no, it's -- I wasn't there for the
36 dissolution of the USSR, but as it turned out,
37 that particular tale had a long way to run.
38 Obviously, from Chechnya and the wars in Chechnya
39 and then subsequent conflict in Georgia and most
40 recently in Ukraine, it's been a very slow-
41 moving, long-running tale of sort of dissolution.

42 Q And at the risk that people think I'm doing a
43 late-night talk show book promotional for you --
44 I don't mind doing that as an aside -- but the
45 subtitle of your book *Moneyland*, as you said
46 released 2019 in North America, is "The Inside
47 Story of the Crooks and Kleptocrats Who Rule the

1 World."

2 What I'd be grateful for you doing, please,
3 is tell us a bit about, if you would, the origin
4 story of your book, *Moneyland*. I take it that
5 traces to the time that you spent in 2014 in the
6 Ukraine.

7 A That's correct. I was -- in early 2014 -- in
8 fact in late 2013 and then into early 2014,
9 Ukraine was convulsed by mass street protests
10 against the then president, a gentleman called
11 Viktor Yanukovych, who was astonishingly corrupt
12 even by the standards of Ukrainian politicians,
13 who have not distinguished themselves by their
14 honesty in the years since Ukraine became
15 independent in 1991.

16 He fled the country in February 2014,
17 leaving behind anything too large for him to have
18 put in his helicopter, and that included a number
19 of luxury properties which then became, as it
20 were, available for the inspection of ordinary
21 citizens. They had been previously guarded by
22 police officers and kept behind high fences. And
23 I, not alone among many other curious people,
24 decided to make a bit of a sport of examining all
25 the various things that he had left behind, of
26 which there was an astonishing quantity. I mean,
27 you have to understand these -- these palaces
28 were not small things. He had privatized to
29 himself an entire estate on the edge of Kyiv
30 running down to the reservoir and the River
31 Dnieper, and on that estate he had technically a
32 log cabin, but a six-storey high log cabin.
33 Ukrainians claim it's the largest log-built
34 structure in the world, and I see no reason to
35 doubt them in that.

36 And there was also a collection of exotic
37 pheasants, a garage full of vintage cars, a golf
38 course. It was a huge place. I mean, you
39 couldn't really explore it by foot. You needed a
40 bicycle.

41 Q I think I read that there was some sort of a fake
42 pirate ship on that -- was that on that property
43 as well?

44 A There was, down by the yacht harbour. He had a
45 yacht harbour as well. He had what was called
46 the galleon, which was a -- it was a sort of bar
47 or a den for hanging around with his friends, but

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1 it was done up like a pirate ship. But you
2 wouldn't actually be able to sail it as a pirate
3 ship. It was -- but yeah, it looked like a
4 pirate ship from above. Amusingly, that was
5 surrounded by red and white tape, as if it were a
6 crime scene, at the time, which, considering --
7 Tellingly.

Q

8 A Yeah. Well, considering that the Ukrainian
9 police had missed the larger crime that had been
10 going on for some years, it was amusing in the
11 context.

12 There was also an enclosure for hunting. He
13 was a keen hunter. His idea of hunting was
14 bringing in wild boars in a truck, then having
15 them released in a circular fenced area where he
16 would shoot them. He was not a very sporting
17 man.

18 Anyway, having visited this place, it rather
19 whet my appetite for visiting other equivalent
20 places. And I went with a friend called Anton, a
21 revolutionary -- a member of a revolutionary
22 group called the AutoMaidan, which was a sort of
23 motorized wing of the revolution. And he took me
24 to a hunting lodge outside of Kyiv, 30 or 40
25 miles outside of Kyiv in a forest, called
26 Sukholuchya, where Viktor Yanukovych had given
27 hospitality to his closest friends. And this was
28 a slightly more restrained property. It was also
29 a log cabin but just two stories high with just a
30 couple of bedrooms, but it was still very
31 luxurious. It had a chapel. It had a shooting
32 range. It had another yacht harbour. It had a
33 gigantic outdoor barbecue area, multiple floating
34 duck islands. It was a -- you know, his taste
35 was astonishingly vulgar and he really went in
36 for gold leaf and overstuffed armchairs, that
37 kind of thing.

38 And I don't know whether it was the heated
39 marble massage table that really first got me
40 going. But then the discovery that he had -- in
41 the ensuite bathrooms he had televisions at
42 sitting-down height opposite the toilet that
43 just -- I got the giggles quite badly. It was
44 very -- it was very funny. It was the
45 combination of this man who had, until just a
46 couple of weeks previously, been directing his
47 security forces to shoot at unarmed protesters,

1 and then all of his secrets were sort of laid
2 bare for anyone to see. It was -- there was a
3 sort of element of comedy to it.

4 And I went outside to talk to Anton, who was
5 having a cigarette, and I said -- I remarked to
6 him that I didn't really understand how the
7 Ukrainians had let this man get away with such
8 corruption and such theft. You know, he'd built
9 properties that were multiple, multiple times
10 larger than he could ever have accumulated in a
11 lifetime of working as president. He had spent
12 so much money on this property.

13 And Anton, who's a very laid back guy, he
14 got slightly cross with me actually because I
15 think he felt I was being disrespectful to
16 Ukraine, which actually, as I now know, I was.
17 And he said look, we didn't know what was going
18 on. We couldn't have known what was going on.
19 You have to understand, this property where we're
20 standing -- by which he meant the hunting lodge
21 and the surrounding estate -- it's not in
22 Ukraine; it's in England.

23 And I was a bit taken aback by this and I
24 asked him what he meant, and he told me that I
25 should look up the ownership documents for the
26 property, which I did that evening. And Ukraine
27 has an online ownership registry which you pay a
28 small fee and then you can look online. And I
29 discovered that actually, yeah, the property was
30 owned by a Ukrainian company which in turn was
31 owned by a British company, a British company
32 called Astute Partners Limited, which was
33 registered on Harley Street, one of the most
34 prestigious addresses in west London. That
35 company was in turn owned by another British
36 company also registered on Harley Street, and
37 then that second company was owned by a
38 foundation in Liechtenstein, which meant that
39 Viktor Yanukovich's ownership of his hunting
40 lodge -- and not just his hunting lodge, also a
41 whole, as it turned out, property empire
42 including the palace outside Kyiv and various
43 other assets around the country -- all of it was
44 obscured. His ownership was obscured behind
45 British shell companies, which made it look like
46 he was a legitimate foreign investor, not a
47 thieving president who had stolen anything that

1 wasn't nailed down.

2 And that gave me this flash of realization
3 that, you know, corruption in Ukraine isn't just
4 a Ukrainian problem. Ukraine is the victim. But
5 it's enabled by, in that case, British and
6 Liechtensteinian structures, which means that
7 it's just not -- not really helpful to think of
8 it as a Ukrainian problem. It also needs to be
9 thought of as a British and a Liechtenstein
10 problem.

11 And so I got to thinking about what Anton
12 had said. He said this property is not in
13 Ukraine, it's in England. But I thought, well,
14 it isn't in England either and it's not in
15 Liechtenstein. It's somewhere else. Where is
16 it? And I said to myself just as a joke, well,
17 it's in Moneyland. You know, I invented a
18 country and said this property's in Moneyland.

19 But then, the more I studied about how
20 corruption works and how the wealthy and the
21 powerful have exploited these mismatches between
22 different countries' legislations to essentially
23 park their property nowhere, the more I realized
24 that Moneyland is actually quite a fun and useful
25 metaphor for understanding these kind of legal
26 black holes that so much of the world's property
27 has been hidden in.

28 Q Mm-hmm.

29 A And that's what got me started on writing about
30 corruption because I suppose I feel a lot of
31 people's understanding of corruption was the same
32 as mine had been, which is that Ukrainian
33 corruption is just a Ukrainian problem, you know,
34 something that just Ukrainians do because that's
35 their national character, when actually it is an
36 industry and a phenomenon that has been as much
37 exported to Ukraine by westerners as it has been,
38 you know, imported from the West by Ukrainians.
39 And I really wanted to describe the role that
40 countries like the UK, the United States, Canada,
41 Switzerland of course, and other major western
42 economies have had in that financial system. It
43 is a globalized financial system which is causing
44 an astonishing amount of damage to countries like
45 Ukraine by sucking capital from where it's needed
46 and spending it on things which really aren't
47 needed, like luxury properties and televisions at

1 sitting-down height in the toilet.

2 Q Mm-hmm. And you describe that sort of incredible
3 -- the concept of a five-storey log cabin is
4 something I'd need to see pictures of to conceive
5 about what it actually looks like. But tell us a
6 bit about the disproportion between that and the
7 state of the wealth or the poverty in the Ukraine
8 at the time. Was this a wealthy or a poor
9 country?

10 A Ukraine should be a wealthy country. It has much
11 of Europe's most fertile farmland. The Black
12 Earth belt of Southern Ukraine is legendary. It
13 has great resources of coal, a big steel
14 industry, chemicals. It has good gas reserves, a
15 very well educated workforce, renowned in the
16 former Soviet Union and beyond for their work
17 ethic. It has everything that should make a
18 wealthy country. In fact, if you compare its
19 relative wealth at independence in 1991 with
20 neighbouring Poland, they were at a very similar
21 stage of development.

22 Q Mmh.

23 A However, since that time, since Poland became --
24 broke free of communism and Ukraine became
25 independent, Poland has advanced remarkably. Its
26 wealth has increased markedly but Ukraine has
27 more or less stagnated. So Poland is now
28 approximately three times wealthier than Ukraine
29 despite the fact that they started in a similar
30 place only, what, 30 years ago.

31 So you know, what is the explanation for
32 that mismatch? And one explanation I sought,
33 which I find very convincing, is that this
34 immiseration of the country is not universal.
35 There is a very small group of Ukrainians who
36 have done astonishingly well out of the post-
37 independence years, and that is a group of
38 several dozen insiders, most of them with strong
39 connections to politics. If they're not
40 ministers, then they're normally members of
41 parliament, and they have managed to leverage
42 their connections at the centre of power to make
43 vast fortunes, whether that's from the gas
44 transit trade from Russia to Europe and from
45 which Ukraine takes a cut, or from their natural
46 resources, or from just exploiting their
47 positions in the state bureaucracy to, as it

1 were, extort money from the rest of the economy.
2 So you have a predatory, extractive elite at
3 the centre of the country who have essentially
4 made giant fortunes from making everyone else's
5 lives a misery. So ordinary citizens have to
6 make do with very poor basic services. Things
7 which are supposed to be free like health care,
8 to which all Ukrainians have a constitutional
9 right, are not really free at all. If you want
10 to see a doctor, you have to pay a bribe. If you
11 want medicine, you have to pay a bribe. If you
12 want to have an operation, you have to pay a
13 bribe. If you get stopped by the traffic police,
14 almost invariably it results in having to pay a
15 bribe whether you have or have not committed an
16 offence.

17 The roads are generally in bad condition.
18 Public housing is in bad condition. Wages are
19 very low. It's a -- an astonishingly unequal
20 economy, and a great betrayal of what the wishes
21 were of Ukrainians when they became independent
22 in 1991. There was a real feeling of national
23 birth. This is the first extended period when
24 there has ever been an independent Ukrainian
25 state.

26 Q Mm-hmm.

27 A And many Ukrainians really felt that this was
28 their moment that they would finally have their
29 time in the sun. And you know, though many great
30 things have been achieved in the cultural sense,
31 as an economic project Ukraine has been a
32 disaster.

33 Q And you describe your friend Anton's reaction in
34 saying we couldn't -- words to the effect of,
35 look, we couldn't have known this. We -- This
36 company, this house is in the UK. In other
37 words, it's owned through the UK. I take it what
38 that's describing is Ukrainian citizens or anyone
39 who's trying at that time to look up who's the
40 owner of these lavish properties hits a dead end
41 because that gets obscured through these
42 corporate structures.

43 A Yes. There were -- anti-corruption activist were
44 very fortunate. They got a head start in 2014
45 during the immediate post-revolutionary days
46 because the president, just before he fled, or
47 rather his people just before they fled, had

1 dumped a large quantity of his financial records
2 in the River Dnieper. I think they were
3 expecting them to sink. Many of them didn't sink
4 and they were fished out and dried in a sauna,
5 and they did provide a lot of leads for what had
6 happened to the wealth, but only, to be honest, a
7 fraction of it. When skilled lawyers and
8 accountants seek to hide money in the
9 international financial system, they are very,
10 very good at hiding it and it becomes
11 astonishingly difficult to find. As soon as
12 money crosses a border, if it flows from Ukraine
13 into, say, Moldova, the neighbouring post-Soviet
14 country which is, if anything, even more corrupt
15 than Ukraine and has been more afflicted by
16 Moneyland, and then moves from Moldova to, say,
17 Latvia and then from Latvia to Germany, Germany
18 to the UK, every single time it crosses a border
19 and you wish to find out where it's gone, law
20 enforcement agents will have to seek assistance
21 from the law enforcement agents of the next-door
22 country, who will then have to seek it from
23 another country, and so on. Those requests are
24 time-consuming, cumbersome, and actually often
25 don't really result in any meaningful, useful
26 intelligence.

27 So any lawyer or accountant worth their salt
28 who's looking to move money around just ducks it
29 in and out of two or three different countries or
30 jurisdictions, at which point it becomes
31 astonishingly hard to trace, even for a
32 diplomatically resourceful and wealthy country
33 like Canada or the UK or the U.S., let alone a
34 country like Ukraine, which has, you know,
35 extremely underpaid and under-skilled law
36 enforcement agencies. And frankly, it's not a
37 country that anyone's that worried about
38 offending.

39 Q So what you describe there, if I over-simplify a
40 little bit, the -- if there's a police chase
41 going on, the money moves pretty quickly across
42 the border, but the police, the investigators,
43 the flow of information can be slowed down or
44 stopped considerably by crossing borders.

45 A Yes. I don't know whether there was television
46 called *The Dukes of Hazard* that was big in Canada
47 in the nineteen --

1 Q Absolutely, yeah.

2 A It was [indiscernible] big over here. It was one
3 of great peculiarities of the show, certainly to
4 British eyes, that all the Duke boys had to do
5 was cross the county line and they were away.

6 Q That's right.

7 A And it's a little bit like --

8 Q Every week.

9 A Yeah, exactly. They crossed the county line
10 again. But it's a little bit like that with
11 stolen money. If you can just get it across the
12 county line, then, you know, you're away
13 because -- but then the joy of getting money
14 across the county line is you don't have to put
15 it in a souped-up Mustang or whatever it was they
16 were driving. You could just do it at the touch
17 of a button and the electronic transfer moves the
18 money instantly. So it's -- you know, the
19 combination of the mismatches of jurisdiction
20 that the outlaws in the Old West used to take
21 advantage of. With modern communications means
22 that these -- this kind of movement is
23 instantaneous and very straightforward, very
24 cheap. And you can bounce money through six or
25 seven different jurisdictions in an afternoon,
26 which would take law enforcement agencies years
27 to uncover. You know, any law enforcement
28 agencies. I mean, I have -- you know, I talked
29 to people in the FBI, and they would talk
30 about -- you know, they can't even find out who
31 owns a company in Delaware, let alone a company
32 in St. Kitts and Nevis or Panama or Vanuatu. It's
33 -- You know, the economy is ludicrously skewed
34 towards the criminals and away from the law
35 enforcement agencies right now.

36 Q Mm-hmm. Tell me a bit about, from your point of
37 view as an investigative journalist, as an author
38 who is delving right into these topics, you
39 described a little bit the hop, skip and a jump
40 from looking at the hunting lodge in the Ukraine
41 to then Harley Street in London and on to
42 Liechtenstein and so forth, to trace a little bit
43 the course of it. That's, I take it, you with
44 some considerable reporting experience digging in
45 and trying to follow the breadcrumb trail. But
46 apart from situations where people have to dry
47 out the luckily found documents in saunas and get

1 leads like that, how difficult is it to actually
2 trace and get information -- let me just ask you
3 first of all for you personally when you're
4 reporting on these things.

5 A It depends -- I mean obviously it's very annoying
6 to say it depends. But it slightly depends who
7 you're investigating. There are different
8 classes of sophistication of crook. One of the
9 great things about Ukraine in 2014 was the ruling
10 elite in Ukraine hadn't been very sophisticated
11 in the way they hid their money. So they'd used,
12 for example, their own names on company ownership
13 documents in the UK, which meant that they were
14 very easy to find. Any sensible crook will just
15 pay a grandmother in a provincial town to put
16 their name on on their behalf, and then you'd
17 never put two and two together. You might say
18 what on earth is this 78-year-old retired
19 schoolteacher doing owning a company in Harley
20 Street, London, but there's no real way of
21 answering that question because she doesn't
22 really know either.

23 So the Ukrainians did make it relatively
24 easy. It was made significantly easier thanks to
25 the big Panama Papers leak when the Mossack
26 Fonseca database was leaked, which meant that
27 there were lots of companies that we could
28 connect to names in offshore jurisdictions such
29 as the British Virgin Islands or others, that
30 otherwise we could not make connections to.

31 But to be honest, even with that
32 documentation, it only takes you so far because
33 you can see ownership of assets -- for example, a
34 company or, you know, a market or a coal mine,
35 whatever -- but you still can't see what's
36 happening in bank accounts, where money is going
37 within bank accounts. Little bits of information
38 have emerged, for example, with the big Danske
39 Bank money laundering scandal. But again, you
40 still can't really see the movement of the actual
41 money, and that's what's really important.

42 So it's interesting to know who owns a
43 company, and if you know who owns the company,
44 then perhaps you might know -- what -- if they
45 own a bank account. But you still can't see what
46 volume of cash is being moved unless have
47 subpoena powers, which of course no journalist

1 does.

2 So, you know, the Ukrainians made it
3 relatively easy for people like me to
4 investigate, but even so you could only really
5 uncover a fraction of what was going on. If then
6 you come up against, say, the Russian insiders,
7 they're much more sophisticated. In fact,
8 Ukrainians now, Ukrainian insiders are much more
9 sophisticated. But Russian insiders are much
10 more sophisticated in the way they hide their
11 wealth. They make it astonishingly hard to
12 investigate.

13 And then a step up again would be the
14 Chinese insiders, who are all but impossible to
15 investigate for anybody.

16 Q Mmh.

17 A Because they have become so sophisticated when it
18 comes to hiding their money, and also the
19 consequences for them are so severe if they get
20 it wrong because the rules in China are so strict
21 on stepping out of line.

22 So, you know, it's -- essentially if you
23 want to bury your money in a way that it will
24 never be found, you know -- those tools are
25 available. You just have to look for them and
26 find the right architects for your financial
27 structures. It will cost you, but not as much as
28 it'll cost you not to do it.

29 Q It seems to me, as you describe these different
30 ways, that you get a glimpse in through the
31 windows as to where the real ownership is or
32 which people connect to which transactions and
33 property and assets. There's a certain haphazard
34 quality to it. So when I think about the Panama
35 Papers or a leak of documents -- as I understand,
36 the Danske Bank was a large bank in Denmark where
37 there had been effectively a whistleblower who
38 opened up information about it, or in turn, your
39 example of the papers floating in the river in
40 the Ukraine. All of those share in common that
41 there's a certain unpredictability to it.
42 There's nothing routine about the flow of
43 information there.

44 A Yes. And law enforcement agents will say the
45 same thing, that they have a certain ability to,
46 as it were, attack a money laundering operation
47 with subpoena powers and so on. But unless they

1 can either gain the cooperation of a
2 whistleblower from within inside the organization
3 or else they can, you know, flip someone with
4 knowledge of the inner workings of the
5 organization, there's very little that they can
6 do. They have to have direct intelligence from
7 the inside.

8 And the same was true when the U.S.
9 Department of Justice went after the big Swiss
10 banks after the great financial crisis, or what
11 we used to call the great financial crisis. I
12 suspect it may be dwarfed by this one. But when
13 they went after Cr dit Suisse and UBS, they were
14 helped by Bradley Birkenfeld, an American citizen
15 who turned whistleblower and brought a lot of
16 very important intelligence to the DOJ. The same
17 principle is the same. If you have someone
18 inside who can give you facts and figures and
19 also explain to you how systems work, that makes
20 it possible to understand things. And I find
21 that, with me, it's all very, very hard to get
22 any meaningful way into a story unless you find
23 someone who actually knows what they're talking
24 about and is prepared to talk about it. Often
25 they won't want to be quoted in a story or even
26 acknowledged as having existed at all, but they
27 can make it at least possible to understand
28 what's happening.

29 I mean, you mentioned the Danske Bank
30 scandal, which was the biggest money laundering
31 scandal of all time, 250 billion euros moved via
32 Danske Bank's branch in Estonia. Annoyingly,
33 someone did offer me that scandal about a year
34 before it broke, but I ignored the email. I get
35 a lot of emails. I felt very foolish afterwards.
36 Q Tell me about from your point of view having, for
37 example, reported on social issues and alcoholism
38 in former Soviet state parts of the world. How
39 does that topic compare to this difficult
40 challenge of trying to get into Moneyland?

41 A Well, I mean, there's two answers to that. One
42 of them is -- it's always difficult to tell a
43 story without caricaturing it and to tell it
44 respectfully and honestly. It's very easy to
45 write caricaturish tabloid journalism and, you
46 know, go in for a couple of days and then leave.
47 Writing about a story respectfully and with the

1 right degree of understanding is always
2 difficult. They're similar in that regard. But
3 the -- the -- in a way the two stories, the sort
4 of social collapse in Russia and Ukraine and the
5 corruption in Russia and Ukraine, are in a way
6 the mirror images of each other or the light and
7 dark sides of each other because so much wealth
8 has been extracted from the countries and sent
9 offshore that basic services have fallen apart.
10 Police organizations, court organizations have
11 become predatory, almost mafia organizations as
12 opposed to what they're supposed to be, sort of
13 independent arbiters of the law. That -- you
14 know, life is miserable for a lot of people.
15 There is no -- if you manage to build a
16 successful small business, it will be taken off
17 you. If you want to go to university and you
18 can't pay a bribe, you can't go. If you want to
19 graduate from school, pay a bribe or you won't
20 get your certificate. If you want to take your
21 child to the hospital and you can't pay a bribe,
22 your child, you know, just has to survive however
23 it can.

24 You know, life is genuinely miserable if you
25 can't afford to play this game. So why not have
26 a drink? That's the -- You know, that's the
27 problem. It becomes a driver of the social
28 collapse. And I think that's one of the things
29 that it's really important -- I really want to
30 stress about corruption. It is a white-collar
31 crime. You know, the crime itself, the money
32 laundering, is committed by professionals,
33 lawyers, accountants, people with positions of
34 trust in society. But the victims of the crime
35 are grandmothers, children, ordinary people,
36 people who just want to get on with their lives.
37 And the consequences are profound. When the
38 Ukrainian health care system is looted and there
39 is no longer enough money to buy the
40 antiretrovirals that HIV-positive patients need,
41 then HIV spreads across Ukraine and you end up
42 with a significant epidemic of a disease that is
43 eminently treatable. If the health system in
44 Nigeria is looted and COVID-19 spreads across the
45 country, you know -- the consequences are
46 horrific.

47 And the same is true, not just of epidemics

1 but also of public order issues. You know --
2 certainly one of the reasons why it was so easy
3 for the Russian security services to undermine
4 the Ukrainian state was because so much of the
5 Ukrainian state had lost its legitimacy because
6 it had become a predatory organization just
7 stealing from its citizens. You know, who would
8 defend such an organization? Why would you
9 bother?

10 Q Mm-hmm.

11 A And so you have a -- corruption is not just a
12 white-collar crime. It's not just a crime with
13 individual victims. It's also a crime with
14 genuinely national security implications from a
15 pandemic perspective and from a national security
16 and terrorism perspective. You know, the
17 corruption undermines the legitimacy and security
18 of states, and when those collapse, you know --
19 disease and terrorism fill in the gaps.

20 Q Mm-hmm.

21 A And so it is one of the reasons it's so important
22 to do something about this and it's so important
23 to get past this. You know, a local argument
24 that we have in the UK, and I suspect you also
25 have in B.C., that we're doing okay out of it so
26 why bother combatting it, is because eventually
27 these problems will come for us too, you know,
28 just like the money that flows to Vancouver or to
29 London knows no borders. The diseases that rise
30 up where the money's left, they know no borders
31 either. And that will -- you know, the
32 consequences of corruption are very much as
33 globalized as the money is.

34 Q Mm-hmm. What was the purpose behind your writing
35 the book *Moneyland*? What was the aim of the
36 book?

37 A I was very -- I was very angry, to be honest. I
38 mean, you know, it's -- I mean, let's not -- I
39 don't want to overegg my amazing moral compass.
40 I'm a journalist. I write stories is what I do.
41 But I could have written any story. I didn't
42 have to write a book about accountancy, which is
43 basically what this is. Yeah, there are many
44 easier stories to tell. I was very angry about
45 the fact that my country and other western
46 countries were preaching the need for
47 transparency and anti-corruption measures to

1 countries like Ukraine or countries like Nigeria,
2 countries like Venezuela, and sitting on their
3 high horses and being very sort of moral about
4 how everyone needs to behave, while at the same
5 time accepting billions upon billions of dollars
6 into their economies which had been stolen from
7 the very countries they were preaching to. It
8 is, you know, the worst kind of hypocrisy really.

9 And also, if you think about how one solves
10 corruption, you know, the countries I love most
11 in the world, apart from Wales, are in the former
12 Soviet Union, and they have been very grievously
13 damaged by corruption, to such an extent that
14 many of them could now be very accurately
15 described as kleptocracies. If you wish to solve
16 corruption, you can't rely on a kleptocracy to
17 decorruptify itself. Obviously it's not going
18 to. Its rulers are too invested in the system.
19 You know, it's like asking a mafia clan to
20 voluntarily turn straight. It's just not going
21 to happen.

22 So how do you solve the corruption? Well,
23 you need to go to target the mob bankers. In
24 this case that's the likes of the UK, Canada, and
25 the U.S. So writing a book for a mass market
26 audience in the UK, Canada, and the U.S. would
27 hopefully help my long-term objective of turning
28 this money away.

29 Q Mm-hmm.

30 A And sure -- as many people will argue. You'll
31 always find someone to take this money. Yes, you
32 will. I mean, the money can go to Dubai or it
33 might go to Singapore. But there's a good reason
34 why kleptocrats like sending their children to
35 live in Vancouver or London or Los Angeles,
36 because these are really nice places. And if we
37 can make this money toxic so it isn't going to
38 come to our places any more, then maybe they'll
39 stop stealing it. That's, I suppose, what I was
40 hoping.

41 Q When you describe the concept of Moneyland -- and
42 I'll ask you to speak a bit more about that in a
43 moment -- but is the aim of the book to go beyond
44 simply -- it does tell a number of stories and
45 give a number of specific illustrations of
46 things, but it also, it seems to me, goes beyond
47 simply recounting the stories to give us a

1 framework for understanding something beyond one-
2 offs, beyond individual instances. Is that part
3 of what you were aiming to do with the book?
4 A Yes. I thought -- I suppose I thought that too
5 much of the general discussion around corruption
6 was wrong, frankly. The leading anticorruption
7 organization in the world, Transparency
8 International, which is an organization I have
9 great respect for. Apart from this one small
10 reservation that I will outline, I like
11 everything they do. But every year they publish
12 an index called the Corruption Perceptions Index,
13 which gets an awful lot of attention. It is, you
14 know, often the only thing about corruption that
15 newspapers will publish for months when they
16 report on the annual Corruption Perceptions
17 Index. And it is reported, you know, like the
18 sort of global football rankings, you know, which
19 country's up, which country's down. How are we
20 doing this year? Have we been outranked by
21 Canada? That kind of thing.
22 And it presents corruption as a nationally
23 bounded issue. You know, Ukraine has 47 points,
24 Canada has 86 points, Denmark has 92 --
25 THE COMMISSIONER: I'm sorry, Mr. Bullough. I'm going
26 to interrupt you. I think we've lost your voice.
27 At least I have.
28 A Oh, no.
29 THE COMMISSIONER: I don't know if I'm in a minority
30 of one or not. But --
31 A Hang on a second. I will --
32 MR. MARTLAND: I've still got the voice coming
33 through, Mr. Commissioner so--. But I'm glad you
34 alerted us to that.
35 A Shall I try muting my microphone and unmuting it,
36 just in case that helps?
37 MR. MARTLAND: Why don't you?
38 A How is that? Is that any better, sir?
39 MR. MARTLAND: Well, just hang on a second. Maybe --
40 A I can hear you --
41 MR. MARTLAND: Mr. Bullough, I can still -- I didn't
42 have an interruption in the audio feed there.
43 THE COMMISSIONER: I'm just going to go offscreen for
44 a moment and try and fix my problem because I
45 suspect it's mine and not anyone else's. So --
46 MR. MARTLAND: That's fine.
47 THE COMMISSIONER: -- if you'll just give me a

1 moment.

2 MR. MARTLAND: I'm advised that you're audible on our
3 live stream, so there you go. It does matter to
4 be heard by the Commissioner, so let's hold off a
5 second and get this sorted out.

6 Maybe what I'll do is if other participants
7 -- there's a number of people who are on this
8 Zoom connection, and if they -- why don't I do it
9 this way. If anyone else is having a problem
10 with the audio feed, please comment through the
11 chat feature -- then we'll see that -- rather
12 than everyone chiming in to say they can hear
13 you. If you can't, let us know. Otherwise we'll
14 assume people can. It may simply be isolated to
15 the one computer.

16 THE COMMISSIONER: Can you hear me now? And I
17 wonder, Mr. Martland, if you would say something
18 to see if I can hear you.

19 MR. MARTLAND: Certainly. I can hear you.

20 THE COMMISSIONER: And I can --

21 MR. MARTLAND: We'll ask the witness. That's good.

22 THE COMMISSIONER: I can hear you. And Mr. Bullough,
23 if you would just say something so I can see if I
24 can hear you.

25 A Hello -- here I am. Can you hear me now? Any
26 good?

27 THE COMMISSIONER: It's very low. I'm going to try
28 and increase the sound. All right, let's try
29 that.

30 MR. MARTLAND: So I'll try my volume first, Mr.
31 Commissioner, just to see if I'm coming through
32 okay.

33 THE COMMISSIONER: Yes, you are. Thank you. And I
34 think when we left off Mr. Bullough was just
35 describing the Transparency International
36 Corruption Index, and he had just introduced that
37 subject, and that's when his voice cut out for
38 me. Thank you.

39 MR. MARTLAND:

40 Q So Mr. Bullough, even though it might repeat a
41 little bit of the same ground, you were
42 describing a little bit about how the nature of
43 the TI Corruption Index tends to look a little
44 bit like a ranking the football squads to see
45 who's faring and people then look at it and frame
46 it up in terms of how's my country doing instead
47 of thinking about this as a transnational

1 problem, I think.

2 A Well, yes. So invariably, countries in Asia, the
3 former Soviet Union, Sub-Saharan Africa, Latin
4 America rank very low in the index, and countries
5 in Europe, Australasia, North America and of
6 course Japan rank very high. And this is fine in
7 as far as it goes. You are obviously much more
8 likely to be shaken down for a bribe on the
9 street in Kinshasa than you are in Copenhagen,
10 for example. But it totally misrepresents how
11 corruption actually works because the money
12 always ends up in countries that are ranked very
13 high on the Corruption Perceptions Index and
14 always comes from countries which are ranked very
15 low. So it looks very much to me as if we are
16 essentially blaming the victims of corruption for
17 being the targets of corruption while you know --
18 whitewashing the beneficiaries of it. You know,
19 if you look at corruption as being an issue of
20 supply and demand, we are criticizing the demand
21 side of the corruption, but without in any way
22 having anything to say about the supply side.

23 So that's what I think we often think about.
24 We think about people who take the bribes but we
25 don't think about the mob bankers, the people who
26 launder the money and so on. And so Moneyland
27 was in a sense -- to go back to your question,
28 which I feel I've spent quite a long time
29 diverting away from -- but Moneyland was an
30 attempt to lay out a different framework for
31 understanding corruption, to look at corruption,
32 modern corruption, kleptocracy, as a function of
33 globalization, the dark side of globalization,
34 whereby the same aspects of a globalized
35 financial system that are so appealing to big
36 companies, who like to be able to move their
37 money around to get the best return, have been
38 essentially hacked by the wealthiest and most
39 powerful elites of poor developing countries, who
40 move money around not to get the best return but
41 to get the best, you know, anonymity and the best
42 protection so they can then spend that money on
43 luxury goods in major western centres.

44 And so that's what I wanted to describe.
45 And Moneyland is just a metaphor that I came up
46 with to describe the system that allows that to
47 happen because in many ways it does resemble a

1 country. If you put your money in Moneyland, it
2 drops off the map. It no longer is registered as
3 existing anywhere that we would recognize as a
4 country. So you have this hole in the global
5 balance sheet, you know. The assets and
6 liabilities of the world don't match. It's as if
7 Mars was a major investor in the world, which
8 obviously it isn't. And so in order to make the
9 list of countries add up so that the assets and
10 liabilities add up, I decided to add another
11 country to the list, and that's the country I
12 called Moneyland.

13 Q Mm-hmm. And so tell us a bit about -- you used
14 that as the title of your book and as a metaphor
15 throughout the book. And to help us understand
16 what you describe or what you convey with the
17 term Moneyland, just let us know, please, what
18 that describes.

19 A Well, Moneyland is -- it's a *portmanteau* word--
20 country which exists of whatever laws anywhere in
21 the world are most convenient to the owner of
22 money at any particular time. So it's a pick-
23 and-mix approach. You can pick and choose any
24 bits of the law that you're interested in. So
25 if, for example, you wish your money to be
26 anonymous, you can route your money via one of
27 the many tax havens that provides you anonymity
28 via its shell structures, whether that's a sort
29 of disreputable one such as St. Kitts and Nevis,
30 or a reputable one such as Delaware.

31 If what you wish is ease of access of your
32 money, you might want to put it via a modern
33 financial centre such as, say, Latvia or Cyprus.
34 If what you want is a good return on your money,
35 you could find a different place to put it.

36 But Moneyland doesn't only stop with money.
37 Once you have stolen a fortune from your country
38 and put it offshore in Moneyland where it's safe,
39 you want to be able to enjoy it and you want your
40 children to be safe. So if, for example, you've
41 been the education minister of an ex-Soviet
42 country and stolen a lot of money that was
43 supposed to be going to support schools and
44 universities, you don't want your own children to
45 have to go through a substandard education that
46 is the result of your own actions. So having put
47 your money in Moneyland, you can then put your

1 children in Moneyland if you wish because your
2 children can then go and live in Monaco or
3 Switzerland or the UK, attend a private school
4 there and do very well for themselves.

5 If, you know, you wish to visit them there
6 but you can't be bothered to get a visa every
7 time you travel, you can quite easily buy
8 citizenship from one of half a dozen countries
9 that will sell a passport quite legally. Those
10 are mainly countries in the Caribbean -- St.
11 Kitts and Nevis, Dominica, St. Lucia and various
12 others -- or it can be in Europe. Malta and
13 Cyprus will do that. So you can put your
14 citizenship in Moneyland.

15 If an annoying journalist such as me wants
16 to write about you and you wish to gain
17 protection from that, if you just establish a
18 reputation in a country with strict defamation
19 laws like the UK, for example, set up a
20 philanthropic trust or, I don't know, buy a
21 football club, donate to a major university or a
22 museum, then you've gained a reputation in the UK
23 and you have a reputation to defend. If I write
24 about you, then you have the right to sue me in
25 court, which is a very expensive business and
26 certainly enough to scare most journalists and
27 media organizations away. You've therefore not
28 just got your money, your children, and your
29 citizenship in Moneyland, you've put your
30 reputation there as well.

31 It is a very powerful concept, this ability
32 to pick and choose which aspects of the world's
33 legislation you wish to follow. And it's worth
34 contrasting that with how 99.99 percent of people
35 in the world live. The vast majority of us only
36 live by one set of rules. We all live in one
37 country. We might visit other countries on
38 holiday but we live in a country. Our money's in
39 that country, our children are in that country,
40 everything that we own and do is in that country.

41 So we are only affected by one set of rules.
42 We don't get to choose what rules we follow. But
43 if you are globally nomadic and very wealthy,
44 then you can pick and choose. You can choose
45 what rules your yacht follows. You can choose
46 what rules your money follows. It's a very
47 useful ability to have. And it's not a static

1 system that these people move within. Their
2 money, their advisers shape the system all the
3 time. Jurisdictions are endlessly competing to
4 be the place where their money goes to or where
5 their children go to school, and they're
6 constantly trying to reshape their legislation to
7 make it more attractive.

8 I wrote last year about the trust industry
9 in South Dakota, one of the states in the very
10 middle of America, which was shaped deliberately
11 with -- I don't know if the word is "malice" --
12 but with intention aforethought to deliberately
13 attract money from other states in the Union
14 because South Dakota wanted money and didn't much
15 care which states lost money so South Dakota
16 could have it. And then in the last 10 years,
17 they have exploited a mismatch in global
18 transparency rules to deliberately essentially
19 attract money from everywhere -- from Chinese
20 billionaires, Russian billionaires, everyone.
21 And this was not an accidental process. It
22 wasn't like there was some entrepreneurial
23 billionaire who spotted a useful law in South
24 Dakota. No, the South Dakotan trust industry
25 wrote these laws deliberately with full intention
26 of this happening.

27 And this is happening all the time, 190
28 different countries in the world and many sub-
29 sovereigns such as South Dakota or the various UK
30 offshore territories, all of them, all the time,
31 trying to write their laws to attract more of
32 this money. So you end up with a constant
33 process of what in South Dakota they refer to as
34 liberalizing trust law. I don't know whether the
35 rest of us would use the word "liberalizing."
36 Certainly making the law more generous to the
37 rich and powerful and less useful for the rest of
38 us. Wealth perpetually gains greater protection
39 from oversight and from taxes, which is good for
40 rich people and bad for everyone else.

41 Q And as you describe that concept, it seems to me
42 it's very much not the mainstream. You, I think,
43 describe it's not -- most people live and own and
44 carry on under the rules of one country and in
45 one country. So help us understand what this --
46 this concept of Moneyland, just how elite and how
47 select a group of wealthy people it is who have

1 access to Moneyland.

2 A Well, I mean, you have to be very, very rich, you
3 know. Your wealth certainly has to be in the
4 tens of millions of dollars. But it's not
5 automatic. You don't -- if you are that wealthy,
6 you don't have to be a citizen of Moneyland. You
7 can choose to pay all the taxes you owe. You can
8 choose not to opt out of the rights of a citizen
9 if you wish to. You know, in the UK, for
10 example, J.K. Rowling, the author of the Harry
11 Potter novels, she has become astonishingly
12 wealthy via the books and films made out of her
13 books. But she, you know, got started because of
14 national assistance from the state, and she
15 believes it's her duty to pay back everything she
16 owes. That's very generous of her. She could
17 quite easily, had she wanted to, have skipped out
18 to live in a tax haven and paid a fraction of the
19 tax that she pays. You know, that is the joy of
20 Moneyland. As soon as you become wealthy enough
21 to take advantage of it, the opportunities and
22 choices open up before you. If you relocate to
23 live in Monaco, suddenly the taxes you pay are a
24 fraction that they were previously.

25 So it is a voluntary process, but it is -- I
26 can understand it must be very tempting. It's
27 not an option I've ever had. But if someone were
28 to come up to me and wave a magic wand and say,
29 all you have to do is move somewhere sunny and
30 you can reduce your tax bill by 50, 60, 90
31 percent, yeah, I can understand why that would be
32 attractive. And that's just honest
33 businesspeople who wish to dodge scrutiny. You
34 know, if you are a kleptocrat and you've stolen
35 several billion dollars from your national
36 budget, and someone says, well, you've done all
37 that hard work now. Why not move somewhere sunny
38 and spend it --

39 Q Mmh.

40 A -- and there will be no consequences. I mean,
41 who wouldn't want that, right? Yeah, that's
42 the -- it must be very hard to resist.

43 Q I assume for the kleptocrat there's an added
44 concern that for all the reasons that let that
45 person get away with plundering from the state
46 and from the people of their country, who's to
47 say the next ruler won't roll in and steal from

1 you, an added incentive --

2 A Yeah, it's a real problem. It's definitely a
3 reason to skip town, or else try and hang onto
4 power as long as possible, which is another
5 downside of the Moneyland system, which is it
6 entrenches dictatorship because it's, you know,
7 as soon as you relax your grip on the crooked
8 court system and police officers that have
9 allowed you to earn as much money as you have,
10 then someone else will get a grip over them and
11 will be able to take that money away. We see
12 this in Ukraine. Ukraine has a democratic system
13 but a rather chaotic one. And regular changes of
14 president would tend to result in quite dramatic
15 prosecution of leading politicians from the
16 previous setup who had been felt -- had enriched
17 themselves at the people's expense and that money
18 needed to be taken away. That means it gives you
19 every incentive to try and establish a non-
20 democratic system because why would you give up
21 control? I mean, it's -- I think one of the
22 issues that Russia has is that, you know, the
23 elite around Vladimir Putin has become so
24 astonishingly wealthy under his control. You
25 know, these are old friends of his who are now
26 worth billions upon billions of dollars, not just
27 millions, that if he were ever to stop being
28 president, then they would become vulnerable,
29 which is why he must never stop being president.

30 Q Mm-hmm.

31 A You know, it's a problem in every direction that
32 you look.

33 Q And you've described as an example South Dakota
34 with their trust rules, and we'll come back to
35 that and I may even refer you to the *Guardian*
36 article that you wrote on that topic. But in
37 terms of that concept of countries,
38 jurisdictions, sometimes states or provinces
39 within a country, competing for that super high-
40 end clientele or market, I suppose. To put it
41 from the point of view of the elite or wealthy
42 person who has access to the tunnel of Moneyland,
43 I take it they -- what you're describing there is
44 that from their point of view they're really able
45 to pick and choose between jurisdictions. Those
46 jurisdictions are competing for their business
47 and that becomes effectively a race to the bottom

1 as to who has the least restrictions, rules, or
2 maybe put differently, the highest amount of
3 secrecy.

4 A That's correct. I mean, though -- there are
5 other factors. There are questions of prestige
6 as well. You know, if your money is structured
7 via Panama, you know, it is known that Panama is
8 a jurisdiction that doesn't ask many questions,
9 and therefore question marks will be raised.

10 Whereas if your wealth is structured via, say,
11 Delaware, then that looks much more legitimate.
12 So there are other issues to take into account.

13 I think a very good way of looking at this
14 is the issue of what are often colloquially
15 called golden visas or residence by investment.
16 This was an industry that was started by Canada
17 in the 1980s. And then if you look at the
18 countries that joined, the United States joined
19 quite quickly after Canada, wanting a little bit
20 of the money that Canada was getting. Then the
21 UK looked over the Atlantic and realized that
22 they wanted a bit of that too. The Australians
23 and Kiwis got involved. And then it spread very
24 widely. The Portuguese, the Cypriots, the
25 Greeks. You now, 60-odd western countries sell
26 visas. But what's particularly interesting is
27 that Canada got out of the game, having kick-
28 started this particular avalanche. Canada got
29 out the game, but not entirely. Quebec still
30 sells residence. So you have this interesting
31 aspect whereby Canada decided not to continue
32 doing this but in Quebec they decided that they
33 would.

34 So there's endless nuances and complexities
35 involved in how it works. But the essential
36 takeaway, I think, the important lesson to learn
37 is that once one country starts doing
38 something -- in this case Canada -- you know, I
39 suppose 30 -- 40 years later Canada decided it
40 didn't want to do this any more. But by that
41 point, the cat is out of the bag, the genie is
42 out of the bottle, the worms are out of the tin,
43 and all the other countries have started doing
44 it. So in a way, even if Canada was trying to
45 undo the damage that they did by inventing this
46 particularly egregious idea, it's gone. It
47 doesn't matter now. You know, you don't need a

1 Canadian residence permit any more because you
2 can just get one from Portugal, France, the UK,
3 the United States, or many many other places.

4 So these ideas always spread very quickly.
5 They -- countries learn from each other. They're
6 constantly looking for ideas from each other. If
7 a particular offshore centre invents a new way of
8 hiding wealth, it will spread very fast to other
9 offshore centres because they all have the same
10 law firms and they all have the same accountancy
11 firms, and they will -- you know, they will just
12 pass it, you know, across the network very
13 quickly. Many of the ideas that were invented in
14 what are considered the more egregious Caribbean
15 tax havens have now spread onshore to the United
16 States and are used by places like Alaska,
17 Wyoming, South Dakota, to hide wealth, you know,
18 in a way that would have been unimaginable 10
19 years ago. And so it's a constant process of
20 mutation and adaptation in which the
21 jurisdictions are always trying to compete to
22 attract more of the wealth of the world's
23 wealthiest people, the basic calculation being
24 that they will make more in fees from holding
25 this wealth than they lost in taxes from not
26 taxing it, you know. And so far I would say,
27 from the perspective of a place like South
28 Dakota, a very good calculation. They're done
29 very well out of it.

30 Q And I think it's St. Kitts and Nevis where you
31 describe that indeed those rules -- tell me if I
32 have this right from memory -- that the rules
33 effectively were written by a group of, of all
34 things, American lawyers who were looking to
35 optimize the rules in play.

36 A Yeah. It was -- I mean, it was great meeting of
37 minds. Actually there were some American lawyers
38 looking for somewhere to put a shipping registry.
39 They were worried about the security of the
40 Liberian shipping registry. This is in the 1980s
41 when Liberia was racked by some particularly
42 horrible civil war, and they were worried about
43 the Liberian shipping registry and wanted a
44 backup. And they found specifically Nevis, the
45 smaller half of the Federation of St. Kitts and
46 Nevis, but then realized that -- why stop at a
47 shipping registry when you can go all out and

1 establish a corporate registry? And so yeah,
2 they wrote the laws, and in fact for more than a
3 decade, a single company in the U.S. had a
4 monopoly on selling Nevisian companies.

5 But I don't want to blacken St. Kitts and
6 Nevis entirely. You know, the British Virgin
7 Islands did exactly the same thing. Their
8 corporate registry laws were also written by
9 American lawyers. It is standard for
10 jurisdictions to essentially outsource the
11 writing of legislation to often specifically
12 American lawyers, but not only, who will then
13 look around and craft something which is
14 precisely what their clients want, and then pass
15 it to the local legislature where it will be
16 passed very quickly. It should be said that this
17 is exactly the same process that happens in South
18 Dakota. They -- I mean, I've spoken to members
19 of the house of representatives there. They have
20 no idea what the laws mean. They are given them,
21 the local trust industry wants them, and they get
22 passed with a minimum of discussion.

23 So it's a very widespread process. And once
24 you've found one small jurisdiction that is
25 prepared to pass a law of this nature, it gives
26 you a lot of leverage over the larger
27 jurisdictions that do not wish to lose business.
28 For example, in the 1990s, the accountancy
29 industry very much wanted Britain to pass a law
30 which could give them -- allow them to remain in
31 partnerships but limit their liability to create
32 limited liability partnerships. But Britain --
33 the then British government didn't want anything
34 to do with that because they felt that that
35 was -- would give a strong opening for moral
36 hazard. So the accountancy industry went to the
37 Island of Jersey, just offshore of the UK, and
38 persuaded them to pass the law, which they did
39 very quickly. Then the accountancy industry
40 returned to the UK and said, if you don't pass a
41 law too, we're all going to move to Jersey.

42 Q Mmh.

43 A Very quickly the UK passed a similar law. So you
44 end up with this process. As soon as one
45 jurisdiction opens the door, for example like
46 Canada did to selling visas or --

47 Q Mm-hmm.

1 A -- like Jersey did to creating limited liability
2 partnerships, then other jurisdictions have to
3 follow suit with this constant process that the
4 laws become more and more relaxed and more and
5 more generous to the interests of the wealthy and
6 powerful, and therefore less generous to the
7 interests of the rest of us.

8 Q If I can circle back, please, to ask you a bit
9 about gathering information, investigating and
10 uncovering things. In the course of work on
11 *Moneyland* and other reporting that you've done,
12 could you tell us a bit about the kinds of
13 moments in your work where you hit a dead end or
14 you hit effectively a brick wall of secrecy, that
15 you simply can't get any better information?

16 Q I mean, that's my life really. I mean, it
17 happens all the time. It's -- you become very
18 accustomed to it, to not being able to find
19 anything out. You know, there are many
20 jurisdictions where even the FBI wouldn't be able
21 to find out what's happening, so I'm obviously
22 not going to. But that doesn't mean it's not fun
23 to try. So I had a particularly entertaining
24 trip to Nevis, the island of Nevis in the
25 Caribbean. It's such a -- for my purposes, St.
26 Kitts and Nevis is a perfect jurisdiction because
27 Nevis is a particularly grimy tax haven that
28 sells companies to pretty much anyone, and St.
29 Kitts invented the passport for sale industry
30 really. So you can cover both -- and they're
31 right next to each other, so you can cover both
32 kind of tales in one trip. And also they're both
33 gorgeous. I mean, these are paradisaical islands
34 in the Caribbean.

35 But yeah, I mean, Nevis comes up in
36 corruption and fraud investigations all the time,
37 whether these are in the ownership structures of,
38 you know, people like President Yanukovych or
39 just in the ownership structures of kind of
40 really sort squalid frauds, the kind of frauds in
41 which confidence tricksters swindle pensioners
42 out of you know -- thirty, forty thousand
43 dollars, their retirement savings. You know,
44 things like that. Nevis is broad spectrum.
45 Anyone -- you know, it's got such a bad
46 reputation that when some right-wing bloggers
47 wanted to make Emmanuel Macron look bad when he

1 was running to be president for France, they
2 actually invented a Nevisian company for him,
3 leaked onto the Internet as if trying to claim
4 that he had a Nevisian company, because that is
5 what the kind of thing a corrupt official has, so
6 it made sense to make him look like he would have
7 one.

8 And so these companies come up all the time,
9 and they always have the same addresses. There
10 are five or six different addresses in Nevis --
11 Mmh.

Q

12 -- that are -- you know, if you study this well,
13 they're very well known. You can see the name of
14 the company and then the address, and then that's
15 it. You can find out nothing more about them.
16 You can't find out their accounts or their
17 ownership structures or their directors or
18 anything.

A

19 So I arrived in Nevis on the ferry. And
20 what's entertaining is that all of these
21 addresses are within the area of about a football
22 field. You know, they'd loomed very large in my
23 mind for a long time. They'd assumed this sort
24 of outsize importance, like sort of giants of
25 myth. And then I went to Nevis, and it's just a
26 gorgeous, you know, low-rise village really, just
27 by the sea, and with these very small cluster of
28 law firms, all of whom were providing, you know,
29 office -- sort of office-based services for
30 thousands of companies, many of which were
31 involved in fraud.

32 And I tried to -- you know, I'd go into them
33 and ask questions and try and find out what was
34 happening. You never get anywhere obviously.
35 They wouldn't tell you anything. But one of the
36 offices, the only one I didn't find, they
37 wouldn't ever tell me where it was located, let
38 alone -- I mean, I couldn't even visit it.

39 But I did go and talk to the registrar of
40 companies, a lady called Heidi Lynn Sutton, and I
41 put a few of the allegations made against Nevis
42 to her, you know, that it was used by multiple
43 kleptocrats to hide their wealth or by multiple
44 Internet fraudsters or, you know, big confidence
45 tricksters, and she literally laughed in my face.
46 Not in a sort of mocking laugh, like a kind of
47 villain from a cartoon series, but in a -- in a

1 laugh of disbelief, like who is this idiot who's
2 come here with this far-fetched tale? As if we
3 could possibly be doing anything wrong.

4 It was absolutely extraordinary. It was
5 surreal. I felt like I'd gone slightly mad, you
6 know. I really knew what I was talking about.
7 It wasn't -- it wasn't like I'd come with a few
8 sort of sketches on the back of an envelope. I'd
9 really done the spadework. I knew what I was
10 talking about. And being greeted as if was a
11 sort of slightly delinquent child was genuinely
12 bonkers and very hard to get my head round. But
13 actually, interestingly I then had a -- a couple
14 of days later I had a very enlightening interview
15 with the premier of Nevis. Nevis has its own
16 government and it is a junior half of the
17 federation, so it has its own autonomy and its
18 own government and its own parliament.

19 Q Mmh.

20 A And he was very straightforward, and he -- he
21 actually -- he said listen, a lot of people
22 criticize Nevis, but you need to understand,
23 places like Nevis are a facility. The money
24 doesn't stop here. The money just goes through.
25 The money is all in the United States or the UK
26 or Canada. So the places you need to criticize
27 are the big onshore economies, you know. Why are
28 you coming here to criticize us?

29 Q Mmh.

30 A So I think the point I really want to always
31 stress in the book again and again is that though
32 somewhere like Nevis is guilty of obscuring the
33 origins and the movement of capital, it is not --
34 you can't find money there. The money isn't --
35 doesn't stay there. You go there. It's an
36 island in the middle of nowhere with 11,000
37 residents and a few lovely beach bars. It's got
38 nothing else. The money moves through Nevis. It
39 passes under its protection and ends up in places
40 like Vancouver or London, Los Angeles, New York,
41 and so on.

42 So it's -- you know, it's always the wealth
43 havens are the big countries. You know, those
44 places are secrecy havens. They provide a
45 different service. The final destination of the
46 money is somewhere like your country or mine.

47 Q Mm-hmm. And you mentioned 11,000 residents. I

- 1 mean, it is really a village, isn't it? When
2 you're there in Nevis, that must have been almost
3 disappointing in the sense that these things took
4 on a stature in your mind and then you arrive in
5 a very small place.
- 6 A Well, yes and no. I mean, I suppose one of the
7 great things about a small place -- you're right.
8 It did. It had, you know, assumed this Godzilla-
9 like profile in my mind and it turned into a bit
10 of a -- sort of, you know, small lizard. But a
11 different aspect of that is that when a
12 jurisdiction is small, the dynamic involved in
13 seeing how Moneyland works is that much more
14 obvious, because there were just so much fewer
15 links in the chain. You could say exactly the
16 same about South Dakota. You know, the
17 population of South Dakota is smaller than that
18 of a reasonable sized English county. And
19 it's -- and so the process involved in the
20 crafting of the laws and the passing of the laws
21 and everything is -- it's just that much more
22 obvious.
- 23 Q Mmh.
- 24 A You know, in somewhere -- in a larger country
25 these movements are obscured behind lobbyist
26 firms and political discussion and all this, and
27 it's much harder to see what's going on.
- 28 Q Yeah.
- 29 A So in a way it's -- the smallness of a place like
30 Nevis is what makes it so valuable for someone
31 like me because it makes it, you know, much more
32 obvious what's really happening.
- 33 Q And 11,000 residents but something like 18,000
34 companies registered there, I read.
- 35 A Yeah. It's quite -- I mean, you know, it's not
36 that much money. They don't make that much money
37 out of it. But you know, it's a decent amount
38 for a small place. It's -- and I think, just to
39 be sympathetic temporarily --
- 40 Q Mm-hmm.
- 41 A -- for the plight of somewhere like Nevis or
42 somewhere like the Cayman Islands or the British
43 Virgin Islands, it is very difficult to make
44 money and make a living in the modern economy if
45 you are a small remote island. There are --
46 there are very few options. There's tourism
47 obviously, and that's fine in as far as it goes,

1 but that's a cyclical industry and it's -- you
2 know, it's not the only answer. If you're not
3 lucky enough to have natural resources of some
4 kind, you know, helping rich people dodge taxes
5 and regulations, it's -- you know, it's a bit of
6 a no-brainer. And that's how they all started.
7 You know, why did the Cayman Islands get into
8 helping foreigners dodge taxes? It's because
9 there were changes to the way the maritime
10 industry worked and there wasn't such demand for
11 Cayman mariners to work on foreign boats so they
12 lost the remittances. Therefore they looked for
13 another way of making money and decided to help
14 Americans dodge taxes.

15 Q Mmh.

16 A Why did St. Kitts and Nevis get into selling
17 passports? Because their sugar industry
18 collapsed because the EU changed its quota
19 regulations, and therefore they're looking round
20 for a new revenue stream and they saw the
21 opportunity to help -- you know, to help other
22 people move around the world encumbrance free by
23 selling passports.

24 In fact why did Britain, you know, the
25 granddaddy of it all, get into -- invent offshore
26 in the 1950s is because after the Suez crisis and
27 the -- you know, the freezing of a lot of our
28 foreign assets, banks were desperately looking
29 for new a new revenue stream and they started
30 moving dollars around instead of pounds and
31 realized that if they moved dollars around, there
32 were no regulations at all.

33 So you know, it is often out of financial
34 emergency or economic emergency that these ideas
35 come from. In fact, one thing that will be very
36 interesting to see out of the current crisis is
37 the way that the rich and the powerful will
38 capitalize on it. They always do.

39 Q Mm-hmm.

40 A And so I'm sure that new ideas will come up, and
41 then that will be interesting to see.

42 Q You a moment ago described the premier of Nevis
43 making a comment to the effect that the money's
44 not stopping here. I take it that point that you
45 heard there, the notion of the money being in
46 some places in transit or as a touchdown as it
47 moves from one place to another, and that other

1 jurisdictions end up being more in the nature of
2 either the source -- the initial source or the
3 resting point, if there is one, the terminus of
4 where money moves around. Could you describe a
5 little bit about what that -- what the
6 distinction is between the money moving through a
7 place versus coming to rest somewhere?

8 A Yeah. I mean, Moneyland is a fiction. Offshore
9 is a fiction. It doesn't exist. It's a legal
10 construct invented by lawyers to obscure the
11 movement of money. What's really happening is
12 money is moving from China to Vancouver or from
13 Russia to London or from Equatorial Guinea to
14 Paris. That's what's happening.

15 Now, the owners of that money and the
16 recipients of the money don't want it to be
17 obvious that that's what's happening. So they
18 arrange a complex series of intermediary
19 transactions to disguise the process of what's
20 really going on. A number of small -- primarily
21 small jurisdictions have realized it is very
22 profitable to be in the business of disguising
23 the movement of the money, places like Nevis,
24 places like the Cayman Islands and British Virgin
25 Islands so on.

26 But really what's happening is money is
27 moving from China to Vancouver. That's -- that's
28 all that matters.

29 So to my mind, what's really interesting is
30 the beginning and end of the chain and the fact
31 that there is, you know, sort of obfuscation
32 happening in the middle. Those are the three
33 aspects. The money is stolen, the money is
34 hidden, and the money is spent. Those three
35 aspects are of equal significance.

36 What we need to understand, that when the
37 money is moving through somewhere like Nevis or
38 the British Virgin Islands or Bermuda or
39 wherever, that the money is just moving through.
40 You know, it is a pipe. A little bit sticks to
41 the sides and that's what pays lawyers and
42 accountants in Nevis and the British Virgin
43 Islands. But the vast majority of it moves
44 through. They refer -- their accountants refer
45 to the attraction of these jurisdictions is that
46 they have minimum of fiscal friction. That's the
47 term they use. If there were a lot of fiscal

1 friction, these jurisdictions wouldn't be used,
2 you know. It is important that the money moves
3 through without touching the sides. So the fees
4 are kept low, the regulations are kept less than
5 onerous. And that is how these places stay in
6 the game. If they started imposing checks on the
7 money, the money wouldn't come any more.

8 Q Yeah. And then do you -- in terms of that sort
9 of intermediate steps that happen as the money
10 leaves one place and makes its way eventually to
11 some destination jurisdiction, what do you
12 describe as the purpose -- in generic terms, the
13 purpose of all of that activity, all of that
14 rerouting through different pipelines and
15 countries?

16 A The sole aim -- in a kleptocracy sense, the sole
17 aim is to obscure the origin and ownership of
18 them money so it can be spent without
19 consequence. If you have stolen a fortune and
20 you wish to spend it on, you know, a handmade
21 Maybach and a \$30 million mansion in Malibu, you
22 can't just turn up with a suitcase full of cash
23 and do that. You know, there -- someone will ask
24 questions. It's important to be able to present
25 yourself as a legitimate foreign investor. You
26 are investing via an LLC registered in a
27 legitimate jurisdiction and everything looks
28 fine. You look like you could be a record
29 producer rather than a kleptocrat. That's what's
30 important.

31 And it's you know -- a very lucrative
32 business for everyone involved, because the
33 demand is sky high all the time. And the more
34 regulations that are imposed by the major onshore
35 economies, the more lucrative it becomes to evade
36 them. You know, the higher you make the walls,
37 the more money there is in the ladder business.

38 Q Mmh.

39 A So that's all that's happening is that, the more
40 difficult it becomes to move the money around,
41 then the more lucrative it is to do so.

42 Q Yeah. Can people get, in your mind, too focused
43 on those intermediate steps, the sort of
44 shuffling of transactions and movement or maybe
45 the flurry of activity that goes on between the
46 source and the final destination?

47 A I think some journalists do. I think this is a

1 natural consequence of the nature of
2 investigative journalism. If you spend four
3 months attempting to ascertain the owner of a
4 particular shell company and you do find out who
5 owns it, there is a strong temptation to describe
6 those four months in real time in your article,
7 without realizing that no one but you cares. All
8 that matters is what the result of the
9 investigation is, not really how long it takes.
10 I mean, I don't know. I think the occasional
11 anecdote about being laughed at in an office
12 block in Nevis is funny, but I don't think you
13 need to go down the full route of precisely what
14 search terms you typed into the Companies House
15 website to find X, Y, and Z, you know. I think
16 that a lot of the problems with reporting of this
17 kind of issue is that the readers are left
18 believing it's an accountancy issue and not a --
19 not just a straightforward crime issue, that what
20 we're dealing with is theft and the receipt of
21 stolen wealth, and everything else is just
22 obfuscation of that fact. You're too often left
23 with the -- sort of with the vague -- sort of
24 vague idea that this is somehow about
25 accountancy, and no one's interested in
26 accountancy.

27 What I tried to do in *Moneyland* is to make
28 accountancy interesting, which is weird because I
29 don't really understand accountancy particularly.
30 But fortunately I had lots of kind accountants
31 who helped me out.

32 But yeah, it's -- I think often in
33 journalism we get sucked into believing that the
34 work we have done, the amount of time we've put
35 into it, is inherently -- makes it interesting,
36 whereas actually that isn't the case.

37 Q Mm-hmm.

38 A If you've spent four months digging a hole,
39 people don't need to know about every time you
40 stuck your spade in, you know. Just tell them
41 how deep the hole is.

42 Q And I wonder if there's a connection to the TI
43 Corruption Index that you make a point in
44 discussing that, that it tends to push the
45 attention onto, you know, did Mozambique come out
46 better or worse than last year and just how
47 dreadful are they on that index as opposed to

1 what about the UK? What about Canada? What
2 about the sort of stable western European
3 countries?

4 A I thought -- I mean, the one -- the index that
5 came out directly after the revelation of the
6 Danske Bank scandal, the world's biggest ever
7 money laundering scandal, to my mind was
8 particularly indicative in that front because the
9 most honest jurisdiction in the world, rated most
10 honest, was Denmark, the home jurisdiction of the
11 bank, that had literally two months previously
12 been revealed to have laundered more money than
13 any bank ever. I mean, 750 times more money than
14 HSBC moved for the South American drug cartels.
15 Insane quantity of cash. And yet, Denmark still
16 came out as the most clean and honest
17 jurisdiction in the world because that corruption
18 that was the origin of the money that was moved
19 was all blamed on the countries where the money
20 came from, places like Azerbaijan and Ukraine and
21 Russia and so on, which is a little bit like
22 looking at the global drug trade only through the
23 prism of where the drugs -- the street level
24 dealing is happening, you know, where is that
25 happening, and not looking at the fact that the
26 drug cartels are buying up ocean front properties
27 in Miami or anything like that, only looking at
28 one half of the deal, the street level deal, and
29 not looking at the -- you know, the laundering of
30 the proceeds and the investment of the proceeds.

31 And so yeah, it is a -- in a way this may be
32 because it's easier to investigate, you know,
33 bribe taking. And I'm as guilty of this as
34 anyone because, you know, I spent, I don't
35 know -- yeah, many years living and working in
36 the former Soviet Union. I got shaken down by
37 police officer and customs officers and other
38 officers on a monthly if not weekly basis. It
39 was just part of everyday life. Incredibly
40 irritating, but you just grew accustomed to it.

41 Q Mm-hmm.

42 A But I never stopped, literally, to ask whether
43 this constant irritation was part of a greater
44 system, that I was only seeing, you know a
45 fraction of. So it's much easier to talk about
46 what you can see, and what you can see is
47 everyday corrupt police officers doing their best

- 1 to make everyone else's lives miserable. But in
2 fact, what they are is just the visible, you
3 know, tip of an iceberg that extends far far far
4 beyond what you can see. The money that they
5 take off you is passed up the chain of command.
6 Eventually a minister is making a vase amount of
7 money from it. That money is laundered. That
8 money is spent in the West and so on. You know,
9 it is a system. Corruption is a system that is
10 globally integrated. And yeah, I think that TI,
11 like many journalists, like many people, are
12 focused on the bit that they can see and don't
13 look at the bit that you can't see.
- 14 Q And in terms of what you described as the
15 tendency for some journalists to get quite
16 focused in on the -- in between the transactions,
17 the movement of funds, the mechanisms of that
18 happening. Do you think that can result in less
19 attention paid, for example, to the destination,
20 the so-called resting spot of the money if it
21 reaches one?
- 22 A Yes, I think so. I think there are many reasons
23 for that. One of them, as I mentioned earlier,
24 is the difficulty of reporting on wealthy and
25 powerful residents of places like the UK because
26 of the extremely strict defamation laws here. It
27 is easier to write about what's happening in the
28 British Virgin Islands and the activities of an
29 obscure lawyer than it is to write about an
30 oligarch who's set up home in London. That's
31 just the nature of the defamation laws.
- 32 Q Mm-hmm.
- 33 A Partly that, and partly -- you know, I think it's
34 always easier to criticize foreigners. I think
35 that's the nature of humans.
- 36 Q Mm-hmm.
- 37 A You know, there, over there, we're much better at
38 finding excuses for our own bad behaviour than we
39 are for excusing bad behaviour of others. And
40 look at them over there, you know, with their
41 funny language doing bad things is an enduring
42 you know -- trope in the media. But look at us,
43 well, you know, anyone could have done it. I
44 genuinely think that there's a lot of that going
45 on, you know, from --
- 46 Q So that's a dynamic where someone who might be
47 aware -- have some awareness of corruption and

1 money moving around into their country, but in
2 terms of how they frame the question or frame the
3 problem, their impulse may be to describe that as
4 those are some corrupt rulers in Nigeria who are
5 lining their pockets for evil purposes, so it's
6 not a Canadian problem. It's not a local
7 problem.

8 A Yeah. I mean, you might say, well, here in
9 Canada there's a few bad apples, right? But --
10 because it doesn't fit the everyday experience of
11 a Canadian that the system is corrupt, because
12 for the average Canadian, it isn't. It's great.
13 You know, you are living in a state of peace and
14 prosperity which is unrivalled in human history.
15 So obviously it doesn't appear to be corrupt. I
16 mean, the same is true of the UK or -- you know,
17 I don't know right now whether I'd say that about
18 the U.S., to be honest -- but you know, generally
19 about the U.S. when they're not going through a
20 massive wave of violent protests.

21 Q Mm-hmm.

22 A So in general, the destination countries are
23 wealthy, prosperous, peaceful countries. That's
24 why they're the destination countries. And for
25 those reasons, the people who live there don't
26 realize there's anything wrong. And I mean, in a
27 way this is what I was hoping to do with
28 *Moneyland*, was expose, you know, that there is
29 something wrong.

30 I'm part of a group of friends who run
31 something that we call the kleptocracy tours in
32 London. The kleptocracy tours are very loosely
33 based on the kind of tour you can get in
34 Hollywood when you get in a bus and you drive
35 round and a guide will point out, you know,
36 Charlie Chaplain's mansion or where Brittney
37 Spears gets her hair cut or whatever, except
38 instead of pointing out the houses of stars and
39 actors, we point out houses owned by kleptocrats.

40 Q Mmh.

41 A London is a very target rich environment, so
42 we're -- you know, we can look at Russians,
43 Ukrainians, Nigerians, Angolans, Egyptians,
44 Malaysians. You name it, we've got it. So --
45 and they've been quite successful, I think, in a
46 way of opening up the eyes of people to the fact
47 that the money is here, and therefore it's kind

- 1 of our problem. And you know, if we're so honest
2 and everything's fine, then why is the money
3 here?
- 4 Q Mm-hmm.
- 5 A You know. But -- it's been -- in some ways it's
6 been successful, and I think that there is an
7 increasing political realization that we need to
8 have the conversation about why the money comes
9 here. But it's kind everyone's third favourite
10 issue or fourth favourite issue. They might have
11 other issues they put ahead of it, but we never
12 seem to get it much above fourth. So it's never
13 really a priority. You know, lots of people will
14 pay lip service to wanting to do something about
15 corruption, but it never actually happens. Yeah.
- 16 Q Do you see that holding true over time that from
17 moment to moment there may be a headline or a
18 crisis, a scandal that flares something into the
19 front pages of the news, but in terms of
20 legislative reform, discourse, journalism, what
21 have you, that this rarely holds in the lead
22 position, if you will?
- 23 A Yeah. I mean, that's a -- there's a -- I mean,
24 it's something I'm looking at at the moment for a
25 new book I'm working on, a very indicative
26 example in the UK, which actually has parallels
27 in Canada as well. I'm not sufficiently expert
28 to explain all the details. But in the UK there
29 are these corporate entities, these corporate
30 structures, called limited partnerships, which
31 have been very popular with money launderers
32 particularly from the former Soviet Union as a
33 vehicle for owning bank accounts.
- 34 Q Mmh.
- 35 A They have a Scottish limited partnership in
36 particular which is slightly different, boringly,
37 to English and Welsh ones, have been very popular
38 and move tens of billions of dollars if not
39 hundreds of billions of dollars out of the former
40 Soviet Union and into the West, under the cover
41 of these particular corporate entities. You
42 know, it would be very, very easy for the
43 government to pass legislation that would solve
44 this problem, I mean genuinely very
45 straightforward. However, these entities are
46 also favoured as fund management vehicles by
47 particular parts of the financial services

1 industry.

2 Q Mmh.

3 A We're warned quite straightforwardly that if the
4 changes are made to tighten up regulation of
5 these entities, then they'll relocate to
6 Luxemburg. You know, it's very straightforward,
7 and therefore, as a result, nothing is ever done.
8 And the problem is that if we change the law in
9 the UK to improve regulation of these entities,
10 of the limited partnerships, then the benefits
11 will all be elsewhere. They will all be felt in
12 Azerbaijan and Russia and Ukraine where so much
13 money won't be stolen, but there won't be any
14 benefits felt here because in fact there will be
15 a downside because we'll just lose the fund
16 management industry, which would relocate to
17 Luxemburg.

18 So you know, what's the political
19 imperative? You are losing votes here but not
20 gaining any to make up for it. And that's the
21 endless problem with trying to legislate as an
22 individual country to solve the problems raised
23 by Moneyland, which is that you are essentially
24 just depriving yourself of business that other
25 people happily engage in.

26 Q Mmh.

27 A And you can feel nice and warm that you're doing
28 the right thing, but I think politicians feel
29 that doesn't win them very many votes as a rule.

30 Q Mm-hmm. Mm-hmm.

31 MR. MARTLAND: Mr. Commissioner, this might be a
32 convenient time to suggest a break.

33 THE COMMISSIONER: All right. Thank you, Mr.
34 Martland. We'll take 15 minutes.

35 THE REGISTRAR: The hearing is adjourned for a 15-
36 minute recess until 11:13 a.m. Please mute your
37 mike and turn off your video. Thank you.

38

39

(WITNESS STOOD DOWN)

40

41 (PROCEEDINGS ADJOURNED)

42 (PROCEEDINGS RECONVENED)

43

44 THE REGISTRAR: The hearing is now resumed. Please
45 ensure you're muted unless you are speaking.

46 THE COMMISSIONER: Thank you. Yes, Mr. Martland.

47

1 OLIVER BULLOUGH, a witness,
2 recalled.

3
4 EXAMINATION BY MR. MARTLAND, continuing:
5

6 Q Thank you. Mr. Bullough, you've described this
7 sort of state of affairs, and I wonder if you
8 could comment to what extent you would say that
9 the present situation is one that has simply
10 emerged or evolved by happenstance as opposed to
11 being the product of a set of deliberate,
12 conscious decisions.

13 A That's a very good question. A very interesting
14 one actually. I think it's -- there are
15 differences of opinion. I would say -- I would
16 direct your attention to a book called *Treasure*
17 *Islands* by a journalist called Nick Shaxon. He
18 believes the present system is more designed than
19 I do. I -- I'll put it like this. I have had
20 many discussions with friends in Ukraine about
21 whether the corrupt system or the everyday
22 occurrences that you see are the result of
23 incompetence or corruption. The two can be very
24 hard to tell apart from their outward
25 manifestations.

26 And we, about one o'clock in the morning one
27 night came up with a sort of third way, which is
28 -- which we don't have a word for,
29 irritatingly -- but a concept whereby something
30 is suitably beneficial to a large enough group of
31 people that it isn't worth doing something about.
32 So if a small but determined group of people
33 benefit from a situation, then essentially it
34 assists -- in fact, there is a theory by the
35 sociologist Mancur Olson who holds that democracy
36 is not the rule of the majority at all. It's the
37 rule of the committed minority. And I think that
38 what we have with Moneyland is a committed
39 minority in many countries that benefits from the
40 offshore system and a far larger group of people
41 who don't really appreciate its power or how it
42 affects them sufficiently to want to do anything
43 about it.

44 So I don't think the system was designed. I
45 think that what we had were a series of crises
46 which required imaginative people to improvise
47 solutions to get out of them and that those

1 improvisations turned out to create what I call
2 Moneyland. And it isn't -- as I say, it's never
3 correct to see this as the creation of any one
4 country. It is always a joint venture between
5 people in multiple different countries. Even in
6 its very beginning, in the birth of offshore in
7 the City of London in the 1950s, it was
8 specifically London bankers using U.S. dollars.
9 It was always a multinational issue. In fact, in
10 a way, from that moment, I think it almost
11 doesn't make sense to refer to it happening
12 either in London or New York. It's a sort of a
13 city that I call NyLon, which is both of them and
14 neither of them, depending on what you want. It
15 tended to be U.S. banks based on London because
16 by being based in London, they avoided the
17 regulations imposed by the fed, and by using the
18 U.S. dollar they avoided the regulations imposed
19 by the Bank of England.

20 And it's always of that nature that you have
21 imaginative entrepreneurial people who spot a
22 loophole and exploit it. But, as I said earlier,
23 that does not take away from the fact that there
24 are -- that this is also to a certain extent
25 designed. There are people who push for legal
26 amendments for changes to regulations to make it
27 easier for them to make their cut.

28 So essentially what I've given you is a very
29 long-winded answer to your question of whether it
30 was designed or accidental by saying that I think
31 it's a false dichotomy.

32 Q Mm-hmm.

33 A I don't think that the distinction is a valid
34 one. I think that both can be true at the same
35 time.

36 Q Mm-hmm. Mm-hmm. It may be that parts are
37 designed. Individual stages or parts of this are
38 quite deliberate on their own distinctively, and
39 yet the entirety of this is sort of a bit more
40 something that's evolved.

41 A I would say in the main -- that the major
42 innovations and the major changes have been
43 organic --

44 Q Mmh.

45 A -- or discoveries of new uses for laws or
46 regulations that already existed. But then once
47 they've been created, they have been finessed.

1 So just to give you an example which is dear to
2 my heart, the St. Kitts and Nevis passport
3 industries, what they euphemistically refer to as
4 citizenship by investment but which the rest of
5 us would refer to as passports for sale, they --
6 that was a joint venture, in its current form,
7 between St. Kitts and Nevis and an innovative and
8 imaginative Swiss lawyer called Christian Kälin,
9 and what he did was create a passport as an off-
10 the-shelf financial product. But St. Kitts and
11 Nevis were already selling passports. They had
12 passed a law allowing them to do this in the
13 early 1980s. Christian Kälin discovered, as it
14 were -- discovered in the way that Columbus
15 discovered America -- but he came across this law
16 which already existed and realized the potential
17 it had to make him and his clients very happy and
18 St. Kitts very rich in the process.

19 So it's often like that. You know,
20 something happens organically but then it is
21 discovered and exploited further down the line
22 for a new purpose. The same is true -- I was
23 talking before the recess about -- at some
24 length, I fear -- about limited partnerships.
25 Scottish limited partnerships were invented for
26 the specific requirements of agricultural tenancy
27 in Scotland. They were not designed for
28 innovative Latvian money launderers. However,
29 innovative Latvian money launderers discovered
30 them and did extremely well out of them.

31 So it's often that way, you know. There is
32 a kind of dormant or outdated law on a book
33 somewhere, and it's discovered by an innovative
34 lawyer wherever who discovers it and goes, oh,
35 well, I could do something with that. And then
36 before -- and then by the time the world has
37 caught up, you know, billions of dollars have
38 moved through the loophole, you know, never seen
39 again.

40 Q I take it these techniques are continually
41 adapting and evolving.

42 A Yeah. I mean, there are thousands if not tens of
43 thousands or possibly hundreds of thousands of
44 imaginative entrepreneurial people out there
45 constantly looking for new solutions for their
46 clients because every time they come up with a
47 new solution, they earn more fees. You know,

1 their motivation is profound. There is an awful
2 lot of money to be made if they can find a new
3 better way of moving money more secretly and more
4 cheaply.

5 Q Mm-hmm.

6 A If you look at the motivation, for example, of
7 police officers in the City of London Police in
8 London who, you know, are few in number and not
9 very well paid -- I mean, I know -- I know one
10 who recently left to become a train driver, which
11 is fine. It's a very worthy profession. But
12 it's a bit depressing that a financial detective
13 can get better salary by becoming a train driver.

14 Q Mmh.

15 A And yet you're up against lawyers who, if they
16 get - if they come up with a good loophole, they
17 can earn hundreds of thousands of pounds in a
18 year. You know, it's not a fair fight really.
19 It is -- the amount of money that -- the demand
20 is essentially infinite for moving money. The
21 more -- the easier it becomes to move, the more
22 will be stolen, so you have an endlessly elastic
23 demand. You know -- and so anyone who can come up
24 with a new way of doing it is going to do very
25 well out of it indeed.

26 Q Are the people who are involved in this sort
27 of -- I'll put it this way -- sophisticated money
28 laundering and moving money across borders in a
29 secretive way to hide the tracks and really
30 obscure the fingerprints of origin and true
31 ownership, are those people, in your view, more
32 responsive to the perceptual reality of
33 countries actually tightening up the rules? I
34 mean, are they -- in the same way that these
35 techniques adapt, more likely to say, we're not
36 going to stop at that island or that country,
37 we're going to avoid a particular jurisdiction if
38 the rules change, do you think?

39 A Yeah -- I mean, they are naturally, you know,
40 responsive and risk averse. If you lose the
41 money belonging to the president of Russia, the
42 consequences don't stop at zero, you know. It's
43 a bad thing to do. You are likely to pay with
44 more than just money for that.

45 So yes, they are naturally risk averse and
46 naturally very responsive to changes in the way
47 you know -- the rules work. But they're also, in

1 my experience, very good at looking past
2 political waffle to the reality of what's
3 actually happening. If you believe the rhetoric
4 of the British government, it is one of the
5 world's leading fighters against corruption. And
6 yet, mysteriously, tens of billions of pounds, if
7 not more, pass through the City of London
8 unhindered every single year. It is quite clear
9 that an awful lot of money launderers have looked
10 at the City of London, looked at the rhetoric of
11 the British government, and decided that actually
12 the rewards are worth the risk.

13 So you know, something like a big court
14 case, if the DOJ hits BNP Paribas for several
15 billion dollars in fines, that will change the
16 behaviour of major banks. If, however, a
17 government says, you be careful now, we're coming
18 for you, it takes a bit more than that, you know.
19 It's -- like I say, it is a very profitable
20 business moving this money, and you know,
21 foregoing those fees is a wrench for anyone. So
22 I think in the main that people would -- yeah,
23 they'd look for more than rhetoric before they
24 decided to change what they're doing with their
25 clients' money.

26 Q I take with those comments you're -- I mean,
27 these are sophisticated -- let's assume largely a
28 sophisticated group of people, and so they're not
29 simply reading the press release and saying, oh,
30 we'd better pack up and move out of that place.
31 They're actually, to hear you say it, analyzing
32 the substance of whatever is occurring in a
33 country.

34 A Yes. I mean, I think -- I mean, I've been
35 interested recently in the structure and nature
36 of Chinese money laundering operations because
37 the volume of money that moves out of China every
38 year is very large, and yet the attention it
39 gains is very small. And it's remarkable the
40 extent -- the impunity with which sophisticated
41 and well organized Chinese money laundering gangs
42 will operate in the heart of major western
43 economies more or less undetected, and moving
44 large amounts of money at any one time, far more
45 than, for example, a drug gang would move. They
46 are either very, very risk -- whatever the
47 opposite of risk averse is -- happy to accept a

1 high level of risk --

2 Q Risk tolerant.

3 A -- or else they're moving so much money that what
4 would be considered a lot of money for a drug
5 gang is still a relatively small percentage for
6 them. You know, when their money is caught, a
7 lot is caught at any one time, and yet it doesn't
8 seem to have any material impact to the amount of
9 money they're moving. So yeah, they're very -- I
10 would be surprised if they're any more risk
11 tolerant than any other criminal gang are.
12 They're just moving an awful lot of money and
13 very pretty much undetected.

14 So you know, these are operating embedded in
15 the heart of major onshore economies, and yet
16 barely noticed. And I don't think that would be
17 happening if we were actually as good as we say
18 we are at combatting financial crime.

19 Q Let me step back a little bit and take you back
20 to, I think, a really important part of the
21 context for how you describe Moneyland and indeed
22 the evidence you've already given today, which is
23 the backdrop to this historically: the Bretton
24 Woods Agreement. You dedicate a chapter of your
25 book to describing how the western countries
26 emerge out of World War II with a new set of
27 institutions, the IMF and the World Bank, and the
28 aims of how currency and money is anticipated to
29 be controlled, what happens over the decades
30 following. Could you give us, please, an outline
31 of that history and how that evolved over time
32 into, as you adverted to earlier on, the
33 Eurodollar, the evolution and development of that
34 mechanism.

35 A Certainly. It's a very interesting and, I think,
36 under-studied period in modern history. The
37 Bretton Woods Agreement, the Bretton Woods
38 meeting at the Bretton Woods resort in New
39 Hampshire in 1944, was explicitly designed to
40 create a new financial architecture for the
41 world. The Allied powers having lived through
42 two world wars in quick succession were very keen
43 to avoid another one. And so they analyzed quite
44 carefully the causes of the Second World War,
45 where it had come from, why it had happened, and
46 decided to take steps to design a new
47 architecture for the world to try and prevent it.

1 This wasn't just a financial question. They of
2 course designed the United Nations and so on to
3 try and prevent it at a political level.

4 But at a financial level, I mean, very
5 briefly the logic went like this. That the
6 Second World War was caused by extreme
7 nationalist governments. Extreme national
8 governments came to power because of the sort of
9 misery and desperation of the Great Depression.
10 The Great Depression was caused by the Wall
11 Street crash and the various subsequent financial
12 crashes that followed it in the late 1920s and
13 early 1930s. And that was in turn caused by the
14 unhindered movement of speculative capital across
15 national frontiers pumping up these big asset
16 bubbles and then fleeing, leaving misery behind
17 it.

18 So, loosely speaking, they proposed a series
19 of steps to try and prevent this happening again.
20 The IMF and the World Bank were designed to give
21 countries help with long-term and short-term
22 financing to prevent this kind of, you know,
23 great depressions happening at all, but then they
24 also proposed to limit their speculative capital
25 movements to prevent these asset bubbles being
26 pumped up by imposing quite strict, actually very
27 strict, capital controls in movements between
28 countries.

29 When I do talks about this at literary
30 festivals here in the UK where often there is a
31 relatively older crowd, I can always get a laugh
32 by referring to travel allowances, because
33 everyone can remember, you know, in the 1950s and
34 early 1960s, in Britain, you couldn't go to
35 France, you couldn't just take a credit card, you
36 had a limit of how much money you were allowed to
37 take. It's 50 pounds was how much money you were
38 allowed to take, and that was it. You know, you
39 couldn't possibly breach that limit because that
40 was how much money was allowed to leave the
41 country.

42 And so the restrictions on movements of
43 money between countries were very strict. You
44 had to gain approval to move large amounts of
45 money, and that money had to be for capital
46 investment rather than just, you know, because
47 you wanted to buy shares in something one day and

1 sell them the next.

2 And this was an astonishingly successful
3 system, the Bretton Woods system -- weirdly
4 forgotten in a way. During the years it
5 operated, which was up to 1971, there was an
6 uninterrupted period of global growth. There
7 wasn't a single global recession. There was a
8 growing prosperity, faster economic growth than
9 there has ever been before or since, increasing
10 global equality; inequality came down to its
11 lowest level ever in the 1960s. And I think
12 often when people talk about how great the 1960s
13 were, this is largely what they were talking
14 about. Broad-based sustainable prosperity across
15 a society is an astonishing -- an astonishing
16 achievement, and it's a real shame that that's
17 passed away.

18 But it wasn't a system without its critics.
19 One aspect of the system is that governments took
20 advantage of the fact that the capital was
21 trapped within national borders to tax it very
22 heavily. I don't know if you're a Beatles fan,
23 but you may notice on *Taxman* in which George
24 Harrison laments the fact that the taxman was
25 taking 19 shillings for every one that George got
26 to keep, which was a 95 percent marginal tax rate
27 in the UK. And that was not unusual for a major
28 western economy at the time, very high tax rates,
29 and very difficult to get around. You couldn't
30 just relocate, you know, to Monaco and take your
31 money with you. It wasn't possible.

32 Q Mm-hmm.

33 A There was, for wealthy Europeans, for the people
34 that London bankers referred to as Belgian
35 dentists, wealthy European professionals, there
36 was a straightforward solution to avoiding these
37 taxes which is that you just put your money in
38 the boot of the car, the trunk of the car, and
39 drove to Switzerland and handed it to a banker,
40 who would put it in a vault, no questions asked,
41 and there it remained. In fact, this became such
42 a popular option for wealthy Europeans, for the
43 Belgian dentists, that about by the early 1960s,
44 about five percent of all the money in Europe was
45 stuck in a vault in Switzerland, which obviously
46 wasn't an ideal state of affairs because it
47 wasn't really doing anything when it was there.

1 You didn't earn any interest on it. You had to
2 pay the bankers to look after it for you. But at
3 least you weren't paying 95 percent, so I think
4 it was felt that paying one or two percent to a
5 Swiss banker was a better swap.

6 So that was one group of people who didn't
7 like the Bretton Woods system, which was wealthy
8 -- wealthy people, whether they were members of
9 the Beatles or Belgian dentists. And then the
10 second group of people who really didn't like the
11 Bretton Woods system were bankers in the City of
12 London --

13 Q Mmh.

14 A -- because under the previous system, this sort
15 of unfettered globalization of what's called the
16 first age of globalization, particularly before
17 the First World War, but also between the wars to
18 a certain extent, the City of London had been the
19 financial engine of the world. If you wanted to
20 finance a cargo from Shanghai to San Francisco,
21 the money was tended to be raised in London. If
22 you built a railway across Argentina, it was
23 funded in London.

24 So, you know, you had this institutional
25 memory in London of being the beating heart of
26 the global financial system, and yet by the
27 1950s, because of the fact that the money was
28 trapped behind national borders, London was just
29 the capital of this diminishing sterling area,
30 which meant that it was going to have a less
31 significant financial centre, and therefore an
32 ever more boring place to be a banker.

33 There's a fascinating series of oral
34 histories of leading London bankers, one of whom,
35 the Chairman of Lloyds Bank, refers to managing a
36 bank in London in the 1950s is like driving a
37 powerful car at 20 miles an hour. There was just
38 nothing going on. You get to work at 10:00,
39 you'd knock off at 4:00, you have a long lunch in
40 between. It was just very, very boring.

41 Q Yeah, I mean that seems an obscure point for many
42 of us now, to think of London in a moment of
43 perceived decline, and I take it, it coincides,
44 of course, with many of the British Colonies
45 achieving independence or the sense of the great
46 powerhouse that won World War II over the coming
47 handful of years evolves into something where

1 it's shedding colonies and everyone's achieving
2 independence and moving their own direction,
3 coupled with that sense of London as a financial
4 capital really in decline.

5 A Well, yeah. I mean, Britain was booming in some
6 ways.

7 Q Right.

8 A It was felt -- you know, in the 1950s there was
9 sort of youth culture. You know, things were a
10 bit -- but the City of London, which is not part
11 of the national conversation. You know, you can
12 read big cultural histories of -- you know, 700-
13 page histories of the 1950s and '60s; they don't
14 even mention the City of London. It's not -- it
15 just wasn't something that anyone was interested
16 in. But there were a number of -- a very small
17 number of bankers in the City of London who were
18 determined, explicitly determined to restore
19 London to its place at the heart of the global
20 economy.

21 And among them, one of them was employed at
22 the Bank of Warburg, set up by a group of German
23 refugees to the city, who had come in before the
24 Second World War, and because they were German --
25 they're Jewish, but of German origin -- they were
26 excluded from the kind of old boy club of English
27 bankers, all of whom had been to school with each
28 other and university, so they were cut out of
29 these cozy insider deals that everyone else was
30 doing.

31 So they all had to hustle much more, and
32 Warburg himself famously used to have lunch twice
33 every day, because to get in all the networking
34 he needed to do. And at one point in the early
35 1960s, he discovered from a contact at the World
36 Bank that there was all this money in Switzerland
37 and it was just sitting there. He heard about
38 it, the money in Switzerland. And he got two of
39 his best bankers, a gentleman called Ian Fraser
40 was one of them, who luckily wrote a memoir and
41 so we know about this, and he basically told them
42 to get this money and package it up so they could
43 start lending it out, you know, start issuing
44 bonds based on this money, and then they'd get
45 back into business with the cross-border bonds,
46 which weren't possible anymore.

47 And, I mean, it took them a long time, and

1 they had to circumvent the regulations of half-a-
2 dozen different countries, but eventually in 1963
3 they created something called the Eurobond, which
4 was a piece of paper, a bearer bond. It had no
5 record of ownership. If you held it, you owned
6 it. And it paid a very generous rate of return.
7 You didn't have to pay a bank to look after your
8 money any more. You earned a very decent
9 percentage on it, tax-free, redeemable anywhere
10 in the world, and totally anonymous, totally
11 untraceable.

12 And so what they had done with the creation
13 of the Eurobond is they had essentially set
14 wealth free. Money was no longer stuck by
15 national borders. If you were wealthy, you could
16 buy these magical pieces of paper, put them in
17 your briefcase, go wherever you liked and do
18 whatever you liked. Your money was suddenly free
19 of national control. Which is amazing
20 innovation.

21 Q Mm-hmm.

22 A And the way they did it is they borrowed little
23 bits of legislation from multiple different
24 countries. The bonds were listed on the London
25 Stock Exchange, so they're partly British. They
26 were denominated in dollars, so they're partly
27 American. They were redeemable in the
28 Netherlands, Schiphol airport, so they're partly
29 Dutch. They were arranged by Swiss banks, partly
30 Swiss. The first borrower was in Italy. And so
31 it went on. There were aspects of many European
32 countries packaged together to create this one
33 transnational instrument.

34 Q Mm-hmm.

35 A And you can see from Ian Fraser's memoir that, at
36 the very beginning, he knew who he was selling
37 these bonds to. He knew that the money was
38 essentially illegal --

39 Q Mmh.

40 A -- because he refers to -- the major group of
41 purchasers were Belgian dentists, so European tax
42 dodgers. But he also says that a secondary but
43 also important group of purchasers were what he
44 referred to as "your usual fallen South American
45 dictators" -- those were his words -- what he
46 refers to as people who had looted essentially
47 the treasury of their country, been kicked out of

1 the revolution, and their money had been
2 languishing in a Swiss bank and had been stuck,
3 you know, eking out a living in the Riviera.

4 Q Mmh.

5 A Suddenly their wealth had been set free and they
6 could do what they liked with it. So you had
7 this alliance between western tax dodgers and
8 developing world kleptocrats investing in these
9 offshore instruments. And the moment that wealth
10 became set free and it became profitable to dodge
11 taxes and profitable to loot your treasury,
12 obviously many more people did it.

13 So it is -- the coincidence in timing
14 between the invention of the Eurobond, the
15 invention of offshore as a profitable thing, and
16 then the invention of the word "kleptocracy."
17 "Kleptocracy" the word was invented within five
18 years of this happening. You know, if you look
19 at the amount of money being held in Switzerland,
20 the line starts to increase steeply as soon as
21 the Eurobond is invented.

22 This is when kleptocracy and Moneyland begin
23 --

24 Q Mmh.

25 A -- when it suddenly became possible to steal a
26 lot of money, hide it in a totally anonymous way,
27 and spend it and enjoy it freely. This is the
28 innovation that gave birth to Moneyland. Because
29 previously that wasn't possible. If you stole
30 money, you could either steal it and spend it,
31 and everyone knew you were spending it and you
32 shouldn't have it, or you could steal it and hide
33 it and not spend it. You could put it in a hole
34 in the ground.

35 Q Yeah.

36 A But being able to steal it, hide it, and spend it
37 is when kleptocracy kicks off, and it's the
38 convergence of the three aspects of that,
39 stealing it, hiding it, and spending it, that
40 creates Moneyland. And so it was those London
41 bankers in 1962 to '3 -- Ian Fraser was Scottish
42 -- working together with Swiss bankers, who
43 created Moneyland.

44 Q And so as I think about that from the point of
45 view, let's say, of a developing world -- they
46 would have said "third world" at that point in
47 time -- dictator or kleptocrat, a ruler or

1 official who's stealing money from their country,
2 the difference is, instead of having the sort of
3 movie version of a fleet of Mercedes limos and a
4 luxurious palace inside that very poor developing
5 country, suddenly the money can be moved out of
6 that country and it can be anonymized.

7 A Yeah, I mean, you have both, right? I mean,
8 obviously you still have the palace in your own
9 country. But, you know, if you imagine, if you've
10 looted your own country and you've got a palace
11 and a limo and the jet and the fancy things and
12 the rotating statue that faces the sun and all of
13 that stuff, then, you know, then you get
14 overthrown in a revolution, what have you got to
15 take with you, right? You might have a crate
16 full of gold, maybe a couple of Picassos, but
17 that's the size of it.

18 Whereas if you have access to the
19 international financial system and the Swiss
20 banks and offshore finance, you can steal money
21 and keep sending it overseas, and it just builds
22 up in Switzerland. But no one knows it's yours.
23 It's all anonymous. But there's nothing to stop
24 you spending it. Previously, it might build up
25 in Switzerland and it would just be stuck there
26 in a hole in the ground. But because of the
27 Eurobonds and the anonymizing effect of offshore,
28 you can keep spending it. So you get to enjoy
29 your position in charge of the country while also
30 essentially enjoying a position as a member of
31 the sort of international nomadic monied elite.

32 So you get the best of both worlds. That's
33 what offshore gave them. And that's why places
34 like Nigeria, you know, corruption just takes off
35 in the 1960s, because of this financial
36 innovation. That's what happened.

37 Q Mm-hmm.

38 A You know, and that is -- there's a Polish
39 anthropologist called Stanislaw Andreski, who was
40 based in the UK, who came up with this term
41 "kleptocracy." He didn't invent it, it was an
42 old word, but he repurposed it to describe what
43 was happening in places like Nigeria. And it was
44 then subsequently used by Singaporean politicians
45 to describe, for example, what was happening in
46 the Philippines with this -- you see it all over
47 the world simultaneously, in the Philippines, in

1 Nigeria, in Pakistan, in South America, this
2 sudden wave of theft which just takes off at the
3 same time. So it clearly isn't a cultural thing
4 because they had culturally very little in common
5 between the Philippines and, say, Nigeria or
6 Argentina or Chile. But this is a financial
7 innovation that allows people to steal with
8 impunity. And if you can steal with impunity,
9 sadly, history shows most people tend to.

10 Q Mm-hmm. And we see that recurrent theme of what
11 you describe, the alliance between Belgian --
12 alignment of interests between Belgian dentists
13 and developing world kleptocrats, that there's
14 sort of a vehicle that may have an explanation,
15 in this case in part because of currency controls
16 that meant that a country could tax the daylights
17 out of its citizens if the money can't move, so
18 that suddenly breaks down when the money can
19 move?

20 A Yeah, absolutely. So what's very interesting is
21 you see, once London bankers invented this
22 innovation, a lot of American banks started
23 relocating to London, or putting large offices in
24 London, because it allowed them to essentially do
25 the same deals they would have done in America,
26 but without the regulation, without any of the
27 laws restricting them. So America then had to
28 liberalize its own laws in order to prevent
29 losing all of its business to London, at which
30 point other countries, in order to chase this
31 business, had to liberalize in turn. So as soon
32 as you get a prime mover, someone who, as it
33 were, breaks the social contract and says, I'm
34 just going to allow people to dodge the rules
35 here, everyone else has to do the same thing.

36 Q Mmh.

37 A And it's the perpetual dynamic that, you know,
38 one country or one jurisdiction will start doing
39 something dodgy, and then everyone else has to do
40 the same in order not to lose all of their money
41 down this particular plughole.

42 Q Mm-hmm. So that's very useful. Let me shift
43 into asking you a little bit about the different
44 methods or tools that are used to move money
45 around -- across borders and around the world,
46 and in the course of doing that, in particular,
47 hiding illicit and criminal origins of funds and

1 giving the veneer of -- and maybe the fact of
2 legal and legitimate ownership at the end of that
3 process.

4 So I plan to sort of maybe start, if I
5 might, by asking you to list off a number of
6 these kinds of methods and techniques that are
7 often recurrent, and then what I'll do is move
8 through them each individually and ask you some
9 more specific questions.

10 A Well, I mean, the technique I just described, you
11 know, the bearer bond, the bearer instrument,
12 just converting your wealth into essentially a
13 piece of paper. That is no longer obviously
14 possible. The world got wise to that quite
15 quickly. But it still exists in a different way.
16 The purchasing of fine art or other low-bulk
17 high-value objects is a major way of moving
18 illicit funds around the world. Whether that is
19 via fine art or valuable postage stamps,
20 commodities, gold and other high-value
21 commodities, obviously, you know, just cash,
22 moving cash around the world is essentially the
23 same thing. You are breaking the chain between
24 the act of theft and the act of spending by
25 putting something in between that doesn't leave a
26 paper trail.

27 So that remains a major technique for moving
28 illicit funds around, which is just getting your
29 money out of an electronic form into a physical
30 form, and then back into an electronic form. It
31 just breaks the paper chain.

32 Q Yeah.

33 A If you don't want to do that or if the amount of
34 money you're moving is too large for that to be
35 possible, there are very few assets out there
36 that will absorb a couple of billion dollars.
37 You know, you need to buy an awful lot of
38 paintings, and the market -- I mean, the price
39 has gone up a lot. But you know, the market can't
40 really absorb that kind of volume of cash.

41 Then you need to move money in an electronic
42 form, and so the solution invariably is to have
43 the money held by corporate structures rather
44 than by an individual. By a corporate structure,
45 that could be -- you know, I use "corporate
46 structure," the term loosely, but that could be
47 an actual corporation or, you know, a limited

1 company or one of the various offshoots, like
2 limited -- an LLC in America or a limited
3 liability partnership in the UK, or a foundation
4 in civil law jurisdictions or a trust in a common
5 law jurisdiction or any of the many, many hybrids
6 that have grown up and which incorporate
7 different aspects of all of these. The principle
8 is the same, which is to essentially commit an
9 act of identity fraud in that you pretend to be
10 someone you're not. You know, I am not Oliver
11 Bullough, kleptocrat of Moneyland. I am Oliver
12 Bullough Limited of Panama. And then the idea is
13 that then that becomes a plausible way that the
14 wealth could be held.

15 If you then bounce the money through
16 multiple bank accounts in multiple jurisdictions,
17 each of them owned by a different corporate
18 structure or registered again in different
19 jurisdictions --

20 Q Mm-hmm.

21 A -- you confuse the picture so hugely that it
22 becomes very, very hard to follow what's going
23 on, particularly if you don't move the money
24 around in a lump sum that's always the same size.
25 You know, if you have a lawyer's escrow account
26 and you send the money in in a million dollars,
27 and then bring it out in 33 packages of \$33,000,
28 then it becomes much harder to trace what's
29 really going on.

30 But as I say, the limits on doing this are
31 the limits of the human imagination. All you are
32 trying to do is come up with new ways to make it
33 difficult for other people to tell what you're
34 doing.

35 Q Mm-hmm.

36 A But what they always have in common is multiple
37 jurisdictions, multiple corporate structures and
38 multiple bank accounts.

39 Q And so part of the technique may well be to not
40 simply do a single thing, but to layer these
41 different kinds, or supplement these steps one on
42 the next, so to make use of a company here and a
43 partnership there, a different jurisdiction here,
44 using a bank in one place, et cetera, but really
45 to invoke all of those different tools together.

46 A Yeah, absolutely. I mean, bearing in mind that
47 I'm primarily talking here about jurisdictions

1 that allow them free movement of capital between
2 them.

3 Q Yeah.

4 A That is not everywhere. Obviously, one of the
5 primary countries that I imagine will be the
6 focus of your Commission is, of course, China.
7 China has limits on the movement of capital out
8 of the country of \$50,000 U.S. per year. In
9 order to circumvent that restriction, an entire
10 parallel value exchange system has been created
11 by Chinese money launderers by which money that
12 is generated by criminal gangs in the West will
13 be exchanged for objects of equal value in China,
14 and so the cash circulates in China and cash
15 circulates in the West in supposedly separate
16 independent ways, but they are linked by the
17 movement almost of a barter system, of objects of
18 value. So that is another way of doing it which
19 is separate, and specifically Chinese, because of
20 the fact that capital cannot flow in an
21 unfettered way between western countries and
22 China.

23 Sorry, that -- yeah, so that's, in a way, a
24 bit like a hybrid of the two which I previously
25 described. You have one which is about the
26 movement of physical objects and one which is
27 about the movement of electronic money. With
28 China, it's a combination of the two.

29 Q Mm-hmm, mm-hmm. One of the pieces you wrote a
30 little bit tongue in cheek, you list out the
31 five-step guide for how Britain can help you to
32 get away with stealing millions. And I'm going
33 to ask our registrar if she might -- if she has
34 access to the document, to put onscreen that
35 article. And you'll see that with the date on
36 the left, the 5th of July 2019, Mr. Bullough.
37 That's your article which I was just describing
38 which was published in the *Guardian*?

39 A Yes, it was a bit of public service journalism,
40 just to help you.

41 Q Well, a questionable public service.

42 A I'm joking, but I thought it was a funny way to
43 frame it.

44 Q Yeah. Well, I just -- I don't need to flip
45 through the document, but your five steps
46 include, (1) forget what you think you knew, (2)
47 set up a company, (3) make stuff up, (4) lie

Oliver Bullough (for the Commission)

Examination by Mr. Martland

1 cleverly, and (5) don't worry about it.

2 A Yeah. Yeah, that'll do it.

3 MR. MARTLAND: All right. I'm going to ask Mr.

4 Commissioner if that might be marked as the next
5 exhibit.

6 THE COMMISSIONER: Yes, that's fine. I think we're at
7 Exhibit 14, Madam Registrar?

8 THE REGISTRAR: Yes, Exhibit 14.

9 THE COMMISSIONER: Thank you.

10

11 EXHIBIT 14: Article from the *Guardian*
12 entitled "How Britain can help you get away
13 with stealing millions: a five-step guide"
14

15 MR. MARTLAND: Thank you.

16 Q So let me turn to some of the specific topics,
17 please, and ask you some questions about
18 different mechanisms or techniques that are used,
19 steps sometimes in the process. So I've referred
20 to the *Guardian* piece in part because that seems
21 to have a particular focus on the use of
22 companies and the way that companies are used,
23 including one's ability to obscure -- you call it
24 a form of modern-day identity theft effectively,
25 one's ability to obscure their true identity
26 through a company. Why don't you tell us about
27 the ways that companies are used and what it
28 means -- this concept that the law has of
29 treating a company as having separate legal
30 personhood from the individual or people who
31 started it, how that gets used or misused for the
32 purpose of money laundering?

33 A I think -- I mean, we need to understand what a
34 company is for, why they were invented.
35 Companies have existed, in some European
36 countries, specifically in the Netherlands and
37 England, since sort of 17th, 18th century, but
38 they were of very, very restricted use because
39 the governments of the day were very nervous of
40 the moral hazard that they create. If investors
41 have their downside to an investment, their
42 liability limited, then it was felt that they
43 would engage in all kinds of skulduggery because
44 they wouldn't care about the consequences.

45 So what a company does is, if you put your
46 money in a company and that company invests and
47 the investment goes wrong, the amount of your

1 money you could lose is limited to the amount
2 that you put into the company. Your house is not
3 at risk. Any other money you have is not at
4 risk. Your racehorses are not at risk.

5 So politicians, in the 18th Century, felt
6 that this was just too big a risk to pay in a lot
7 of cases, that essentially if you were to say to
8 people that they could engage in all kinds of
9 questionable business practices, and if they went
10 bottom up, then the investor would not lose their
11 shirt and up in debtors prison, that that would
12 just encourage too much fraud. So, though there
13 were companies, they were very limited and they
14 could -- of course they were limited -- they were
15 limited in number and they could only be created
16 by means of an act of Parliament.

17 It was in the United States where companies
18 really got going, in New York and New Jersey and
19 Delaware, and specifically in New England. The
20 companies became a really important vehicle in
21 the growth of industrial capitalism, because
22 politicians realized that essentially if you
23 allow an entrepreneur to invest without risking
24 everything, they are much more likely to invest.
25 So they became -- the economists called them the
26 engine of industrial capitalism. They became
27 very, very important in the industrial
28 revolution. And so they spread back to Europe.
29 Britain started allowing them to move -- work on
30 the American model in the mid-19th century and
31 they -- you know, and they really took over the
32 economy. Everything became done in companies.

33 So what are they? They're essentially a
34 form of insurance. They say that -- society at
35 large is saying to a businessman, or woman,
36 presumably or primarily a man in the 19th
37 century, but these days, obviously, because the
38 world has got better -- but say to a
39 businessperson, if you make an investment that
40 will grow the economy and make us all better off,
41 we will insure your downside. We will say that
42 you can lose up to X amount and we'll take the
43 liability on the rest. So society at large is
44 insuring entrepreneurism by limited liability.
45 That's not the way they tend to be discussed, but
46 that's what they are. They are a form of
47 insurance.

1 As such, it is absurd that a company can be
2 anonymous.

3 Q Mmh.

4 A You know, the idea of an anonymous insurance
5 company is such an obvious invitation to fraud.
6 I mean, it's just something which doesn't even
7 bear thinking about. You know, the idea that you
8 could anonymously insure a house against fire,
9 and then the house mysteriously burns down and
10 you claim on the insurance -- let's face it, no
11 insurance company in the world would allow that
12 to happen. But that's essentially what we've
13 allowed to happen with limited liability
14 companies. We've allowed the downside to be
15 assumed by society at large, but the upside to be
16 entirely anonymized.

17 So, I mean, it is an absurdity, but that is
18 essentially what we've allowed to happen, by
19 accident. This was never the intention. They
20 were never supposed to be used to allow anonymous
21 investment, the anonymous ownership of assets,
22 but that is what we've allowed to happen.

23 So, how they are used to launder money is
24 that you steal money yourself. That money is
25 paid into a bank account which belongs to not you
26 personally, but to a limited company that you
27 control, but which your name is not visibly
28 connected to in any way, and then that money is
29 moved around in between multiple bank accounts in
30 such a way that there is no way, without the most
31 profound investigation, that it would ever be
32 possible to trace the money back to the person
33 who originally deposited it. Often, even then,
34 it's all but impossible.

35 So, I mean, that's what they're for. They
36 allow you to essentially own assets in someone
37 else's name, but the person who is owning them is
38 a legal fiction -- you know, a legal person
39 rather than a physical person. So that's why
40 they are so central to money laundering in that
41 they essentially allow an individual to divorce
42 their ownership of assets from themselves.
43 They're separated from them by this corporate
44 structure.

45 Q Is there a great deal of difference between
46 jurisdictions that you've looked at in terms of
47 how easy or hard or expensive it is to actually

1 incorporate?

2 A Yeah. The reason I wrote that article about
3 Britain is because Britain is an astonishingly
4 cheap place to operate. I believe -- I haven't
5 checked recently. I believe the last time I
6 checked the price of a limited company registered
7 directly with the registry here is 12 pounds,
8 which is, what, 16, 17 U.S. dollars. I'm afraid
9 I don't know what that would be in Canadian. In
10 other jurisdictions, it is more expensive.
11 Britain is a noticeably cheap place. But one of
12 the reasons why Britain wanted to make it so
13 cheap is that the world banks do a business
14 index, which is a sort of annually published
15 index of the best places in the world to do
16 business. It became a bit of a fixation for one
17 of our governments, about three governments ago,
18 and they decided to make it astonishingly easy,
19 because essentially the easier it is to
20 incorporate a company, the more points you can
21 accumulate in the doing business index. It's a
22 ridiculously bad index. But anyway, leaving that
23 aside.

24 So they cut the price and cut all the
25 conceivable red tape around creating a company.
26 All you have to do -- I mean, anyone who's
27 watching this can do this now. Go online to
28 Companies House, click "Register a company," type
29 in whatever details you want to enter into the
30 boxes in question, and pay 12 pounds, and there
31 you've got a company, that's it. No one checks
32 the information you provide. You just
33 incorporate yourself in a matter of 15 minutes,
34 if not less.

35 Q And I'll certainly return to the theme about the
36 information that goes into that sort of a
37 database and verification and some of the things
38 you've seen looking at that database.

39 Let me move to asking a little bit about
40 banks and banking transactions. How are banks,
41 bank accounts and banking transactions employed
42 in the course of money laundering activity?

43 A You can't launder money at any scale without a
44 bank or an equivalent financial institution that
45 acts in the way a bank acts. It isn't possible
46 to move money, you know, in an untraceable way
47 unless you can bounce it between multiple

1 financial institutions.

2 It is possible to move cash in an
3 untraceable way. You know, you can break the
4 chain of ownership between an individual and
5 cash, and large quantities of cash, but
6 inevitably to try to do anything with a large
7 quantity of cash attracts suspicion. So money
8 needs to be in an electronic form if you wish to
9 spend it on anything which is worth having.
10 Obviously, you can go and buy coffee with cash,
11 but you know, if you want to invest a billion
12 dollars, you're going to want something a bit
13 more attractive than coffee.

14 So banks are absolutely crucial, which is
15 why the weakest points in the global regulatory
16 system have been so important to big money
17 laundering operations. I keep coming back to the
18 Danske Bank scandal. That's because it's so
19 indicative of the vulnerabilities in the global
20 financial system. This is an EU member state,
21 and yet it was essentially a major financial
22 institution that was essentially unregulated, and
23 they had no interest in being regulated,
24 explicitly because being -- imposing proper
25 checks on the origin of money would have been too
26 expensive. So it is -- you know, they could
27 afford to change the logo, but they couldn't
28 afford to check the origin of the money they were
29 handling.

30 So these vulnerabilities in the global
31 financial architecture will always be there.
32 There was always somewhere that is less regulated
33 than everywhere else. You know, obvious places
34 where criminals have used to access these
35 national financial systems, Latvia, Estonia,
36 Lithuania -- sorry, Danske Bank was in Estonia,
37 not Latvia. Latvia had many, many other
38 problems. Lebanon. Dubai is a growing and
39 increasingly important threat. And so on. So, I
40 mean, yeah, there are too many to count, but they
41 tend to be small jurisdictions, places that are
42 dependent on their financial industry, you know,
43 and places which are loosely allied to the West.
44 Q Mm-hmm. I didn't ask you specifically about
45 shell companies as a subheading or subcategory of
46 incorporation or companies. Did you have any
47 particular comments about the use of shell

1 companies or jurisdictions where you see that as
2 a technique?

3 A I mean, a shell company is just a company.

4 Q Right.

5 A But which is only used to throw a ring around
6 assets of some kind in order to hide them from
7 scrutiny. It isn't, in and of itself, anyway
8 different to an ordinary company. It's just its
9 use is different. You also have a subset of a
10 shell company, a shelf company, which is a sort
11 of artificially aged company, rather like aged
12 wine, that is created and then -- and then sort
13 of maintained so it looks like a company with a
14 legitimate operation. So accounts will be filed
15 every year and so on, but then it will be sold
16 five or six years later, so it looks like it's
17 been going for a while.

18 Q Mmh.

19 A This is -- you know, it's just a variant of an
20 old fraud called the long fraud. It's just -- it
21 makes it look like something is legitimate when
22 it isn't.

23 Q Mm-hmm.

24 A Because if you -- if a company is created on the
25 1st of June and then is used to own a major piece
26 of real estate on the 2nd of June, it's
27 inherently a bit suspicious. Whereas if it was
28 created eight years ago and is invested in real
29 estate, yeah, well, it's just an investment
30 company.

31 Q Mm-hmm. Mm-hmm.

32 A So often a shell company is really a shelf
33 company. It's something which has been
34 maintained for a while, just to give it an
35 appearance of legitimacy that it shouldn't have.

36 Q Mm-hmm. Nominee ownership. I think you gave an
37 example earlier of a 78-year-old grandmother who
38 unwittingly owns something extraordinary. I
39 think you also have examples in some of your
40 reporting about four-months-olds who are on title
41 running companies and the like?

42 A Yeah. Nominee ownership or nominee company
43 officers or directors or secretaries are people
44 who essentially agree to act as a human cut-out
45 on behalf of someone else. It isn't a concept
46 that's recognized in western major jurisdictions.
47 There is no such thing as a nominee director. If

1 you are a director, you are supposedly -- you
2 have a fiduciary responsibility for the accuracy
3 of information provided by the company and so on.
4 But you still -- they still exist. Essentially
5 someone agrees to pretend to be the director.
6 Normally they will have signed a resignation
7 letter without a date on it, so if they should
8 decide to actually exercise their powers as a
9 director, they will have found that they have
10 already resigned.

11 Q Mmh.

12 A So it is a purely artificial position which is
13 designed to avoid scrutiny of the real
14 controlling mind behind the company, for whom --
15 for which there'll be a power of attorney who
16 will allow them to do what they like.

17 Q Mm-hmm. It seems necessary, but I don't know if
18 it always is, that the person who's in as the
19 nominee, the identified person has that bond of
20 trust or is trusted by the person doing that?

21 A Yeah, I mean, ideally -- I mean, they need to be
22 trusted to a certain extent. They need to be
23 trusted to do what they need to do to file the
24 bits of paper on time. But you don't want them
25 to be too trusted because that would be too
26 obvious. If, for example, I were a kleptocrat
27 and I owned a major -- you know, mansion in
28 Miami, and it was owned in the name of my
29 brother, because I trust him, well, it would be
30 pretty obvious that something, you know, untoward
31 was going on. Whereas if it were owned by a 78-
32 year-old widow in Transylvania, then maybe she'd
33 just won the lottery. So yeah, it's -- there
34 needs to be an element of trust, but you can
35 always keep an eye on nominees, partly because
36 they tend to be weak people and the real
37 principal tends to be powerful, but also because,
38 as I say, they will probably have signed a
39 resignation letter already.

40 Q Mmh.

41 A So you can always -- if they try and act
42 independently, you can always remove them just by
43 dating the letter.

44 Q Do you have comments about partnerships and their
45 use in money laundering?

46 A Yeah. Specifically limited partnerships.
47 General partnerships are -- they have other

1 importances, but not in money laundering. The
2 specific importance of partnerships are ideally
3 partnerships which have -- like in the form of a
4 Scottish limited partnership, which have --
5 sorry, I'm going deep into the weeds here, but --
6 Q No, go ahead.

7 A There is a distinction between a Scottish limited
8 partnership and the limited partnership that
9 you'll find in England, Wales or Northern Ireland
10 and, as I understand it, what you have in Canada.
11 But don't quote me on that because I'm not an
12 expert on Canadian limited partnership law. But
13 what you get in Scotland is a limited partnership
14 which has separate legal personality in the way a
15 limited company does so it is able to own
16 property in its own right, whereas a limited
17 partnership in England, Wales and Northern Island
18 is just a pass-through entity that just unites
19 people who have separate actions.

20 If what you have is a -- one of the partners
21 of the limited partnership will have unlimited
22 liability. If that partner is a limited company,
23 ideally in a tax haven, what you have created is
24 essentially a limited tax haven company that
25 looks like a legitimate Scottish limited
26 partnership.

27 So, I mean, this is the vehicle of choice
28 for all the major Soviet -- ex-Soviet Union
29 money laundering schemes is that the bank
30 accounts tended to be owned by a Scottish limited
31 partnership; the partners were limited companies
32 in Nevis or Panama or the Seychelles, Mauritius,
33 places like that. So limited partnerships have
34 been absolutely central to a succession of what
35 are often referred to by journalists as the
36 laundromats, the Russian laundromat, the Azeri
37 laundromat, these big, big money laundering
38 operations. They are created en masse by company
39 formation agents in Scotland and then sold to --
40 often to Latvian lawyers and/or Estonian lawyers,
41 and then often a bank account would be marketed
42 packaged together with a limited partnership. So
43 often the bankers in -- certainly at Danske Bank
44 -- wouldn't know who their client was. They
45 would just know they were dealing with a limited
46 partnership. And the actual individual behind
47 the bank account wouldn't even be known to the

- 1 banker, so the money was just moving through
2 totally anonymously. You could have, you know,
3 waterboarded the bankers; they wouldn't have been
4 able to tell you anything.
- 5 Q So it seems to me, as you described that example,
6 this is an illustration of how those designing,
7 or maybe advisors who are helping to put together
8 these transactions and structures, are really --
9 they're almost in a buffet, aren't they, and
10 picking and choosing different items from
11 different offerings and putting them together in
12 the best way possible, sometimes creatively and
13 sometimes with unusual decisions to it?
- 14 A Absolutely. We saw a -- there has been a
15 movement since the exposure of some of these
16 Scottish limited partnerships. As I say, there
17 has been a movement towards using Canadian
18 structures. I know about this because I have a
19 very good friend who works in investigating this
20 kind of behaviour, and his mind works in
21 brilliant ways and he's able to find these
22 patterns. So there was a movement towards using
23 Scottish structures, and then a brief movement
24 towards using Northern Irish structures, and now
25 moving towards using Canadian structures. There
26 is an endless -- like you say, there is a buffet
27 of options out there, and if one becomes
28 unpalatable, then you can just pick from one of
29 the many others.
- 30 Q You previously touched on trusts, I think in the
31 context of describing South Dakota as one
32 jurisdiction that has competed, I suppose, in a
33 competition, competed well in terms of looking to
34 attract an enormous amount of business, if you
35 will, and activity in a relatively unpopulated
36 and small and maybe geographically more isolated
37 part of the U.S.
- 38 MR. MARTLAND: I'm going to ask our Registrar, please,
39 to display the article from the *Guardian* on South
40 Dakota entitled "The great American tax haven:
41 why the super-rich love South Dakota." And that
42 bears the date November 14, 2019.
- 43 Q Mr. Bullough, that's your article that I've just
44 described?
- 45 A There it is, yeah, a bit more public service
46 journalism.
- 47 Q Good.

Oliver Bullough (for the Commission)
Examination by Mr. Martland

1 MR. MARTLAND: Mr. Commissioner, I'll ask that the
2 South Dakota article be marked as an exhibit,
3 please.

4 THE COMMISSIONER: Very well, that will be Exhibit 15.
5 Thank you.

6 THE REGISTRAR: Exhibit 15.
7

8 EXHIBIT 15: Article from the *Guardian*
9 entitled "The great American tax haven: why
10 the super-rich love South Dakota"
11

12 MR. MARTLAND:

13 Q Now, I know, apart from the Beatles and Rocky
14 Road, almost nothing about South Dakota. But let
15 me ask you this. When I read in that article
16 about, as an example, a Chinese multi-billionaire
17 who's bringing four-and-a-half billion dollars
18 into a company, and the financial mecca that's
19 sought out is Sioux Falls, South Dakota, please
20 help us understand, what's going on when that
21 happens?

22 A Well, this is -- I mean, there's a long way of
23 telling this story and a short way of telling
24 this story. I'm going to go for a medium way of
25 telling this story. The dynamic is the same.
26 Very wealthy people always looking to minimize
27 the scrutiny of their wealth. And whether that's
28 legitimately acquired or illegitimately acquired,
29 they're averse to scrutiny. So anywhere that can
30 help you avoid scrutiny of your wealth is going
31 to be welcome. If that place can also help you
32 avoid taxation, or euphemistically referred to as
33 fiscal friction, then that's all for the good.

34 So, South Dakota, in the late 1970s, was in
35 a very bad way financially and they had a very
36 imaginative and colourful, larger than life
37 governor, a guy called Wild Bill Janklow, who
38 sought a way to develop his state by bringing in
39 financial services. At that time, because of
40 restrictions on the way that credit card
41 companies operated, credit card companies were
42 losing a lot of money, so he changed the
43 regulations that limited how much interest credit
44 card companies could charge. And he managed to
45 attract, first of all, City Group, and then
46 subsequently other credit card companies to
47 relocate to South Dakota, because it essentially

1 allowed them to circumvent regulations imposed in
2 all the other 49 states.

3 It was an amazingly successful coup, really,
4 that established a significant South Dakotan
5 financial services industry. And in order to try
6 and repeat this trick, he did something
7 astonishingly nerdy, but quite important, which
8 was he abolished the rule against perpetuities.
9 And the rule against perpetuities was a product
10 of a lengthy legal tussle in England in the
11 Middle Ages between the aristocracy and the
12 judiciary, whereby the aristocracy wanted to be
13 able to put property in trust forever. They
14 wanted to say, I am the Duke of Hereford and I
15 want my offspring forevermore to be bound by my
16 wishes because I'm marvelous. So all of this
17 land here will not belong to them personally, it
18 will belong to the trust of the Duke of Hereford,
19 and they can live on it and enjoy their income
20 from it, but they will never be able to sell it
21 or do anything, decide, because it's mine and I
22 want them to abide by my wishes.

23 Now, it's kind of fair enough for him to do
24 what he likes with his property, because it's
25 his, so why can't he do that? That was his point
26 of view. But the judges at the time thought that
27 it wasn't right for the wishes of the dead to
28 bind the will of the living. They thought that
29 was unfair. So they essentially came up with a
30 workaround which was that he could do that, he
31 could put his property in trust and bind his
32 descendants, but he could only do it for a
33 limited period of time. A trust could not be
34 perpetual, which was why it was called a rule
35 against perpetuities.

36 And the length of the trust, it's a little
37 bit difficult to describe, but essentially it
38 worked out at about a hundred years. You could
39 put -- the Duke of Hereford could say, all of my
40 descendants will be bound by my wishes for a
41 hundred years, but after a hundred years the
42 trust would vest and it would cease to be a trust
43 any more. And whoever at that point was the
44 beneficiary of the trust could do what they liked
45 with it. They could, you know, spend it on wine,
46 women and song, or else they could waste it, as
47 they wish. So that was what the rule against

1 perpetuities did.

2 Now, what Wild Bill Janklow did in South
3 Dakota was abolish the rule against perpetuities.
4 If you put your money in trust in South Dakota,
5 that trust would last forever. And why is that
6 good, is that allows you to avoid estate tax,
7 inheritance tax. You could put your money in
8 trust in South Dakota. It would sit in trust and
9 it would produce income which the beneficiaries
10 of the trust, your descendants, could enjoy, but
11 the actual capital would not be taxed. It would
12 remain there in perpetuity.

13 And this innovation became quite successful,
14 particularly in the 1990s, so successful that a
15 number of other states copied it or created
16 versions of it. If they didn't directly copy it,
17 they created versions of very, very long-lasting
18 trusts. But even so, it wasn't a massive mega
19 smash. It wasn't a smash like inventing the
20 credit card industry, which had been a real big
21 hit in South Dakota. So I suspect he was
22 probably a bit disappointed that this great
23 innovation didn't really take off and rock
24 everyone's world financially speaking.

25 But then -- this is why I say this could
26 have been a very long story -- importantly, after
27 the last financial crisis, not the current one,
28 the last one, America were very annoyed about
29 Swiss banks allowing Americans to dodge taxes,
30 insisted -- they passed a law which said that
31 every financial institution in the world, if they
32 were looking after assets held by Americans, they
33 had to inform the U.S. Treasury of the existence
34 of those assets and the income being earned by
35 them. So it was called the *Foreign Account Tax*
36 *Compliance Act*, which meant that you could no
37 longer dodge the American taxes by sticking your
38 money into a Swiss bank and relying on the Swiss
39 bank to keep your secret.

40 So what this meant was suddenly the demand
41 for Swiss banking and equivalent banking around
42 the world, for Americans, largely evaporated. It
43 ceased to be a realistic proposition. So all
44 that money flooded home and looked for somewhere
45 to go. Where was going to be the new Switzerland
46 for wealthy Americans? And the tax advisors
47 realized that South Dakota was a great place to

1 put your money because there's no income tax,
2 there's no inheritance tax. If you put your
3 money in trust there, it's in trust forever.
4 It's a really good place to put your money.

5 So they park their money in South Dakota.
6 The money isn't actually in South Dakota, of
7 course, there's nothing there. You just park it
8 via South Dakota, and then using that money, you
9 can buy stuff wherever you wish to buy it.

10 But then what's very important and why this
11 becomes a globally significant issue, not just a
12 parochial American issue, is that the rest of the
13 world saw what American had done with their
14 *Foreign Account Tax Compliance Act* and decided to
15 do the same, and the rest of the world got
16 together and created something called the Common
17 Reporting Standard whereby all countries would
18 exchange information with each other. So if you,
19 a Canadian, have assets in the UK, the UK
20 financial institution will inform the Canadian
21 government of the existence of those assets.
22 Similarly, if I, a Brit, have assets in Canada,
23 the same will happen in reverse.

24 So we all exchange information with each
25 other and we can't dodge taxes any more, and
26 everything's fair. That's the idea. But there's
27 one holdout which is, the Americans said, we
28 already have a perfectly good system, FATCA, we
29 don't need CRS, so we're just going to sit this
30 one out. And they didn't join in. But the
31 mismatch is the fact that Britain and Canada are
32 exchanging information with each other. And, you
33 know, technically everyone -- it's a slow
34 process, but technically everyone exchanges
35 information with each other. The American law
36 only works in one direction. So if you park your
37 money in America, no one else need ever find out
38 about it.

39 So why does a Chinese billionaire suddenly
40 put all their money in Sioux Falls, South Dakota,
41 is because the Chinese government doesn't find
42 out if he does, or doesn't find out what's going
43 on if he does. So the amount of money that's
44 booming in South Dakota, a lot of it is American
45 money that's come home from various tax havens
46 overseas, whether that's the Bahamas -- the
47 Bahamas are furious with South Dakota, they hate

1 it, you know, because all the money that used to
2 be in the Bahamas has gone to South Dakota. You
3 know, Switzerland, all the money -- not all of
4 it, but a lot of it's gone to South Dakota, and
5 so on.

6 But also an increasing amount is what they
7 refer to as international families, people who
8 are -- who want to avoid the scrutiny of the
9 Common Reporting Standard, so taking advantage of
10 the fact that America has essentially become a
11 very large tax haven, so --

12 Q Mmh.

13 A -- because America does not exchange information
14 with other countries automatically like the rest
15 of the world does.

16 So that's what's happening in South Dakota.
17 And this is an example of what I was talking
18 about before, when there was a financial
19 innovation, you know, like St. Kitts selling
20 passports, or like whatever, Wild Bill Janklow
21 did bring in the perpetual trust in the 1980s,
22 and it just sat there kind of on the statute
23 book, slightly gathering dust. Not entirely.
24 There was a trust industry, but relatively small.
25 Until there became this impetus created by the
26 mismatch between the U.S. and the rest of the
27 world's financial reporting systems, and suddenly
28 there was a massive incentive to put money in
29 South Dakota.

30 So, the amount of money in South Dakota, as
31 I say in the article, has gone up, you know, four
32 or fivefold since the financial crisis. And it's
33 continuing to go up. And if you think about that
34 those trusts are perpetual and they're not taxed,
35 so -- so the amount of money that is in the
36 trusts will inherently inevitably increase at a
37 rate larger than the rest of the economy, because
38 everyone else is paying tax. So the amount of
39 money will just naturally increase in all of
40 these jurisdictions.

41 And I feel like I'm beating up on South
42 Dakota a bit much here. Nevada is also doing
43 this. Wyoming, Alaska. Delaware, of course,
44 which is a big tax haven. A number of American
45 states are in this game, and it's kind of an
46 alarming prospect, because -- you know, it was
47 possible to bully Switzerland out of stopping

1 being a tax haven. Only America could do it, but
2 it was possible. No one can bully America out of
3 being a tax haven.

4 So, you know, the -- yeah, people said to me
5 very cynically in South Dakota, you know, why put
6 your money anywhere else? You know, your money
7 is protected from the U.S. Treasury by the United
8 States.

9 Q Yeah.

10 A So what's not to like?

11 Q I mean, there's something interesting, too, and
12 maybe this is partly why South Dakota serves as a
13 good example, it is not a venue for a James Bond
14 movie, is it? I mean, and I think that's a
15 little out of step with some people's expectation
16 that it's the Caribbean Islands, the Swiss
17 bankers, that sort of thing. But is that --
18 maybe like the James Bond movies, is that a
19 little bit outdated now?

20 A I mean, yes and no. You know, they remain
21 significant tax havens in mountainous European
22 places and in the Caribbean. But in a way, what
23 has happened in the last decade is some of the
24 fiction has been stripped away from Moneyland,
25 the -- the sort of cladding of Caribbean, you
26 know, tax havens hiding the money has been
27 stripped away and it's much more obvious what's
28 really happening. You know, the real players
29 were always, you know, the United States, the
30 United Kingdom, you know, the big largely
31 anglophone countries were places where the money
32 ended up.

33 Q Mmh.

34 A In a way, you know, it's like a big fish eating a
35 smaller fish. They've sort of looked at the
36 Caribbean and said, why should we be cutting
37 these people in on our business, you know, when
38 we can cut them out? I mean, you know, the UK
39 has imposed -- the UK Parliament has imposed
40 transparency on Britain's offshore territories in
41 the Caribbean, which are major, major financial
42 centres -- whether that's the incorporation haven
43 in the British Virgin Islands or a funds centre
44 in the Cayman Islands and so on -- and imposed
45 requirements on them that it isn't imposing on
46 itself, and in fact, isn't even imposing on the
47 tax havens nearer to home, the European British

1 tax havens. So, you know, it's -- it does seem
2 to be a process whereby, you know, it's not quite
3 dog eat dog, but sort of big dog eats smaller dog
4 sort of thing.

5 Q Mm-hmm.

6 A So, yeah, if you talk to officials in places like
7 the Bahamas, Caribbean financial centres, they --
8 spitting rage about what South Dakota is doing.

9 Q Mm-hmm.

10 A Because the way they see it is it is offering
11 products far more egregious than were offered in
12 Caribbean centres, but no one -- you know,
13 there's no one to beat up on them for it because,
14 you know, it's an American place. You know, if
15 you look at the -- you know, the EU blacklist of
16 tax havens, the EU -- they blacklist the most
17 peculiar places. I think Mongolia got done at
18 one point. You know, and yet never the U.S.
19 Never. You know, obviously, because
20 diplomatically that's just not going to happen.

21 Q Mm-hmm.

22 A I mean, it was noticeable when as soon as Britain
23 left the EU, the Cayman Islands got blacklisted.
24 Which was long overdue. They should have been
25 blacklisted decades ago.

26 Q Yeah.

27 A But, you know, as long as Britain gave them
28 diplomatic cover within the EU, then it was never
29 going to get blacklisted.

30 MR. MARTLAND: Yeah. Mr. Commissioner, I'm going so
31 suggest if we take another break, and then I'll
32 be able to carry on with some questions till --
33 and just to do the time zones, I don't know if I
34 can get them right, but we have about, after our
35 break, a little under an hour with our time
36 available tonight. I know it's evening time, Mr.
37 Bullough, and we're grateful for this.

38 A It is. It's a golden evening here.

39 MR. MARTLAND: Sorry to interrupt it with this.

40 THE COMMISSIONER: All right. Yes, thank you, Mr.
41 Martland. We'll take -- do you want another 15
42 minutes?

43 MR. MARTLAND: That's fine. I think we're fine with
44 timing. Thank you.

45 THE COMMISSIONER: Fifteen minutes. Thank you.

46 THE REGISTRAR: The hearing is adjourned for a 15-
47 minute recess. Please mute your mike and turn

Oliver Bullough (for the Commission)
Examination by Mr. Martland

1 off your video. Thank you.

2
3 (WITNESS STOOD DOWN)

4
5 (PROCEEDINGS ADJOURNED)
6 (PROCEEDINGS RECONVENED)

7
8 THE REGISTRAR: The hearing is now resumed. Please
9 ensure you're muted unless you are speaking.

10
11 OLIVER BULLOUGH, a witness,
12 recalled.

13
14 THE COMMISSIONER: Thank you, Madam Registrar. Yes,
15 Mr. Martland.

16 MR. MARTLAND: Thank you, Mr. Commissioner.

17
18 EXAMINATION BY MR. MARTLAND, continuing:

19
20 Q Mr. Bullough, I'm going to -- I think we've
21 covered off many but not quite all of the
22 different, I guess, vehicles or methods or
23 aspects that are often used in sophisticated
24 transnational money laundering activity. So one
25 thing I wanted to ask you about was the role of
26 professional advisors in this sort of process, if
27 you could tell us about what sorts of
28 professionals are engaged and how they play a
29 role in this, please.

30 A Yes. Professional enablers, professional
31 advisors are crucial to the moving of illicit
32 money. Usually kleptocrats who have earned large
33 amounts of money are very gifted in certain
34 skills, you know, controlling the population,
35 shaking down large corporations, stealing money
36 from state procurement, sending trucks to the
37 national bank and extracting large quantities of
38 cash dollars, things like that. But those skills
39 do not normally translate into an ability to
40 navigate the international financial system, so
41 they need people to do that for them.

42 Fortunately for them, there are large
43 numbers of highly skilled lawyers, accountants,
44 [indiscernible] information agents and others in
45 major western countries, as well as offshore
46 centres, who are willing to do that work for
47 them. Essentially the work that they do, the

1 professional enablers do for wealthy kleptocrats
2 is exactly the same work that they do for anyone
3 wealthy that they work with. It's a question of
4 moving money around, buying things, engaging in
5 various legal arguments. They just do it and
6 charge a higher fee because of the added risk
7 involved in doing it. That's why they do it,
8 because it's a useful way of making extra money.

9 You know, it's not -- it's not glamorous
10 work. It's not -- this isn't -- you know, in one
11 of the -- I think it might be *Casino Royale*, the
12 first Daniel Craig James Bond film, there is a
13 banker who flies into -- I think the country was
14 supposed to be Uganda -- in order to take large
15 amounts of money from a particularly nasty group
16 of sort of militants. It's not that kind of
17 work. This is much more office-based, you know,
18 just usual kind of finance management. But yeah,
19 because their risk is higher, because you're
20 dealing with criminals, then inevitably so are
21 the rewards.

22 Q Do you see, in general terms, do you see a side
23 of that where those are people that are
24 deliberately -- the professional advisors
25 deliberately flouting rules or taking chances on
26 rules as opposed to, in other cases, unwittingly
27 being pulled into some activity that's very
28 dubious, but they may be simply carrying out a
29 routine transaction or step?

30 A Well, it's an interesting question actually,
31 because I speak to a few of these people, and
32 there are aspects of what might be called an
33 ideological commitment to allowing people to
34 break rules.

35 For example, if you are a money -- involved
36 in the financial industry in a Caribbean
37 jurisdiction with zero tax, and someone comes to
38 you -- you know, for example, might be from a
39 Scandinavian country -- he wishes to extract
40 large amounts of money without having to pay tax
41 on it, you know, you might not see that there's
42 anything wrong with that.

43 You know, I was talking to someone the other
44 day about dealing with Chinese clients, and I
45 asked him, how does he get around the fact that
46 Chinese clients are not allowed to move more than
47 \$50,000 a year out of China? And yet he's

1 dealing with people with many, many millions of
2 dollars. You know, clearly that money must have
3 been extracted in some form that is at best a
4 grey form, if not actually a black market form.
5 And his argument was that this isn't an issue
6 that affects him because he doesn't agree that
7 there should be that sort of law anyway.

8 Q Mmh.

9 A So often it's quite easy to intellectually
10 justify what you're doing by essentially saying
11 that you're kind of allowing people to evade an
12 overmighty state. Sort of in the way that --
13 it's not impossible to imagine a money manager in
14 the 1960s looking at a 95 percent marginal tax
15 rate and saying, well, if I'm helping George
16 Harrison dodge that, am I actually doing
17 something wrong?

18 So I think it's not quite -- it's not
19 entirely black and white in the way this works.
20 You know, you have at one end of the spectrum
21 professional enablers who allow, you know, the
22 military dictator of Nigeria to salt away
23 literally billions of dollars, but at the other
24 end of the spectrum you've got someone in the
25 Caribbean or the Channel Islands who's helping a
26 businessman perhaps shave a few percentage points
27 off the tax he's paying, you know, and every step
28 in between.

29 But the key point to make is that none of
30 those actions will be taken, whether that's
31 salting away billions of dollars from Nigeria or
32 dodging a few percentage points of tax for a
33 European businessman without the services of
34 professional enablers. They are the
35 architecture. They are the -- you know, the army
36 of Moneyland. They're what makes it work. You
37 know, without them, Moneyland wouldn't exist.
38 You would have the architecture, the structure,
39 which is the legislation, but without the living
40 bodies that make it a dynamic proposition, and it
41 would be a dead letter.

42 Q I take from your description that one of the sort
43 of throughputs or outcomes from moving money into
44 Moneyland and then out into something that can be
45 enjoyed at the end of the day or held as an asset
46 or investment is, number one, the appearance of
47 legitimacy, but alongside that, the legality of

1 holding it. And so it seems to me one feature
2 here is that you may well have steps that are
3 taken that, set aside the morality of it, are
4 legal within the rules of the given country.
5 A Yeah, absolutely. I mean, it's -- you know,
6 there are many, many places that have different
7 approaches to taxation, different approaches to,
8 you know, secrecy. For example, a company
9 created in somewhere like Nevada where there are
10 no records really of any kind of who owns them
11 particularly, yeah, that would be totally illegal
12 even somewhere like the British Virgin Islands.
13 And yet what's done in the British Virgin Islands
14 wouldn't be legal in the UK.

15 The whole point of Moneyland is to gain
16 these mismatches between different countries in
17 their legislation, because when they -- you know,
18 when they don't match, there's a gap that you can
19 put the money through. So, yeah, it's -- if you
20 are based in Canada, you know, do you have a duty
21 to enforce the rules of another jurisdiction?
22 Well, morally, perhaps you do, but legally,
23 probably not. It depends what the rules are.
24 Probably not.

25 And so it becomes quite easy to justify it
26 to yourself that you're going to do this,
27 particularly if doing it is going to earn you a
28 lot of money. You know, I think it's been, you
29 know, a great principle through the ages that
30 people are quite good at justifying behaviour to
31 themselves if it's quite profitable for them
32 personally. And there's quite a lot of that
33 going on, I think.

34 Q Well, then you talk about the duty in one country
35 to be mindful of and maybe take the next step of
36 enforcing laws from another country, but another,
37 I guess, lawyer's way of putting that question is
38 to think about proof. And so from, let's say, a
39 Canadian point of view, looking out to the world
40 and thinking about activity in another country,
41 like sort of criminal taint or corruption,
42 illicit nature of the source of the funds, how
43 does one, in the receiving jurisdiction, actually
44 find the evidence to get to that conclusion?

45 A I mean, that's a very good question and a very
46 important one. You know, financial institutions
47 are expected to do due diligence on the origin of

1 the funds that they handle. Due diligence goes
2 beyond -- is not nearly as stringent as a
3 criminal standard of proof. They are being
4 [indiscernible] to turn away funds that it would
5 be impossible to gain any kind of criminal
6 conviction of money laundering against -- you
7 know, that's why they are one of the front lines
8 in our defences against money laundering.

9 Other financial professionals are not
10 regulated as strictly as the banks and it's not
11 enforced as strictly as the banks, but you know,
12 the same question applies. Particularly if
13 someone is politically exposed, then you are
14 expected to do very stringent checks on the
15 origin of money that's coming in.

16 So, you know, in a way, that is an aspect of
17 saying, well, we are trying to enforce the laws
18 of other jurisdictions. But it only really goes
19 so far. You know, you don't have to look very
20 far to find repeated examples of those
21 regulations being essentially flouted or -- or
22 obeyed in the letter but not in the spirit.

23 So because, you know, it is -- we had a case
24 here in the UK earlier this year which
25 demonstrated this point I want to make quite
26 well. We have a new institution called the
27 Unexplained Wealth Order --

28 Q Mm-hmm.

29 A -- whereby a law enforcement agency can ask for
30 an Unexplained Wealth Order against property they
31 believe to be illegally obtained, and the owner
32 of that property then has to justify or explain
33 the origin of the money that purchased the asset.
34 The National Crime Agency sought Unexplained
35 Wealth Orders against property that belonged to
36 the daughter of the former President of
37 Kazakhstan and her son, the president's grandson,
38 and it was remarkable reading the judgment in
39 that the judge simultaneously rejected
40 information coming from Kazakhstan because he
41 felt that it was tainted by the potentially lack
42 of professionalism in the Kazakh legal system,
43 while also accepting evidence in a different
44 point of the judgment. So it was essentially
45 the lawyers acting for the daughter of the former
46 President of Kazakhstan had been able to use
47 Kazakh legal proceedings to justify their belief,

1 whatever those beliefs were. They could say, you
2 know, this money is legally acquired because
3 here's a judgment from the Kazakhstan that shows
4 it is, but you can't -- must put aside this legal
5 judgment because it was in Kazakhstan and
6 therefore it's politically tainted. So
7 essentially the nature of gaining evidence or
8 getting cooperation with different parts of the
9 world is incredibly difficult, particularly from
10 a developing country jurisdiction where court
11 systems are politicized. It makes it very, very
12 hard for law enforcement, or anyone, to obtain
13 information that they can rely upon.

14 This is particularly true of a jurisdiction
15 like China where it is so tightly controlled that
16 any evidence that you obtain can be essentially
17 dismissed as politically tainted. But, you know,
18 you need to rely on something or you just give up
19 altogether. It is a real difficulty in any form
20 of money laundering investigation when, you know,
21 you have closed political systems that are
22 entirely dominated by the political elite. Any
23 money that emerges from them will only emerge
24 essentially with the approval of that political
25 elite.

26 So does that mean they're always tainted,
27 and if so, do you just not engage with them at
28 all? It's a really difficult challenge.

29 Q Yeah. I was going to read something from
30 *Moneyland* at page 129 where you're talking about
31 the leader of -- former leader, I think, or
32 leader of Equatorial Guinea in West Africa. I'll
33 just read out this paragraph. I haven't arranged
34 to put this onscreen, so I'll just read slowly,
35 and I hope clearly:

36
37 It may look obvious that Obiang [the leader]
38 has broken the law here, but actually that
39 is a more complicated subject than it
40 initially seems. If someone has not been
41 prosecuted, or even investigated, in his
42 home country, then is he a criminal? That
43 is a metaphysical or perhaps a philosophical
44 question, far removed from the
45 practicalities required in a court of law.
46 Certainly it is not grounds for treating
47 someone as guilty. Western legal systems

1 are predicated on the core assumption that
2 individuals are innocent until proven
3 guilty, which causes a problem. If someone
4 can take control of a country's legal
5 system, can use that control to make a
6 fortune, can smuggle that fortune to
7 somewhere where highly paid lawyers are
8 skilled at enforcing the rights of
9 defendants to a fair trial, and can control
10 what evidence might emerge at that trial
11 through his domination of the original
12 country, then how can that person ever be
13 prosecuted? We begin to see what a well-
14 defended place Moneyland is.

15
16 A Yeah, it's a problem.

17 Q And the Equatorial Guinean leaders are just one
18 example of that?

19 A Yeah. I mean, he's a particularly remarkable
20 example. He went from being, you know, leader of
21 an essentially bankrupt country to being richer
22 than the Queen of England in about a decade,
23 after they discovered oil. His son spent the
24 money on a series of extravagant properties in
25 Paris and California, on a remarkable collection
26 of supercars, on many other luxury goods. There
27 was, however, a ground-breaking court case
28 against him in Paris brought by a group of civil
29 society activists against stern opposition from
30 the French authorities. It's called the *biens*
31 *mal acquis* case, which did manage to confiscate
32 some of the assets. But, I mean, he's just a
33 particularly gross example of kleptocracy.

34 The same dynamic is at work in almost any
35 kleptocracy or kleptocratically tainted state,
36 which is that if you control the prosecutorial
37 authorities and the police authorities, then no
38 evidence will emerge from your country which you
39 don't want to emerge. Which means that, you
40 know, if western governments are trying to
41 investigate a friend of Putin's, obviously the
42 Russian justice ministry isn't going to provide
43 anything to help. You know, so what do you do?
44 And that is a real challenge. And I'm not going
45 to pretend I have the answer to it. I mean, the
46 Unexplained Wealth Order is a good idea, but as
47 that example I quoted from Kazakhstan shows, it's

1 not really working in practice. It's certainly
2 fallen at that first hurdle.

3 The difficulties of having a globalized
4 financial system whereby money moves seamlessly
5 between countries, without a globalized
6 regulatory system or globalized political system,
7 this is the inevitable consequence. The money
8 will always go where it can be best hidden
9 because the regulations were inevitably different
10 in different places.

11 You know, the core problem with the world,
12 why we have Moneyland, is because globalization
13 is incomplete. We have globalization for money,
14 but we don't have it for law and law enforcement.
15 And this is what you get. You end up with people
16 like -- I mean, I don't know if you've read up
17 more on Mr. Obiang and his particularly gross
18 behaviour in Equatorial Guinea, but I mean, it's
19 off the charts appalling what they get up to.

20 Q And was Obiang tied to the multi-million dollar
21 Malibu mansion in California?

22 A He had a Malibu mansion, multiple parties at the
23 Playboy mansion, you know, an extraordinary
24 collection of Michael Jackson pop memorabilia.
25 You know, he managed to -- the glove from the Bad
26 tour, he managed to smuggle that out of the
27 country. The U.S. tried to take that off him,
28 but he managed to get that out of the country. I
29 mean, one of the reasons I wrote about him so
30 much is because there's been quite a number of
31 court cases about him, which makes it easy to
32 write about. But like I say, he's just a
33 grotesque outlier in a whole phenomenon that has
34 looted Sub-Saharan Africa and much of the rest of
35 the world.

36 You could see similar dynamics, if not as
37 gross, in most of the countries across that part
38 of the world whether that's Nigeria or Kenya,
39 obviously Democratic Republic of Congo. It's an
40 affliction which has, you know, extracted an
41 astonishing volume of wealth from people who
42 desperately need it and spent it on things --
43 people who don't need it.

44 Q Yeah. Let me -- and maybe, picking up on the
45 Malibu mansion, shift a little bit into real
46 estate. Real estate seems to be a recurrent
47 theme of how money might be moved around, but

1 perhaps ultimately placed to rest at some
2 destination. Do you want to tell us a bit about
3 your take on where those destinations are, what
4 parts of the world, and why it is that the money
5 moves its way to real estate in certain corners
6 of the globe?

7 A Well, to take your second question first.

8 Q Mm-hmm.

9 A If you've stolen a lot of money -- and I mean --
10 I'm being slightly facetious, but I'm not
11 entirely facetious -- if you've stolen a lot of
12 money, it's actually quite hard to spend. Just
13 because -- it's like *Brewster's Millions*. What
14 are you going to spend it on? You know, if
15 you've got \$5 billion --

16 Q That's a Canadian reference to John Candy, so I'm
17 glad if you're going to get it. So, carry on.

18 A If you've got like \$5 billion, you know, it's
19 going to keep backing up on you. The interest is
20 going to start paying out, and the interest on
21 the interest. You have to get it out the door
22 quite fast to be able to have a chance at
23 spending it, assuming you're not going to give it
24 back to the people you stole it from, which is
25 absurd.

26 So what are you going to buy? Well, you
27 know, really big ticket items. Okay, fine art.
28 You know, really big -- a big yacht, yeah. But
29 really, if you want to spend a lot of money, real
30 estate is the way to go. You can drop, you know,
31 a hundred million dollars on a really nice
32 condominium in New York. You can drop 80 million
33 pounds on a great place in London. You know, I'm
34 sure, you know, it's nice to have something on
35 the west coast as well, maybe a place in
36 Vancouver, a place in Los Angeles. You know,
37 Miami's nice any time of year. And so on. You
38 can spend a lot of money. And then the great
39 thing about a house is that once you've got a
40 house, you can put all your other things in it.

41 So the fine art that you've bought. You
42 might have, you know, a few Hockneys, you know,
43 some Degas. That can go on the walls. You know,
44 your astonishingly expensive wine collection can
45 go in the cellar, and so on. I mean, and also
46 you can spend a lot of money doing up a house. I
47 mean, like I say, I'm being facetious, but not

1 that facetious. If you've got a lot of money, a
2 house is the best thing to spend it on, because
3 not only is it very expensive in its own right,
4 but it's a repository for other very expensive
5 things. And the really great thing about is it
6 that if you buy a house, say, in London or
7 wherever, you might not even live in the house.
8 You might be somewhere else. But that house will
9 be guarded around the clock by the British
10 police, who you don't even have to pay for
11 because you're not paying any tax. So you've got
12 a really very efficient security guard system all
13 the time, totally for free.

14 So it's a no-brainer, to be honest, to put
15 your money in property. And like I say, there
16 are other good things to have. Obviously,
17 yachts. A football club was a very good sink of
18 money in Europe for a long time, but they've
19 started to become quite profitable, so I don't
20 know what extent that still works. But still,
21 you know, sports teams always are a good sink of
22 money.

23 But, yeah, a house is a really good way of
24 doing it, particularly since you can wrap a
25 corporate structure around the house and no one
26 knows you actually own it. You can own it via a
27 limited company or a trust or a foundation or
28 whatever, you know, any of the corporate
29 structures that are available.

30 So it's -- I'd say, yeah, a house is --
31 yeah, it's what other people buy. You know,
32 people always buy houses. It's just the same
33 dynamic as, you know, for very rich people. If
34 you're a bit rich, you buy a house; if you're
35 very rich, you buy a massive house.

36 As for the places where people buy them, the
37 places where kleptocrats buy houses are exactly
38 the same places where any other rich people buy
39 houses, for exactly the same reasons.

40 Q Mm-hmm.

41 A They want nice restaurants. They want good
42 transport links. They want a reliable rule of
43 law. They want good schools for their children.
44 They want good universities for their children.
45 You know, it's -- nice art galleries to wander
46 around, and just a nice, secure, stable rule of
47 law jurisdiction. So inevitably that means, you

1 know, the big anglophone countries. Not New
2 Zealand now because they've outlawed foreign
3 ownership of property, but obviously Australia,
4 Canada, the U.S., the UK. Bits of France, South
5 of France, in particular. Switzerland. Bits of
6 Spain, popular particularly with South Americans.
7 Portugal. You know, and then various other bits
8 and bobs. But really in terms of as concentrated
9 amount of money, you're looking at Switzerland,
10 plus the four big anglophone countries.

11 Q And what's -- I know you lead the kleptocrats
12 tour of London and you've gone and seen some of
13 these places yourself, but what's your take -- I
14 don't know to what extent as someone living in
15 London now, this is a personal experience or
16 observations that you've had, but what's the
17 effect on the people living and working all the
18 time in that city to have that sort of money
19 infused into the real estate economy and houses
20 and properties bought up that way?

21 A Well, it's interesting, because, say, West
22 London, which is where the money tends to be
23 concentrated -- there are little bits in North
24 London and outside and into, you know, the kind
25 of leafy shires, but it's primarily a West London
26 phenomenon. And it was always posh, but it used
27 to be posh English people. So, you know, there
28 used to be jokes about people who lived in
29 certain areas of West London because, you know,
30 they used to dress in a certain way. It was a
31 particular subculture. Princess Diana was
32 considered to be the sort of epitome of a certain
33 kind of West London dweller in the 1980s, sort of
34 fluffy hair and, you know, nice scarves and ankle
35 boots and so on. So it was a presence in the
36 national conversation that people were slightly
37 mocked for that style, and that's where they came
38 from.

39 And that's completely gone. The idea that
40 anyone, you know, who isn't essentially an
41 oligarch could afford to live in whole districts
42 in West London is just -- is out the window. It
43 is -- it's just accepted that whole streets are
44 owned by oligarchs or the like. And that's all
45 it is. And what that means, the knock-on effect
46 of that, is because these people don't -- they
47 don't really live there most of the -- they just

- 1 own these properties. So all the pubs are gone.
2 The local shops are gone. And what you get
3 instead are like boutiques. There's a nice spot
4 just near Hyde Park that you can stand, and
5 you're within 20 metres of three Rolex outlets.
- 6 Q Mmh.
- 7 A You know, you turn around, there's an outlet for
8 McLaren supercars, you know, all the designer
9 clothes. There's Harrods, obviously. You know,
10 the turnover of Harrods, if I remember rightly,
11 if I remember the statistics, is almost three
12 times greater, the annual turnover, than the
13 entire British fishing [indiscernible]. You
14 know, it sells an awful lot of luxury goods to a
15 lot of very wealthy people.
- 16 You know, that -- there is this concept
17 called plutonomy which was coined by a city
18 analyst named Ajay Kapur who talks about the way
19 that inequality becomes self-perpetuating,
20 because if you are very wealthy, then you buy
21 particular kinds of products. You know, Birkin
22 bags, you know, particularly fine French wine.
23 If you then invest your wealth in the companies
24 that create those products, then they will, in
25 turn, outperform the broader stock market and
26 you'll become wealthier and you can then invest
27 the wealth that you've made back investing in the
28 things that you're buying. You end up with a
29 sort of runaway sector of the economy that sells
30 yachts and fine watches and fine wine and so on,
31 which is totally disconnected from the experience
32 of everyone else in the country.
- 33 Q Mm-hmm.
- 34 A It isn't just a London phenomenon.
- 35 Q No.
- 36 A It's particularly marked in London, but you see
37 the same in Manhattan and in parts of Miami and
38 so on. It's a remarkable peculiar thing whereby
39 you get these islands of sort of isolated extreme
40 wealth, which -- which then is almost entirely
41 divorced from the country in which they're based
42 because it's not really part of the conversation
43 anymore.
- 44 Q And so what do you see as being the effect for
45 cities and city dwellers of that happening in a
46 given community?
- 47 A I mean, I think it's a negative effect because

1 you end up with house prices and therefore, by
2 extension, rental prices being so high that whole
3 sectors of society are unable to afford to live
4 in the city any more. Whether that's, you know,
5 teachers -- I don't live in London any more, but
6 when I lived in London, my oldest son's primary
7 school teacher used to have to take the train an
8 hour-and-a-half in the morning to come to work.
9 You know, that's -- it's a terrible thing. You
10 should have -- the children and their teacher
11 should be living in the same community. You
12 know, police officers should be living in the
13 communities they police, but police officers
14 can't afford to live there any more.

15 You know, the same goes for any kind of key
16 workers. So it just entrenches the inequalities
17 in society that -- you know, particularly
18 highlighted at the moment with the pandemic that,
19 you know, people having to take these long train
20 journeys in to work in order to essentially
21 service everyone else, but expose themselves to
22 risks doubly by doing so because they have this
23 long journey, as well as their face to face
24 contact at their work.

25 So I think it's been very bad for London,
26 and very short-sighted of successive governments
27 not to realize what's happening and try and
28 correct damage and turn the money away. Yeah,
29 it's -- and I think that -- I mean, from what I
30 understand of the work I've done in Manhattan,
31 that New Yorkers broadly agree, that it's not
32 been positive for the sense of community in
33 Manhattan or the sense of a sort of united,
34 unified community of a city.

35 Q I'm going to move into some questions that ask
36 about the -- and just so you have a bit of an
37 outline of where I'm going, I sort of have two
38 broad topic areas to cover in what remains of my
39 questions. I don't know that I'll necessarily
40 finish that all by -- in the next 20 minutes.
41 The first area is asking you about the effects of
42 the present situation and the existence and the
43 ability of people to use these mechanisms to move
44 money so easily across borders, and often
45 anonymizing their money, so the effects of it.

46 And second broad category is really future-
47 oriented. What sorts of reforms and initiatives

1 do you suggest? And included within that, I had
2 in mind to ask about the beneficial ownership
3 registry model and different variants of it.

4 So let me start with the effects. I've just
5 asked you a few questions that pick up on the
6 effects as observed, for example, in London, in a
7 big city that is a destination and what that
8 means for real estate. But let me approach that
9 differently. And you've touched on some of this.

10 But picking up on this notion that corrupt --
11 just sort of describing corruption in a foreign
12 country is a bit of an ethereal concept for many
13 of us. Do you have comments about what that
14 means for real people in the real world, what the
15 effects of the ability of Sani Abacha or a ruler
16 to take an enormous amount of the country's
17 wealth and not put it into schools and healthcare
18 and ship it across borders for his own personal
19 use -- what are the effects for the people of the
20 country where they're affected by that?

21 A Well, I'd maybe tell a story about someone I know
22 in Ukraine. She's called Nina. I met her in
23 2014, possibly early 2015. She was the mother of
24 a little girl, a seven-year-old called Nonna.

25 Nonna was a fantastic little girl, about the
26 same age as my oldest boy, and very, very lively,
27 a serious livewire. But she had a great
28 misfortune to suffer from hemophilia. It's very
29 unusual in girls. It's a genetic complaint which
30 means your blood doesn't clot when you cut
31 yourself or bruise yourself. It's normally --
32 it's more prone in boys because if you have a Y
33 chromosome, then it's more likely to express
34 itself. It was what afflicted the oldest son of
35 the last Czar of Russia. And it's very easily
36 treatable these days. It used to be a death
37 sentence, but all you need are regular injections
38 of clotting factor, and you're fine. It's like
39 diabetes. It can be treated and managed in a way
40 that means that anyone with it can live an
41 entirely normal life. And because Ukrainians
42 have a constitutional right to free healthcare,
43 Nonna's life should have been absolutely fine.
44 She should have been able to go to school, have
45 an entirely normal life like she should.

46 However, because the health system looted by
47 a succession of corrupt officials and

1 politicians, there was no money for clotting
2 factor. There was no clotting factor. And this
3 fact of the looting of the money that should have
4 been her daughter's had come to define Nina's
5 life totally. Nina -- she slept next to her
6 daughter every night. She had trained herself to
7 recognize the smell of blood. So if her daughter
8 had a bleed in the night, she knew. She would
9 wake up if her daughter was bleeding and would be
10 able to put her in the car and rush her to
11 hospital and hope someone would have some
12 clotting factor.

13 She needs to spend her life -- I mean, I
14 went out with her, I did this. Meeting people in
15 car parks, getting black market clotting factor,
16 like she was buying heroin. She was buying an
17 entirely ordinary pharmaceutical product. But
18 people would smuggle it into the country. She
19 [indiscernible] to try and avoid picked up by
20 corrupt customs agents who would take it off them
21 or demand a big bribe just so there would be the
22 clotting factor that children needed.

23 You know, it's genuinely extraordinary.
24 What had happened was a cabal of corrupt
25 officials and politicians had essentially turned
26 the health ministry into a looting operation
27 whereby they used shell companies primarily in
28 Cyprus to overcharge the government for the
29 contracts to buy medicines that the health system
30 needed, which meant there just wasn't enough
31 medicine.

32 And this -- you know, what this meant for
33 Nonna was Nonna couldn't go outside to play.
34 What happens if she cuts herself? She couldn't
35 go to school. What happens if she cuts herself?
36 Nina could never go out for the evening. What
37 happened if her daughter were ill? She could
38 never have a drink. What happens if she needed
39 to drive?

40 Their lives were on hold because of
41 corruption. And this is -- I mean, it's an
42 extreme example, but this fact is repeated again
43 and again and again across the whole country with
44 people whose lives should have been rich and
45 joyous and full of the pursuit of happiness, were
46 destroyed by corruption.

47 And, you know, when people would describe to

1 me, the revolutionaries in 2014, why -- I'd say,
2 why are you doing this, why are you rising up --
3 there would be stories, described these stories
4 which was so heartbreaking. It was always
5 impossible to comprehend that people could
6 survive them. Again and again and again, people
7 -- you know, someone's child got cancer, and just
8 to be seen they had to pay \$100 to a doctor. And
9 that's the level of cynicism and brutality in the
10 country.

11 So that's what corruption means. Every
12 single -- if you think about how much clotting
13 factor you need to overprice to buy a 30 million
14 pound house in London --

15 Q Mm-hmm.

16 A -- and you think how many Nonnas there are out
17 there, how many girls whose lives have been
18 ruined by corrupt officials abusing their power
19 to get rich, you would begin to appreciate the
20 level of corruption.

21 And this is repeating itself around the
22 world, whether that's in Nigeria or Afghanistan.
23 And it's a system. You know, these people work
24 together. These aren't individuals. It's a
25 system, a mafia system that's just taken over the
26 whole state. So that's what the situation is
27 with corruption.

28 Q And do you know of any reliable source or is
29 there a source you look to with a view to trying
30 to understand the volume of corrupt or criminally
31 obtained money moving around in a given year?

32 A It's very difficult to say. I'm normally
33 suspicious of precise estimates because they are
34 -- there was a figure created in the 1990s by
35 Michel Camdessus -- I think he was head of the
36 IMF at the time -- saying two to five percent of
37 global GDP is of criminal origin. You still hear
38 that estimate. It was a guess at the time. But
39 no one knows still. You know, that was 30 years
40 ago. Still no one knows. You will hear the
41 suspiciously accurate \$240 billion here and 360
42 there. It's always a guess. No one really
43 knows.

44 However, I do like the work that Global
45 Financial Integrity do in Washington, DC. They
46 particularly focus on trade-based money
47 laundering, mis-invoicing and so on. And they

1 come up with some -- I think some good ballpark
2 numbers, about a trillion U.S. dollars a year
3 moving out of developing nations into developed
4 nations. A lot of money. Yeah, so they say just
5 over a trillion dollars a year, U.S. But whether
6 that's right or not, who knows?

7 But even if it's an order of magnitude out
8 on the upside, even if we're actually talking
9 about a hundred billion rather than a trillion,
10 it's still an unimaginable amount of money. If
11 you had a hundred billion dollars, that would
12 take you 3,000 years to count. Just a pile of
13 them. It's a lot of money. So I think, in a
14 way, even if they're out by an order of
15 magnitude, it's still a terrifying prospect.

16 You asked about potential avenues to help
17 solve the problem.

18 Q Yes.

19 A The key -- the key intervention is to know who
20 owns things. If people -- if it's easy to steal,
21 people will steal. That just seems to be innate
22 in human nature. I mean, there's been multiple
23 studies that show this. We've made it incredibly
24 easy to steal.

25 There was a study in the UK of supermarkets.
26 There was a supermarket that brought in those
27 automatic scanners when you check out. You know,
28 you don't need to give your money to a person
29 anymore, you just scan it.

30 Q Mm-hmm.

31 A And when they brought this in, the volume of
32 theft in the supermarket doubled just because no
33 one was checking any more who was buying what,
34 you know, and people were just walking out the
35 door with stuff.

36 Essentially what we've created in the global
37 financial system is that supermarket, but for
38 countries. It's just easy to steal a country.
39 No one's checking any more. So people are just
40 walking out. If we started checking at the door,
41 put a security guard at the door and check who
42 owns what, then people would stop stealing. It's
43 that simple. So, knowing who owns what, knowing
44 properly verified ultimate beneficial owner
45 information for companies and other corporate
46 structures is absolutely vital.

47 Which is not the system we have in the UK.

1 In the UK, we have a public-registered beneficial
2 owner but we don't check the information, which
3 means that it's essentially worthless. In places
4 like the British Virgin Islands, they have a
5 registry of beneficial owner, which is checked
6 but it isn't public. Now, you can have a choice.
7 In a way you can have one or the other, or it's
8 possible to have a verified registry which is
9 public.

10 Q Mmh.

11 A I mean, I personally -- you would always find
12 journalists and activists demanding a public
13 registry of beneficial ownership. It's because
14 we want to see it. Whereas if you speak to
15 police officers or lawyers, often they'll say
16 it's actually better to have, you know, a closed
17 but verified system, because then you can rely on
18 the information.

19 So, you know, that's a choice for
20 politicians to make. Personally, I would like --
21 being a journalist, I would like to see a public
22 and verified registry of beneficial ownership.
23 And not just for companies and partnerships, but
24 also a registry of beneficiaries of trusts going
25 more broadly. Because, there are many, many
26 imaginative ways of hiding money, whether that's
27 using clever insurance policies and so on, but --
28 which wouldn't be covered by this intervention,
29 but it would close the space and make it harder.

30 So I would love to see that. And proper --
31 proper penalties for the professional enablers.

32 Q Mmh.

33 A You know, if a lawyer or an accountant breaks the
34 rules, they should go to jail. You know, you
35 need to recognize that what they are is
36 essentially a mob banker. They are handlers of
37 stolen goods. And we should treat them in the
38 same way that we would treat anyone who handles
39 stolen goods. They should be prosecuted and
40 jailed.

41 And a little would go a long way. If it
42 started to become -- if the risk profile of
43 handling stolen money for an accountant or a
44 banker or a lawyer became serious, they'd stop
45 doing it. Because none of them -- you know,
46 let's face it, you can already earn good money as
47 an accountant or banker or a lawyer. It's not

1 like -- you know, they're not on the breadline.
2 They're not doing this to feed their families.
3 They're doing it because they're greedy. So if
4 you make it not worth their while, they'll stop
5 doing it. And that's an easy thing to do.

6 I would say those two innovations, for any
7 western jurisdiction like B.C., it would go a
8 long way.

9 Q Mmh. Let me just ask you a bit more about the
10 information -- the open beneficial ownership
11 registry concept.

12 MR. MARTLAND: And if I might ask our Registrar to
13 please bring up the article "Offshore secrecy:
14 inside the movement to crack it open."

15 Q That's an article you wrote for the *Guardian*,
16 also, 2nd of May 2018, describing efforts that
17 were under way, and I assume remain under way.
18 First of all, I'll just ask, do you recognize
19 that as your piece in the *Guardian*?

20 A I do. Yeah, I haven't seen it for a while.

21 MR. MARTLAND: All right. Mr. Commissioner, I will
22 ask that that be marked as an exhibit, please. I
23 think Exhibit 16.

24 THE COMMISSIONER: Thank you.

25 MR. MARTLAND: Thank you.

26 THE REGISTRAR: Exhibit 16.

27

28 EXHIBIT 16: Article from the *Guardian*
29 entitled "Offshore secrecy: inside the
30 movement to crack it open"
31

32 MR. MARTLAND:

33 Q And in that you describe topics indeed that
34 you've also touched on here, including some of
35 the British Overseas Territories, but also
36 initiatives that have been under way to have --
37 with a view to a shared registry across some
38 jurisdictions?

39 A Yeah. The challenge is an interesting one, which
40 is that if everyone does implement an open and
41 verified registry of beneficial ownership, which
42 would be great, it would still be difficult to --
43 difficult to check information between different
44 registries if they're using different data
45 standards. This is -- it's a programming issue,
46 that if -- you know, you want all the registries
47 to be able to talk to each other.

1 Q Mm-hmm.

2 A So what groups like Open Ownership or -- or there
3 are others working on this -- are trying to do is
4 to create a standard like almost a plug-and-play
5 model, that if --

6 Q Mm-hmm.

7 A -- if a jurisdiction decides to implement an open
8 registry, they can just say, we'll have that and
9 we'll just do that. And the idea is to create a
10 durable, viable, workable model that would gain
11 sort of a momentum of its own, because the more
12 people -- the more jurisdictions started using
13 it, the more attractive it would become.

14 And I think it's a very good idea, and I
15 think they've done a great job with it. They
16 have plugged an awful lot of information already
17 into their database, and it's the most useful
18 database -- open access database that there is.
19 There may be secret ones out there that I don't
20 know about, but it's the most useful one that I
21 know.

22 Q Mm-hmm.

23 A And I would highly recommend it as a model if
24 it's the kind of thing you're looking at.

25 Q You talk about the importance of verification of
26 the information, so you give the example of the
27 Companies House database in England, which is, as
28 I understand it, an open registry of corporate
29 ownership information, but I think you have the
30 complaint it's not well-verified?

31 A It's not verified at all. So --

32 Q What sorts of things do you come across in
33 searching Companies House?

34 A Well, I -- I am --

35 Q Or any --

36 A While writing the article you mentioned earlier
37 about how to launder money through the UK in five
38 steps, I just decided to look in Companies House
39 for amusing examples of people doing, you know,
40 absurd things. And I typed in XXX, just thinking
41 that someone maybe -- you know, sometimes people
42 will fill in a box, they just put XXX, and I
43 thought maybe someone would have just
44 deliberately blanked out their name. And I came
45 up with a surprising number of people called XXX.
46 There was a Mr. XXX Stalin. There was a XXXXXXXX.
47 If I remember rightly, his address was given as

1 "MMMMMMMM MMMMM MMMMMM" -- and then it just goes
2 on and on. I mean, you can keep looking and you
3 can find Mr. AAA, BBBB, BB. I mean, people just
4 -- you know, and then leaving aside people who
5 are deliberately having a laugh, you know, who
6 just -- who write, you know, sort of double-
7 entendre names that, if you read them out, which
8 obviously aren't their real names. And there's a
9 guy who, for reasons which I genuinely can't
10 understand, lists as sort of shareholders major
11 Soviet defence companies, which no longer even
12 exist.

13 But, you know, people just -- the point is
14 that the problem with having questionable
15 information on the registry but no way of knowing
16 if it's questionable immediately casts into doubt
17 all the other information on the registry.
18 Because if you can't trust this, you can't trust
19 any of it.

20 Q Mmh.

21 A And that's -- that's the whole problem. And it's
22 -- I mean, there's also -- I mean, I did an
23 article with a couple of colleagues about a
24 gentleman called Ali Moulaye, who had signed the
25 accounts of thousands of companies. It had the
26 same signature, so you knew it was him. But he
27 spelled his name in at least nine different ways
28 that we identified. And we became fascinated by
29 who this guy was who didn't even appear to know
30 how to spell his own name.

31 So we went looking for him, and by a bit of
32 luck and guesswork, we actually found him and
33 confronted him with this information. And
34 brilliantly, he was a Belgian dentist --

35 Q Hmm.

36 A -- taking us back to the Eurobond story. He was
37 a Belgian dentist who had essentially lent his
38 identity, his signature out to a company called
39 Nation Agent, who just used his signature on
40 documents by the thousands.

41 Q Wow.

42 A And he was signing off on companies based in
43 Nevis, in the Seychelles, and wherever, Marshall
44 Islands. So you get this sort of ludicrous
45 situation whereby gaming Companies House is so
46 easy that anyone can do it. I mean, I created a
47 company just to see how easy it was. Anyone can

1 do it.

2 Q Mmh.

3 A But a British company looks legitimate because
4 it's, you know, got this open registry of
5 beneficial ownership and so on. So it has an
6 entirely spurious legitimacy that it really
7 doesn't deserve.

8 Q Mm-hmm.

9 A And that, I think is a big problem and something
10 that needs to be sorted out, but sadly, at the
11 moment, our government is doubly distracted by
12 COVID, obviously, and also by Brexit, so
13 nothing's --

14 Q Yeah.

15 A -- likely to be happening anytime soon.

16 Q And that would take -- I take it would involve
17 the will and the resources to go into actually
18 policing and verifying, when you put in a given
19 name, does that check out. You need to see ID
20 and source it to the person.

21 A Exactly. But this isn't -- this isn't rocket
22 science. I mean, banks do it when they open a
23 bank account. It's -- you know, the practice is
24 established. It isn't -- if it's unduly
25 expensive, then -- it should be a cost of doing
26 business that you need to verify who you are. I
27 mean, if your business is so unstable that it
28 can't handle the cost of verifying who you are,
29 then it probably isn't a viable business anyway.

30 Q Mm-hmm. Are there countries that do well at that
31 in terms of verifying the information in their
32 registries?

33 A Not that I know of, not in a public form. But
34 it's -- but a public registry of beneficial
35 ownership is very new.

36 Q Mm-hmm.

37 A It's coming in across in the EU and is a standard
38 in the EU, so a number of jurisdictions have done
39 it. It was supposed to do it at the beginning of
40 this year, but it's happening gradually now. So
41 we'll see. It may become clear with more EU
42 countries. But not really -- in a way, talking
43 to fraud lawyers and investigators, they say they
44 prefer working with the registry in somewhere
45 like British Virgin Islands --

46 Q Mm-hmm.

47 A -- because that information, you can't file a

1 company directly there. You have to go via a
2 lawyer. So at least the information has been
3 verified by someone and you know who it is.

4 Q Yes.

5 A So whereas in the British case, there's no way of
6 knowing who's created the company, so there's no
7 -- you don't know who to go back to -- you know.

8 Q Yeah.

9 A I mean, it's slightly farcical. There was a guy
10 called Kevin Brewer, who's a company formation
11 agent, and he was very troubled by this system
12 when it was created in 2011. And in order to try
13 and demonstrate to politicians how open this
14 system was to fraud, he created two companies in
15 the name of major politicians: one, business
16 secretary, a guy called Vince Cable. I mean, he
17 created a company for him called John Vincent
18 Cable Services Limited, and -- and then another
19 one for a Tory politician called Cleverly. He
20 created a company called Cleverly Clogs. And he
21 remains -- he only did this like a whistleblower
22 to show --

23 Q Yeah.

24 A -- look what you can do. This is so obvious. He
25 didn't do it to commit fraud with it. He remains
26 the only person prosecuted for illegal -- for
27 creating a company with knowingly false
28 information.

29 So, you know, XXX Stalin, you know, XXXXXXXX,
30 they're still walking the streets. But Kevin
31 Brewer has a criminal record for having attempted
32 to warn the government about what was happening.
33 So yeah, there you go.

34 MR. MARTLAND: I think that's a convenient point for
35 us to break, Mr. Bullough. I don't have too many
36 questions left. We do have some questions from
37 participants, and I can send you an email so you
38 have the list of who will be asking questions
39 when we reconvene tomorrow. We're very grateful
40 for this. Mr. Commissioner, subject to any other
41 issues that are arising, I think we're in a
42 position to adjourn for today's session.

43 THE COMMISSIONER: All right. Thank you, Mr.
44 Martland. We will adjourn until tomorrow at
45 9:30. Thank you.

46
47

(WITNESS STOOD DOWN)

Oliver Bullough (for the Commission)
Examination by Mr. Martland

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THE REGISTRAR: The hearing is adjourned for the day
and will recommence at 9:30 a.m. on June 2nd,
2020.

(PROCEEDINGS ADJOURNED TO JUNE 2, 2020, AT 9:30
A.M.)