

Dumitru Alaiba

EXECUTIVE DIRECTOR,
CPR – CENTER FOR POLICIES AND REFORMS MOLDOVA

APRIL 2018

“Too Big to Jail”? Four years of inaction in the investigation of Moldovan financial crimes

POLICY BRIEF

INTRODUCTION

Four years passed since the discovery of the biggest financial machination Moldova has seen. In a massive operation with the use of financial systems from both Moldova and the European Union, over 20 billion USD of Russian money were laundered through Moldova, and over one billion USD was stolen from the National Bank of Moldova reserves (15% of GDP). Moldovan regulatory and oversight authorities have failed to prevent these crimes. People who knew what was happening did not act to stop the ongoing crimes. Four years later, the same authorities are unable to present even preliminary results of an investigation. No funds have been recovered from the stolen billion, while the Moldovan citizens were forced to cover the losses from the banking sector with their tax money.

These crimes have indicated the worrying levels of high-level corruption in Moldovan politics, and compromised the trust in the ruling elites both inside and outside the country. This has changed Moldova a lot, and not for the better. In 2013, the European Integration Index for Eastern Partnership Countries¹ optimistically concluded, *“Moldova is the top reformer in the region and is the closest to meeting EU standards.”* Moldova occupied the leading position, and the country held *“the highest mark for deep and sustainable democracy”*. Five years later, this can no longer be written. Moldova is now a source of cross-border corruption, money laundering and potential instability in the region. The relationship with the EU has been compromised, while the trust in the Moldovan authorities has eroded dramatically. The risks of slipping into isolation and authoritarianism grew substantially, while Moldovan democracy is under the biggest threat since 2009.

Building on the last year’s work², this year’s policy brief aims at further raising awareness about the Moldovan authorities’ inaction in investigating the financial crimes, reiterate and further develop on the threats these crimes might pose to the EU internal security, and advocate for a direct involvement of the EU institutions and

¹ http://www.eap-index.eu/images/Index_2013.pdf

² <https://alaiba.wordpress.com/2017/04/18/what-can-the-eu-do-to-restore-moldovan-banking-sector/>

member states in the investigation. The document will show the main evolutions on the subject, and will give recommendations. It will argue why it is in EU interest to act urgently.

FAILURE TO DELIVER JUSTICE: MAIN EVENTS THAT UNFOLDED IN ONE YEAR

Despite pressure and repeated calls from civil society and development partners, the investigation of the financial crimes is stalling. Moreover, the authorities were seen attempting to facilitate the legalization of assets of illicit origin (including possible proceeds from the financial crimes), by decriminalizing offenses that lead to them, while in the same time misinforming the population about the asset recovery process and the amounts recovered, avoiding prosecution of those responsible.

Since these crimes became known, the communication and actions on these issues were minimal. While the authorities avoid the subject at all costs, the civil society tried to maintain the subject in the public discourse³, raise awareness about the importance of an effective investigation and about the devastating effects of these crimes. The authorities seemed to have a communication strategy designed to make the subject go away, be forgotten, while denying or dismissing the negative effects of the crisis.

Attempts to legalize proceeds. Officially presented as an initiative to attract investments, the Parliament swiftly approved in the first reading the so-called draft law on “Capital liberalization and fiscal stimulation” in December 2016⁴. Once approved this law would allow any individual to legalize any amount of money with no questions asked, for a fee of 2% of their value paid to the Moldovan budget. While the promoters of the law claimed that their objective was to attract foreign investments and generate additional budget revenue, its probable outcome was more corruption. Civil society saw this initiative as an attempt to legalize proceeds from previous corrupt practice, including the bank theft. Moldova’s development partners spoke vehemently against it. As a result of combined pressure from the civil society and development partners, the authorities withdrew this initiative.

Two weeks later, the authorities initiated the change of the electoral system. The leader of the governing Democratic Party, Vladimir Plahotniuc, made the announcement on March 6th 2017⁵. This reform is seen as another attempt to maintain illicit assets by staying in power.

In parallel, the authorities amended the procedure to obtain a Moldovan citizenship, against an investment of 250.000 EUR in government bonds. Transparency International, among other NGOs, has condemned this initiative as a legal loophole designed to legitimize funds of illicit provenience - another attempt to legalize illicit money with the use of proxies from other countries⁶. To legalize one billion EUR, one would need four thousand proxies making a formal investment on behalf of another person, or a group of persons.

In December 2017, another draft law to “decriminalize economic crimes” was submitted before the holiday season. While some provisions were beneficial for improving Moldova’s business climate and make investors feel safer in Moldova, the decriminalization of financial crimes raised serious suspicions about the draft law’s actual intentions. Instead of enacting the respective provisions and prosecuting those responsible, the draft proposed the decriminalization of offences committed in the Moldovan banking system. The civil society condemned, again, the initiative⁷. While similar initiatives were approved in Russia, Kazakhstan, Ukraine, Armenia, no such good practice exists in EU countries⁸, suggesting the authorities acted in bad faith promoting such initiatives.

³ <http://cpr.md/investigation-of-financial-crimes>

⁴ <http://cpr.md/tax-amnesty>

⁵ <http://www.cpr.md/change-of-the-electoral-system>

⁶ <http://www.transparency.md/2017/08/09/nota-de-pozitie-noile-modificari-la-legea-cetateniei-un-risc-de-legalizare-a-mijloacelor-financiare-de-origine-frauduloasa/>

⁷ <http://crjm.org/wp-content/uploads/2017/12/2017-12-13-Apel-MJ-nepromov-decriminfreconomice-ENG.pdf>

⁸ <https://www.facebook.com/notes/cpr-moldova-centrul-de-politici-%C8%99i-reforme/pedepsele-pentru-crimele-financiare-trebuie-%C3%AEn%C4%83sprite-nu-decriminalizate-declara/732129700309169/>

No progress in the investigation. In the fourth year, the investigation is not advancing and the authorities' actions suggest there is no will to investigate the crimes that compromised the trust of the population and the external partners towards Moldova, seriously damaging the country's image abroad, and devastating its economy. Both civil society and EU repeatedly called on the Moldovan authorities to show progress in investigation of the banking crimes.⁹ Calls to fight corruption, reform justice and respect democratic mechanisms¹⁰ were left with no actual response.

A report by Transparency International¹¹ concluded that the investigation is stagnating, no assets have been recovered, no decision-makers that admitted the theft have been held accountable. It also underlines that because of the inaction from the liquidators appointed by the National Bank of Moldova, the data on the transaction operation may expire, and that will complicate the recovery of the stolen assets. A possible expiry of the limitation period¹² also refers to "Shor group" credits. This means that, if these crimes are not effectively investigated, they will reach an expiry date, and those who committed them will be legally absolved of prosecution.

In September 2016, fifteen judges involved in the Laundromat were arrested demonstratively, with detailed coverage from the politicized mass-media.¹³ These judges were an indispensable part in the money laundering, legalizing the transfer of 22 billion USD from Russia to accounts in EU member states. But one year later the same judges were freed (some of them reinstated in their old positions)¹⁴, avoiding big publicity in the media. At the same time, the three main criminal cases linked by the authorities to the financial crimes, (Filat, Platon¹⁵ and Shor¹⁶) were carried out with breach of procedures and behind closed doors.¹⁷

The authorities' actions suggest that the investigation is not only stagnating, but also regressing. The authorities showed no credible results, in spite of repeated demands from the society and the international community.

Attempts to misinform the public and the international community. Both the public and the international community are constantly exposed to misinformation on this subject. The website of the Ministry of Finance provides information that falsely claims to refer to asset recovery, for instance, the liquidation process of the three commercial banks was labeled as "*Recovery of stolen assets*"¹⁸. In reality, the three banks bankrupted and entered the liquidation process, and their assets (most of which - real estate) are sold while the revenue is directed to cover the emergency loans offered by the National Bank. However, so far, no money was recovered from the stolen billion.

There is a danger that even credible and genuine media and research institutions from Moldova and abroad would trust official (but false) data from a state institution, spreading further the misinformation locally and internationally, pushing a false narrative.¹⁹ **Yet the correct figure in the assets recovered is zero**²⁰. CPR Moldova has petitioned the Ministry with official requests to correct the information it provides and, although initially the Minister has admitted that no funds have been recovered²¹, the official response was justifying that the data presented by the Ministry are not false.

In the same time, we saw attempts to distort facts about the crimes, with Speaker Andrian Candu, trying to pivot the amount of 600 million USD stolen from the banking system (instead of one billion) early last year²².

Kroll-2 report published, after some editing work. On December 21st, 2017, the National Bank of Moldova published excerpts of the second Kroll report.²³ Unlike the first report published entirely on Speaker Candu's blog, the second report was significantly edited. The document sheds light into the laundering mechanism; however it omits the part, which would put public pressure on institutions to act - names of individuals. The report also suggests that most beneficiaries are known, are politically connected, or involved, while the whole operation benefited from

⁹ <http://www.europarl.europa.eu/sides/getDoc.do?type=MOTION&reference=B8-2017-0536&format=XML&language=EN>

¹⁰ <http://www.consilium.europa.eu/media/32960/sto6280-en18.pdf>

¹¹ <http://www.transparency.md/2017/10/30/lansarea-raportului-privind-monitorizarea-evolutiilor-in-sectorul-financiar-bancar-decembrie-2016-octombrie-2017/>

¹² <https://anticoruptie.md/ro/stiri/temeri-termenul-de-prescriptie-in-privinta-creditorilor-acordate-companiilor-grupului-sor-ar-putea-expira-iar-miliardele-nu-vor-putea-fi-recuperate>

¹³ <http://unimedia.info/stiri/lista-judecatorilor-retinuti-astazi-de-procurorii-anticoruptie-94569.html>

¹⁴ <https://www.ziarulnational.md/majoritatea-judecatorilor-retinuti-pentru-implicare-in-spalatoria-ruseasca-eliberati-din-arest-la-mai-bine-de-un-an-de-la-retinut-nu-exista-niciun-verdict-pe-numele-acestora/>

¹⁵ <https://www.rise.md/english/laundromat-how-veaceslav-platons-high-life-in-kyiv-came-crashing-down/?lang=ru>

¹⁶ <https://www.occrp.org/en/laundromat/two-huge-scams-intersect-at-one-moldovan-businessman/>

¹⁷ <https://anticoruptie.md/ro/investigatii/justitie/50-de-umbre-ale-dosarelor-miliardului-furat>

¹⁸ <http://mf.gov.md/content/recuperarea-activelor-fraudate?width=800&height=600>

¹⁹ An example of false narrative in independent press. The article in the non-affiliated portal names the proceeds from liquidation as "recovered" <https://www.mold-street.com/?go=news&n=6418>

²⁰ <https://watch.cpr.md/#miliard>

²¹ <http://unimedia.info/stiri/video-reactia-ministrului-finantelor-la-apelul-cpr-moldova-niciun-leu-din-miliardul-furat-nu-s-a-recuperat-pana-la-moment-132109.html>

²² https://www.publika.md/candu-furtul-din-sistemul-bancar-este-de-600-mln-de-dolari-kroll-are-o-strategie-de-recuperare-a-banilor_2965031.html

²³ <http://bnm.org/ro/content/bnm-publicat-o-sinteza-detaliata-celui-de-doilea-raport-de-investigatie-al-companiilor>

significant political support within certain Moldovan institutions. The money was laundered to accounts in some EU member states, like Estonia, Latvia, United Kingdom, but also to Russia. The amount identified at the moment by the Kroll report is at least one billion USD stolen from the three commercial banks, thus putting an end to political speculations about the amount effectively stolen.

SYSTEMIC EFFECTS OF THE FINANCIAL CRIMES

Reforming a hollow banking system. The present administration of the National Bank of Moldova is acting to ensure the stability of the banking sector, including the approval of the new legislation. Dialogue with the IMF is on track²⁴, macroeconomic policies are sound, the strategy for BASEL III implementation has been adopted.²⁵ Work is being done to improve transparency of shareholders and raise the minimum amount guaranteed to depositors in the banking system. A new law on banking activity was approved. Seemingly, the National Bank of Moldova under the present administration is the least politicized of all stakeholders (it still does not make it fully independent).

In 2018, the Romanian Banca Transilvania (BT) acquired a stake in the Moldovan Victoriabank, becoming its biggest shareholder. Together with the European Bank for Reconstruction and Development, BT will hold a controlling stake of 66.7% of shares²⁶. This marks a significant investment in the Moldovan banking system – something the country needs in order to revive its banks.

However, NBM at the moment is reforming a hollow banking system. Moldovan banks have been used for massive money laundering and are, as it seems, now left to "cool off". In communicating to the public or to international partners, the authorities are trying to substitute the investigation of financial crimes with the reform of the banking system.

This trade-off must not be accepted. Reform in the banking sector should not be seen as an alternative to the investigation of financial crimes and asset recovery to Moldova's international partners and to society.

Shifting from short-term to long-term effects of the theft. The 2015-2017 economic crisis in Moldova was the first crisis the country inflicted on itself due to failed policies and state capture. It was generated by the banking theft and severely affected the economy and the population's revenues. Inflation skyrocketed, exchange rate fell by 30%, energy prices and most consumer prices went up by 30%, trade collapsed, growth stalled and the economy declined, while the trust in any state institution was single-digit²⁷.

Any crisis has short-, medium and long-term effects. The short- and medium term shock waves have passed. The NBM, acting by the textbook, got inflation back under control, as the base rate slowly returns to pre-crisis levels (7% now compared to 3.5% before the crisis)²⁸. Commercial credit is approaching pre-crisis levels. However, the negative impact on citizens, business and the economy as a whole will not be able to fully recover.

The exchange rate will not come back to pre-crisis levels, consumer prices will not go back to pre-crisis levels, entrepreneurs will not recover the losses incurred, companies that went out of business caused an irrecoverable loss, ordinary people will not be compensated for the extra cash they spent to cope with rising prices, the growth that the country lost between 2015-2017, is gone.

Yet as the short- and medium term effects fade away they give way to the **long-term effects of the bank theft**:

²⁴ <https://imf.md/press/pressl/pressl-171024.html>

²⁵ <http://bnm.org/ro/content/strategia-de-implementare-standardelor-bsel-iii-prin-prisma-cadrului-legislativ-european>

²⁶ <http://www.ebrd.com/cs/SaTellite?c=Content&cid=1395270768170&d=Mobile&pagename=EBRD%2FContent%2FContentLayout>

²⁷ <http://sic.md/efectul-miliardului/>

²⁸ <http://newsmaker.md/rus/novosti/natsionalnyy-bank-moldovy-snizil-bazovuyu-stavku-do-7-godovyyh-34290>

Moldova has lost at least three years of development. 2013 was a record-growth year, when Moldova registered near double-digit growth – 9.8% growth year-on-year. The bank theft destroyed progress towards robust growth.

- **Curbing corruption, and bringing it under control seems more difficult now than it seemed several years ago, before the banking theft.** State capture is more evident now than it was three years ago. According to the latest report on the Corruption Perception Index, in which Transparency International ranks 180 countries of the world, corruption in Moldova continued to spread, suggesting the population’s feeling that corruption has never been this big in Moldova²⁹. Reversing these effects will take years and will cause long-term harm for the Moldovan population.
- **The taxpayer will continue paying for the theft until 2041.** A decision made by the Moldovan authorities puts the bank theft on the shoulders of the taxpayer. The Ministry of Finance will allocate, every year, funds to cover the emergency credit from the NBM, until 2041³⁰. These funds could be put to better use in improving people’s lives, instead of compensating for a crime that is going unpunished.
- **Weakened banking sector.** The bank theft has caused three banks to bankrupt. Three more systemic banks (around 70 % of the banking sector) are under special supervision by the NBM. The banking sector is weak, underdeveloped and non-transparent. Credit is expensive, and investment is scarce. The banking theft has exacerbated these problems, which will still pose a serious impediment for the economy in the years to come. While 2018 will show some FDI in the banking sector, the underdevelopment of Moldovan banks is likely to be a constraint for the economy in the medium-term.

CONCLUSION AND RECOMMENDATIONS: WHY THE EU HAS INTEREST GET INVOLVED?

As argued in last year’s paper, the EU was severely affected by the financial crimes originating in Moldova. The second Kroll report from December 2017 clearly showed how the money stolen from the Moldovan depositors ended up laundered to accounts in EU member states³¹. This makes the theft a matter that must be investigated by the EU, and the Anti-Money Laundering Directive³² offers legal grounds for action, while each member state has either criminal or administrative sanctions in place for money laundering, which can be imposed on individuals from third countries if these are found liable as a result of a national investigation.

The 22 billion USD laundered through Moldova ended up disseminated across different Member States, and in different industries.³³ This money distort markets, affect fair competition, might corrupt entrepreneurs and entire industries (such as the banking sector in Moldova and even in some EU Member States), as dirty money triggers illicit behavior.

There are known cases when funds obtained from these crimes are being used to influence policy decisions inside the EU, against the EU’s best interests. In a few known cases, the laundered money was traced to different pro-Russian entities within the EU³⁴. As it is difficult to track the behavior of each EU entity that benefited from parts of the proceeds of these crimes, the entirety of the effects is not known and might never be known.

Facts that are known, however, suggest a major security risk for the EU and Member States.

²⁹ https://www.transparency.org/news/feature/corruption_perceptions_index_2017

³⁰ <http://mf.gov.md/ro/content/ministerul-finan%C8%99Belor-executat-obliga%C8%99Bia-de-plat%C4%83-pentru-2017-privind-r%C4%83scump%C4%83rarea-de>

³¹ https://alaiba.files.wordpress.com/2017/12/kroll-2_-summary-report.pdf

³² <http://www.consilium.europa.eu/en/press/press-releases/2017/12/20/money-laundering-and-terrorist-financing-presidency-and-parliament-reach-agreement/>

³³ <https://www.occrp.org/en/laundromat/profiles/>

³⁴ <https://euobserver.com/foreign/137313>

Corruption in Moldova has reached levels that constitute a threat to the country's democracy and rule of law. Because of corruption, the state fails to fulfill its core functions. The situation in Moldova is a good illustration for the rationale at the basis of the **European Parliament's Resolution on corruption and human rights in third countries**³⁵, from 13th of September 2017.

- *whereas organised crime, which is a serious problem in many countries and has a crossborder dimension, is often linked to corruption;*
- *whereas controlling corruption and illegal financial flows is a political matter, which needs to be tackled comprehensively, worldwide and across borders (G20, UN, OECD, WB, IMF);*
(The Parliament)
- *Calls for collective action to be taken at national and international level to prevent and combat corruption, given that corruption spreads across borders and that enhanced cooperation between countries and between regions needs to be encouraged alongside the work of civil society organisations in the fight against corruption*
- *Calls on the EU to include an anti-corruption clause alongside human rights clauses in agreements with third countries that should require monitoring and consultations and, as a last resort, to impose sanctions or suspend such agreements in the event of serious and/or systemic corruption leading to serious human rights violations;*
- *Encourages EU Member States to consider adopting legislation with a view to establishing clear criteria allowing for blacklisting and the imposition of similar sanctions against third country individuals and their family members who have committed serious human rights violations or have been responsible for, or complicit in, ordering, controlling or otherwise directing acts of significant corruption, including the expropriation of private or public assets for personal gain, corruption related to government contracts or the extraction of natural resources, bribery, or the facilitation or transfer of ill-gotten assets to foreign jurisdictions;”*
- *Excerpt from the European Parliament Resolution on corruption and human rights in third countries.*

³⁵ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P8-TA-2017-0346+0+DOC+XML+Vo//EN>

³⁶ Moldovan CSO's address to development partners, September 2018:
“According to the Article 18 of the Association Agreement between the EU and Moldova, both parties agree that, in the event of money laundering involving both Moldovan and the EU financial systems, an international investigation task force and asset recovery shall be put in place. We believe the European Union has the duty in front of its citizens to step in and investigate these crimes, bringing to justice everyone that made these crimes possible by providing their political or administrative support. Personal sanctions against concrete individuals could be a way to start the process”.
<https://www.facebook.com/notes/cpr-moldova-centrul-de-politici-%C8%99i-reforme/moldovan-csos-address-to-development-partners-on-the-state-of-some-reforms-and-t/695259623996177/>

³⁷ <https://www.coe.int/en/web/conventions/full-list/-/conventions/treaty/141> and <https://rm.coe.int/168007bd23>

³⁸ <https://www.interpol.int/Crime-areas/Financial-crime/Financial-crime>

The Moldovan authorities have shown their disinterest in carrying out an effective investigation. One of the recent addresses³⁶ by the Civil Society Organisations to the European Union encourages, among others, the **enactment of Article 18** of the EU-Moldova Association Agreement in relation to the financial crimes.

*EU-Moldova Association Agreement, Article 18:
“Money laundering and terrorism financing
1. The Parties shall cooperate in order to prevent the use of their financial and relevant non-financial systems to launder the proceeds of criminal activities, as well as for the purpose of terrorism financing. This cooperation extends to the recovery of assets or funds derived from the proceeds of crime.
2. Cooperation in this area shall allow exchanges of relevant information within the framework of respective legislations and the adoption of appropriate standards to combat money laundering and financing of terrorism equivalent to those adopted by relevant international bodies active in this area, such as the Financial Action Task Force on Money Laundering (FATF).”*

Moldova must stick to commitments made in international conventions, such as the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime³⁷ Interpol's mandate on combatting financial crimes must be visibly engaged in investigating these crimes³⁸.

HOW COULD THE EU GET INVOLVED?

Corruption in Moldova is a risk for the EU, as recognized by the EU institutions. The European Union and individual Member States must do what is within their powers to determine an effective investigation of these financial crimes. Among the proposed actions are:

Preconditions for financing

Moldova is relying heavily on EU financing, however most reforms are being done formally, in order to obtain funding, without showing fundamental change. It is important to use this dependency to push for reforms, including the investigation of financial crimes. The EU should use the legitimacy of the Association Agenda to demand the investigation of the financial crimes, demanding quality in the implementation of committed reforms. The EUR 100 million in macro-financial assistance that the European Union offered Moldova in return for reform is a good example how EU funding can play a role in strengthening Moldovan institutions weakened by state capture. Captured institutions are often powerless and Moldova faces security risks, a big part of which comes from inside the country, exacerbated by corruption. Rule of law and strong institutions that abide by the law, above all else, lie at the foundation of a democracy. Clear and tough preconditions for EU funding can protect the independence of institutions, or at least prevent the situation from further deteriorating. No aid that comes to Moldova should be labeled as "unconditional". The EU should reward quality reforms and their effects, not the mere approval of legislation that can be later sabotaged, as is often the case.

Harshly discourage any "amnesties"

The EU should publicly discourage any attempt to amend legislation that will block the investigation and prosecution of financial crimes. In 2017 there were two attempts to do so. The "Capital liberalization and fiscal stimulation" law would have resulted in the legalization of proceeds from grand corruption, while the "decriminalization" law had provisions that would absolve punishment for actions that have led to the theft of the billion. These attempts hint at the authorities' intention to profit from the bank theft rather than investigate it. Civil society's voice in condemning such initiatives should be supported, while preconditions for assistance can be used as a tool. Any financing would have to be stopped indefinitely if such initiatives are initiated.

Civil society's role in advocating this issue is crucial to maintain awareness

Civil society, especially independent media, can and should play a role in resisting state capture. Under the present administration, the space for civil society is shrinking and investigation journalists are seeing multiple impediments in their work. Market forces are engineered to make independent media die out slowly, while administrative barriers are being instituted to keep the rest of civil society under control. Independent actors must be supported, eventually from the assets recovered.

Let no crime unpunished

In the short-term, the EU must be explicit in demanding clear progress in the investigation from the Moldovan authorities. In the medium term, the EU must step in to investigate the financial crimes involving Moldova, an associate country with the European Union. Four years is enough to conclude that Moldovan authorities, under the present leadership, will neither investigate, nor prosecute or recover stolen assets. Article 18 of the EU-Moldova Association Agreement should be enacted. An asset recovery and international investigation task force, far from Moldovan authorities' reach, must be put in place. Moldova must not be able to control the investigation enough to sabotage it. At the same time, the Council

of Europe member states that have been at least partially affected by the money laundering can and should enact the relevant provisions of the Council of Europe's AML conventions.

Asset recovery

The stolen assets from the banking sector must be recovered, as a substantial part of them can still be traced. Moldova is a poor country because of corruption and the financial crimes have impoverished and indebted the local population even more. The assets recovered must be put in a separate fund far from the government's reach, and put at use for the population. The assets recovered cannot be put back at the disposal of the kleptocrats in the Moldovan state institutions. An example is Kazakhstan's BOTA Foundation. The foundation is aimed at helping the country's poor without interference from the country's administration. There are other similar initiatives around the globe. A similar trust fund must be established for Moldova. The recovered money cannot go back to the authorities that have favored the theft and now resist investigation.

The Moldovan financial system needs cleansing

Moldovan banks that have, or will be proven to have facilitated the crimes, must be blocked from the international financial system. Their correspondent accounts in the EU and the USA must be blocked, thus clearing the way for transparent financial institutions to do business abroad. The fate of Latvia's ABLV Bank, AS closing of correspondent accounts in the US for money laundering activities can be repeated for some Moldovan banks, as well as Estonia's Versobank³⁹.

Expanding best practices

The new rules approved by the EU to prevent tax evasion and money laundering⁴⁰ should be expanded into EaP countries – namely Moldova, Ukraine and Georgia. In such a mechanism, Moldova would have to cooperate with Member States on equal terms and share data collected under the anti-money laundering legislation. This is in the spirit of the Association Agreement signed between the two parties, expanding its scope. With the growing economic interconnectedness (EU is Moldova's biggest economic partner), this became an imperative. There might also be EU citizens avoiding taxation with the use of Moldovan jurisdiction, so this reform is in the EU's interest, too.

International investigation and asset recovery should lead to sanctions

The best way to discourage such crimes in the future is to show that they are prosecuted. Kleptocrats around the world feel encouraged when response to their corruption is symbolic. After a thorough investigation, time will come to elaborate punctual sanctions against people involved in these crimes at different levels. Judges, public servants, politicians, elected officials, businesspeople and other accomplices are known, but they need to be named. Sanctions must be accompanied by asset freezes and asset recovery. Public officials who obstruct such investigation or try to cover it up must know they might end up on sanctions lists, too, as it is in the case in the Magnitsky act.

The laundering of 22 billion USD and the theft of one billion USD from the National Bank of Moldova reserves was only possible because a string of people were placed at different hierarchy levels within several institutions, who have let it happen. Often, all that was needed was inaction, and many people share complicity in this crime. These people must be named and known. While the present Moldovan authorities will not do it, someone has to. The European Union is in the best position to act, having all necessary legal grounds. After all, the EU was, and still is, affected by the financial crimes.

³⁹ <https://www.reuters.com/article/banking-estonia/ecb-revokes-licence-of-estonian-bank-amid-money-laundering-probe-idUSL8N1R9zLY>

⁴⁰ http://europa.eu/rapid/press-release_MEX-18-5441_en.htm