



Proximal Consulting Archived White Papers



The Proximal Consulting white paper series began when Proximal Consulting launched in 1999. The white papers provided precise and detailed information on cutting edge business crime topics during a period when the Internet as a source of business information was in its infancy. We are now making these white papers available again.

Whilst the specific cases and examples used in the white papers are historical, the fundamental issues and potential red flags have remained the same.

Please note that the white papers are provided as an un-edited archive: any content, laws, regulations or similar were correct at the time of publishing, but may now be out of date.

PROXIMAL CONSULTING WHITE PAPER 15 RUSSIAN ORGANIZED CRIME ACROSS THE WORLD

Reliable estimates suggest that there are over 1,000 organized crime gangs operating outside Russia - each numbering up to 1,000 members. At the furthest extreme of their activity the predictions are apocalyptic: as far back as 1995 the FBI in a white paper on Russian and Eurasian organized crime was warning that "if Russian organized crime could help (foreign crime networks) to gain access to nuclear materials or other fissile weapons, then the scenario becomes truly frightening". The prediction may well have already been fulfilled without us knowing it - as a variety of arrests have been made across the world of Russians who have stolen such material from inadequately guarded military facilities and offered it for sale (sometimes unfortunately for them to undercover agents).

But the more prosaic end of the spectrum is more likely to be already affecting the day to day world of business, whatever the location:

ISRAEL

In 1996 the then police intelligence chief of Israel warned that "The Russian mafia poses a strategic threat to Israel and is trying to infiltrate its political and economic system" - it is crucial to note that at the same time Israel was trying to expel 33 "gangsters" - only one of whom was Jewish. This is a direct result of Jews being welcomed from the oppression of the old Soviet Union - with no one actually checking that the refugees were in fact Jewish.

CYPRUS

In the Greek controlled part of Cyprus the Russians have found a safe haven - particularly in Limassol. More than 2,000 Russian companies are based in Cyprus. An estimated £800 million per month is washed through banks, trading companies and finance houses - making the funds appear in the global banking system as clean Cypriot cash.

BELGIUM

The high number of luxury cars in Brussels, particularly diplomatic ones (United Nations, Nato and other international bodies), have made the city a target for car theft or armed hijacking. These vehicles are then used as payments for drug shipments from Tajikistan, Afghanistan and Uzbekistan.

GERMANY

Of all the western nations Germany has suffered most at the hands of Russian organized crime - which is logical bearing in mind that half the country was formerly under the control of the Soviet bloc. The car hijacking problem in Brussels is nothing compared with that in Germany. The advantage (if that is the word) that Germany has is its border with Poland, which is a favoured transit route for the cars, arms, drugs and nuclear material. It is reliably estimated that 50 gangs operate in the country. And don't forget the Russian controlled drugs, money laundering and vice operations in Germany.

AUSTRIA

The lax money laundering controls in Vienna that have existed until fairly recently make this glorious city a particularly popular centre for both Russian money laundering and joint venture companies.

THE NETHERLANDS

How could the attractions of Amsterdam fail to appeal? Russian mobs control many areas of the red light district - with women coming from both Russia itself and other former Soviet states, often as human traffic held under violent circumstances to become and remain prostitutes. The city is also important as a transit point for drugs produced in the former Soviet Union - many on their way to the United Kingdom.

SWITZERLAND

In November 1997 the Swiss Federal Police took the public step of confirming in a report that Russian organized crime was making unprecedented inroads into the country's economy posing a major threat to the country's businesses and security. The future was probably going to be even worse:

In the coming years Switzerland could be increasingly hit by the expansion in organized crime structures, particularly Russian. Switzerland must prepare itself for an influx of capital from former Soviet countries and massive amounts of investments of dubious origin in businesses and real estate.

Swiss judicial officials went on to confirm that although the country borders Italy the Russian mafia is far more sophisticated than the traditional mafia. The chief prosecutors office in Geneva confirmed that they were dealing with more than twenty suspected cases of money laundering or fraud cases which originated from Russia. Interestingly the point was made that most dirty money that had been identified did not come directly from Russia but through other western financial centres.

UNITED KINGDOM

In the United Kingdom it is likely that Russian organized crime gangs have footholds in:

- The London international metal market
- The London art world
- Prostitution rings in both London and the provinces

together with a preference for using the City of London as a money laundering centre - if money is accepted in London it has acquired an international seal of approval. Moreover London in particular is viewed as a desirable place to live: high property prices are ideal to launder money and simultaneously gain a pleasant home; the private education system is much admired.

FRANCE

On the Côte d'Azur the Russian mafia who have bought expansive properties around Nice and Cannes have been followed by the Georgians, Chechens and Kazakhs - whilst some senior members have holiday homes there, others are actively plying their trade in kidnapping, extortion, fraud, money laundering, drug trafficking and contract killing. Their extreme methods have even shocked the not normally squeamish local crime figures. Monaco, for fairly obvious and well documented factors, is also a favoured location.

SPAIN

The popular tourist coastal areas of Spain are naturally favoured by prosperous Russian criminals.

SRI LANKA

In Colombo, the Sri Lankan capital (and not exactly an angelic spot prior to their arrival) Russian "businessmen" are muscling in on the act with prostitution, gambling and drugs. Russian girls are flocking into the city, and proving popular with their clientele because of their willingness "to do anything".

BULGARIA

Even allowing for the domestic crime catastrophe in Bulgaria, the Russian mafia are active there. The country is now the main transit point for drugs from Afghanistan into Russia and then out to European countries. Bulgarian women are also popular human traffic, being exported under duress to be forced into prostitution as far away as Beirut.

FORMER YUGOSLAVIA

The violent unrest in what was once Yugoslavia presented a money making opportunity to Russian gangsters - providing arms, fuel and black market goods.

UNITED STATES

Of the 50,000 Russian émigrés who have settled in the Brooklyn area of New York the FBI believes that 2,000 are hard core members of Russian gangs. Their power base has extensive implications for the US and beyond. According to one senior NYPD detective, the rackets involved extend far beyond extortion and protection to include drugs, prostitution, fraud and international money laundering. Co-operation with Colombian drugs lords threaten to bring misery to the drug users on both sides of the Atlantic. Subsequent laundering of money from Colombia to Russia and back to the US via European banks enables the acquisition of businesses including property and, it is feared, banks in Europe.

The FBI confirm that Russian organized crime groups are *most visibly* organized in the major metropolitan areas of Los Angeles, San Francisco, Philadelphia, New York, Newark, Boston and Miami.

THE FUTURE

The Russian Mafia has a different business ethic, they don't want competition and gang warfare like the Italians. They want to bring organized crime together on a global scale so the mobs can concentrate their efforts. The Mafia believes if global organized crime stopped all its in-fighting, they would become a world superpower.

- Alexandre Grantz, editor of Novoye Russkoye Slovo

There have been numerous reports of high level meetings between Russian crime bosses and other worldwide criminal organizations where the world was carved up between the groups represented. For example in New York as early as 1993 there was a meeting with Russian organized crime bosses and representatives of the Colombo, Gambino, Luchese and Genovese La Cosa Nostra families settling an agreement on various local issues. Allied with these types of unholy alliances is the Russian criminal fraternity's willingness to embrace new technology. As Louis J. Freeh, sirector of the FBI reported to a Senate subcommittee in April 1998:

Unlike some of the other ethnically-orientated crime groups in this country, The Russian/Eastern European criminal groups appear to gravitate at an earlier stage toward complex criminal activities such as cyber security, bankruptcy fraud, insurance frauds and health care industry frauds. That level of sophistication, coupled with a documented tendency towards violence, indicates that these criminal groups are becoming a significant criminal element in the US.

If this is the future, it is truly frightening. And one final thought - Vladimir Levin of Citibank fame was Russian and rumoured to be linked to organized crime groups. If the future of fraud is in cyberspace (in addition to on the ground) our Eastern European friends are there already.....

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 Proximal Consulting	Telephone: +44 (0) 1672 516725	Offices: Poughcombe Barns Rue Du Rhone 14 Ogbourne St Andrew 1204-Genève Wiltshire Switzerland SN8 1SE UK
Email: enq@proximalconsulting.com		

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