

# Parliamentary Intelligence-Security Forum



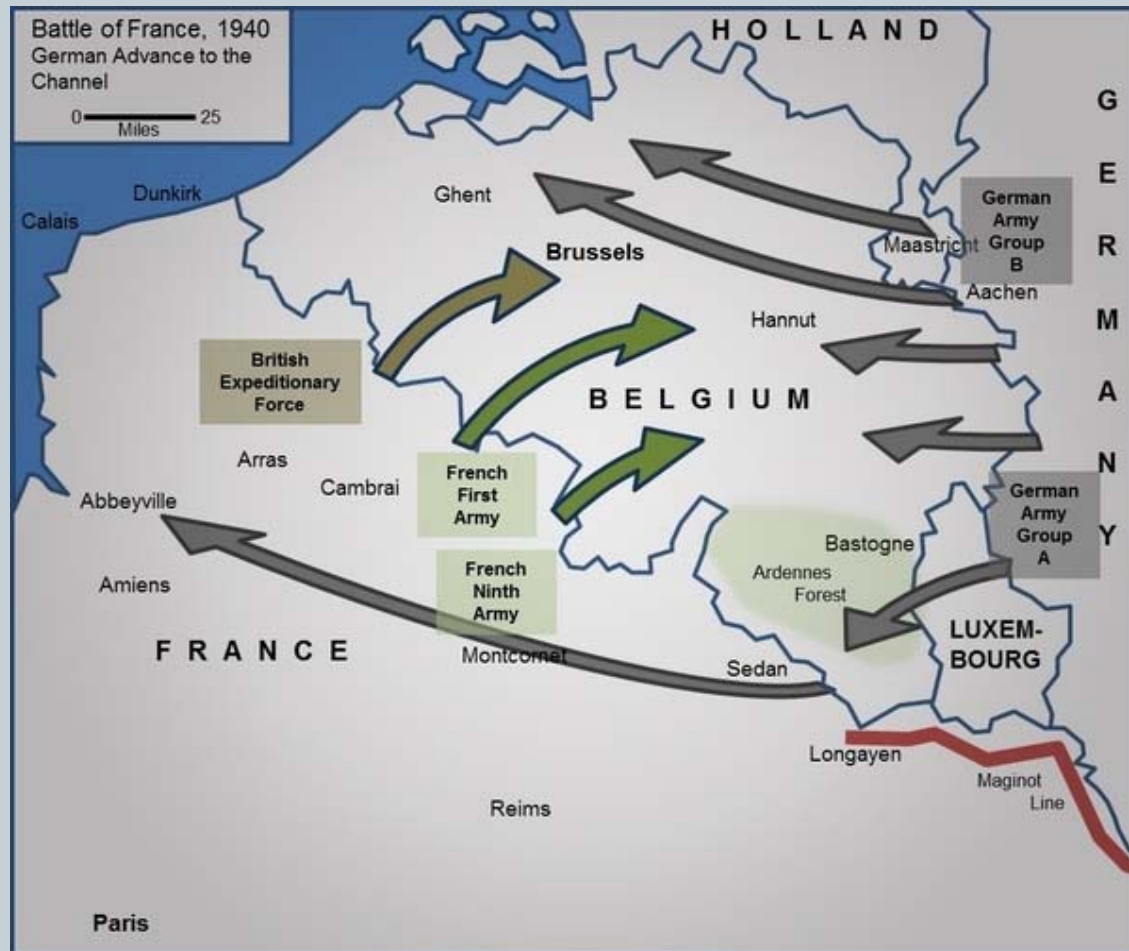
**At The US Congress**

**Washington**

**December 12, 2019**

**Hybrid Warfare, Money  
Laundering, Offshore Structures**

# The Battle Of France May 10 to June 25, 1940



In less than 6 weeks the Germans beat the allied French/British forces with a new warfare (Blitz).

Strength	
Germany: 141 divisions 7,378 guns 2,445 tanks 5,638 aircraft 3,350,000 troops	Allies: 144 divisions 13,974 guns 3,383–4,071 tanks <2,935 aircraft 3,300,000 troops
Blitz warfare	Trench warfare

80 years later – the democracies are confronted with hybrid warfare;

They will lose this war again unless the ongoing hybrid war is recognized and dealt with.

# June 6, 1944 - Liberation of Europe



**As a consequence of WW1 and WW2, - with the exemption of self-defense – war was outlawed by the founding UN charter in 1945**

# The Hybrid War Is Real And Ongoing



Killing of **Alexander Litvinenko** (November 23, 2006) with Polonium  
China's takeover of the **Spratly** and the **Paracel Islands** since 2013

Invasion of **Crimea** (Annexion 2014)

Invasion of **East Ukraine** (Protest 2014/Occupation 2016)

Downing of **Malaysia Airlines Flight 370** on July 17, 2014

Election hacking **Brexit** June 23, 2016

Election hacking **US presidential election** November 8, 2016

**DPR Korea's Lazarus Group** managed to hack and steal over half a billion dollars in cryptocurrencies 2017 -2018

Killing attempt of **Sergei Skripal** March 4, 2018 with Nowichok

Killing of **Zelimkhan Khangoshvili** August 23, 2019 shot dead

# Estonian Internal Security Service Annual Report 2108

## A Case Of NATO Article 5 - Collective defence?



Published April 2019

**Estonian is attacked by the Russian Federation on a daily basis**

# Hybrid warfare



## Hybrid Threats

- Propaganda
- Deception
- Sabotage

Weaponized hybrid threats  **Hybrid Warfare**

Once a state is weakened sufficiently, the aggressor's **strategic aims can be reached** by the use of conventional or paramilitary forces.

Hybrid adversaries **deny their responsibility** for hybrid operations and try to **escape the legal consequences** of their actions.

A hybrid approach lowers the political price for aggression, **making regime and border change possible.**

# The Hybrid War Is Not Just Public But Private



**80-90% of all critical infrastructure is owned and operated by the private sector.**

**They are the first targets** of a hybrid campaign.

Their vulnerabilities can quickly threaten the global governance (Maersk Case).

Given **NATO's heavy reliance on the private sector** to provide logistics and communications capabilities during a crisis, **these vulnerabilities** can have far-reaching effects (Huawei, Nord-Stream-Pipeline).

# TOC Is A Threat To Governance



Transnational Organized Crime wants to **obtain power, influence and commercial gains by criminal activities.**

It seeks to **weaken governance to enable it to act with impunity.**

In order to reach a system of impunity TOC manages to **corrupt government officials, computer systems, financial institutions,** and deny governments the ability to control their sovereign borders.

This in turn weakens ability to collect taxes and customs fees to fund the execution of governmental functions and services.



# Terror Is A Threat To Governance



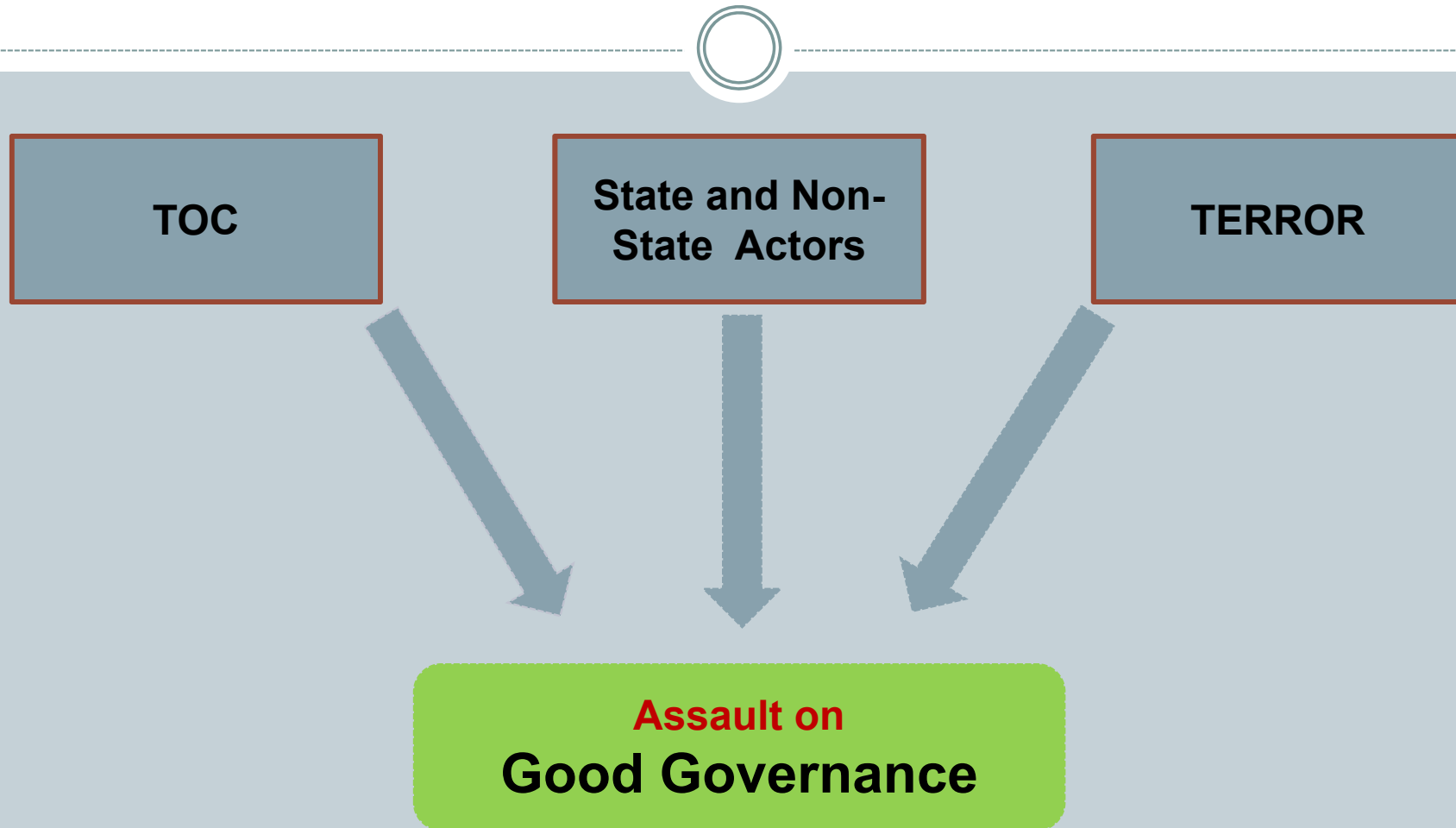
**Terrorists** require **the same system of impunity** to move people, weapons, and to coordinate their activities.

Additionally, terrorists also require the ability to get their message out in order to recruit new members and gain the maximum attention for their actions.

**Terrorists** present a **challenge to governance** as they stress the system to respond.

This often results in harsh responses, disrupted economic activity and **reduced freedom of movement for citizens**.

# Common Goal To Weaken Democratic Governance



All these outcomes drive a wedge between the people and their government  
(Polarization of the democratic societies).

# The Convergence Of Terror Groups, TOC And State Actors



**Hesbollah** = State actor in Libanon, stakeholder in Syria, Cooperation with drug cartels, supported by clan structures worldwide (Germany, Tri-border area of Argentina, Brazil and Paraguay, Support/Cooperation from and with Iran and Russia

**ISIS/Da'esh** = Terror Group and OC, Cooperation with Mafia/OC Groups - Human traffickers, Support from Turkey. Security Council Report on ISIL (Da'esh) from 1 February 2019: ISIL still has access to financial reserves of between \$50 million and \$300 million

**Taliban** = Terror Group and OC, Cooperation with OC

## Council of Europe Resolution 2279 (March 2019)



Hundreds billions of € were laundered thru the Russian-, Azerbaijani- and Troika Laundromats and the help of banks such as Danske-, Swed-, Deutsche-, Pilatus Bank, Trasta Komercbanka, ING, ABLV and others.

- State organs - **notably the Russian FSB** - were involved;
- The illicit money contributed to **serious corruptive activities** (Several MPs were bribed);

Money laundering, especially on this scale, is a **serious threat to democratic stability, human rights and the rule of law;**

**The ongoing hybrid war against the democracies cannot be won unless the huge flows of illicit funds are brought under control.**

(The Russian Federation and Azerbaijan are CoE-members)

## CoE Resolution 2279: The AML Cases Were Made Possible By Serious Structural Issues, At Various Levels



The CoE confirmed the findings presented to this Forum in Berlin, Paris, and Nairobi. The serious structural issues are:

- Under-resourced AML supervisory and investigative bodies and fragmentation of AML responsibilities between numerous agencies, at the national level in the EU;
- The European Union's AML supervision is dependent on decentralised national authorities, despite their proven inadequacy in some countries;
- The FATF is only recently increasing their focus on the effectiveness and implementation of national AML regimes.



## Illicit flows pose a grave threat to global security

- An estimated **USD 1.7 to 4.2 trillion** was laundered in 2018 alone – much of it across borders
- By comparison, the global military spending was USD 1822 billion in 2018

# The Fight Against Money laundering



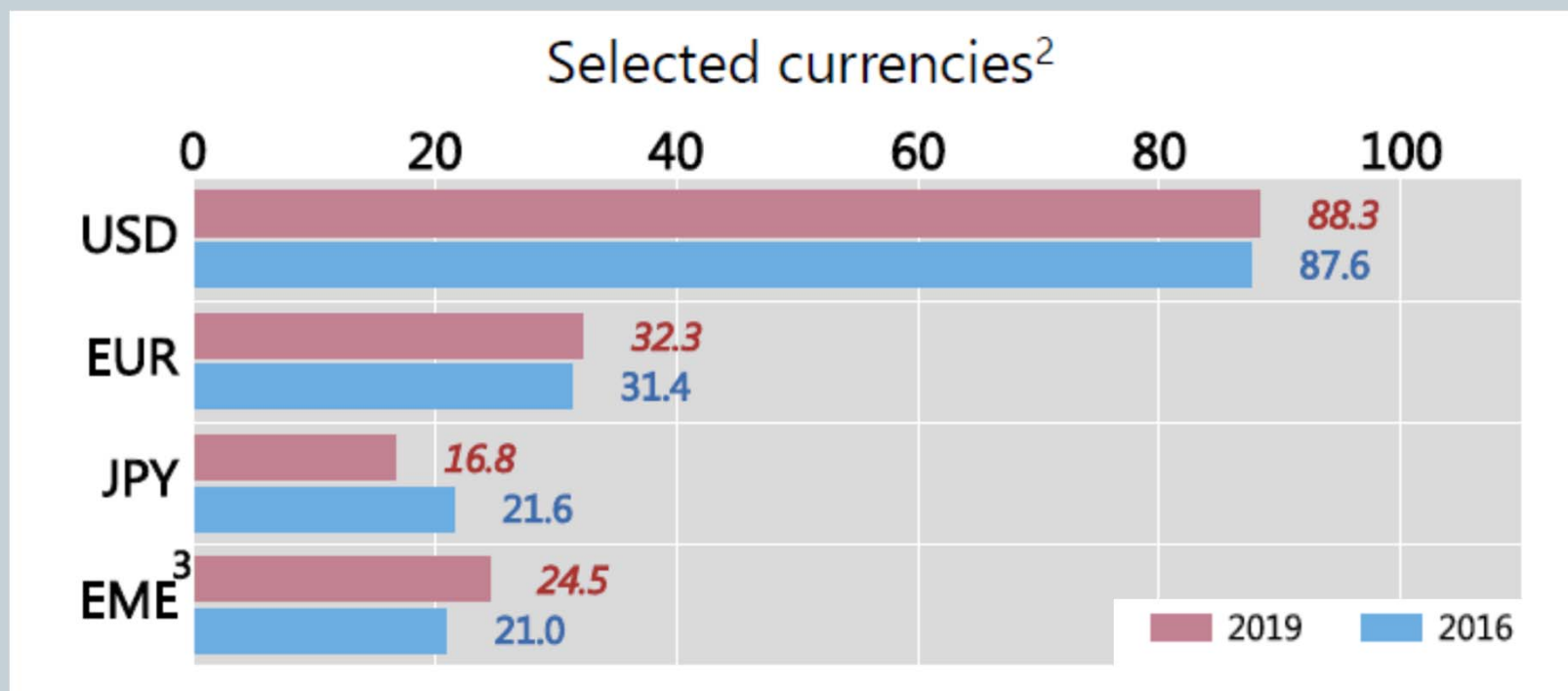
**On June 18, 1971** President Richard Nixon declared **the war on drugs**.

The FATF was established by the G7 and the EU-Commission in **1989** to fight money laundering (ML).

After thirty years we see more money laundering and financing of terror and not less.

- Less than 0.5 % of the laundered proceeds are confiscated
- 99.9 percent of the Money Launderers don't see a judge.

## The Control Of Money Flows (AML) Could Be The Most Effective Weapon / Without Collateral Damages



Source: BIS Triennial Central Bank Survey Foreign exchange turnover in April 2019



## Putin's Russia Feels The Pain



### Gold as a percentage of Russia's total foreign reserves



**Source: World Gold Council**

Bank of Russia's First Deputy Governor Dmitry Tulin: "Gold is a 100% guarantee from legal and political risks."

## Even The Autocrate Erdogan Reacts



### Gold as a percentage of Turkey's total foreign reserves



Source: World Gold Council

# The autocratic regime of Nicolás Maduro tries to survive



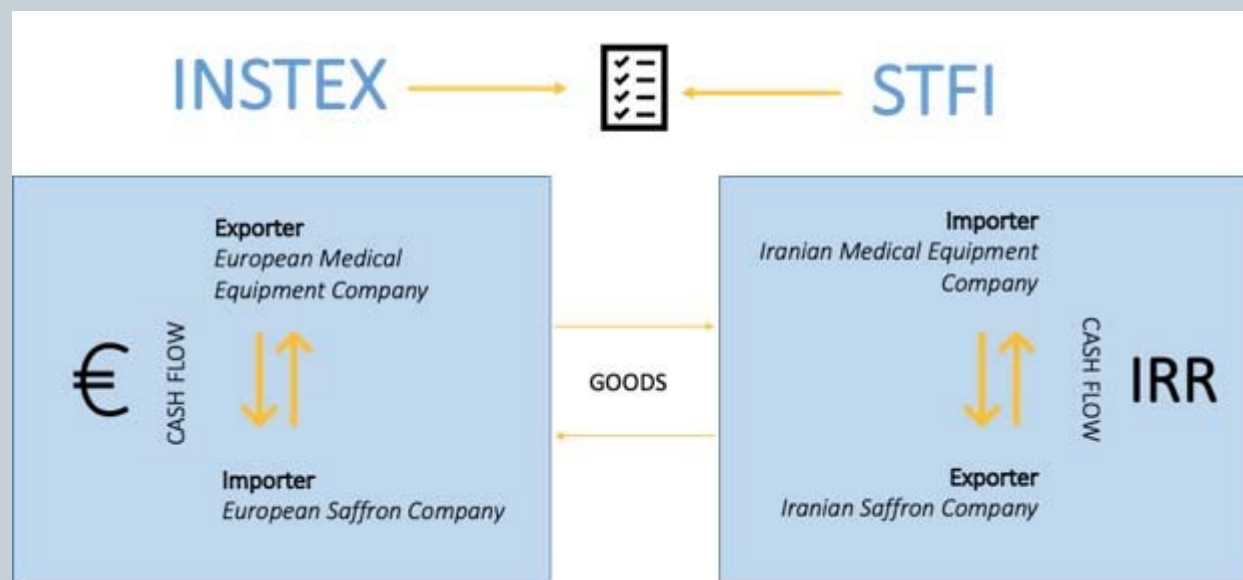
## Gold as a percentage of Venezuela's total foreign reserves



Source: World Gold Council

- In February 2018 the government of Venezuela launched the cryptocurrency petro (₷).
- September 2019 Pyongyang started the process of developing its own cryptocurrency.
- Terrorists are increasingly turning to cryptocurrencies ([CipherTrace Cryptocurrency AML Report 2019](#))

## Nine European Nations operate Iran Barter System INSTEX Opposed By U.S.



The special purpose vehicle INSTEX undermines the sharpest weapon of the western democracies.

It seems that the democracies rather fight each other than the real enemies.

## CoE Resolution 2279: The Laundromats Used Opaque Beneficial Ownership Of Shell Companies



**Financial secrecy** to conceal beneficial ownership is a key facilitator of financial crime and illicit financial flows.

The use of **intermediaries (crime enablers)** is a key feature. Western professionals import corruption and strengthen authoritarian regimes ([Hudson Institute 2019](#)).

The US creates 10 times more shell companies each year than the next 41 jurisdictions combined ([World Bank 2011](#)).

To make the criminal obfuscation structures visible, **crimes had to be committed by whistleblowers**.

In most countries **whistleblowers** expose themselves to **criminal prosecution**.

# Major Scandals...Little Results



- **Lux leaks**
- **Swiss leaks**
- **Panama leaks**
- **Bahamas leaks**

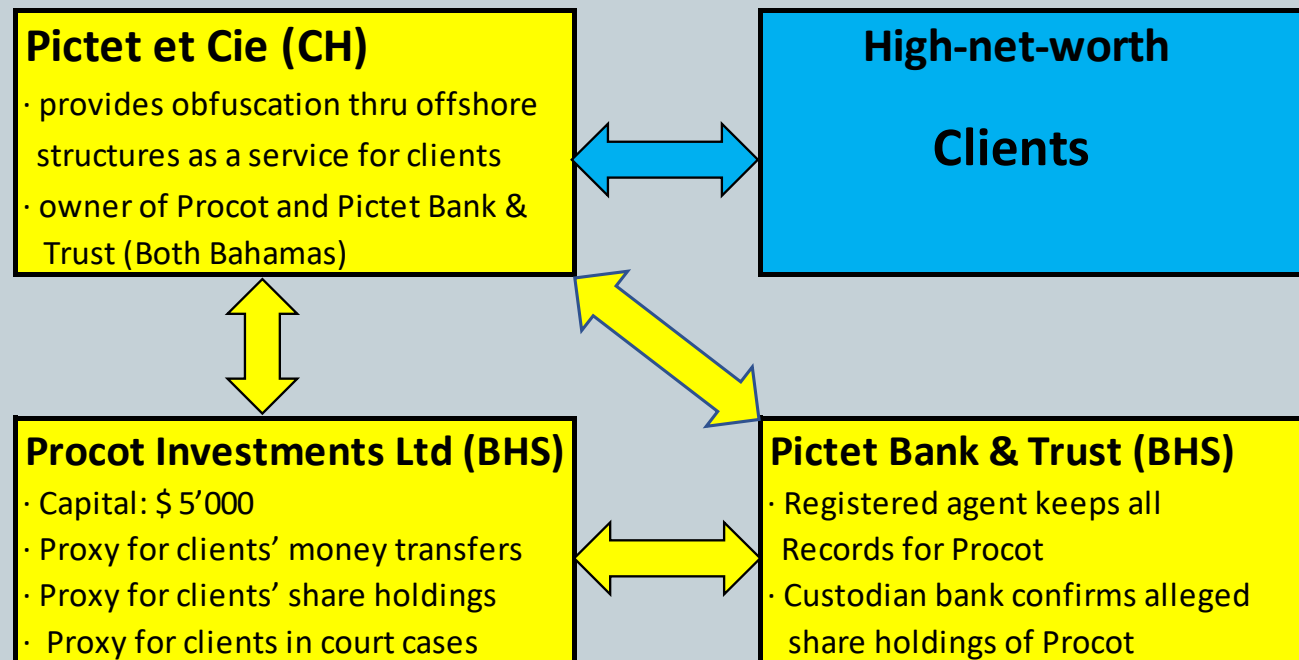
## If You Don't Like The Message ... Kill The Messenger



The **Swiss Bank Program**, which was announced on August 29, 2013, provided a path for Swiss banks to resolve potential criminal liabilities in the United States. There is evidence that **the business model for some of those banks has not changed** rather has become more sophisticated.

On September 25, 2016 the amended **Swiss intelligence agency law** was approved by 65.5% of the Swiss voters. The law came into force on September 1, 2017. It empowers the secret services to **protect the Swiss financial center** by - for example - going after critics of the “harmful secrecy system” in a world-wide operation.

# Obfuscation As A Service



**The IBC Procot was still active in 2016**



# How To Get Rid Of Offshore Structures In A Win-Win Process



The DoS named Bahamas a “**Money Laundering Jurisdiction**” ([INL-Report 2018](#));

There are 173’907 International Business Companies (IBCs) registered in the Bahamas;

The Bahamas does not maintain official records of company **beneficial ownership**;

Total income for the Bahamas from the IBCs is **less than \$ 100 million**, according to the Bahamas’ Central Bank;

On September 2019, a devastating category 5 hurricane devastated the Bahamas;

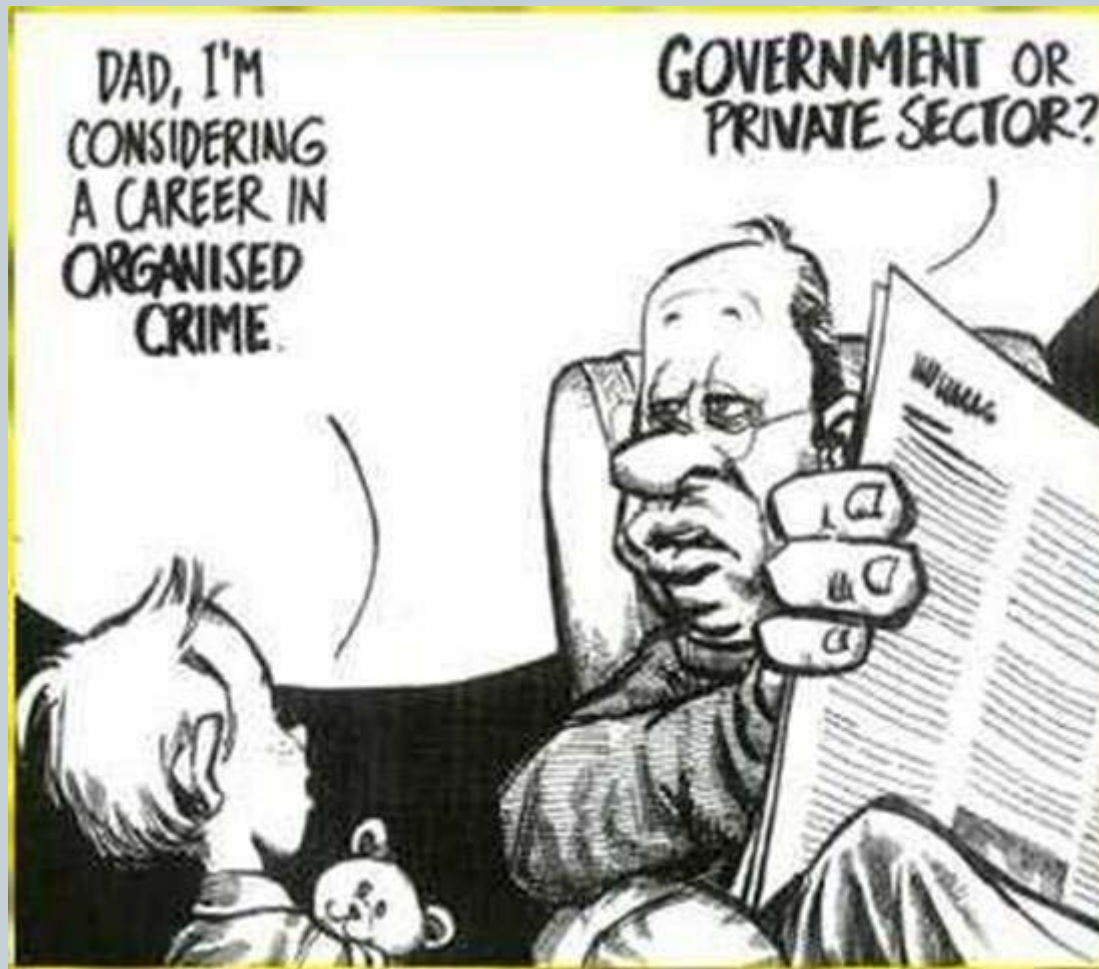
**Proposal:** Finance hurricane-proof buildings in exchange for closing all of the IBCs where the UBO is unknown. This would cause panic under TOC, Terror and rogue state actors.

# What Needs To Happen Without Delay



- As an inherently transnational activity, global money-laundering is perhaps the definitive problem in need of cross-border, rules-based cooperation;
- The G-7 - the founders of the FATF - have to take the lead again in strengthening and enforcing global AML /CFT norms;
- Implementation and enforcement of the AML /CFT norms need to be properly resourced;
- A universal norm of transparency needs to be established in respect to the beneficial ownership of all asset classes;
- National registries should be standardized and interconnected to facilitate cooperation;.
- Offshore structures must be made transparent;
- NATO should include AML/CFT in its doctrine;

# Who is the Villain?



# Thank you for your attention



## Any Questions ?

