

Trump's Russia connections show the need for continued vigilance over money laundering

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Recent weeks have seen revelations over vast money laundering schemes operating through Russian banks. Given President Trump's alleged links to Russia, these reports have become even more important. [Cerelia Athanassiou](#) writes that these potential connections, in combination with Trump's often murky real estate dealings, show just how vigilant regulators and financial institutions should be when it comes to looking out for and investigating money laundering.



The fuss around the Trump administration's links to Russia is becoming an instructive case study of how money laundering works. When presented with reports about money laundering – as is currently the case with the [Laundromat](#) revelations – it is easy to miss its routine nature, and how it is usually hidden in small transactions that might not necessarily appear suspicious. A closer look at the dynamics of money laundering helps illuminate the seriousness of the allegations being made and which avenues of investigation are worth focusing on.

The Political Connection

'Bank that lent \$300m to Trump linked to Russian money laundering scam', reads an ominous [headline](#). The bank in question, Deutsche Bank – themselves implicated in recent and serious scandals involving failure to prevent Russian money laundering going through their [organization](#) – is investigating Trump's accounts for any Russia links. This investigation does have an air of intrigue and scandal to it, but it is also important to keep in mind that it is simply a logical consequence of the due diligence that should be conducted on a so-called Politically Exposed Person (PEP, as they are referred to in Anti-Money Laundering parlance) by a financial institution eager to keep its compliance checks running smoothly.

The concern is that a president who is known for a particularly warm yet murky relationship with a country that has repeatedly been on sanctions lists might bring further trouble the Bank's way. At the very least, PEPs undergo Enhanced Due Diligence to minimise the risk that any transactions they undertake through the relevant institution are a result of abuse of power.

To quote the Financial Action Task Force – the inter-governmental body tasked with standard-setting on combating money laundering and terrorist financing – on this:

Due to their position and influence, it is recognised that many PEPs are in positions that potentially can be abused for the purpose of committing money laundering (ML) offences and related predicate offences, including corruption and bribery, as well as conducting activity related to terrorist financing (TF). This has been confirmed by analysis and case studies. The potential risks associated with PEPs justify the application of additional anti-money laundering / counter-terrorist financing (AML/CFT) preventive measures with respect to business relationships with PEPs (FATF 2013: 3).

This does not mean that dealing with PEPs is somehow prohibited, but FATF's approach does set out enhanced regulations that recognise and account for PEPs' power. The reputational risks to financial institutions of being linked to cases of abuse of power are significant – as might be borne out by the Deutsche-Trump relationship. Considering the financial system's current infrastructure and the various links between the Trump administration and the Russian

government, Deutsche Bank's behaviour seems entirely proportional and reasonable. Indeed, there is hope that perhaps what we are seeing being put into action in all this is a test of the robustness of US Anti-Money Laundering (AML) regulations and policies.

Suspicious Behaviour and Money Laundering

Employees of almost all financial institutions in the world are meant to be trained diligently on how to identify suspicious transactions and suspicious behaviour. Red flags on suspicious behaviour can include anything from the customer behaving strangely to suspicions associated with various transactions, and there is [detailed guidance](#) on how to act in the event of red flags arising.

Similarly, in political terms, it is important to identify suspicious behaviour that lends clues as to the veracity of statements being made and the consequences that can be expected. Thus, the significance of Wilbur Ross's [appointment](#) to be US commerce secretary is not so much about him but about the strange circumstances in which information about him is – or rather, is [not](#) – being divulged.



[Rachel Maddow](#) recently reported on evidence about direct links between Ross and the money laundering schemes of loyalists to Russian President Vladimir Putin. Ross's role as Vice-Chairman of The Bank of Cyprus has also drawn scrutiny, mainly because of the significant numbers of Russian investors involved with the Bank (especially post-2013, which was a crisis year for Cyprus). The US media and Congress have described the Bank as 'a [Cyprus bank that caters to wealthy Russians](#)', 'famed for [laundering the money of Putin's oligarchs](#)', or 'a [money laundering haven used by Russian oligarchs](#)'. These are rather crude – though not necessarily untrue! – characteristics. Two things are left out: firstly, the [view](#) 'from the ground' in Cyprus that, contrary to the idea that he was developing murky dealings with Russian fellow investors, Ross's role on the Bank of Cyprus Board was to diversify the funding sources for the Bank, to turn it away from Russia to face the West. Secondly, and perhaps crucially, there is no evidence of any illegality whatsoever during Ross's Bank of Cyprus stint.

What does count as suspicious behaviour, however, is the White House's response to the public's legitimate interest in a political appointee's previous job, which involved significant dealings with Russia in a context of financial risk. The White House has been accused of [blocking](#) details about Ross's engagement with the Bank of Cyprus and its Russian investors, thus warranting the question of *why*. Is this simply a power play, or are they seeking to hiding any other information that might be divulged as a result? The Trump administration's tactics on this will be interesting to watch.

Overpriced Assets and the Murky World of Real Estate

Although there is little [evidence](#) of Trump's direct involvement in money laundering, the trail does suggest, at best, complete disregard for knowing the origins and legal status of any funds raised. A good primer on this is a case brought to public attention by [Rachel Maddow](#), of the Russian billionaire, Dmitry Rybolovlev, buying a luxury estate from Trump at a significant profit to the latter.

There are two interesting points in this case. Firstly, at a time when the Trump administration's relationship with Russia – a foreign power that has been an active adversary of successive US governments – is unclear, any ties with Russian citizens, and especially high net worth citizens that might have ties to the Russian government, are clearly worth interrogating.

The second issue is directly related to the main concern with money laundering: any pattern of payments and/or transactions where the client stands to lose is suspicious. The concern here is that if they conduct a transaction from which they do not seem to clearly 'benefit', suspicions arise as to the motive: what does the client stand to gain from the transaction if not monetary gain? Is there evidence to suggest that the client is trying to hide money through this transaction, thus the value of this transaction itself being of secondary importance to them?

The purchase of the luxury estate of the [Maison de l'Amitie](#) took place at a time when Rybolovlev was going through divorce proceedings with his wife, [reportedly](#) trying to hide as much of his fortune from her as possible. This does not look like a case of money laundering, despite Maddow's implications on this, but it does demonstrate quite neatly how real estate could be used to hide gains (including ill-gotten ones!).

Indeed, a recent [report](#) emphasises that Trump is no stranger to shady deals, including in a prominent case, dealing with partners in Azerbaijan who have been 'financially entangled' with the Iranian Revolutionary Guard Corps – Iran being a country facing sanctions. At issue here has been the lack of vetting procedures in place to determine the risk of establishing relationships with certain foreign partners. This is an especially important oversight given how attractive an option a construction project can be for money launderers, with large volumes of payments to various sub-contractors posing an attractive avenue for hiding and laundering large amounts of cash. Further reports about Trump's entanglement with Russian money show a real estate mogul gladly accepting financial gains from any quarter for his [highly-leveraged projects](#), as in the case of Trump World Tower. The question is: have any of these payments contravened regulations in any way; so far, there is no evidence to suggest that.

With Trump, where there is no pattern showing direct involvement in money laundering, there is at the same time a pattern suggesting carelessness about engaging with business partners of questionable repute. At worst, evidence might surface to suggest this is collusion in fraudulent activity; this is the suspicion at this stage. The enthusiasm with which journalists like Maddow are pursuing the trail of Trump's past financial dealings is to be welcomed, but it is also important that this goes hand in hand with explaining the full dynamics of money laundering and making sure to pursue the right leads. Combating money laundering is a constant [process](#) of linking the routine and the mundane to the bigger picture.

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