



Russian Criminal Groups (RCGs)

Русские/Российские Преступные Группы (РПГы) In Oz

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Should Australians Be Concerned about Developments in Russia?

- **Economic Relevance:**
 - Australia and Russia compete for export markets (coal, oil and gas, iron ore, gold, alumina, nickel & wheat).
- **National Security Concerns:**
 - Financial Crime;
 - Cyber Crime;
 - Illegal Weapons Exports; and
 - other Transnational Crime.



The Risk of Being Too Clever By a Half

- Putin announces that he will seek the Russian Presidency again in 2012.
- The inseparability of government, law enforcement and organized crime.
- Is it necessarily true that 'the past is the present, it's the future too.'?
- Is Russia a country, a state, or something like the English East Indies Company (the corporate model)?

According to the US Gov't

- “Russian spies use senior mafia bosses to carry out criminal operations such as arms trafficking.”
- [Russian state bodies] “operate as *de facto* protection rackets for criminal networks.”
- “Rampant bribery acts like a parallel tax system for the personal enrichment of state officials.”
- “Prime Minister Putin [has apparently] been amassing illicit proceeds from his time in office.”

Conceptual Framework

- When do anecdotes about criminal groups and criminal activity become “data”?
- ROC groups based in and controlled from abroad engaged in commercial/business activity in Australia) (e.g. money laundering and “cherry picking” – the later with foreign policy goals.
- ROC groups (cells) involved in traditional organized crime: (cybercrime/industrial espionage, financial fraud, human trafficking, narcotics, illegal weapons exports.



Some Context

- In December 1991, the USSR disintegrates. Angry, idle former soldiers and industrial workers contribute to a dramatic increase in economic and violent crime.
- Large numbers of prisoners were suddenly released from penitentiaries. **Annually 100,000 individuals** presently “graduate” from crime school to re-enter Russian society.
- **Existing institutions collapsed, most people were not prepared for the disappearance of the Soviet life style. Contemporary Russian youth were attracted to opportunities to make money quickly as societal ethics. What do these people do when they move abroad?**
- Those with the “right” contacts, ties to foreign business entities and foreign language skills were the most successful in their endeavors.

Largest Russian Companies (FT 500 List)

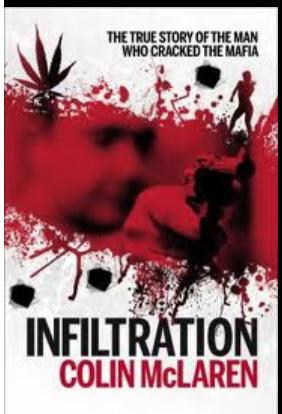
<http://media.ft.com/cms/66ce3362-68b9-11df-96f1-00144feab49a.pdf> (July 2010)

- Gazprom, Global Rank 33, energy.
- Rosneft, Global Rank 62, energy,
- Sberbank, Global Rank 86, banking.
- Lukoil, Global Rank 140, energy.
- Surgetneftegaz, Global Rank 174, energy.
- Norilsk Nickel, Global Rank 207, metals.
- VYB Bank, Global Rank 263, banking
- Novolipetsk, Global Rank 383, metals.
- Novotek, Global Rank 394, energy.
- Mobile Telesystems, Global Rank 470, telecom.
- Vimpelcom, Global Rank 493, telecom.

QUERY: Nationality of entity vs. beneficial owners;
Shills and subsidiaries.
Data collection – how reliable?



The Myth of the Russian Mafia (мафия)



- Some “specialists” viewed RCGs either through the prism of organized crime models or as a new manifestation of a “national security” threat.
- In Russia, the term “**mafiya**” [м а ф и я] is used in every day language to refer to the members of the country’s ruling/ business elite (previously, it meant Communist party officials). Also used for criminal groups is “Bratva” [Б р а т в а] -- slang for “brotherhood”.
- In 1993, the Russian Ministry for Internal Affairs (MVD) estimated there were **5,000 RCGs in the country** the **membership** of which was believed to be approximately **100,000**. Their members largely operated locally, although some engaged in int’l financial crimes and killings abroad.
- March 2010, a story appearing in the journal “*Nasha Versiya*” stated that there were approximately **300,000 RCG members** operating abroad – although others put the figure at closer to **500,000**. Query: who is doing the counting and whom is being counted?

FBI TEN MOST WANTED FUGITIVE

**Fraud by Wire; RICO Conspiracy; Mail Fraud; Money Laundering Conspiracy;
Money Laundering; Aiding and Abetting; Securities Fraud; Filing False Registration
With the SEC; False Filings With the SEC; Falsification of Books and Records**

SEMION MOGILEVICH



Photograph taken in
2001



Photograph taken in
2001



Photograph taken in
2000

Aliases:

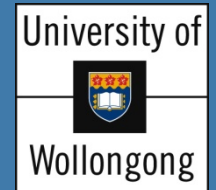
Seva Moguilevich, Semon Yudkovich Palagnyuk, Semen Yukovich Telesh, Simeon Mogilevitch, Semjon Mogilevcs, Shimon Makelwitsh, Shimon Makhelwitsch, Sergei Yurevich Schnaider, "Seva"

DESCRIPTION

Date(s) of Birth Used:	June 30, 1946; July 5, 1946	Hair:	Gray (Balding)
Place of Birth:	Kiev, Ukraine	Eyes:	Green
Height:	5'6" to 5'7"	Complexion:	Light
Weight:	290 pounds	Sex:	Male
Build:	Heavy	Race:	White
Occupation:	Businessman	Nationality:	Ukrainian
Scars and Marks:	Mogilevich has pockmarks on his face.		
Remarks:	Mogilevich may wear facial hair to include a moustache. He is known to be a heavy smoker. Mogilevich has his primary residence in Moscow, Russia. He is known to utilize a Russian passport, but may also possess Israeli, Ukrainian, and Greek passports.		



RCGs in Australia



- **Oleg Deripaska** seeks larger stake in Australian the bauxite business customers (17 April 2010, Weekend Australian (Finance)).
- The **Federal Police says the majority of cyber crime committed in Australia is driven by Russian organized crime gang**. For example, Cyber attacks of Multibet website and cyber extortion via Telstra's Alice Springs network (17 August 2009, ABC Transcript and (9 September 2009, ABC Premium News)).
- Money laundering through real estate apparently on Gold Coast (22 April 2008, The Australian), as well as Sydney and Melbourne (Professor James Finckenaure, formerly with US DoJ's Nat'l Institute of Justice).
- Of the **200 large Australian and New Zealand organizations surveyed, 43% ranked cyber risks as their greatest worry, ahead of traditional crimes, terrorism and natural disasters combined**. (25 February 2008, Canberra Times).
- Credit card fraud traced to Russian mobsters is on the rise (9 September 2007, The Sunday Mail).
- **Fed: The Russian mafia is Australia's biggest security threat (22 November 2000, AAP General News (Australia)). Is there too much hype?**

Organized Crime & the Financial Sector

- In 2008, bank specialists estimated that there were only about 300 “real banks” out of a total of 1,200 licensed banks. Most “little more than treasuries for big businessmen or entities engaged in criminal activity such as money laundering” (e.g. Bank of New York’s local partners). Some “banks” engage in loan-sharking.
- Major changes in commodities is often attributable to Russian gaming in the futures market – again another opportunity for criminal banks.
- The vast majority of Russian entities with leasing licenses are actually not involved in legitimate commercial activity suggesting they are fronts for money laundering operations.





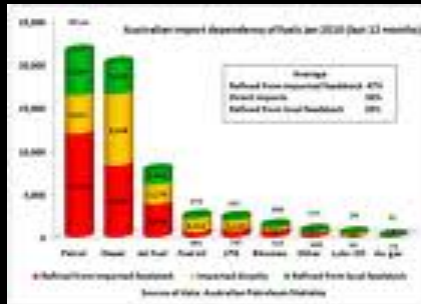
RCG Transactional & Corporate Character



- RCGs included as members many professionals (e.g. accountants, bankers, computer specialists and lawyers). Individuals with intelligence backgrounds or had the skills necessary to work abroad often in collaboration with foreign criminal groups were highly valued.
- Australian law enforcement, intelligence and regulatory activity are “under-resources” (e.g. -- who is watching the shells for Gazprom, Lukoil, Norilsk Nickel, Rusal, and Severstal? What is RusMining?
- What threats are posed to Australia from “Sovereign Wealth Funds (China, Russia)?
- Can due diligence by the Austrac (Anti-Money Laundering and Counter-Terrorist Financing Act of 2006) & the Australian Foreign Investment Research Board (Foreign Acquisition and Takeover Act 1975) be relied upon? Why does Russia want to join the Asian Pacific Group on Money Laundering?



Colonize by Purchase Rather than Conquest





International Legal Framework



- **United Nations Convention against Transnational Organized Crime and its Protocols;**
- Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organized Crime;
- Protocol against the Smuggling of Migrants by Land, Air and Sea, supplementing the United Nations Convention against Transnational Organized Crime; and
- Protocol against the Illicit Manufacturing and Trafficking in Firearms, Their Parts and Components and Ammunition, supplementing the United Nations Convention against Transnational Organized Crime.

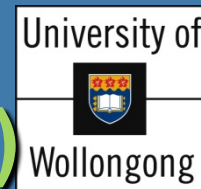


Cooperation in Law Enforcement

- Russia & Australia episodically cooperate in the area of law enforcement. Both have legal attaches attached to their embassies in the other's country and both are members of FATF and Interpol. Zero sum game atmosphere.
- **Notably**, the two countries do NOT have either an extradition treaty or MLAT, and will not recognize the other's judicial decisions.
- **Contrast** – 129 countries have one or the other:
http://www.ema.gov.au/www/agd/agd.nsf/Page/Extraditionandmutualassistance_Relationshipwithothercountries_Alphabeticalcountrylist.



Cybercrime (the Australian, 29 March 2011)



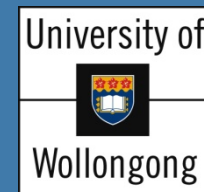
The global treaty to fight cybercrime is doomed to fail, says Eugene Kaspersky, chief executive of Russian-based IT security vendor Kaspersky Lab. The Gillard government is currently assessing whether to join the Council of Europe Convention on Cybercrime, with public consultations having just closed. While the government plans to give police new powers to order the collection of real-time network traffic data and to rapidly secure evidence held on computer systems, it has stopped short of agreeing to allow realtime interception on behalf of foreign powers. It will, however, amend telecommunications intercept laws to permit the collection of “prospective data” for foreign law enforcement purposes where the nation has made a mutual assistance request approved by the attorney-general.

■ 7 of 10 top spammers based in Russia.





UNODC Pilot Study: Potentially Useful Typologies ?



- **Rigid hierarchy** – single boss with strong internal discipline within several divisions.
- **Devolved hierarchy** – regional structures, each with its own hierarchy and degree of autonomy.
- **Hierarchical conglomerate** – a loose or umbrella association of otherwise separate organized criminal groups.
- **Core criminal group** – a horizontal structure of core individuals who describe themselves as working for the same organization.
- **Organized criminal networks** – individuals engaged in criminal activity in shifting alliances, not necessarily affiliated with any crime group, but according to skills they possess to carry out the illicit activity.

http://www.unodc.org/pdf/crime/publications/Pilot_survey.pdf



While in Russia . . . Or operating in Australia.



- Work together without showing a profit.
- Keep double books.
- Share profits through payouts.
- Respect the informal order.
- **Make and keep friends (be entrepreneurial).**
- Avoid formal institutions resolve conflict through intermediaries.
- **See Professor Alena Ledebeva's "How Russia Really Works."**

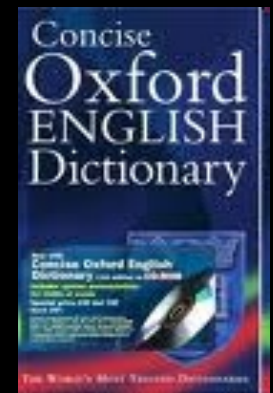
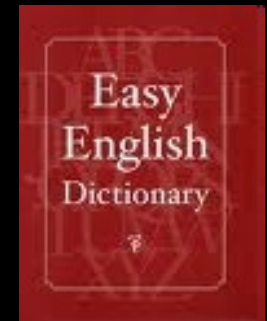
Definitions Are Critical (Part 1 of 2)

- (a) **“Organized criminal group”** shall mean a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit;
- (b) **“Serious crime”** shall mean conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty;
- (c) **“Structured group”** shall mean a group that is not randomly formed for the immediate commission of an offence and that does not need to have formally defined roles for its members, continuity of its membership or a developed structure;
- (d) **“Property”** shall mean assets of every kind, whether corporeal or incorporeal, movable or immovable, tangible or intangible, and legal documents or instruments evidencing title to, or interest in, such assets;



Definitions Are Critical (Part 2 of 2)

- (e) “**Proceeds of crime**” shall mean any property derived from or obtained, directly or indirectly, through the commission of an offence;
- (f) “**Freezing**” or “**seizure**” shall mean temporarily prohibiting the transfer, conversion, disposition or movement of property or temporarily assuming custody or control of property on the basis of an order issued by a court or other competent authority;
- (g) “**Confiscation**”, which includes forfeiture where applicable, shall mean the permanent deprivation of property by order of a court or other competent authority; and
- (h) “**Predicate offence**” shall mean any offence as a result of which proceeds have been generated that may become the subject of an offence as defined in article 6 of this Convention.



Gazprom's International Web

- Use of non-transparent “trading” and “financial leasing” companies organized in Austria, Cyprus, Lichtenstein, Russia, Switzerland, Ukraine and elsewhere.
- Involvement of middlemen linked to organized crime (e.g., Massimo Ciancimio, Dmitro Firtash, Igor Fisherman [**ties to Semion Mogilevich**], shady business people (e.g. Dariga Nazerbayeva, Bruno Graneli, Howard Wilson) and politicians (e.g. Silvio Berlusconi, Leonid Kuchma, Romano Prodi, Vladimir Putin, Gerhard Schröder) from Russia, Ukraine, Kazakhstan Hungary, Israel, Italy and Germany, as well as the Russian Government and its officials/favorites.
- Dealings with RosUkrEnergo, ARosgas, Centrex, CEEGAG, Itera. ETG, MDM, **Raiffeisen Investments, EniNeftegaz (buyer of Yukos' assets then sold to Gazpromneft), Gazprombank, Gazpromexport, etc., involving BILLIONS OF DOLLARS !!!**
- **How closely is the law enforcement and intelligence communities monitoring this situation? Gazprom spreads its tentacles. The liquid natural gas (LNG) market is next.**

Rosoboronexport and Russian Weapons Sales

- According to its Federal Military-Technical Cooperation Service, Russia expects to export \$9 billion worth of arms and military hardware to foreign clients in 2010.
- Largest purchasers seem to be Algeria, China India, Libya, Malaysia, Syria, Venezuela, and Viet Nam.
- **Transhipments through 3rd-party countries** like Belarus and other mechanisms to avoid reporting to U.N. Registry for Conventional Arms .
- **“Private” military exporters** (e.g. Victor Bout (former Soviet GRU officer – both Taliban & U.S. before arrest in Thailand) and private military forces (PMFs) – e.g. Gorandel Trading Limited.

