



## **SPRING CLEANING**

**How Unexplained Wealth Orders  
could have helped address the UK's  
role in laundering corrupt wealth  
from Arab Spring states**

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## Spring Cleaning

How Unexplained Wealth Orders could have helped address the UK's role in laundering corrupt wealth from Arab Spring states

# Introduction

On 17 December 2010 Mohamed Bouazizi set himself alight in the Tunisian town of Sidi Bouzid. It is said that a confrontation with an official over the confiscation of his vegetable cart, the last in a string of incidents involving government harassment, pushed him to take such an extreme act of protest.<sup>1</sup>

This experience was not an isolated one. Throughout Tunisia and across the region, ordinary citizens were losing out because of widespread corruption. In 2009, Transparency International's *Global Corruption Barometer* (GCB) indicated that petty bribery and police corruption were encountered by citizens in the Middle East and North Africa (MENA) the most.<sup>2</sup> In the 2011 GCB, citizens from the MENA region overwhelmingly reported that corruption was increasing; for example, in Yemen 73 per cent of people felt corruption had increased over the three previous years.<sup>3</sup>

“No one I spoke to in Tunis today mentioned Twitter, Facebook or WikiLeaks. It's all about unemployment, corruption, oppression.”

- Ben Wedeman, CNN reporter<sup>4</sup>

Bouazizi's desperate protest sparked a revolution that toppled Tunisia's then President, Zine El Abidine Ben Ali, and ignited similar uprisings across the Middle East. Endemic corruption was one of the key drivers for these protests, dubbed the 'Arab Spring'.<sup>5</sup> This did not just involve petty bribery, but the widespread misuse of power by the countries' elites, otherwise known as 'grand corruption'.<sup>6</sup> It involved billions of pounds being stolen from state budgets and illegally siphoned out of the economy.

However unwittingly, the UK facilitated corruption in these countries by acting as a safe haven for the individuals involved and their assets. Due to the power these elites had, the amount of money involved and the complexity of the schemes, their crimes often went unpunished in their home countries. This leaves it to places like the UK, where their illicit wealth is often stored, to take action to end their impunity. This report shows how the UK, whilst strong in comparison to the asset recovery rates of other countries, failed to seize most of the corrupt assets laundered through it from Arab Spring states. Finally the report asks what lessons should be learnt to improve the UK's performance in tackling similar illicit financial flows during future crises.

## How much was lost to corruption?

The amount of corrupt wealth laundered overseas in the run-up to and during the Arab Spring is likely to have been vast. Due to the secretive techniques used to move this money the exact totals are not known; however, the estimated personal wealth of the leaders of Arab Spring countries indicates the potential scale of corrupt outflows during this period. These individuals were said to be worth billions of pounds despite having relatively modest incomes, raising serious questions about how they acquired this wealth (see Table 1).

Alongside these Heads of State, their families and associates are also likely to have enriched themselves, either through stealing state assets<sup>7</sup> or abusing their positions of power to build business empires.<sup>8</sup> World Bank data shows Zine El Abidine Ben Ali's extended family were receiving over 20 per cent of all private sector profits in Tunisia by the end of 2010.<sup>9</sup> In Egypt, politically connected enterprises enjoyed an oligopoly – almost complete dominance of the market – making 60 per cent of all profits in 2010 whilst providing only 11 per cent of total employment.<sup>10</sup> These assets are likely to have been held in the form of high-end property around the world, numerous bank accounts and luxury goods.

<sup>1</sup> <https://www.theguardian.com/world/2011/may/15/arab-spring-tunisia-the-slap> [Accessed 19 October 2016]

<sup>2</sup> [http://www.transparency.org/whatwedo/publication/global\\_corruption\\_barometer\\_20091](http://www.transparency.org/whatwedo/publication/global_corruption_barometer_20091) [Accessed 28 October 2016]

<sup>3</sup> <http://www.transparency.org/gcb201011/results> [Accessed 28 October 2016]

<sup>4</sup> <https://twitter.com/bencnn/status/26288163903250432> [Accessed 28 October 2016]

<sup>5</sup> <https://www.ciaonet.org/attachments/27513/uploads> [Accessed 28 October 2016]

<sup>6</sup> [https://www.transparency.org/glossary/term/grand\\_corruption](https://www.transparency.org/glossary/term/grand_corruption) [Accessed 28 October 2016]

<sup>7</sup> <http://www.france24.com/en/20160628-paris-court-charges-assad-uncle-rifaat-corruption> [Accessed 28 October 2016]

<sup>8</sup> <https://www.ft.com/content/0828bbd8-4ef7-11e4-b205-00144feab7de> [Accessed 28 October 2016]

<sup>9</sup> <http://www.heritage.org/index/pdf/2015/book/chapter4.pdf> [Accessed 28 October 2016]

<sup>10</sup> [http://www.worldbank.org/content/dam/Worldbank/document/MNA/mena\\_jobs\\_or\\_privileges\\_chap4.pdf](http://www.worldbank.org/content/dam/Worldbank/document/MNA/mena_jobs_or_privileges_chap4.pdf) [Accessed 28 October 2016]

**Table 1: Arab Spring Heads of State official salary vs. estimated personal wealth**

Head of State*	Estimated personal worth	Notable assets*	Head of state salary (2015) <sup>11</sup>
Muammar Gaddafi, Libya (1969 - 2011)	£2.4-64bn	Gold-Plated cutlery, crystal champagne glasses, rows of unworn designer shoes and show jumping circuits	£84,000 per annum
Hosni Mubarak, Egypt (1981 - 2011)	£0.8-4bn	Hotels in Egypt and numerous houses and villas around the world	£56,320 per annum
Zine ElAbidine Ben Ali, Tunisia (1987 - 2011)	£2.4-4bn	40 Luxury cars including a Lamborghini, a Maybach and an armoured Cadillac	£31,300 – £46,800 per annum <sup>12</sup>
Ali Abdullah Saleh, Yemen (1990 - 2012)	£24-49.6bn <sup>13</sup>	Luxury assets in the form of property, cash, gold and other valuable commodities are believed to be spread across at least 20 countries	Salary not published
Bashar al-Assad, Syria (2000 - present)	£0.4-1.2bn <sup>14</sup>	Handmade furniture from Chelsea boutiques, gold and gem-encrusted jewellery, chandeliers, expensive curtains and paintings	Salary not published

\* The Economist: *Making a hash of finding the cash*, <http://www.economist.com/news/international/21577368-why-have-arab-countries-recovered-so-little-money-thought-have-been-nabbed>

## How the assets came to the UK

The UK is a global financial hub with trillions of pounds worth of transactions going through it each year. Hidden within these transactions is a significant amount of illicit wealth laundered from overseas. The events leading up to and during the Arab Spring itself resulted in billions of pounds being laundered worldwide. Due to its role as a global financial hub, a significant proportion of these laundered billions is likely to have flowed through the UK.

As it is clandestine activity, measuring the exact scale of illicit wealth entering the UK is extremely difficult and disaggregating corrupt funds even more so. The International Monetary Fund assesses that the value of illicit wealth laundered globally is between two and five per cent of GDP, which would put the total amount laundered through the UK at between £36 billion and £90 billion.<sup>15</sup> Although this range is broad, even the most conservative estimates indicate it is a massive problem. And, as the National Crime Agency (NCA) noted in its 2016 Strategic Risk Assessment for Serious and Organised Crime, these figures are likely to underestimate the risk because it does not include the exposure of UK banks' subsidiaries abroad.

The estimates above also omit the UK's Overseas Territories or Crown Dependencies, which are often used in money laundering schemes. Companies registered in most of these secrecy jurisdictions, like the British Virgin Islands (BVI) and Jersey, do not have information about their owners publicly available. Therefore, corrupt assets can be stored and transferred through them, with UK banks, solicitors and others responsible for identifying money laundering unable to check who actually owns them.

Luxury property in the UK is a popular destination for corrupt wealth as it is prestigious and retains value. UK property can be bought anonymously using complex corporate structures based in secrecy jurisdictions, meaning corrupt assets can lie undetected in the UK housing market for decades. Based on recent reports there are 39,917 properties in London owned by companies registered in these jurisdictions.<sup>16</sup> A number of these appear to have been bought by those within or closely connected to regimes toppled or challenged in the Arab Spring.

<sup>11</sup>These salaries are from 2015 but still show the disparity between salary and estimated wealth of these individuals <http://www.africaranking.com/highest-paid-african-presidents/> [Accessed 28 October 2016]

<sup>12</sup> <http://allafrica.com/stories/201507100606.html> [Accessed 28 October 2016]

<sup>13</sup> <http://www.bbc.co.uk/news/world-middle-east-31632502> [Accessed 28 October 2016]

<sup>14</sup> <http://www.cnbc.com/2013/09/20/assads-money-trail-is-hard-to-trace.html> [Accessed 28 October 2016]

<sup>15</sup> <http://www.nationalcrimeagency.gov.uk/publications/731-national-strategic-assessment-of-serious-and-organised-crime-2016/file> [Accessed 28 October 2016]

<sup>16</sup> <https://www.theguardian.com/money/2016/may/26/revealed-9-rise-in-london-properties-owned-by-offshore-firms> [Accessed 21 November 2016]



## Syria

It has long been suspected that the Assad family and their allies have abused their positions for private gain. Crony capitalism has been identified as one of the driving forces behind increasing public anger and unrest in the lead up to the Syrian uprising in March 2011.<sup>17</sup> In 2004, Syrian academic and dissident, Abdul Razzaq Eid, claimed that a 'corrupt clique' in Syria had stolen 95 per cent of the country's national wealth.<sup>18</sup> Bashar al-Assad's cousin, Rami Makhoul, is estimated to have controlled around 60 per cent of the Syrian economy before the Arab Spring.<sup>19</sup>

“For decades, the Assad family has stolen billions from the Syrian people and used it to fuel their indiscriminate slaughter, but we can now point to an exact path for these funds.” - The Coalition for a Democratic Syria<sup>20</sup>

Alaco, an intelligence firm, suggests Bashar al-Assad's personal net worth is up to £1.2 billion.<sup>21</sup> To illustrate the scale of this potentially illicit wealth, the UK Prime Minister would need to save their entire salary of £150,402 per annum for 7979 years to achieve this amount.<sup>22</sup> Nick Bortman, head of corporate investigation firm GPW's Middle East practice, says this wealth has been invested overseas over the course of many years using layers of offshore companies,<sup>23</sup> and Assad's associates are also likely to have far more assets which may have been laundered out of the country during the civil war. For example, media articles at the time of initial unrest in Syria commented on how Rifaat al-Assad, uncle of Bashar al-Assad, was looking to sell many of the homes he owned in the West to free-up assets.<sup>24</sup>

In 2008, the US Treasury imposed sanctions on Makhoul for allegedly aiding and profiting from the corruption of Syrian officials. In 2011 the US Financial Crimes Enforcement Network (FinCEN) issued a warning,<sup>25</sup> saying that following uncertainty and instability in Syria it was likely that Makhoul would look to store estimated £4 billion worth of assets outside of Syria.<sup>26</sup>

<sup>17</sup> <http://www.theatlantic.com/international/archive/2013/04/how-bashar-al-assad-became-so-hated/275058/> [Accessed 28 October 2016]

<sup>18</sup> [http://news.bbc.co.uk/1/hi/world/middle\\_east/3769309.stm](http://news.bbc.co.uk/1/hi/world/middle_east/3769309.stm) [Accessed 28 October 2016]

<sup>19</sup> <https://www.theguardian.com/news/2016/apr/05/mossack-fonseca-panama-papers-rami-makhoul-syria-assad-hsbc> [Accessed 28 October 2016]

<sup>20</sup> <https://www.bloomberg.com/view/articles/2016-04-07/panama-papers-could-help-syrian-opposition-go-after-assad-s-wealth> [Accessed 16 November 2016]

<sup>21</sup> <https://www.theguardian.com/world/2012/jul/19/bashar-al-assad-950m-fortune> [Accessed 28 October 2016]

<sup>22</sup> <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/CBP-7762> [Accessed 10 November 2016]

<sup>23</sup> <http://www.reuters.com/article/us-insight-in-syrian-idUSBRE8A10E820121102> [Accessed 28 October 2016]

<sup>24</sup> <http://www.telegraph.co.uk/news/worldnews/middleeast/syria/8811097/Syria-Assad-family-selling-off-overseas-property-empire.html> [Accessed 28 October 2016]

<sup>25</sup> [https://www.fincen.gov/statutes\\_regs/guidance/pdf/FIN-2011-A010.pdf](https://www.fincen.gov/statutes_regs/guidance/pdf/FIN-2011-A010.pdf) [Accessed 28 October 2016]

<sup>26</sup> <http://www.cnn.com/2013/09/20/assads-money-trail-is-hard-to-trace.html> [Accessed 28 October 2016]

## Case Studies

### Soulieman Marouf

One of Bashar al-Assad's associates, Soulieman Marouf; a businessman with technology interests, is known to operate in the UK and is alleged to be a 'fixer' for the Syrian President.<sup>27</sup> His links to the Assad family led to him being placed on an EU sanctions list in October 2012.<sup>28</sup> Marouf has also been investigated for money laundering in Switzerland after it was alleged he attempted to transfer millions of pounds between Swiss accounts and others in Germany and the Middle East. Despite limited ongoing business activity at the time, the investigation found that his accounts were reported to have contained £31 million in cash.<sup>29</sup> The Swiss anti-money laundering body undertaking the investigation noted that due to his links with Bashar al-Assad, it was possible the accounts were linked to the Syrian President. The investigation was subsequently dropped owing to a lack of firm evidence.

Marouf has been able to continue as a London fixer for the Assads despite being on a sanctions list between 2012 and 2014 and being at the centre of a money laundering investigation. During this period he is reported to have purchased thousands of pounds of luxury items for the family from London.<sup>30</sup> In addition, Marouf owns at least six luxury properties in London including flats totalling £6 million and a house in St. Johns Wood worth £1.3 million. Most of these properties were bought using offshore companies registered in the BVI.

Marouf is still actively acquiring UK property. Files from the Panama Papers show that since September 2014 he has registered two new companies in the BVI: 59 Regent Court Investments Limited and 7A Regents Gate Limited. In November 2014, Marouf bought 59 Regent Court, a flat in St John's Wood, for £500,000 using the offshore company of the same name.<sup>31</sup>

A lawyer for Marouf said: "There are a number of reasons for utilising offshore companies, including the desire for privacy." They went on to say the companies were compliant with UK tax law and the UK authorities were aware that Marouf was the beneficial owner of them.

### Rifaat al-Assad

Bashar al-Assad's uncle, Rifaat al-Assad, is well known to have amassed a property empire in Western Europe. The so-called 'butcher of Hama' – for his alleged role in the massacre of thousands in Hama in 1982 – owns numerous luxury homes in Paris and Marbella.<sup>32</sup>

In June 2011, the Daily Telegraph disclosed that Rifaat al-Assad also spent some of his time living in a £10 million house in Mayfair.<sup>33</sup> He is reported to have leased his house through a BVI company from the Grosvenor estate and to also own 'Arab News Network', a London based media news channel.<sup>34</sup>

It is claimed that in 2011, in response to the Arab Spring, Rifaat al-Assad attempted to sell some of his overseas property empire to liquidate his assets.<sup>35</sup> In 2013, he finally succeeded in selling a Paris apartment for £56 million, a 30 per cent discount on what he wanted to sell it for.<sup>36</sup> Despite these reports no attempts appear to have been made to prevent him selling his London assets.

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<sup>27</sup> <http://www.ibtimes.co.uk/panama-papers-who-soulieman-marouf-london-based-syrian-millionaire-fixer-assads-1553301> [Accessed 28 October 2016]

<sup>28</sup> <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex%3A32012R0944> [Accessed 16 November 2016]

<sup>29</sup> <http://www.thetimes.co.uk/tto/news/uk/article3475572.ece> [Accessed 28 October 2016]

<sup>30</sup> <https://www.theguardian.com/world/2012/mar/14/gilded-lifestyle-assad-coterie-conflict>

<sup>31</sup> <https://www.theguardian.com/news/2016/apr/05/panama-papers-assad-fixer-london-property> [Accessed 28 October 2016]

<sup>32</sup> [http://www.thesundaytimes.co.uk/sto/news/uk\\_news/National/article986250.ece](http://www.thesundaytimes.co.uk/sto/news/uk_news/National/article986250.ece) [Accessed 28 October 2016]

<sup>33</sup> <http://www.telegraph.co.uk/news/worldnews/middleeast/syria/8571164/Syrias-Butcher-of-Hama-living-in-10-million-Mayfair-townhouse.html> [Accessed 28 October 2016]

<sup>34</sup> <http://www.wsj.com/articles/SB870396022898225000> [Accessed 28 October 2016]

<sup>35</sup> <http://www.telegraph.co.uk/news/worldnews/middleeast/syria/8811097/Syria-Assad-family-selling-off-overseas-property-empire.html> [Accessed 28 October 2016] [Accessed 2 November 2016]

<sup>36</sup> <http://www.telegraph.co.uk/news/worldnews/europe/france/10141461/Bashar-al-Assads-uncle-sells-Paris-mansion-for-70-million-euros.html> [Accessed 2 November 2016]

Officials in France say that Rifaat al-Assad has since been charged for corruption related offences, with proceedings ongoing.<sup>37</sup> Sherpa, a legal NGO which defends victims of economic crime, filed the complaints which led to the investigation. They claimed Rifaat's fortune was amassed in a corrupt manner whilst he was at the heart of the Syrian regime on a modest salary.<sup>38</sup> Rifaat denies these allegations of wrongdoing saying he was given a large monetary gift from the Saudi Royal family. Sherpa's investigation, however, claims that Rifaat is only able to provide proof of a £8 million gift despite owning around £80 million in France alone.

It is unknown whether Rifaat al-Assad's UK-based property and media empire are under investigation, despite them being valued beyond the means of the salary of a Commander in the Syrian Armed Forces.

## What corrupt assets have been seized?

Due to the ongoing nature of the instability in Syria it is likely that proceeds of corruption will continue to be laundered out of the country to find a safe haven, with the UK as a possible destination. As of October 2016, £100 million of assets belonging to multiple leading figures in the Syrian regime, mostly cash held in bank accounts, have been frozen by UK law enforcement agencies.<sup>39</sup> However, Iain Willis, the Head of Research at Alaco claimed that the total of Syrian assets frozen is likely to be a small percentage of the overall amount of corrupt wealth laundered out of Syria.<sup>40</sup>

The asset recovery process is long and has many stages. Assets are at first frozen by authorities; however this is only the initial stage and doesn't constitute full asset recovery. For assets to be fully recovered, they must be seized in criminal or civil proceedings and eventually, as stated in article 51 in the United Nations Convention against Corruption (UNCAC), returned to the country of origin.<sup>41</sup> Based on the available information, the £100 million in frozen Syrian assets has not yet been seized.



Figure 1: UK-Syria asset recovery record

<sup>37</sup> <http://www.aljazeera.com/news/2016/06/france-charges-rifaat-al-assad-corruption-160628132321374.html> [Accessed 28 October 2016]

<sup>38</sup> <http://www.telegraph.co.uk/news/2016/06/28/syrian-presidents-uncle-charged-with-corruption-and-money-launder/> [Accessed 28 October 2016]

<sup>39</sup> <http://www.bbc.co.uk/news/uk-18897218> [Accessed 10 November 2016]

<sup>40</sup> <https://www.theguardian.com/world/2012/jul/19/bashar-al-assad-950m-fortune> [Accessed 28 October 2016]

<sup>41</sup> [https://www.unodc.org/documents/brussels/UN\\_Convention\\_Against\\_Corruption.pdf](https://www.unodc.org/documents/brussels/UN_Convention_Against_Corruption.pdf) [Accessed 21 November 2016]



As is often the case when searching for corrupt assets, it is not clear exactly how much stolen wealth was laundered out of Egypt. Hosni Mubarak himself was said to be worth up to £4 billion. To put this in context, Wayne Rooney would need to save his entire £13.5 million per year salary for 296 years to attain this amount of money. Some sources indicate the Mubaraks' wealth was even more than this.<sup>42</sup> According to an investigation by the Evening Standard, a senior Egyptian source based in London estimates that the Mubarak family may have £12 billion invested in London alone.

“London is the most important financial centre in the world. Mubarak's sons Alaa and Gamal love it and keep a lot of money here.”  
Senior Egyptian source based in London<sup>43</sup>

In the frenetic 18 day period before his regime was toppled, it is said that Hosni Mubarak put much of his energy into hiding as much of his assets as possible.<sup>44</sup> The Mubaraks were arrested in 2011 after the revolution and convicted in May 2015 for embezzling state funds.<sup>45</sup>

In addition to the Mubarak family, a number of Hosni Mubarak's business associates<sup>46</sup> and Ministers, including the Prime Minister,<sup>47</sup> are known to have benefitted from their links to power. It is highly likely that they too moved millions of pounds overseas in order to make them safe.

According to estimates made by Egypt's Foreign Relations Committee in the People's Council in 2012 – created under the Mubarak's successor, President Mohammad Morsi – the total amount of money smuggled out of the country in the aftermath of the Arab Spring was as much as £107 billion.<sup>48</sup>

<sup>42</sup> <http://www.sportsnewsupdated.com/sports-money/manchester-united-player-salaries/> [Accessed 22 November 2016]

<sup>43</sup> <http://www.standard.co.uk/lifestyle/revealed-where-the-despots-of-the-middle-east-hide-their-money-in-london-6579020.html> [Accessed 28 October 2016]

<sup>44</sup> <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/egypt/8320912/Egypt-Hosni-Mubarak-used-last-18-days-in-power-to-secure-his-fortune.html> [Accessed 28 October 2016]

<sup>45</sup> <http://www.bbc.co.uk/news/world-middle-east-32672630> [Accessed 21 November 2016]

<sup>46</sup> <http://foreignpolicy.com/2014/02/07/the-crooks-return-to-cairo/> [Accessed 28 October 2016]

<sup>47</sup> <http://www.bbc.co.uk/news/world-middle-east-19584262> [Accessed 28 October 2016]

<sup>48</sup> <https://www.alaraby.co.uk/english/features/2015/1/28/mubaraks-acquittal-makes-recovery-of-missing-egyptian-funds-harder> [Accessed 28 October 2016]

## Case Study

The Mubaraks were conducting business in London before and after the Arab Spring. Gamal Mubarak was formerly a Director of a UK company called Medinvest Associates Limited, Companies House records from 1996 for this company list Gamal's address as 28 Wilton Place, London, SW1X 8RL.<sup>49</sup> Land Registry data published by Private Eye show that, despite being worth around £8.7 million today, this property was bought in 2009 by a Panamanian company called Ocral Enterprises Inc. for just £103,100.<sup>50</sup> Although this appears as if the Muburaks had sold the property for a significant discount, information released from the Panama Papers suggests otherwise. In 2013, Mossack Fonseca wrote to the BVIs' Financial Investigation Agency stating 28 Wilton Place was still the registered address of the Mubaraks.<sup>51</sup> This appears to confirm that the house was the registered address of the Mubaraks for over a decade. Corruption within Egypt was well documented during this period, with Gamal convicted in 2015 alongside his brother and father for stealing millions of pounds in state funds.<sup>52</sup> It is not clear what due diligence checks were done on the purchaser or buyer of this property, or whether there have been any investigations into the source of funds used to buy it.

## What corrupt assets have been seized?

Although Switzerland is reported to have frozen Mubarak's assets within half an hour, it was 37 days before the UK moved against assets linked to him and 18 of his associates.<sup>53</sup> Due to this delay it is likely that the UK was too slow in reacting to the unfolding crisis to freeze the full amount of assets laundered through its banks and companies. It is known from reports at the time that Mubarak and his cronies acted quickly in the fortnight after the revolution, as well as the years leading up to it, to make sure their assets were safely overseas in bank accounts and invested in property.<sup>54</sup>

"The UK is one of the worst countries when it comes to tracing and freezing Egyptian assets."

- Mohamed Mahsoub, Former Egyptian Legal Affairs Minister<sup>55</sup>

According to media reports from 2012, the UK had only frozen £85 million worth of property and bank accounts connected to these individuals.<sup>56</sup> Because the UK Government declines to comment on the specifics of individual cases it is not clear whether these assets have been permanently confiscated or still remain frozen. However, the NCA has noted more broadly that a lack of cooperation from overseas jurisdictions is a barrier to seizing assets as part of international corruption cases.<sup>57</sup>

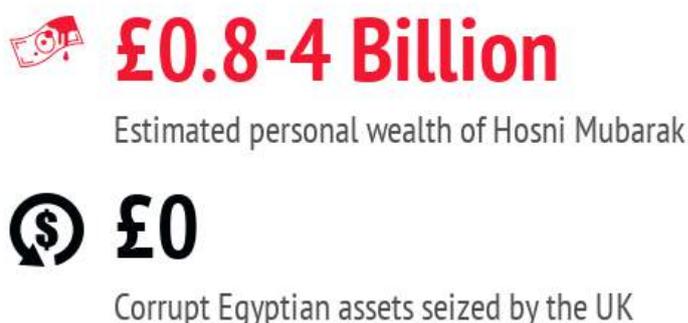


Figure 2: UK-Egypt Asset Recovery

<sup>49</sup> <https://beta.companieshouse.gov.uk/company/03188793/officers> [Accessed 28 October 2016]

<sup>50</sup> <http://www.private-eye.co.uk/registry> [Accessed 15 November 2016]

<sup>51</sup> <http://www.thetimes.co.uk/article/criminals-in-secret-deals-over-british-properties-58wg5sqjd> [Accessed 28 October 2016]

<sup>52</sup> <https://www.oecd.org/globalrelations/46341460.pdf> [Accessed 16 November 2016]

<sup>53</sup> <https://www.theguardian.com/world/2012/sep/02/scandal-mubarak-regime-millions-assets-uk> [Accessed 10 November 2016]

<sup>54</sup> <http://www.telegraph.co.uk/news/worldnews/africaandindianocean/egypt/8320912/Egypt-Hosni-Mubarak-used-last-18-days-in-power-to-secure-his-fortune.html> [Accessed 31 October 2016]

<sup>55</sup> <http://www.bbc.co.uk/news/world-middle-east-19459177> [Accessed 31 October 2016]

<sup>56</sup> <http://star.worldbank.org/corruption-cases/node/19583> [Accessed 15 November 2016]

<sup>57</sup> Donald Toon oral evidence to the Criminal Finances Bill Committee on Tuesday 15 November 2016



## Libya

Tracking the total amount stolen from the Libyan economy has proven a difficult task for law enforcement agencies around the world. This is primarily due to the way in which funds were likely to have been appropriated by Gaddafi and his family. It is suspected that Libya's sovereign wealth fund, the Libyan Investment Authority (LIA), was one such vehicle for this theft. Former directors of the fund have claimed it had a closed and overly complicated structure leaving it vulnerable to abuse by its founder; Muammar Gaddafi's son, Saif.<sup>58</sup> The prosecutor for the International Criminal Court confirmed this, saying "Gaddafi makes no distinction between his personal assets and the resources of the country."<sup>59</sup> In September 2010, documents showed that the LIA had £51.2 billion in assets at its disposal.<sup>60</sup>

Experts on the Gaddafi regime have substantiated these claims, saying whilst his personal fortune may not have reached the levels reported by some outlets;<sup>61</sup> it was likely to have been at least several billion pounds.<sup>62</sup> Even at the lower end of these estimates, these are substantial amounts of money. For some context, the average FTSE 100 Chief Executive would need to save their entire £5.5 million salary for 545 years to reach the £3 billion Muammar Gaddafi is widely believed to have amassed during 42 years in office.<sup>63</sup>

## Case Study

A number of Gaddafi's henchmen are reported to have invested heavily in the UK. For example, a recent BuzzFeed investigation unearthed the story of former Libyan General Ahmed Mahmoud Azwai and Brigadier Guima Elmaarfi, both of whom are believed to have fled to the UK with millions of pounds in allegedly embezzled assets.<sup>64</sup> They both deny the accusations against them.

Mahmoud Azwai served Muammar Gaddafi since he gained power in Libya in 1969. His most prominent position saw him hold control of the regime's long-range missile stockpile. It is thought that he escaped to the UK at some point after the fall of Gaddafi. In the process he is said to have helped launder millions of pounds of stolen wealth through offshore companies into properties around the South East of the UK.

Buzzfeed were able to track Azwai to one of these properties in which he currently lives in Surrey. The house was surrounded by luxury cars and had hedges over 8ft tall for privacy. Other houses he is believed to own in the area were bought for over a combined sum of over £1 million through a BVI company called ATT Universal Holdings.

<sup>58</sup> <http://www.ft.com/cms/s/0/1b5e11b6-d4cb-11e0-a7ac-00144feab49a.html#axzz4BTKdUJQw> [Accessed 28 October 2016]

<sup>59</sup> <https://www.globalwitness.org/en-gb/archive/new-leaked-document-reveals-hsbc-held-14bn-libyan-funds/> [Accessed 28 October 2016]

<sup>60</sup> <https://www.globalwitness.org/sites/default/files/library/libyan%20investment%20authority%20funds%20as%20of%20september%202010.pdf> [Accessed 28 October 2016]

<sup>61</sup> <http://www.businessinsider.com/qaddafi-200-billion-richest-2011-10?IR=T> [Accessed 28 October 2016]

<sup>62</sup> <https://www.theguardian.com/world/2011/feb/22/qaddafi-libya-oil-wealth-portfolio> [Accessed 28 October 2016]

<sup>63</sup> <http://www.bbc.co.uk/news/business-37005457> [Accessed 10 November 2016]

<sup>64</sup> <https://www.buzzfeed.com/janebradley/qaddafi-henchmen-in-britain> [Accessed 02 November 2016]

Guima Elmaarfi, the ex-commander of a Libyan Army battalion loyal to Gaddafi has also been tracked by Buzzfeed to the UK. He is said to have switched sides at the end of the war as it appeared that Gaddafi's forces were losing. In the process he came to London claiming to have only £13,600 in assets. However documents from 2013 tell a different story, with Elmaarfi's fortune reportedly totalling around £14 million, half of which is invested in property and healthcare companies, in addition to £0.4 million in luxury goods.<sup>65</sup> He is also on Libya's wanted list for laundering corrupt assets into the UK.

Despite their notorious histories, both Mahmoud Azwai and Guima Elmaarfi both enjoy freedom in the UK and continue to live comfortable lives in luxury.

## How much of these corrupt assets have been seized?

The UK has been more proactive in freezing Libyan assets compared to other Arab Spring countries, with the Treasury confirming in 2016 that £9.5 billion<sup>66</sup> has been held under international sanctions.<sup>67</sup> It is unclear how much of this includes the proceeds of corruption; however, as the Buzzfeed investigation suggests, there may be many more millions of stolen wealth invested in the UK that the NCA have not investigated.

Despite the Arab Spring occurring five years ago the vast majority of Libyan assets here remain frozen by the UK Government, and not fully confiscated.<sup>68</sup> A small but notable exception is the recovery of £10 million from a North London mansion owned by Colonel Gaddafi's son Saadi.<sup>69</sup>



Figure 3: Saadi Gaddafi's former London house

<sup>65</sup> <https://www.documentcloud.org/documents/2894164-Elmarfi-Assets.html> [Accessed 28 October 2016]

<sup>66</sup> <http://www.ft.com/cms/s/0/5882452c-45d7-11e0-acd8-00144feab49a.html#axzz4HPVILZuq> [Accessed 28 October 2016]

<sup>67</sup> <https://hansard.parliament.uk/commons/2016-02-23/debates/1602234600002/CanaryWharfBombingCompensation> [Accessed 15 November 2016]

<sup>68</sup> <http://star.worldbank.org/corruption-cases/node/18435> [Accessed 15 November 2016]

<sup>69</sup> <https://www.globalwitness.org/en-gb/archive/10m-house-expensive-london-suburb-recovered-libya/> [Accessed 28 October 2016]

# Current performance of the UK asset recovery regime

In 2014, Transparency International UK (TI-UK) convened a taskforce of experts from across academia, legal practice and law enforcement agencies to assess the performance of the UK's asset recovery regime.<sup>70</sup> They found that the UK's asset recovery record for the proceeds of corruption, though reasonably strong relative to other countries, is extremely low compared to the likely scale of illicit funds and the impacts of the underlying corruption.

According to the Organisation for Economic Cooperation and Development (OECD), between 2010 and 2012 the UK froze an average of £180 million in corrupt wealth per year, whilst only returning £26.8 million annually.<sup>71</sup> During this period it's likely that billions of pounds of corrupt wealth were laundered through the UK each year, including large amounts from Arab Spring countries. With the data available it appears that none of the frozen assets in relation to countries we have examined have been seized other than Saadi Gaddafi's mansion. The conclusions of the taskforce point to three main reasons.

**The UK's asset recovery programme relies too much on the cooperation and capability of other countries to convict individuals and cooperate with UK law enforcement.** This acts as a barrier to UK law enforcement agencies pursuing many of the cases they are given and would have been a particular obstacle to asset seizure in the lead up to and during the Arab Spring. During this period, corrupt leaders of these countries had no problem in blocking or deterring investigations into their own corruption or the laundering of stolen state assets. Once these regimes were toppled there was a critical lack of capacity within the countries affected to conduct full investigations into corrupt assets laundered overseas.<sup>72</sup>

**UK law enforcement agencies are currently constrained from moving against suspected corrupt assets due to difficulties involved in reaching the initial level of evidence needed.** At the moment, law enforcement agencies are heavily dependent on there being a criminal conviction in the country of origin before they can move against the suspected proceeds of corruption. Because of the issues outlined above, this rarely exists when it would be timely to do so.

**The Suspicious Activity Report (SAR) system is failing to give law enforcement agencies sufficient information to recover assets.** SARs submitted by the private sector are one of the main sources of information used to seize illicit assets, but the system is flawed for a number of reasons. Reports rarely contain enough detail to launch asset recovery proceedings immediately and the NCA currently only has 31 days in which to gather enough evidence to freeze suspicious assets. Current human resource constraints and a lack of powers mean only a small number of SARs related to corruption are acted upon.

In June 2016 the UK took a major step forward in exposing money laundering through UK companies by introducing a public register of beneficial ownership; however measures to bring transparency to overseas companies owning UK property – although committed to at the Anti-Corruption Summit<sup>73</sup> – are still awaited.

The UK applied some of the lessons learnt from the Arab Spring when responding to the Ukraine crisis, acting quickly to build capacity in Ukraine as well as to facilitate international cooperation. This represented an improvement but more could be done to recover stolen assets. Future periods of instability will inevitably bring outflows of illicit wealth; the UK must reform its asset recovery regime to ensure that wealth is seized.

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<sup>70</sup> Transparency International UK, *Empowering the UK to recover corrupt assets* (May 2015)

<http://www.transparency.org.uk/publications/empowering-the-uk-to-recover-corrupt-assets/>

<sup>71</sup> [http://www.oecd.org/corruption/Illicit\\_Financial\\_Flows\\_from\\_Developing\\_Countries.pdf](http://www.oecd.org/corruption/Illicit_Financial_Flows_from_Developing_Countries.pdf), p.91 [Accessed 10 November 2016]

<sup>72</sup> <http://www.economist.com/news/international/21577368-why-have-arab-countries-recovered-so-little-money-thought-have-been-nabbed> [Accessed 28 October 2016]

<sup>73</sup> <http://www.transparency.org.uk/press-releases/a-good-day-in-the-fight-against-corruption/> [Accessed 10 November 2016]

# Improving the UK's asset recovery performance

## Introduce Unexplained Wealth Orders (UWOs) to help recover corrupt assets

To combat the flaws we have identified, UK law enforcement agencies should be given further powers to enable them to take a more proactive approach to asset seizure and recovery. One tool that would help to overcome a number of the problems outlined in this paper would be the Unexplained Wealth Order (UWO), which is included in the Criminal Finances Bill.<sup>74</sup> This would give law enforcement agencies, like the NCA and the Serious Fraud Office, the power to require individuals with suspicious wealth to explain how they came to acquire their assets. If there is no response or an inadequate response, this information could then be used to pursue forfeiture of the asset through civil recovery mechanisms. As this would not require a criminal conviction, which until now has been shown to be an obstacle to effective action, the increased use of these powers could result in more corrupt assets being recovered.

During times of crisis, like the Arab Spring, when countries have limited capacity to trace assets, UWOs would empower UK law enforcement agencies to proactively pursue corrupt wealth flowing into the UK and not be as reliant on the cooperation or capacity of law enforcement agencies overseas. They would also enable the UK to target corrupt assets from countries where there is no political will to recover these funds. For example, with UWO powers, Saadi Gaddafi's London mansion could have been seized before his father's regime was toppled.

The Criminal Finances Bill and the introduction of UWOs are an opportunity for law enforcement agencies to show it is not a lack of will which prevents them from recovering corrupt assets. As debate in Parliament has highlighted,<sup>75</sup> law enforcement agencies must be resourced sufficiently to make use of these new powers. The UK's new Prime Minister has a strong track record of tackling money laundering as Home Secretary, similar resolve is required to transform the UK's record in corrupt asset recovery.

## How would Unexplained Wealth Orders work in practice?

The Minister for Health in a country outside the European Economic Area (EEA) has misappropriated millions of pounds from the health budget into his own pocket. To hide this crime, he decides to buy a multi-million pound property in London. The house is far beyond the means of the Health Minister's annual salary, raising serious questions. These allegations are brought to the attention of law enforcement agencies.

After an application from an enforcement authority,<sup>76</sup> a high court judge can give notice of a UWO only if she is satisfied that the Minister/respondent is likely to be the owner of suspicious wealth beyond his means, and if all of the following tests are met:

1. The respondent is a Politically Exposed Person<sup>77</sup> (PEP) outside of the EEA; or there are reasonable grounds to suspect that the respondent is or has been involved in serious crime
2. The respondent's known income is insufficient to obtain the asset
3. The value of the asset is greater than £100,000

The UWO requires the Minister to explain how he lawfully acquired his assets. If he fails to respond or gives an inadequate response then this extra information can be used in a separate civil recovery process (an existing measure under the Proceeds of Crime Act) if law enforcement has gathered sufficient evidence.

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<sup>74</sup> <http://services.parliament.uk/bills/2016-17/criminalfinances.html> [Accessed 11 November 2016]

<sup>75</sup> [http://www.publications.parliament.uk/pa/cm201617/cmpublic/CriminalFinances/PBC\\_Criminal%20Finances%201-4%20sits%2017.11.16.pdf](http://www.publications.parliament.uk/pa/cm201617/cmpublic/CriminalFinances/PBC_Criminal%20Finances%201-4%20sits%2017.11.16.pdf) [Accessed 22 November 2016]

<sup>76</sup> Enforcement authorities listed in the Bill are: The NCA, HMRC, the FCA, the Director of the SFO, and the Directors of Public Prosecutions (for both the England & Wales, and the Northern Ireland jurisdictions)

<sup>77</sup> In the Bill, a PEP is defined as 'a) an individual who is, or has been, entrusted with prominent public functions by an international body or by a State other than the UK or other EEA State, b) a family member of a person within paragraph (a), or (c) known to be a close associate of a person within that paragraph.'

# UK asset recovery process recommendations

In the event of future crises in countries suffering from endemic corruption it is imperative that the UK acts fast to seize illicit wealth moving through its economy. We have identified six measures that should be adopted alongside the introduction of UWOs.

## Prepare

### Develop corruption and money laundering country risk profiles

The UK's Foreign and Commonwealth Office should create specific risk registers for countries with corruption problems. This would prepare authorities for periods of heightened money laundering risk like the Arab Spring and allow them to identify threats proactively. It would also allow the FCO to advise the Government and private sector where to direct their efforts to take a risk based approach in a crisis situation.

### Introduce public registers of beneficial ownership in the Overseas Territories and Crown Dependencies

To help the tracing of assets the UK should end the offshore secrecy offered by its Overseas Territories and Crown Dependencies by setting a firm deadline by which they should have introduced public registers of beneficial ownership.

## Protect

### Lead international intelligence sharing on corruption and suspicious reports

The UK and its partners within the International Anti-Corruption Coordination Centre should develop information gateways to facilitate the safe sharing of intelligence on corrupt individuals and suspicious activity. This would promote international coordination and increase the chances of the global financial system being protected from illicit wealth.

## Prevent

### Identify high risk PEPs and entities and prevent them accessing the UK financial system

The UK Government should coordinate with the Joint Money Laundering Intelligence Taskforce during a crisis to identify individuals or companies which are a high-money laundering risk, sharing this information throughout the private sector and requiring enhanced levels of precaution on these entities and individuals.

### Prevent corrupt individuals entering the UK

In a crisis the UK's Home Office should take preventative measures to stop individuals suspected of corruption entering the UK. As well as being a safe haven for stolen assets, the UK can also play a role as a bolt-hole for corrupt individuals. The NCA and international partners could collaborate to identify individuals and their associates which represent a corruption risk and prevent them from acting with impunity in the UK.

## Pursue

### Form a 'rapid reaction unit' to trace stolen assets and build stability in fragile states

The International Anti-Corruption Coordination Centre (IACCC), hosted in the UK should create an international Anti-Corruption 'rapid reaction unit'. This unit would be ready to provide resilience and capacity building in fragile states, and post-revolutionary or post-conflict environments. It would ensure coordinated, expert international assistance in the efforts to rebuild governance structures as well as assist in asset recovery. The unit would consist of anti-corruption governance, military, law enforcement, legal, diplomatic, development and procurement advisers.

