

POLICY BRIEF

FIGHTING STRATEGIC CORRUPTION AND TRANSNATIONAL KLEPTOCRACY IN EUROPE

LESSONS LEARNED FROM SELECTED CASES



Fighting Strategic Corruption and Transnational Kleptocracy in Europe: Lessons Learned from Selected Cases

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EXECUTIVE SUMMARY

Over the past decade, European national and transnational institutions have been marred by numerous corruption scandals involving foreign powers and agents. There are many examples. From the Pilatus case in Malta, to post-Soviet kleptocratic money in London, to the Russian loan to Marine Le Pen's National Front, these incidents have revealed dangerous kleptocratic in-roads into Europe's economic and political fabric. Based on case studies and interviews with experts, this brief identifies weak points in European institutional public integrity systems and architecture for combatting foreign influence. These weaknesses include investment visas and permits, anonymity schemes for some financial transactions, legal loopholes resulting from an incomplete banking union, and the limited ability of many anti-corruption and anti-money laundering authorities to address cross-border crimes.

Taken together, these challenges illustrate the difficulties European policymakers and law enforcement agencies face to fight transnational kleptocrats. To increase resilience against kleptocracy across Europe, policymakers at the national and supranational levels should consider the following measures:

1. End the practice of golden passports and strictly regulate golden visas.
2. Strengthen existing regulations to prevent money laundering and end anonymity for major transactions.
3. Forbid non-European Union (EU) donations to political parties and political foundations.
4. Give lobbying a legal definition and closely regulate it.
5. Design and enforce a travel code for EU officials similar to the U.S. Congressional travel rules.
6. Empower the Anti-Money Laundering Authority to strengthen regulation authorities at the national level.
7. Adopt specific anti-mafia legislation at the European level and agree on a specific legal definition of kleptocratic practices.
8. Prioritize international cooperation to address the growing role of non-EU jurisdictions as destination for ill-gotten wealth.

Since its founding in 1983, IRI has supported democracy across the world, working to strengthen the democratic institutions of political parties, civil society, and government. In recent years, IRI expanded its focus to analyze and combat the growing threat of transnational kleptocracy, including in Europe. IRI has partnered with anti-kleptocracy experts around the world to research kleptocratic strategies and pilot and scale efforts to mitigate them.

INTRODUCTION

Kleptocrats and nation-states wishing to buy influence are increasingly targeting transnational European institutions. The recent 2022 *Qatargate* crisis,¹ in which several current and former members of the European Parliament (MEP) accepted bribes from Qatari officials, is not an isolated incident. In 2018, the attempt by Azerbaijani representatives to buy influence in the Council of Europe with laundered money also caught the world's attention. These cases showed how kleptocratic states targeted a European institution to buy access, influence and, ultimately, impunity on a continent where assets can be safely stored thanks to the rule of law.

Strategic corruption, defined by the US Strategy on Countering Corruption as the weaponization of “corrupt practices as a tenet of a state's foreign policy,”² presents far-reaching dangers. By inviting themselves into European public life, kleptocrats not only buy influence for themselves and secure their personal fortunes, they also build networks of malign foreign influence that corrupt political systems within Europe. This type of corruption is often orchestrated by nation-states, like *Qatargate* and *Caviargate* illustrate. However, private individuals, such as Russian oligarchs, can also undertake similar influence operations, attempting to corrupt EU institutions and politicians in individual member states.³ The use of non-state actors to carry out these influence operations allows foreign powers to have a layer of plausible deniability, protecting them from accusations of direct influence in the sovereign business of European countries.

The good news is that European institutions seem to understand how damaging these incursions have been to their legitimacy. They have reacted accordingly: beyond the individual arrests and indictments, the European Parliament commissioned MEPs Vladimir Bilčík and Nathalie Loiseau to make recommendations to “reform the European Parliament's transparency, integrity, accountability and anti-corruption.” On May 3, 2023 the European Commission presented a new directive on combatting corruption meant to harmonize legislation and enforce heavier sanctions and the European Commission is preparing a new defense of democracy package aimed at making EU institutions more resilient to cooptation by transnational kleptocratic networks.

While these developments are welcome and should equip European institutions with better tools to combat strategic corruption and transnational kleptocracy in Brussels, they only address part of the problem. The EU budget represents only 1 percent of the EU's GDP and member states are responsible for policy implementation. A number of European countries, including some EU members, are particularly vulnerable due to their economic reliance on off-shore banking or international real estate transactions, or because of their cultural or geographical proximity to kleptocratic countries. These nation-states have become easy targets for kleptocrats who use their banking system and real estate markets to launder money before storing it in jurisdictions with strong laws protecting private property.

¹ *Qatargate* is an ongoing political scandal, involving allegations that European Parliament officials, lobbyists and their families have been influenced by the governments of Qatar, Morocco and Mauritania, engaging in corruption, money laundering, and organized crime. Following months of investigation, law enforcement authorities in Belgium, Italy and Greece seized €1.5 million in cash, confiscated computers and mobile phones, and charged four individuals with the alleged offenses.

² <https://www.whitehouse.gov/wp-content/uploads/2021/12/United-States-Strategy-on-Countering-Corruption.pdf>

³ See <https://www.ft.com/content/4663bc9e-eea5-485f-baaf-2a85dc0eac07> and <https://brusselsmorning.com/qatargate-raises-questions-about-russias-300-million-uber-vaccine-and-energy-corruption/28714/>

Londongrad, the Troika scandal involving Austrian banks and the Pilatus Bank scandal in Malta are three prominent examples.⁴ They illustrate that no part of Europe is safe from kleptocratic influence. For a time, many governments turned a blind eye to these networks because of political calculations, including increased government revenue stemming from foreign investments and political party financing contributions. Today, the costs of strategic corruption and international kleptocracy have become way too obvious to hide. Voters and independent news media are blaming international money inflows for the sharp rise in real estate prices pushing local residents away from the centers of major cities, from London to Vienna.⁵ Following the full-scale invasion of Ukraine, many European citizens have reacted with outrage to the reports showing the extent to which Putin's proxies had been exploiting Europe's rule of law regimes for personal benefit.

This policy brief provides an overview of the most emblematic cases of kleptocratic in-roads in Europe. It also looks at ways in which European countries can learn from each other and strengthen their resilience against transnational kleptocracy and strategic corruption. To that end, the brief first analyzes Europeans' long road to realizing the magnitude of the kleptocratic challenge on the continent and how kleptocrats have managed to infiltrate European financial, social and political systems. The brief then looks at the structural weaknesses that allow kleptocratic influence in Europe. Finally, the brief makes recommendations on next steps that policy makers should take at the national, EU and transnational levels.

METHODOLOGY

To produce this brief, IRI conducted desk research of primary and secondary sources, including regulatory documents, media reports and expert briefings. The brief's conclusions draw from the study of several cases illustrative of kleptocratic in-roads in Europe, as well as from multiple discussions with experts IRI has convened in Europe since 2021. To complement the analysis, the International Republican Institute carried out nine semi-structured interviews with civil servants, national politicians, journalists and civil society representatives in Austria, France, Italy, Latvia, Malta and the U.K. The field work was completed between May and July 2023.

EUROPE'S LENGTHY STRUGGLE TO CONFRONT KLEPTOCRACY

It is said that the EU only moves forward as a result of crises.⁶ When it comes to transnational corruption and kleptocracy, Europe has had ample opportunity to mount a response, both at the individual country level and within EU institutions. Yet, the British parliament only adopted the Economic Crime (Transparency and Enforcement) Act in 2022, to a large extent as a reaction to Russia's invasion of Ukraine, and the EU moved into action in 2023 following *Qatargate*.

⁴ Table 1 below offers a summary of these and all other scandals referenced throughout the document.

⁵ In Madrid, for instance, the laundering of dirty money linked to Venezuelan President Nicolas Maduro's regime has pushed prices up exponentially in the past few years. <https://www.bloomberg.com/news/articles/2019-04-10/last-stop-for-some-of-danske-s-dirty-money-spanish-real-estate#xj4y7vzkg>

⁶ Matthijs, Matthias, and Mark Blyth (eds), *The Future of the Euro* (New York, 2015; online edn, Oxford Academic, 19 Mar. 2015), <https://doi.org/10.1093/acprof:oso/9780190233235.001.0001>, accessed 17 Jan. 2024.

TABLE 1: Summary of Recent European Transnational Corruption Cases

COUNTRY	CASE	DATES	DESCRIPTION
France	National Front loan	2014	Marine Le Pen's National Front took a €9.4 million loan from a Russian bank, the First Czech Russian Bank (FCRB), following the party's success in France's 2014 European parliament elections. FCRB was suspected of laundering money, and it eventually emerged that the bank was a conduit for sanction-busting activities on behalf of Iran. Roman Popov, then head of FCRB, was close to the Kremlin; he also controlled a network of offshore companies, many of which appear related to entities that received loans from FCRB that were never repaid.
Estonia	Danske Bank	2015	The Estonian branch of Denmark's Danske Bank served as a hub for dark money flowing out of the post-Soviet states and across Europe, notably to Belgium and Latvia. The bank was accused of failing to institute proper safeguards and oversight over its subsidiaries. It eventually pled guilty in an American courtroom in 2022, agreeing to forfeit \$2 billion to resolve some of the fraud investigation against it (nearly half of the \$2 billion would go toward payment for other settlements).
The Council of Europe	<i>Caviargate</i>	2016	As part of its larger money laundering and influence operations (featuring caviar and other expensive gifts), Azerbaijan used laundered money to try to buy influence in the Council of Europe. The scandal involved national lawmakers who were part of the Parliamentary Assembly of the Council of Europe and underscored how European-wide institutions could be targeted through bribery to purchase influence and impunity.
Malta	Pilatus	2016-19	To get licensing for his bank, Pilatus Bank's owner, Iranian-born Ali Sadr, leveraged dark money to exert influence on politicians including then-Prime Minister Joseph Muscat and his Chief of Staff Keith Schembri. In 2017, journalist Daphne Caruana Galizia (who was investigating allegations revealed by the Panama Papers) was murdered. Sadr was arrested in the U.S. in 2018 on money laundering and sanctions-busting charges on behalf of Iran. This triggered a chain of events leading to Pilatus's license being revoked. In 2019-20, protests against Muscat for his perceived complicity in Galizia's murder forced his resignation.
Latvia	ABLV	2016-18	ABLV, the third largest bank in Latvia, was sanctioned and eventually shut down following investigations into money laundering (ABLV faced a €3.1 million penalty in 2016) and sanctions-busting on behalf of North Korea (Deutsche Bank suspended banking services to all Latvian banks in 2017 and cut off access to dollar clearing facilities for four of them, including ABLV). The scandal broke into the open because of the suspension, which sent ABLV into insolvency. The ensuing investigation led to the arrest of the governor of the Central Bank of Latvia on suspicion of taking an €500,000 bribe and a paid-for holiday in Russia.
Austria	Troika laundromat scandal	2019	Troika Dialog ran a \$4.9 billion money laundering scheme over several years. Troika Dialog was Russia's largest private investment bank, until it was acquired by the state-owned Sberbank in 2012. The leaks also shed light on high-profile cases of corruption, like the Sheremetyevo Airport fuel fraud.
Austria	<i>Ibizagate</i>	2019	The scandal is named after a secret video recording made at a 2017 meeting in Ibiza between then far-right Austrian opposition politician Heinz-Christian Strache and a woman posing the daughter of Russian oligarch Igor Makarov. The video shows Strache agreeing to help the woman acquire business contracts in Austria in exchange for political and financial support in the upcoming October 2017 elections.

COUNTRY	CASE	DATES	DESCRIPTION
European Parliament	<i>Qatargate</i>	2022– Ongoing	<i>Qatargate</i> refers to a continuing scandal involving allegations that the governments of Qatar, Morocco and Mauritania influenced European Parliament officials—including one member of the European Parliament (MEP) who was then serving as the Parliament’s vice-president—as well as lobbyists and their adult family members by engaging in corruption, money laundering and organized crime. Following months of investigation, law enforcement authorities in Belgium, Italy and Greece seized €1.5 million in cash, confiscated computers and mobile phones, and charged four individuals with the offenses listed above.
United Kingdom	<i>Londongrad</i> ; Peerage of Lord Lebedev	2008– Ongoing	For several years, Russian and post-Soviet oligarchs benefited from the UK’s generous golden visa programs, investing heavily in real estate in London and the country’s southeast and bolstering their reputations via donations to charities and universities and buying popular soccer clubs and being photographed at parties. The social status from their contributions, coupled with their newly-acquired British passports made it legal for many foreign-born investors to donate to political parties. The Russian invasion of Ukraine in 2022 renewed scrutiny about the degree of these oligarchs’ economic and political influence. One of them, Evgeny Lebedev, effectively managed to buy himself a seat in the House of Lords.
Miscellaneous	Post-Soviet real estate purchases	1991– Ongoing	In addition to the <i>Londongrad</i> scandal, post-Soviet kleptocrats have purchased vast amounts of real estate in Vienna, the French Riviera, Italy’s Lake Como and Latvia’s Jurmala seaside resort, and have used these locations as safe places to store ill-gotten assets.

The Loopholes in an Incomplete Banking Union

Over the past thirty years, Europe’s geopolitics, geo-economics and banking system have changed profoundly. The impact of what a Chatham House report has called “illiberal globalization” has been particularly pernicious on the European continent, as it neighbors a region—the former Soviet Union—in which kleptocratic rule solidified during the 1990s and 2000s. Initially, as post-Soviet economies took off after the ’90s, Europe welcomed foreign investment with relatively few questions concerning its origin. Politicians seemed happy with the influx of money, as were the intermediaries and professionals in the real estate, public relations and law firms that took kleptocrats as clients. Working with kleptocrats at home soon became an easy way to earn vast amounts of money, sometimes with very little effort.

For kleptocrats, Europe had the advantage of being both safe and offering legal guarantees that did not exist back home, where personal wealth often depended on who did or did not have political power. In addition, kleptocrats could use the many loopholes in the unfinished European banking and economic union. The EU transformed itself into a monetary and banking union in the 1990s, with a European Central Bank (ECB) based in Frankfurt and national banking authorities sharing monetary and cashflow control authority with the ECB. But the ECB was not awarded formal powers to monitor money laundering activities, nor did it ever get the power to impose a common understanding of the rules.

Kleptocrats benefited from a system that was complex by design and where authority and responsibilities were not always clear. As Europe introduced the euro and its use quickly expanded (Malta adopted it in 2008, Latvia and Estonia in 2014), money in a Maltese or a Latvian bank could move quickly across borders in the EU. If the standards for entry were low in one country, kleptocrats could convert their dirty money into

euros and store it in bank accounts there, before passing it from banking branch to banking branch until it found its way transparently into the legitimate money stream.

Eventually the risks became too apparent to ignore, and by 2010 the European debt crisis destabilized the euro zone and impoverished parts of the continent. As cash-strapped European states looked for ways to maximize their income, they strengthened their fiscal legislation and went after tax havens, easing the work of anti-money laundering authorities. Then, in 2014, after Russia's invasion of Crimea and eastern Ukraine, the EU started to slowly push member states to protect themselves against kleptocratic in-roads, including through sanctions against designated Russian oligarchs.

The implementation of sanctions underscored the need for stronger anti-money laundering legislation, which led to the directive EU Directive 2015/849 of the European Parliament and the Council, also known as the 4th Anti-Money Laundering (AML) Directive. Yet, almost a decade later, Russia's full-scale invasion of Ukraine dramatically exposed the weaknesses of previous measures. Investigations both from journalists and national authorities uncovered gaps in national anti-money laundering legislative and regulatory frameworks across the continent. The U.K.'s Economic Crime Act and the EU's anti-corruption initiatives under discussion need to be understood against that backdrop.

Pan-European Money Laundering: The ABLV Case

Latvia's ABLV banking scandal illustrates the challenge of tackling kleptocracy in Europe. Despite some steps taken to strengthen legislation and empower national anti-money laundering agencies, it took time to get to a larger crackdown on money laundering and a reform of the banking sector. Eventually, European legislation gave authorities the power to levy heavy fines against banks guilty of violating anti-money laundering. From the previous maximum of €142,000, which came with a guarantee that the bank would not be publicly named, the new fines could amount to up to 10 percent of their net revenue. In 2016, the Latvian regulator fined nine banks for non-compliance, for a total of € 14 million. ABLV, the third biggest bank in Latvia, was the largest entity fined, with a € 3.1 million penalty.

Further supervision by the ECB and, importantly, multiple investigations by the U.S. Department of Justice⁷ and then the U.S. Treasury, led Deutsche Bank to suspend correspondent banking services to all Latvian banks and cut off access to dollar clearing facilities for four of them, including ABLV. As a result of this suspension, which pushed ABLV into insolvency, the scandal broke out in the open and prompted a much wider investigation. One of these investigations led to the arrest of the governor of the Central Bank of Latvia, Ilmārs Rimšēvičs, suspected of taking a €500,000 bribe and a paid holiday in Russia from another Latvian bank, Trasta Komerbanka, at a time when the bank worried about its banking license being revoked.

The ABLV exposed the gaps in EU regulation in two major ways. First, Rimšēvičs was on the board of the ECB at the time of his indictment. Second, it was the U.S. authorities and not a EU institution that exposed the wrong-doing and sought restrictions on the Latvian banks on suspicion of sanctions-busting related to North Korea. The U.S. Treasury Department's Financial Crimes Enforcement Network, not the hefty fines from the year before, pushed ABLV to liquidation, its suspension and, eventually, revocation of its license.

⁷ <https://www.bnnbloomberg.ca/the-face-of-latvia-s-scandal-ridden-financial-system-is-caught-in-a-corruption-case-1.1142412>

The case, as well as the Pilatus or the Danske Bank scandals put the spotlight on the problem of kleptocratic in-roads in European economies. EU authorities responded by proposing a number of anti-corruption and anti-money laundering directives, some of which have already been implemented, while others are waiting for approval by the European Council and a vote in the European Parliament. Several member states have adopted reforms, partly because of the scandals, partly in anticipation of new European measures, and often as a result of civil society pressure and reputational risks. For Latvia in particular, the fear of being put on the Financial Action Task Force (FATF)'s "grey list" pushed authorities to take action to combat money laundering more effectively.

THE TRANSNATIONAL KLEPTOCRACY CYCLE IN EUROPE

From Steal-Hide-Spend to Launder-Integrate-Influence

In his book *Moneyland: Why Thieves and Crooks Now Rule the World*, investigative journalist Oliver Bullough explains how kleptocratic elites follow a three-step process to legitimize their stolen wealth: steal-hide-spend. Stealing happens outside the destination country, while the second and third stages of the process usually often happen in places like Europe and may actually be perfectly legal. These transactions have consequences for the economy, society and politics inside the countries that are at the end of the kleptocratic cycle.

The first step of the hiding process is laundering kleptocratic money using secure assets whose value will not depreciate over time through investments in safe havens. In Europe, kleptocrats tend to prioritize investments in real estate, luxury items and art. Before a purchase can happen, though, the dirty capital is disguised via a succession of transactions, often involving multiple financial institutions or, in countries such as Malta, through gambling and other cash operations. At times, the process can be shortened by the use of successive large payments in cash, but these are becoming rarer and should become rarer still once the EU Commission proposal to ban payments of €10,000 and up in cash comes into effect.⁸

As kleptocrats buy property and citizenship via golden passport and golden visa schemes, they take root in their new social ecosystems. This allows them to buy proximity to national political elites as well. This process can be very quick, as with Ali Sadr, the owner of the Pilatus bank. Sadr rapidly became close to Muscat, the then Prime Minister of Malta and even closer to his Chief of Staff Keith Schembri, just as the Maltese authorities were approving his banking license.⁹

Londongrad: A Full-Cycle Illustrative Case

Kleptocratic infiltration can also happen gradually, as in the case of what has been known as *Londongrad*. London's decades-long welcoming environment for kleptocrats is an example of slow but steady cooptation by Russian (and other, mostly post-Soviet) oligarchs. For several years, these individuals benefited from the

⁸ <https://cassentials.org/the-european-council-agrees-on-a-e10000-limit-on-cash-payments/>

⁹ An investigation is still ongoing at the time of writing this report, and whether Muscat eased the way for Sadr is still up for debate.

U.K.'s generous golden visa schemes, investing heavily in real estate in the capital and in the country's south-east. During this time, many donated to charities and universities and bought soccer clubs.

The social status gained from their charitable contributions, coupled with their newly acquired British passports, allowed many foreign-born investors to fund political parties. In particular, the Conservative Party, which has been in power for the past 13 years, has been a prime target of post-Soviet oligarchic investment. Lubov Chernukhina, a Russian-born investment banker married to former Russian deputy finance minister Vladimir Chernukhin, is reported to have given more than 2.2 million British Pounds since 2012, putting her in the top 10 of party donors. She gained a seat on the advisory board, which allowed her to attend monthly meetings with the Prime Minister.¹⁰ In a February 2022 investigation, *The Times* alleged that Chernukhina used her access to the top of the Conservative Party to repeatedly lobby ministers "against raising the tax burden of high net-worth individuals," and used her position on the party's advisory board to send research to ministers showing "the importance of the ultra-rich for the overall economy."¹¹

The Chernukhins are not the only example of very wealthy recently naturalized Russians to make the headlines. Perhaps the most infamous example of all is Evgeny Lebedev, the son of oligarch and former KGB officer Alexander Lebedev currently under Canadian sanctions for his role in the 2022 invasion of Ukraine. Lebedev got his British citizenship in 2010 and remained close enough to then-future Prime Minister Boris Johnson to obtain peerage in 2020, becoming "Baron Lebedev of Hampton in the London Borough of Richmond upon Thames and of Siberia in the Russian Federation," which allows him to sit in the House of Lords, the upper chamber of British Parliament. There has been no evidence, so far, that either Lubov Chernukhina or Lord Lebedev have tried to alter U.K. policy toward Russia. However, they may have exerted influence over other affairs.

Although Lubov Chernukhina's and Lord Lebedev's businesses are completely legitimate as per British law,¹² the source of their formidable wealth is much more obscure. Because the stealing happens outside of Europe and the hiding is covered up, the spending part appears, in almost all cases, completely legitimate. This raises a real dilemma for European national authorities, as they are often led to investigate financial transactions that may appear completely legal on their home soil, even though there are reasons to question where the money comes from.

The Kleptocratic Tentacles Behind Marine Le Pen's Russian Loan

A good example of the dilemma policymakers face when trying to ascertain the legitimacy of foreign donations is the infamous Russian loan of €9.4 million contracted by Marine Le Pen's National Front (now the National Rally, or RN) from a Russian bank, the First Czech Russian Bank (FCRB), in 2014. The loan request came after the RN's success in the European election where, for the first time in French history, it reached first place. The loan was intended to help Le Pen and her party better compete for the presidential election of 2017. The transaction itself was completely legal, so much so that FCRB sued the NR in 2020 for failing to reimburse the loan. The provenance of the money, however, was more problematic. Authorities in the Czech Republic, where the bank was licensed, suspected FCRB of laundering money. It emerged that the bank was

¹⁰ <https://www.opendemocracy.net/en/dark-money-investigations/revealed-the-elite-dining-club-behind-130m-donations-to-the-tories/>

¹¹ <https://www.thetimes.co.uk/article/the-ultra-rich-tory-donors-with-access-to-boris-johnsons-top-team-96bvcwcl>

¹² For example, Lord Lebedev's purchase of the British newspaper the Evening Standard.

a conduit for Iran's sanction-busting activities. Furthermore, Roman Popov, then head of FCRB, was close to the Kremlin. He also controlled a network of offshore companies, many of which appear related to companies that received loans from FCRB, loans that were never repaid.¹³

The RN's Russian loan was subject of a parliamentary inquiry in France that looked into foreign influence in French politics. The inquiry concluded that RN had served as a "communication channel" for Russian power, including by supporting Moscow's illegal annexation of Crimea.¹⁴ Worrying about an influx of Russian money, in 2022 French lawmakers had already moved to forbid political parties from taking loans from foreign states or corporations.¹⁵

Ibizagate: Exposing Austria's Vulnerability to Kleptocratic Influence

Legality, however, was nowhere to be seen in Austria during the Ibizagate scandal, which exposed how far some political elites would go to secure favors from kleptocrats. The scandal takes the name of a secret video recording made at a 2017 meeting in Ibiza between then far-right opposition politician Heinz-Christian Strache and a journalist pretending to be the daughter of Russian oligarch Igor Makarov. The video shows Strache agreeing to help the woman acquire business contracts in Austria in exchange for political and financial support in the October 2017 elections, which made him Vice-Chancellor. In the video, Strache suggests that the woman donate funds not to the party directly, but to its associations in order to avoid an audit. He then seems to agree with her suggestion that she can help the party long term by buying the Kronen Zeitung, Austria's biggest tabloid newspaper. The video itself was incriminating enough that Strache resigned the next day, following stories by the German newspapers Der Spiegel and Süddeutsche Zeitung. The scandal was quickly followed by elections in which Strache's FPÖ was soundly defeated. And while the video was a set-up it underscored how far some Austrian politicians would go to access foreign kleptocratic money.

SYSTEMIC WEAKNESSES: THE CRACKS KLEPTOCRATS USE TO ABUSE THE EUROPEAN SYSTEM(S)

The scandals that have beset a number of European countries and EU institutions over the past ten years should be cause for concern. While European nation-states, including non EU members, and institutions continue to try and squeeze out kleptocrats and their enablers, it is important to understand which systemic weaknesses have created the current state of play and why.

Europe's shortcomings result from a combination of factors that have created a favorable ecosystem for kleptocrats to thrive. These include so-called golden visas and passports, legal loopholes between member states, anonymity protections in too many vulnerable sectors such as banking and real estate and, finally,

¹³ <https://securingdemocracy.gmfus.org/first-czech-russian-bank-case-study/>

¹⁴ <https://www.france24.com/en/france/20230603-le-pen-s-far-right-served-as-mouthpiece-for-the-kremlin-says-french-parliamentary-report>

¹⁵ Law n° 2017-1339 dated September 15, 2017 – the law amends the French electoral code, and notably its article L-58 on the financing of political parties.

a lack of capacity in many anti-corruption and anti-money laundering authorities to tackle transnational flows of money.

Kleptocrats Welcome: Golden Passports and Visas

For a long time, European governments both within and outside the EU competed to attract investment from abroad, very often without much concern regarding its provenance. This is the case in countries such as Malta, Cyprus and Latvia, all badly shaken by the 2008 financial crisis.

The issuance of “golden” passports, or a fast track to EU citizenship, was a good example of this competition over resources. Most of the countries that issued golden passports are now backpedaling (Cyprus started stripping recipient of their passports this year¹⁶), however the practice has not been abolished yet. Malta suspended golden passports for Russian and Belarussian citizens in 2022, following the Ukraine invasion. But citizens from other countries—including the majority of golden passport and golden visa holders—can still buy their way into Maltese, and therefore EU, citizenship in just one year. All it takes is an investment of €750,000 in the national development fund, buying a house for at least €700,000 in Malta (or renting a place, without an obligation of residency) and donating at least €10,000 to a local charity. People can buy an EU passport in just a year at a total price of €1.41 million. Many private companies advertise their services to smooth customers’ way.¹⁷

While golden passports were an attractive loophole for kleptocrats to exploit, only a few countries offered them. By contrast, “golden” visas, a fast-track process for permanent residency in exchange for investment, are more common across Europe. The U.K.’s investor visa scheme of 1994 represented an inflection point in London’s ability to attract foreign investment. Many other countries followed suit, with easy rules granting permanent residency and lax regulation regarding bank deposits. In the mid-2010s, Latvia stood out, with a particularly generous permanent residency plan which made it the “best bargain in Europe,”¹⁸ according to Sanita Jemberga and Xenia Kolesnikova of the investigative journalism NGO re:Baltica.

Latvia’s financial system was all the more welcoming for kleptocrats, as loose banking regulations enabled banks to specialize in high-net-worth non-resident customers. In 2015, non-resident deposits in Latvian banks were more numerous and held more value than resident deposits, and two percent of all transactions in U.S. dollars worldwide transited through Latvia, a relatively small country whose population (1.88 million) is slightly smaller than Nebraska’s and whose GDP is the size of Vermont’s.

Both Latvia and the U.K. scrapped their golden visas, and Latvia cracked down on non-resident deposits (which dropped from 57 percent to 21 percent in 2018 and have fallen further since). However, that does not mean that golden visa programs have disappeared; they are still on offer in many European countries, such as Portugal, Greece, Spain, Italy, Latvia and Malta, and help in applying for is advertised on the internet. For locals, this practice offers opportunities in sectors such as wealth management, real estate and legal assistance to settle money and people in-country. Over time, it tends to evolve to include reputation manage-

¹⁶ <https://apnews.com/article/cyprus-government-business-europe-31fe716d5e0d71016a96c256b4330670>

¹⁷ https://www.henleyglobal.com/residence-investment/golden-visa?page=ppc_Global_gsn_gen_visa_golden_tier3&gad=1&gclid=CjwKCAjwkeqkBhAnEiwA5U-uMOPiZXm2ub9slTjYjKtGpclBycZuULT_W2N6yU7ybO8dmc2FfnCZOxoCoWoQAvD_BwE

¹⁸ <https://www.occrp.org/en/goldforvisas/latvias-once-golden-visas-lose-their-shine-but-why>

ment services as well, which can be weaponized to intimidate critics, researchers and investigators through threats of libel prosecutions, tactics widely practiced in destination jurisdictions like the U.K.¹⁹

Legal Diversity and Anonymity: Empowering Kleptocrats in Europe

Kleptocrats have also greatly benefited from a lack of legislative coordination at the EU level and from the legal loopholes created by the different regulations in member states. Investors have exploited these gaps to buy real estate, art and other luxuries anonymously. Sometimes this anonymity is enshrined in bank secrecy laws, however, most anonymous investments stem from a lack of appropriate regulation. Examples include not disclosing the names of a holding's investors when they buy a property or make an investment, or not requiring identity checks for non-resident deposits. There are also many instances where the law is bent. In Britain, the relatives of kleptocrats can buy property for them, a favored practice among politically exposed persons (PEPs).²⁰

The absence of a comprehensive and consistent regulatory framework has created a number of opportunities for kleptocrats to move money across different countries. Often, wealthy investors use the many subsidiaries of the same bank to launder money easily, passing it from bank to bank until it appears as a legitimate investment, as the Danske Bank scandal illustrated. While a certain diversity in regulation is to be expected in a decentralized system like the EU, the discrepancy in the interpretation of the rules and lack of coordination between member states has allowed too many vulnerabilities to develop. Loopholes extend not only to financial services and other sectors, such as the arts, gambling or real estate, but also to politics: some countries in Europe, including Germany and Austria, still allow foreign individuals and companies to donate to political parties.

From Regulation to Capacity: Europe's Institutional Problem

Another challenge European regulators face is traceability. European regulators and investigators find it difficult to trace the money to its illegal source abroad. In addition to facing jurisdictional restrictions, anti-money laundering and anti-corruption agencies are often not well-funded and there is limited cross-border coordination inside and outside the EU. This gives kleptocrats even more of an advantage over regulators and investigators, allowing them to escape scrutiny.

The absence of regulatory and investigatory bodies at the EU level has long been an issue. The ECB, for example, does not have the power to intervene to help national financial authorities or take action against a wrong-doer; Europe's national agencies are responsible for that. This is the product of the power-sharing deal between supranational authorities in Brussels and the EU's nation states (known in Euro-language as the principle of subsidiarity). Kleptocrats have exploited these coordination challenges, abusing the system for their own purposes.

¹⁹ <https://www.nytimes.com/2022/03/29/business/oligarchs-london-putin-russia.html>

²⁰ <https://www.spectator.co.uk/article/how-russia-s-oligarchs-are-evading-sanctions/>

EUROPEAN AND NATIONAL RESPONSES TO KLEPTOCRATIC IN-ROADS AND THEIR EFFECTS

In response to these series of scandals, authorities at the national and supranational levels have stepped up the fight against foreign-enabled money laundering. The ECB stopped issuing €500 banknotes over worries about their use in illicit cash transfers and money laundering in 2016.²¹ Other changes, with potentially higher impact, are currently going through the lengthy process of adoption by European institutions, which often has to be followed by legislative transposition in national parliaments.²²

Under Pressure: Latvia's and Malta's Response

Across Europe, the potential economic costs linked to regulation are often such that governments and parliaments are not willing to act until a major scandal hits. The Latvian government took action against money laundering and banks' activities only after the ABLV scandal shook the country's financial system, as ABLV was the third biggest bank in the country. As noted earlier, a trigger for action was the proposal that Latvia might be put on the FATF's "grey list." The Latvian government quickly moved to reign in non-resident deposits (they are now down to less than 20 percent of the total of deposits), which demonstrates how much can be accomplished by taking simple, targeted measures to impose checks where necessary. In Latvia, banning banks from servicing shell companies killed illegitimate non-resident deposits by closing a loophole allowing anonymity in banking transactions. Riga also tightened its golden visa regulations, introducing quotas and more thorough background checks (which were again strengthened after the Russian invasion of Ukraine in 2022). Though these moves had no retrospective impact on existing golden visa holders, they have reduced kleptocrats' maneuvering room and put those with property in Latvia under more scrutiny.

Malta provides another example of a country with money laundering problems taking action because of external pressure. After the murder of investigative journalist Daphne Caruana Galizia, the Pilatus scandal and the country's listing on the "grey list," Malta reformed its financial sector with a particular focus on detecting inaccurate company ownership information and penalties for regulators who do not flag them. Among other measures, Malta doubled the resources of the country's business registry, which allowed regulators to pursue background checks more effectively and get information on formerly anonymously-owned companies more easily. As a result, Malta can now sanction foreign-owned companies and enablers to act both as punishment and deterrent to dissuade potential illegitimate investors.

In 2021, Malta issued 176 fines to companies for a total of €1.184 million and in 2022, the number of fines dropped to 146 but the payments tripled, to €3.558 million. These and other measures took Malta off the FATF "grey list," but the country has not tackled a number of longer-term issues such as a lack of institutional

²¹ <https://www.euronews.com/2019/01/28/cash-out-eurozone-banks-stop-issuing-500-note-in-fight-against-crime>

²² European legislation is mostly made up of directives, which only become law in member states after they are transposed, i.e., applied in existing national legislation. This leaves room for member states to adapt general EU legislation to the specificities of their legal environment.

strength to crackdown on money laundering and corruption. Today, Malta has only one qualified accountant to verify the billions of euros that transit through the country. The biggest problem in Malta, as highlighted by several interviewees, is weak, under-resourced financial and judicial institutions. True, Malta has transposed the directives requested by Brussels and has taken specific measures to tackle kleptocratic in-roads. Yet, from the regulator to the money laundering authority to the Maltese police, national authorities remain largely untrained to deal with this very specific and sophisticated crime which enables kleptocratic capture.

Russia's Invasion as an Accelerator: The Case of the United Kingdom

Under-investing in the agencies that can help counter kleptocratic influence is not only a feature of small countries like Latvia and Malta. Larger and richer countries such as the U.K. also fail to resource the institutions entrusted with keeping kleptocrats at bay appropriately.

Despite being an innovator in creating the conditions for kleptocrats to thrive, Britain is starting to join the general global trend toward stricter financial regulation. The invasion of Ukraine exposed how deeply Russian and post-Soviet kleptocrats infiltrated the economy and societies of London and England's southeast. Russians were not the only group to take advantage of the U.K.'s open door policy; Chinese passport holders, for example, have historically been the biggest beneficiaries of golden visa plans.²³ In February 2022, the British government scrapped its Tier 1 investor visa (its golden visa) and Parliament passed the Economic Crime (Transparency and Enforcement) Act. The new rules require ID verification for business leaders, including company directors, people with signature control and those delivering documents to a registrar. The new regulations empower registrars to run background checks on company owners. They also create a Register of Overseas Entities to crackdown on criminals laundering money through U.K. properties and strengthen the country's Unexplained Wealth Orders, which the British courts can use to compel targets to disclose information. All these measures combat anonymity in high-level transactions, which has been an enabler for kleptocratic takeover in London and in other parts of Europe.

While the U.K. is no longer part of the EU and so is free to adopt its own legislation and empower its anti-corruption and anti-money laundering agencies independently, a constructive dialogue with institutions on the continent is imperative to effectively combat kleptocrats. The fight against kleptocrats must take into account their transnational nature, otherwise it will remain a siloed business in which loopholes will continue to be used effectively by those wishing to bend the law or bust sanctions and regulations.

The EU's Response

Addressing transnational corruption also requires global action. The EU must use its far-reaching authority over banking and other economic issues to establish a sound regulatory framework to fight kleptocratic practices in and beyond its own borders. As a "regulatory superpower,"²⁴ the EU can develop norms that inform global standards. At the same time, the EU must empower anti-corruption, anti-money laundering and other law enforcement agencies in its member countries to ensure implementation of stricter rules is effective.

²³ <https://www.economist.com/britain/2022/03/05/the-rise-and-fall-of-londongrad>

²⁴ Anu Bradford, *The Brussels Effect: How the European Union Rules the World*, New York: Oxford University Press, 2020

Following the wave of scandals recounted here, the EU's institutions have begun to clamp down on kleptocracy. *Qatargate*, in particular, prompted stronger anti-corruption legislative and normative proposals. On June 1, 2023, MEPs Vladimir Bilčík and Nathalie Loiseau presented their post-*Qatargate* report on transparency commissioned by the European Parliament. They offered recommendations to improve security, transparency and accountability inside the European Parliament to counter both foreign authoritarian and kleptocratic influence.²⁵ While the report is a step in the right direction, it must now be followed by detailed, specific rules for the European Parliament and European institutions. These should serve as minimum standards for the EU's member state parliaments, some of which do not have appropriately stringent rules to prevent corruption.

Other EU institutions are also active in combatting kleptocratic practices. The EU has empowered the ECB, for instance, by allowing it to act more decisively to encourage (although not yet force) better information sharing between national banking authorities.²⁶ The EU Commission, meanwhile, has proposed a number of measures, among them a proposal for a new Anti-Money Laundering Authority (AMLA), a central body whose set up is currently being finalized by the European Council and the European Parliament. At a minimum, this body would coordinate between national agencies, but it should also be used to empower countries facing budgetary, personnel or political constraints to prevent fraud and enforce anti-money laundering regulations.

As the proposal is currently discussed between member states, a sufficiently resourced and powerful AMLA would be a major step toward more effective anti-money laundering action in the EU. It would help close the loopholes that have allowed kleptocrats to make in-roads into the EU and adjudicate the differences between member states regarding legislation and its interpretation. If calls to make AMLA a "European FBI," able to conduct direct inquiries inside countries, succeed, that would empower anti-money laundering enforcement across Europe. An AMLA with solid access to data across the EU would also allow for more effective information sharing with allies such as Canada, the U.S. and the U.K., and would encourage reciprocity.

On January 20, 2023, the EU Commission presented an anti-corruption directive. While partly a response to *Qatargate*, the proposal is the product of long reflection on the challenges posed by strategic corruption and kleptocracy.²⁷ It recognizes corruption as a transnational phenomenon directly linked to money laundering and sees it as a tool for foreign interference inside the EU. This makes the fight against corruption a priority at the national and transnational levels and provides a wider framework for the harmonization and coordination of anti-corruption activity.

In particular, the proposal incorporates the United Nations Convention against Corruption under EU law, thereby ensuring the consistent criminalization of offenses covered by the Convention. It also brings together public and private sector corruption into one single legal definition, making it easier and more simple to prosecute active and passive corruption. It raises the minimum level of criminal sanctions for people convicted of corruption and harmonizes aggravating and mitigating circumstances. It also puts pressure on member states to adequately fund and staff their anti-corruption and anti-money laundering agencies by requesting that member states make sure that their police and prosecutors have the investigative tools they need. The

²⁵ <https://www.europarl.europa.eu/news/pt/press-room/20230530IPR93006/meps-propose-reforms-to-protect-democratic-institutions-parliament-s-integrity>

²⁶ <https://www.bankingsupervision.europa.eu/banking/tasks/anti-moneylaundering/html/index.en.html>

²⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2023%3A234%3AFIN>

introduction of extra-territoriality in EU legislation would give prosecutors a tool to go after corruption cases outside of their own jurisdictions. Finally, it enlarges the toolbox already available to the EU to punish serious acts of corruption beyond its own borders, thereby posing elements of extra-territoriality that did not exist in EU anti-corruption legislation before. This addition therefore removes one major reason for impunity for kleptocratic money hidden inside the European Union. If this directive is adopted, the sovereignty of another country allowing for kleptocratic practices to spread will no longer be a pretext for immunity inside the EU which would allow European institutions to strike more effectively at transnational kleptocrats and target ill-gotten gains stored in the EU.

These steps, alone, will not root out transnational kleptocracy in Europe. Neither the Council nor the European Parliament have yet voted on the AMLA or the EU Commission's anti-corruption directive, which could dilute their power, at least in its current iteration. Furthermore, some of the factors that encourage kleptocrats to store their money in the EU are not addressed by these initiatives: for example, the directive does not discuss golden passports nor does it provide a tighter framework for golden visa programs. Still, these are developments in the right direction that marked a turning point on the fight against kleptocracy in the EU.

Italy: An Unlikely Source of Inspiration?

For decades, authorities in Rome have faced the state capture challenge posed by three Italian-born globalized criminal organizations: the Calabrian 'Ndrangheta, the Sicilian Mafia and the Neapolitan Camorra. The three Italian mafias are extremely well-organized, rich and powerful. In some instances, these mafias have controlled part of the Italian territory and replaced the state in its basic functions. In 2021, for instance, the mafias infiltrated Italy's Covid-19 vaccine distribution network to use the vaccine doses for their own advantage.²⁸

Italy's first specifically anti-mafia law was passed in 1965. Since then, lawmakers have built a full arsenal to fight back against this form of indigenous kleptocracy, notably through a specific anti-mafia code. It consolidates 120 articles of law to prevent and punish mafia-related criminal activities. In the early 1980s, lawmakers gave "mafia conspiracy" and "mafia-type associations" a legal definition in the Italian Penal Code, in Article 416-bis, which is the starting point of anti-mafia prosecution.

According to Italian law, belonging to the mafia is, in itself, a crime punishable by three to six years imprisonment. Managing assets or aiding a mafia-type organization is grounds for imprisonment between four and nine years. The law targets mafia-members regardless of circumstance: someone who manages assets belonging to a mafia-type organization, even if the business is officially legal, faces prison charges of a minimum of seven years in jail. The law also provides specific provisions to freeze and confiscate assets belonging to *mafiosi* and addresses the *pentiti*, people involved in organized crime who offer information to the police in exchange for immunity. The law is designed to encourage the criminal network's members and acquaintances to break the *omertà*, the code of silence and refusal to give evidence to authorities.

Italy's decades-long experience with the mafia has put it at the forefront of law enforcement. In particular, the Anti-Mafia Investigation Division (DIA), a multi-force investigation body with full autonomy under the Department of Public Security of the Ministry of the Interior, is tasked with all aspects of fighting against mafias in Italy. It works with the Guardia di Finanza, a militarized elite law enforcement agency under the Ministry of Economy and Finance with a broad mandate to target financial crime and smuggling, including drug trafficking. Both are notable for their experience and results in combatting organized crime, including groups and transactions involving foreign kleptocrats. They are well-financed and they enjoy a wide autonomy that protects them from political interference. As an elite corps, they remain accountable to parliament, notably the interparliamentary anti-mafia committee, which itself enjoys wide powers, including judicial. Importantly, they can cross reference private and public data to establish an individual's relationships with mafia-type organizations and their financial resources.

Journalists and civil society activists tout the DIA and Guardia di Finanza as models of professionalism, probity and efficiency at home and in neighboring states such as Malta. Indeed, Italian authorities have lobbied European and international institutions, so far without success, for other countries to adopt anti-mafia laws and, in particular, legal and penal definitions pertaining specifically to organized crime. Better than any other Europeans, Italians seemed to have understood that if criminal and kleptocrats know no borders, the law and the people hunting them should also work across borders.

²⁸ <https://www.politico.eu/article/italy-mafia-coronavirus-vaccination-mob-infiltrated/>

RECOMMENDATIONS FOR LAWMAKERS AND POLICYMAKERS IN THE EU AND NATIONAL GOVERNMENTS

Like many others in the West, Europeans have only slowly realized the scale of the kleptocratic capture of their economies, societies and politics. Having permeated countries all over Europe, kleptocrats continue to pose a long-term threat to the rule of law at the national and the EU level.

To fend off kleptocracy, EU and member state institutions need to work together to better prevent and prosecute strategic corruption and other transnational corrupt practices in Europe. There are several ways in which EU bodies and European governments can mitigate institutional vulnerabilities and make the lives of kleptocrats more difficult. Below are some recommendations that policymakers in the EU and national authorities should consider:

- 1. End the practice of golden passports and strictly regulate golden visas.** The EU should vote for a full ban of golden passports, to be enforced in every single member state. For golden visas, while a full ban would be impractical and could stop legitimate entrepreneurs from outside the EU from investing, the EU should harmonize the practice and strictly regulate it. In particular, individuals applying for any long-term residence permit should expect to face a security screening and submit to a minimum residency requirement in the member state (for example of 150 days per year).
- 2. Cap cash payments and end anonymity for major transactions, particularly involving real estate.** Several decades of money laundering in Europe have made it clear that kleptocrats' favorite mode of laundering money is via large cash payments and deposits. Europe has already taken steps to make this more difficult. For example, the ECB has stopped minting and circulating €500 banknotes. Meanwhile the EU Commission has proposed a ceiling for cash payments in the EU of €10,000, or the equivalent, in the home currency. However, as experience has also shown, these efforts have been insufficient to slow down kleptocratic in-roads in Europe. European countries must work together to put a cap on cash payments and deposits, which, in order to be effective, should be lower than the current Commission's proposal. Anonymity also continues to be used for reputation laundering. All charities, universities and foundations, including think tanks, should be required to make their donors' names public, at least above a certain level of contribution.
- 3. Ban donations to political parties and foundations from non-EU entities and persons.** The restriction should also apply to legal permanent residents in the EU and the U.K., with an additional 10 year ban for citizens who have recently acquired a EU or British citizenship. Ceilings on individual donations and bans on corporate donations can mitigate the risk of one particular interest capturing a political party, but they cannot guarantee that foreign kleptocrats will not get involved in a European country's political life. In particular, bundling (i.e., coordinating multiple ceiling donations from different donors) gives the person or group organizing the bundling outsized power. Most countries in Central and Eastern Europe—particularly the Baltics, faced with the threat of Russian influence via political funding—have enforced a total ban on foreign donations. No such regulation exists in Austria, Belgium, Germany, Luxembourg or the Netherlands, and other European countries have looser laws. In Spain, for example, anyone can give to a political party, regardless of nationality. While decisions about party donations should remain a

matter of national legislation, donations coming from outside the EU should be prohibited across Europe. This ban would include EU-wide political parties, which should, however, be free to fundraise anywhere inside the EU.

- 4. Give lobbying a legal definition at the European level and regulate lobbying the EU Parliament and institutions.** Lobbying should be recognized as a profession and people leaving public office should be banned from doing it for two years after they end their mandate. Furthermore, European Parliament and Commission officials should keep logs of all meetings with third parties. Similarly, former public officials now in the private sector in regular contact with European institutions should have their activities monitored for five years (i.e., the length of one parliamentary or Commission mandate). These rules should also be considered for national parliaments and institutions, including outside the EU. Politicians should be able to return to a normal life after they leave office; however, their immediate post-political careers should be scrutinized, not only to avoid malpractice, but also the suspicion of malpractice.
- 5. European institutions should have a travel code for officials, similar to the U.S. Congressional travel rules.** One of the easiest ways to influence a politician is to offer lavish travel at someone else's expense. While some of these practices ("free" first-class travel, for instance) are often accepted as a sign of courtesy, the distribution of sumptuous gifts during the travel (such as expensive carpets or caviar, as in the case of the Azerbaijan *Caviargate* in 2018) or cash (as in the case of *Qatargate*) should not be. Gift giving is difficult to regulate because it can take place outside the EU, in a host country or, worse, in the host's private residence. Preventive regulation must therefore make clear what is allowed and what is not as part of European official travel. Rather than banning travel funded by non-European entities, a strict set of travel guidelines would allow for closer monitoring and encourage officials to be more careful. The U.S. Congress' travel rules include very specific definitions and conditions for travel. They can provide a useful framework for European institutions, which should serve as the standard for parliamentarians across member states. Among other measures, both the U.S. House and Senate require pre-approval of the trip by their respective ethics committees, which establish disclosure requirements, prohibitions and other rules.
- 6. Empower the AMLA and national regulation authorities to conduct investigations on transnational money laundering and corruption.** The problem with countering corruption-fueled money laundering is often not so much a lack of laws and rules, it is that regulatory and enforcement bodies do not have the authority, staff or money to prevent, investigate and prosecute. The EU Commission has proposed using AMLA to better coordinate national anti-money laundering bodies and ensure the private sector follows EU anti-money laundering rules. AMLA should be given as broad a mandate as possible and, in the future, see its mission broadened so it can intervene directly in support of national bodies and even possibly take their place temporarily in serious breaches.
- 7. Adopt specific anti-mafia legislation at the European level and write a legal definition of kleptocratic practices.** Italy is the only country with a legal definition for a mafia-type organization, in which membership is considered a crime and punished by several years of imprisonment. For years, the Italians have lobbied European institutions to adopt similar legislation to better track the mafia and to better monitor kleptocrats on Italian soil—as they very often work hand-in-hand with the mafias. It is time for the EU and member states to look closely at how Italian legislation and institutions can help fight transnational kleptocracy. EU institutions should start by adopting a legal definition of mafias, organized crime and kleptocratic networks. These definitions would help in better tracking and prosecuting those who profit from cross-border financial crimes.

8. **Prioritize international cooperation to address the growing role of “bridging jurisdictions” outside the EU.**²⁹ Kleptocrats are responsive to changing conditions on destination countries. Since the full-out invasion of Ukraine and following the wave of sanctions against Russian kleptocrats, many of them have transferred some assets, such as yachts and airplanes, from Europe to Istanbul, Hong Kong, Dubai and Singapore, among other offshore destinations or “bridging jurisdictions.” As a global challenge transnational kleptocracy requires international cooperation, including in the form of better information sharing and common databases. Watchdogs like Transparency international have advocated for the establishment of a global asset registry, which would make it easier for authorities to track, tax and confiscate property. It would be in the EU’s self-interest to support this initiative.³⁰

²⁹ Jodi Vittori and Matthew T. Page refer to “bridging jurisdictions” in the context of kleptocratic adaptation as areas that have strong links to the international financial and trade systems, act as important destinations and conduits for ill-gotten wealth and may be authoritarian or kleptocratic themselves. https://www.ned.org/wp-content/uploads/2023/01/NED_FORUM-Kleptocratic-Adaptation.pdf

³⁰ <https://www.transparency.org/en/news/un-facti-panel-priority-reforms-to-advance-sdgs-counter-illicit-financial-flows>

