

How to prevent Russian oligarchs from abusing EU structures to hide their wealth: Policy proposals by the Greens/EFA Tax Justice Campaign

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The Greens/EFA Group welcomes the strong economic sanctions targeting Russian oligarchs supporting Putin's regime. However, the EU must seize this opportunity to clean up its own house, and stop facilitating Russian kleptocracy. Oligarchs have cemented their wealth through money laundering and tax evasion, hiding their ill-gotten gains offshore - mostly in Europe.

Russia's offshore wealth is equivalent to as much as 60 percent of the country's GDP and its top 0.01 percent—who hoard 13 percent of the country's wealth—park about 80 percent of their wealth offshore.

Tax havens in the EU and European intermediaries such as lawyers, real estate agents, etc. have actively helped oligarchs to launder money, avoid taxes and hide their wealth. Since 2013, the International Consortium of Investigative Journalists has published a huge amount of data through several leaks, including the Panama Papers and most recently the Pandora Papers, which have unveiled some of the wealth owned by the Russia oligarchy.

To this day, most EU countries have still not transposed the latest anti-money laundering directive, golden visas can be bought in the EU with few checks and there is little transparency about who owns what on the continent. The GreensEFA Group is proposing the following actions to be taken immediately to curb the power of Russian oligarchs:

1. Whatever it takes in tackling Russian oligarchs

European authorities have just started freezing the assets of Russian oligarchs. We need to step up the game. All assets hidden in complex structures need to be identified, such as private jets owned through tax havens, and the list of individuals needs to be expanded to include the full inner circle of Putin. We are not there yet. Intelligence gathered by civil society needs to be fully exploited. Enablers in the EU should come forward with all their available information and be strongly sanctioned otherwise. The European Commission should come forward with a proposal in this sense. Secure channels to provide information to authorities need to be created, also for whistleblowers in Russia.

2. Confiscate Russian oligarch's assets to benefit Ukraine

At the moment we are limiting ourselves to freezing and seizing the assets of Russian oligarchs supporting Putin. However, there is often sufficient evidence indicating corruption and money laundering by those oligarchs. Member States should be encouraged to ensure a proper investigation and judicial procedure in order to

confiscate proceeds of corruption and money-laundering and this should flow to a fund financing the Ukrainian recovery. In addition, to facilitate the enforcement of economic sanctions on Russian oligarchs in the EU we should create a European variant of the recently-created KleptoCapture task force in the United States. It is also necessary to ensure a proper fact-checking regarding the source of wealth, without reliance on information provided by authoritarian regimes.

3. End all golden visa regimes in the EU, and revoke those for Russian oligarchs

Revocation of citizenship and residence acquired through golden visa regimes by Russian oligarchs supporting Putin should be explored – in particular, in cases of fraud. Cyprus, Malta, and Portugal amongst others are known for having granted such privileges to Russian oligarchs. In the meantime, it is necessary to open all channels, including asylum, for the opponents of Putin's regime.

4. Set-up a European asset registry

No EU country currently requires registration of the beneficial owners of all types of assets, such as real estate, yachts, private jets and art. This means countries have little or no readily available information that immediately shows which of the trillions in assets held within their borders belong to recently sanctioned Russian oligarchs. All EU countries should set up registries with beneficial ownership information including all these kinds of assets. Those registries should be interconnected and freely accessible through one European single access point.

5. Ban shell companies in the EU

Oligarchs manage to escape economic sanctions by hiding their wealth behind complex structures, mostly involving shell companies. The European Commission has recently proposed a directive targeting those shell companies called 'Unshell'. EU Member States in the Council need to adopt this directive as soon as possible without watering it down.

6. G7 and G20 need to come forward with an anti-corruption and money laundering action plan

Over the past couple of years the G7 and G20 have rightly focused on tax avoidance by multinationals. Now a similar political impetus is needed to tackle tax fraud, tax avoidance and money laundering by the ultra-wealthy. We also need strong global standards on the taxation of wealth. Everything should start with a global wealth register. The established G7 task force to enforce the economic sanctions on Russian oligarchs could initiate such a register for the World's ultra-wealthy starting with the Russian oligarchs.

7. No more safe havens in the EU

21 Member States still have not correctly transposed the fifth anti-money laundering Directive and many governments are failing to fully implement international standards

regarding the exchange of tax information and money laundering. Malta is the most egregious case, even becoming the only EU country on the Financial Action Task Force's "Grey List". EU Member States need to finally transpose and fully implement all European and international standards regarding money laundering and exchange of tax information.

8. Highest ambition in new european AML-package

The Commission should come forward with strengthening measures for its proposed AML package of last Summer. Both Parliament and Council have not initiated the final negotiations yet, it would be a missed opportunity to not incorporate the lessons learned in the rules to be adopted. For example, loopholes with regards to crypto-assets need to be closed. Crypto-assets can offer an easy escape for individuals and entities to evade sanctions.

9. EU in the World

Russia should be considered on the EU's AML blacklist. All automatic exchanges of tax information with the Russian authorities need to stop now due to serious rule of law concerns. Also the EU needs to come forward with AML bilateral agreements with certain crucial jurisdictions such as Switzerland. Finally, the EU needs to come forward with an anti-corruption sanctions regime.