

Announcer: Mr. Joshua Kirschenbaum.

Joshua K.: Thank you. Good afternoon. We called this panel Illicit Finance and Foreign Influence because the argument I want to make is that illicit finance and money laundering and lack of financial transparency have generally been thought of as either financial or regulatory issue or a law enforcement, criminal issue. What I want to argue is that it's also a national security issue, and a potential national security threat.

Joshua K.: I'm a senior fellow at the German Marshall Funds Alliance for Securing Democracy, and we focus on policies to combat authoritarian interference in Western democratic institutions. We look at a variety of asymmetric tools that Russia and other actors use, including disinformation, cyber attacks, economic coercion, covert political support, and illicit financial activity. What we've seen in European banks in particular is a number of very large-scale money laundering scandals tied back to Russia. We know from economists that there's an estimated \$800 billion in Russian wealth held offshore, and a lot of that manifests through money being sent through shell companies at European banks to get out of Russia and then move onward. Often these scandals have involved hundreds of billions of dollars going from one small branch of a bank in an offshore jurisdiction. This has often been concentrated in the Baltics, Cypress, and Malta; but it's also happened in London in the U.K. and in the Netherlands.

Joshua K.: So, I have here a screenshot from AST's authoritarian influence tracker, which uses open-source research to catalog interference events across those five tools that I mentioned. We cataloged hundreds of events, including over 80 incidents from 2001 to 2018 involving illicit or malign financial activity. We categorized that as either a major money laundering scandal at a European or American bank tied to Russia or documented open-source instances in which financing was used to facilitate another interference operation, like hacking or covert political support. I urge you to check that out on our website securingdemocracy.org, where you can explore it and select by country or type of incident.

Joshua K.: We've also, in addition to the tracker, developed a series of in-depth case studies on illicit financial activity related to Russia in Europe and North America. Quick highlights. The first one, which came out last year, was a study that was covered in the Washington Post about Russian support for the far-right National Front Party, now known as National Rally, in France in which over €9 million were channeled to the National Front through a Russian Bank, exploiting a loophole in French campaign finance law. That bank had ties to organized crime, and ultimately collapsed in money laundering scandals in Czechia and Russia. It was clear that the Russian government directed the money to be sent through that bank. When the bank collapsed, it turned out that it was arranged inside Russia for the outstanding loan to National Front to be transferred to a company called [Foreign Language 00:03:13], which is a military industrial

complex. Its leadership has ties to the defense establishment of Russia. National Rally is still paying that loan on a monthly basis, and it comes due later this year.

Joshua K.: The second case study we conducted was about the intersection of illicit finance and Russia's use of energy coercion. We covered a number of different instances, including traditional pipeline politics and gas cutoffs. But there's two particular examples I want to highlight that really intersect with illicit finance. The first was covert Russian funding for a finished nuclear power plant project. ROSATOM, the Russian nuclear company, was involved in the project, but under EU rules, the majority of the financing had to be provided from EU sources. So a network of front companies in Croatia was used to provide a significant portion of the funding. It turned out that those Croatian front companies were funneling money from a group of Russian business people involved in real estate development in Russia. There's a classic example of the use of anonymous companies to obfuscate and in further interference operations.

Joshua K.: The second example that I'd like to highlight from this study is a number of documented instances of use of commodities trading firms, usually in Switzerland, to opaquely provide below market gas or oil into a European importing country. So often, there'll be a regular contract with Gazprom and then a separate Swiss firm will be set up to get the gas at below market prices. They can then sell it into the European importing country at market prices and make windfall profits. We believe this happened in Hungary, Ukraine, and elsewhere. We think this is a way of enriching local elites that will then perhaps work to further Russian interested but in a deniable, indirect way. I urge you to check those studies out; also available on our website.

Joshua K.: Our next case study, the third of this series coming out shortly in early July, is a deep dive into Cypress's offshore financial sector and the heavy dependence on Russian money and the political influence that that engenders. Look for that soon.

Joshua K.: Onto the topic of today's panel, illicit finance from Russia and the European banking system. I argue that one of the reasons, one of the main reasons, there have been so many large-scale Russian money laundering scandals in Europe in the last few years, in the EU, has to do in part with what we call the supervisory architecture. The way that supervision and oversight of the bank is set up.

Joshua K.: Right now, there's a common market for financial services in Europe, so you can get a license in country A and export those services and operate in any European economic area country. On top of that, in the Eurozone, in the banking union, the European Central Bank in Frankfurt licenses banks and is also responsible for general banking supervision, but all the anti-money laundering is delegated to the 28 member states. So this causes real communication and coordination problems. It's also led, I argue, to regulatory capture and excess political influence in certain countries, making it hard for regulators and supervisors to be independent, and difficult to impose the large kind of fines that would be necessary to deter this activity.

Joshua K.: So what I have here is a series of quotes from senior European Central Bank officials calling for the creation of a centralized authority and/or much more coordinated centralized efforts to combat money laundering. It's a cross border problem. Most recently, Mario Draghi, the head of the ECB, called for this. This was just a few weeks ago. Said that there needs to be a central empowered authority to take this on. That's Andre Enria, who's now head of supervision at the ECB. Formerly head of the EBA.

Joshua K.: A quick survey of fines, just to show you that they're very uneven. There was an extremely large fine by Dutch prosecutors against ING recently. The United Kingdom has had a couple big fines around that order of magnitude, and then it drops off very precipitously. After that, you tend to get a lot of one or two million euro fines, which I don't think is a deterrent when you're dealing with hundreds of billions of dollars being laundered and a lot of profits being made. Conspicuously absent from this chart - I mean, many countries are absent, but I wanted to point out that we couldn't put Germany on there, because Germany's practices of supervisor BaFin does not publicize violations or fines. So it's in secret; leads to a lack of accountability. I think that more publicity, more accountability, and larger fines would go a long way.

Joshua K.: To give you a quick sense of scale, this is just publicly reported numbers; scandals in Estonia at over €100 billion. Major scandals in Lithuania, Moldova, Latvia, U.K., all at the €10 to €20 billion. These are publicly reported numbers. Obviously the Danske Bank as the largest was quite bad. I do want to point out the Danske is one of the only institutions that actually conducted an internal investigation and publicized the results. So it's not that that was necessarily the largest case; that's the largest we know of because they were actually transparent after these serious failures. We don't know what's happened in Cyprus or Malta or a lot of Latvian banks that never conducted investigations.

Joshua K.: There's one example to give you a sense of how those numbers could really move. We have here €18 billion for Moldova, because that's what was publicly reported in the press. Well, what that number actually is, is what documents journalists were given showed about \$20 billion, €18 billion coming from Russian banks into a bank in Moldova called Moldindconbank. But some interesting research from the NGO that Brock Bierman just mentioned, Watchdog MD, looking at Moldovan Central Bank figures shows this was probably a lot bigger. So the scandal was for four years, starting in 2011. What those official numbers show is that the inflows from Russia into Moldova were about €75 billion. Then when it all came out in the press, it drops down to a couple billion euros a year. This is additional research from Watchdog MD. What that shows is, that once it was publicized, the influence from Russia went down to about €3 billion a year, which is roughly keeping with the actual trade and remittance relationship between the two countries. So that's probably normal.

Joshua K.: Back of the envelope, everything else was probably excess or illicit, meaning about \$70 billion in, another €70 billion out. So money laundering through Moldovan banks in that four year period could've been something more like

€140 billion. But again, never been publicized. That's just one very small country and a couple small banks.

Joshua K.: In addition to centralizing authority, what else we could do. What else could we do? Track the flows. The best examples for tracking the flows are Canada and Australia, that have actually set up central databases for international payments. This is just a sample instruction that the Canadian authorities give to the banks that say when you get a swift message, like the transactional detail, here's how you report that into our central database so it's all automated. It's not a manual thing. It just goes by the computer in batches on a daily basis. This would go a long way to identifying these types of scandals quickly.

Joshua K.: Jesper Berg, the head of the Danish Supervisor, our panelist in a moment, has called for more action within Europe to do this. I think it could at least be done within the Eurozone, if not across all member states. United States, by the way, has not implemented a similar database, even though we handle the largest number of cross border payments; even more than euros. Congress gave Treasury the authority to do it 15 years ago, but has yet to be implemented.

Joshua K.: So those are two things we could do: centralize supervision in Europe, move toward monitoring cross border flows in dollars and euros. There's a lot more we could do, so I'd urge you to also check out our European policy blueprint. On Wednesday, AFC released our blueprint for countering authoritarian inference across all the tools in the tool kit, which is available on our website as well. Just came out. We talk about illicit finance recommendations, better foreign investment screening in Europe, as well as a number of other policy recommendations.

Joshua K.: That's a quick overview of some of the illicit finance issues and some of our policy recommendations. Now I'd like to turn it over to our moderator, Simon Shuster of Time Magazine.

Simon S.: Thank you for that introduction, Joshua. You also presented a lot of the case studies that we're going to discuss with the two panelists today. I think we're really lucky to have two of the people who have really been on the front lines of some of these massive money laundering scandals in the last couple of years. I'll just introduce them. Jesper Berg, who you mentioned, is the head of the Danish Financial Supervisory Authority; and Evika Silina, Parliamentary Secretary of the Prime Minister of Latvia, and you've been dealing with a lot of the reforms that have evolved from these scandals in Latvia and the ways that the government has responded to them.

Simon S.: I wanted to start by giving you a chance to sort of lay out - there have been some fresh news, I think even this week, in Latvia - developing ways to counteract money laundering and respond to the scandals of the last few years. Could you please explain how Latvia has been responding? What reforms and how they will prevent Latvia in the future from being a funnel for illicit funds from Russia and elsewhere?

Evika Silina: Okay. I will say that I have to stand up to interact with the auditory. Excuse me if I may be my back. Yes, it has been said before; Latvia was in one of the numbers where the money laundering scandals has been rising. What I can say, without political will, there is no possibility probably with my colleague and then assure, there is no possibility for the Watchdog to do anything, together with the law enforcement, to combat money laundering.

Evika Silina: Latvian Parliament has now not just opposed the political will; we have adopted tremendous reform as regarding to combat money laundering. To understand to the auditory, we are the country that is located geographically next to Russia. We are north Europe. We have been historically connected in Soviet times with Russia. But we have there already before, so we made the decision to become part of EU. We became a part of NATO. We are introducing and we are using Euro. So we know how to deal with the tough questions and there is times where you have to make a decision that we will not go together with Russia. So this is one of the same situations. When we talked about the different issues of what Russia is doing, we can actually temper and we can sense the issues, what will be maybe Russia's next step.

Evika Silina: What they're doing there economically is trying to make their power in anyone's country. That's why our country has introduced the Fifth Directive for Anti-Money Laundering already, six months ahead of the time which should be done. We want our financial sector system to be transparent for all of you to be seeing how the penalties look like, and for the banks to be aware of the situation, as I have found out that banks are more afraid of not the penalties which you can count. But they're afraid of the public open discussions that some bank has a problem and they cannot count how big the penalty should be, but they know that their shares could go down because of luck or bad information.

Evika Silina: What else we have done; we have strengthened our FIU service, and we have strengthened our watch dog. Because we understand that in past, we cannot live in the past where prudential risks was the main ones, which the watch dog fulfilled together with ACB. We understand that the AML issues and the anti-terrorist laws and all those policies should be in the same category as prudential risk. So we want our watch dog to be not only the prudential risk watch dog; we want them to also control also AML issues. Because they are in the main categories; they are so much priority as prudential risks because if some of the banks are washing money, so probably there is a question of taking of their license.

Simon S.: But have you limited the amount of non-resident funds that Latvian banks can have?

Evika Silina: Yes, we have.

Simon S.: That's kind of crucial.

Evika Silina: We have limited our non-EU deposit funds from 35% to eight this year. We have frozen assets twice last year and this quarter five as much. We have made quicker our legislation to froze assets, and we have understood we have to be very quick. That's why we also have changed the laws towards our watch dog, and United Nations sanctions will be possible to apply without delay. I believe it's very important.

Evika Silina: Unfortunately, we have made the mistakes. We can teach and not teach; we can actually show examples to other European countries. Because we are interested to all of Europe, to be together in this anti-money laundering issues because maybe some police are here from Scandinavian. Yesterday, our prime minister met with Swedish prime minister, and they both came out with the public reports that say both are interested to find a way to be together in the united policy of Europe. To find a centralized way how law enforcement, the watch dogs, and the FIU services can work together. Otherwise, when there will be the hole in the house when you have some problems, you can close one hole but from other sides, money will flow out. That's how we see it.

Simon S.: Yeah, I think that's a fundamental problem. We talked a little bit before about how this is a global conversation, not just an EU one, or certainly not just a Latvian one.

Simon S.: I wanted to turn to you, Jesper, with a slightly more kind of specific question. At the peak of the money laundering scandal with Danske Bank when there was all of these potential hundreds of billions of dollars moving through the bank, the problematic branch of Danske Bank is Estonia was accounting for about 11% of the profits of Danske Bank, even though it was only about half a percent of the operation. That's very enticing, financially, for a bank. How do you convince the banking sector to go along with these reforms? Have you had any pushback from them? How has that looked? Also, from the public; people tend to react badly when there's a run on the bank. When the U.S. government announces some money laundering investigation and people start pulling deposits out, how do you calm the public on those issues, too?

Jesper B.: Thanks a lot for giving me a chance to explain. What happened in Danske Bank was deplorable by any standard. Unfortunately it isn't unique. We've been very transparent about it. I don't think you can find any issue on money laundering, which has been so well publicized, including by us as a supervisor. The consequences for the bank has been draconian. There's nobody left who was responsible either at the executive board level or the board of supervisors.

Jesper B.: In Denmark, this is not exactly something which has given rise to a national cry. We tend to pride ourself on being an orderly, non-corrupt society, so the wrath from the general public in relation to these issues has just been huge. Bankers sort of rank close to the bottom of the totem pole when it comes to credibility these days.

Simon S.: Where's the journalists?

Jesper B.: Same level, more or less; give or take. If I ask Danish bankers today, this is the number one issue they're afraid of, given also what happened at Danske. When you look at some of the initiatives which have been taken, Josh showed the historical fine levels. I think in the near future, we'll be capable of competing with the U.S. in terms of the levels of fines. The levels of fines which has been instituted by Parliament in these cases, basically the sky is the ceiling and the sustainability of the bank. It's the same as in the U.S. You don't want to send the bank into an existential crisis because of the financial position because of these fines.

Jesper B.: But there's a lot of scope for having fines into the billions of Danish Krona and the Danish Economic Police is pursuing them. I think that's sort of been the question about sort of whether a bank like Danske can hold on to these things. Fortunately, they were well capitalized. They make money being part of the world. One of the few parts of Europe actually where banks can make money.

Jesper B.: I think you referred to the earnings which Danske had on this issue. I don't think for the Danske Bank group it was an earnings issue. You referred to the 11%. That was the year where they basically made nothing because they wrote down the [inaudible 00:20:09] exposures. They had two very unfortunate international expansions, one into the Baltics and one into Ireland shortly before you had the collapse of the Irish economy.

Jesper B.: So basically the 11% was 11% of nothing-

Simon S.: Still there's a lot of money to be made in these kinds of transactions, right?

Jesper B.: Yeah. No. No-

Simon S.: That's what makes them so definitely appealing.

Jesper B.: Well I think where these were appealing and I think what happened was that you had rogue branch which was not controlled sufficiently. I think that was the issue. I think that Danske discovered it much too late. The lines of defense didn't work sufficiently well and I think the big issue, and that's one of my lessons which is very sort of un-Danish because Danes tend to be anti-authoritarian, but in the case of Danske, Danske is run very much like a ship.

Jesper B.: The majority owner is our largest shipping company, well not the Majority owner but the largest owner, and Danske, sort of in terms of cultures, has had a lot of advantages out of that because basically it means that whatever the CEO says, everybody does. For those of you who have been in big corporations or big institutions, you know that's a fairly rare thing.

Jesper B.: Typically very few of the decisions implemented are implemented all the way out into the end of the line. That happened in Danske and the mistake was that

nobody sort of kicked in of the CEO and said "Don't do this," and that was the mistake in terms of culture.

Simon S.: Well I wanted to move on to the political aspects. I mean we've been talking about regulation and the economic side a little bit, but in terms of politics, I think, as we talked about a little bit before the panel as well, as the Baltics were gaining their independence from the Soviet Union and kind of developing economically and politically, Scandinavian countries really were there for them in a lot of ways.

Simon S.: And they felt a strong connection to bringing these countries into a kind of European family, the EU, NATO and so on. Now, after these scandals, it seems like there's pressure on the Banks to pull back the economic cooperation. To be severed in many ways. That this is sort of toxic territory that, at least for the business community is too dangerous to touch.

Simon S.: Has that been a problem and do you think that that plays into the hands of Russia to sort of create a vacuum that the Kremlin can fill?

Jesper B.: I think that's a huge issue. I think that when you actually look at it apart from what happened in the minute laundering scandal and the implications at home and in Europe, this is the biggest global issue. The biggest global issue is if Scandinavia were to withdraw from the Baltics because of these things, because as you said and my Latin colleague may expand on these issues, Scandinavia felt a huge obligation when the Baltic countries gained independence, in moving in and supporting them, we were front runners and also securing entry into the EU.

Jesper B.: And I think the biggest problem would be if Scandinavian banks would withdraw, because basically Scandinavian banks are the one kind of banks left in the Baltics which serve as correspondent banks, and no country can work without correspondent banking system, so I think that would be a huge issue. I think we should work to avoid that that happens because it will have huge security implications, and I think that there are others who use the tactical opportunities right now to work to that that should happen and I think we should counter them.

Simon S.: I mean how do you prevent that though? Politically and economically it's hard to convince Danske bank to step into that-

Jesper B.: Well I think Danske is actually thrown out is the first word but then came straight back, so Danske is history, but I think my Swedish Colleagues, the Swedish bank, the Swedish blue authorities, the Estonian and the Baltic countries worked damn hard to keep some of the Swedish bank in there although if you were a CEO and a risk manager, the first thing you would do is move.

Simon S.: Yeah. Evika, I want to talk about the kind of political influence question with you as well just to get a sense from you of how much that is front of your mind when you think about money laundering? How do you see specifically political influence coming through that channel? And do you think that it's more significant the political influence that comes through illicit financial flows as compared to completely overt investments, real estate purchases, things that are totally above board but still allow the Kremlin or billionaires loyal to the Kremlin to exert influence over Latvia and it's neighbors? How do you compare those two in terms of how dangerous they are and how significant they are for foreign political influence?

Evika Silina: You have to understand what we see with illicit money. UN Sanctions are usually applied to the ones who are familiar with Kremlin regime or they are friends of Kremlin. You have to understand Russia politics. Sometimes throughout the bad guys for them but they protect the good guys also for them, so there is very mixed influence and very mixed culture and mindset of Russia politics.

Evika Silina: Sure we are in a border, as I told before, with Russia and always we'll stay here, so they have to be very clever and to understand the temper. We have actually changed the laws for real estate. In Latvia you can not so easily get temporary permit for residency in Schengen Territory anymore as it was huge issue some years ago. Not only Latvia, I believe in Spain, Cyprus, everywhere. But politically this government of Latvia is very European oriented.

Evika Silina: Europe is where we are. We are Europe and that's why we found very important to work together with Scandinavian politicians as to protect the market of influence of Russia. This influence is not anymore as it used to be very ideologicistic. It's soft and they use soft measures of economy, culture, some misinformation, something truth, something not truth. So you have to be very clever and united vision and united sort to say North European and actually European understanding of those resources is very important.

Simon S.: But how do you do that without explicitly discriminating against Russian businessmen or any particular nationality? How do you implement controls to block political influence coming in through the economy, through economic coercion without saying, "No Chinese businessmen can do business here?"

Evika Silina: There is for FIU services and for the watch dogs, there is some characteristics which money could be suspicious, so they have to know their client and if this money comes, for example, from non-EU residency, they have to make an extra investigation hat the client actually is. We have limited our shell companies and we have also we have a law that you have to show your beneficial owner, and if you don't show your beneficial owner then your company can be just excluded from the registry of enterprises, so there is this kind of mi of things you have to do how we can actually work against with political measures together with real some practical issues.

Simon S.: Yeah, I see what you mean and it reminds me of the earlier point about making this kind of a global conversation. The United States also has a real problem with beneficial ownership. Joshua you've written a lot about this, that this needs to change and beneficial owners need to be more visible than they are currently in U.S. Finance. How do you address the question of hypocrisy in the global conversation around us? That you know, as you talk about illicit finance, offshore banking, the United States, the U.K. control a lot of those jurisdictions where this happens. How do you address that issue and try to open this to make it more global conversation without it turning into a kind of blame game, shouting match, whatever ... with everyone saying, you know, but you do this. Kind of what about-ism?

Jesper B.: Well I think that we have one international organization where we deal with these issues and that's called FATF. The U.S. and the U.K., all the members there, they always are being examined. I've been through an examination. That's tough I can tell you and I think that's where we have to deal with these issues primarily. That's where the best expertise is located.

Jesper B.: Of course we can also do something at the UPN level. I just ... flash my UPN credentials. I worked four years at the ASPPB and I've worked also as a globalist for years at the IMF, so I believe that international cooperation is good, but at the same time I think we should be careful and that's where Josh and I disagree a little bit probably and we have had a discussion in terms of what is it you want to do at UPN level.

Jesper B.: I think there's certain things we agree on. There's certain things we do not.

Jesper B.: We both agree that we need to work closer in setting the standards in the UPN banking authority. We both also agree that we need some form of European infrastructure where you can report transactions and dicey customers. I think that's where there's scope for full cooperation. I'm much more doubtful on the proposals of the UPN anti-money laundering authority which would ... not because I don't want to give that job away. If there's any job I would like to give away from my own reputation section, it's the money laundering and that's also why my good friends and colleagues at the BZB would prefer to give it to somebody else because they don't want it themselves.

Jesper B.: But at the end of the day, the value chain is national. Anti-money laundering is fought by the banks who get the customers. Me, as a supervisor, who makes sure the banks do what they're supposed to do. And at the end of the day the national financial intelligence unit as well as the prosecutor, and I can't get into my mind how a European authority could interact with international prosecutors in a way which would be fast and quick and rational, so while I believe in European cooperation, while I believe there's a need for infrastructure where you gather all the information, I can't see how you operationalize a European anti-money laundering authority.

- Jesper B.: I can easily see everybody wanting to have such an authority, not to have the responsibility for that job because it's a dirty job. It's even dirtier than doing supervision.
- Simon S.: And Evika, you pointed to one of the fundamental problems in this as well earlier one, when you said you can plug one hole but then immediately another one enters. Right? If you close one jurisdiction or one bank or one branch of a bank that is involved in money laundering, another one will open because the profits are there. I mean, how do you address that and also, in conversations with European partners or partners across the Atlantic, how do you tell them, "Hey, maybe you should get your house in order"? Does that conversation come up and can you share some of that from kind of behind closed doors?
- Evika Silina: I can agree with my colleagues. It's easy to point another side but it will probably will not be the issue is money laundering because it's very fast moving forward. And when there is a lower point, they will find a way how to get under the door, right? That's why I'm talking about this united European law application, understanding, and probably some technological issues.
- Evika Silina: We have in Latvia now. Okay, Latvia again, but we have in Latvia now that Banks can share information if they find the suspicious client. They can share with law enforcement on [TRDIS 00:32:06] and that's a thing that helps a lot. So why don't we share with European authorities much faster. Actually even now we can say, we in Europe, we can do everything we have in European Union, but we would love to share this information much faster with European Authorities as well as with United States Authorities, as they are actually those big watch dogs over us with [FayFTV 00:32:30] and that's why we talking about united political vision inside the Europe.
- Evika Silina: We have to find a way, okay, 5AML directory is one possibility how we can deal with this, but still much more practical things probably should be done, like I don't know, immigration crisis. Okay? Everyone remembers immigration crisis. Everyone was dealing in their own country while there was so big crisis that everyone understood we had to do it somehow commonly together, so I believe money laundering is something very similar.
- Simon S.: And I think, you know, as we consider the political and geo-political implications of this conversation ... does the response from the west, in terms of trying to block out certain kinds of financial flows from Russia? Does that, in some ways, play into the hands of Vladimir Putin because it sort of keeps that capital within a realm that Putin can better control. Right? It sort of keeps a shorter leash on the oligarchs, you could say? I mean, this argument has come up. I mean, Joshua, since we have you on the stage here as well, if you could chime in as well, what do you think of that kind of argument?
- Joshua K.: Yeah. I've heard that a lot, and I've thought about it a lot, and I've concluded that I don't know the answer. It seems possible that it benefits the Kremlin to consolidate power by having better visibility. I think that it makes sense to

basically discard that possibility and nonetheless press forward for a couple reasons: One, that hasn't really been proven any kind of tangible way to me. It seems equally likely that from past experience, perhaps there are networks that are shut down but other networks may be favored. Elicit facilitation networks.

Joshua K.: And clearly we've seen these opaque channels be used to directly facilitate interference as we talked about with First Czech Russian Bank in France, but also indirectly as an escape hatch for corruption proceeds, can build political constituencies like in Cyprus that are dependent on this, etc. So I think that we need to protect the Western financial system and it may be that an unintended byproduct is strengthening of control different business or oligarch factions.

Joshua K.: I don't know, but I haven't seen it proved enough to really change policy based on that.

Simon S.: I mean, along the same lines, Evika, if we go ahead with very strict controls on the kinds of financial flows between say Russia and the Baltics, Russia and the EU, your country has a border with Russia. There's a lot of economic integration. How much damage would that kind of new economic iron curtain do if it really had some teeth? Do you worry about that?

Evika Silina: It's already there. We have the struggle already and we actually dealing with these questions because from one side you have to make a strong iron curtain as you said, but we don't want any illegal money to come in our country, but we want normal businesses to be done. We want transparent. We want strong watch dog. We want for everyone understandable gain but we don't want this dirty money plays through our country.

Evika Silina: That's why we want to strengthen our institutions. That's why we actually doing what we're doing but sure some of the banks don't want to open accounts anymore to the companies which are connected to Russia and that's a struggle. We have to find a way how we deal with these questions. We have talking with banks and we are making stronger clearer set of rules like a security line which companies are still okay. That's why I told before about this beneficial owners. It's very important when you can check maybe together with our security organizations, with our security institutions, that this company is secure or it's one which whom a business can be done. Why not? Why Not?

Simon S.: Yes, but you have to be quite careful about how you build this kind of filter. Maybe not a wall but a filter, right?

Evika Silina: Yes. We cannot-

Simon S.: Because you can't shut down trade.

Evika Silina: Yeah, we don't want to build the wall. We still need business there. We need our domestic banks. We need Scandinavian banks. We need American banks. So

we want the business still be there but for example ABLV Bank before, when they lost their license, actually our domestic economy didn't change a lot because the influence of foreign money was so high and foreign non UE investment was so high that it actually didn't affect our local economy and that's good for that reason.

Simon S.: And ... we're running out of time here quite quickly, but kind of a broader question that always bothers me on this topic: Don't you think that a lot more political influence comes into the European Union through the front door and not through these illicit channels? I mean look at Nordstream Two for example right? What do you think about that and is there a kind of ... are we looking at the wrong problem as we consider this?

Jesper B.: I think this is one of the issues and one of the ways that influence is made through money but I would agree with you that there are several other channels including misinformation and we shouldn't be blind to those sort of other channels, but me as a financial supervisor, I have a job in relation to sort of stopping one sort of flows and one sort of illicit flows and that's the one relating to AML, but in general of course you're right.

Jesper B.: We see it all across the world. I think we also have a more general issue in relation within the Union as well as broader to uphold the rule of law. I think that the rule of law is incredibly important for all of us in terms of the ... not only in terms of having fair and transparent societies but also in terms of having economically prosperous societies, because at the end of the day, that's one of the things which we should value and which I think this organization also does a lot of efforts in trying to preserve level society and the rule of law.

Jesper B.: And I think that's the broader question.

Simon S.: And we just have thirty seconds left, but a quick lightning round. If you could wave a magic wand globally and create one reform that the United Nations or the entire world could sign on to to help deal with this problem what would that be? Beneficial ownership or transparency or ... ?

Jesper B.: On the issue of money laundering or the rule of law?

Simon S.: Money laundering and illicit finance.

Jesper B.: I think we need to move on technology. I think right now the way money laundering is fought is by hand craft. I think we need to enlist technology if you really want to do the job and my key desire which I've been trying to promote among my colleagues is some form of a world database on dicey customers.

Simon S.: Good answer-

Evika Silina: I would probably add to this a little bit united legal system where you can tackle money laundering not so much in the national level but you can find a way to do it more internationally because money laundering is cross border problem.

Simon S.: Well, let's hope both those things happen. Thanks very much to the panelists and thank you all for coming here and listening to our discussions.

Evika Silina: You too.

Simon S.: That wraps it up.

Jesper B.: Thanks.

Joshua K.: Thanks, you too.

Announcer: Ladies and gentlemen please enjoy the coffee break. We do ask that you come back to the room promptly at six because the next session, the IQ squared debate-