

**RUSSIA'S ALPINE ASSETS: MONEY LAUNDERING
AND SANCTIONS EVASION IN SWITZERLAND**

HEARING

BEFORE THE

COMMISSION ON SECURITY AND
COOPERATION IN EUROPE

U.S. HELSINKI COMMISSION

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTEENTH CONGRESS

SECOND SESSION

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RUSSIA'S ALPINE ASSETS: MONEY LAUNDERING AND SANCTIONS EVASION IN SWITZERLAND

COMMISSION ON SECURITY & COOPERATION
IN EUROPE,
U.S. HELSINKI COMMISSION,
HOUSE OF REPRESENTATIVES,
Wednesday, July 18, 2023.

The Hearing Was Held From 1:23 p.m. To 2:29 p.m., Room G50 Dirksen Senate Office Building, Washington, DC, Representative Joe Wilson [R-SC], Chairman, Commission for Security and Cooperation in Europe, presiding.

Committee Members Present: Representative Joe Wilson [R-SC], Chairman; Senator Ben Cardin [D-MD], Co-Chairman; Senator Roger F. Wicker [R-MS], Ranking Member; Representative Victoria Spartz [R-IN].

Witnesses: Bill Browder, Global Magnitsky Justice Campaign; Drew Sullivan, Co-founder, Organized Crime and Corruption Reporting Project [OCCRP]; Olena Tregub, Secretary General, Independent Defense Anti-Corruption Committee [NAKO].

OPENING STATEMENT OF HON. BEN CARDIN, CO-CHAIRMAN, U.S. SENATE, FROM MARYLAND

Co-Chairman CARDIN: Welcome our witnesses here. In Congress, you got to be flexible. This hearing was originally scheduled for 1pm. Chairman Wilson would be normally calling this hearing to order, but there are a series of votes on the House floor. We will start the hearing and we are going to go as long as we can. I am not sure when the House members will be returning. Senator Wicker and I are going by the Senate schedule, which is different than the House schedule. We are going to have conflicts throughout this period. This is our return date in the Senate, and there are a lot of conflicts that are taking place. I hope—just as your indulgence is we—this is an extremely important hearing, and I am very pleased that Chairman Wilson called this hearing on the money laundering and sanctions evasion in Switzerland with Russia's alpine assets.

Switzerland is a good friend of the United States. Democratic State. We have strategic partnerships with Switzerland on so many different issues. They have a dark streak in enabling the laundering of blood assets. We saw that during World War Two, when Switzerland was the preferred location for gold taken by the Nazis from Jews. We saw that on where the moneys were hidden with the apartheid leaders and businesses from South Africa. We have

seen it in regards to the oligarchs in Russia. So we consistently see a pattern here in which Switzerland's banking arrangements have facilitated the corrupt practices of people that have robbed their country of their wealth.

There has been a repeated effort to deal with the Russian money that has adversely affected the sanctions. Part of our strategy in winning the war for Ukraine is to isolate and put sanctions on Russia. Those sanctions are only as effective as we are able to make sure that they are enforced. We have seen the Russian economy surviving better than we thought it would, and part of that has been the laundering of dirty money in Switzerland. That is an area of great concern to all of us. The accountants, the lawyers, the banks, the auditors, the investment advisors, the consultants, and others who accept dirty money in exchange for laundering and influence services are facilitating the perpetrators of gross human rights violations and corruption.

It was not too many years ago that Senator Wicker and I were joined by Senator McCain, with the help of one of our witnesses, Bill Browder, and we established the Magnitsky sanctions, then global Magnitsky sanctions. It has become the standard among the Western world that individual sanctions are critically important if we are going to be able to root out human rights violators and corrupt leaders. We have been pretty successful in the use of the Magnitsky sanctions. We are pleased about that. We need to look at the facilitators, those that are facilitating the corrupt leaders. That is one of the areas which we need to expand and apply the Magnitsky sanctions.

This hearing is first and foremost about our continued effort in this Commission to do everything we can to assist Ukraine in its defense against Russia's War of aggression. We have held hearings in regards to war crimes. We have held hearings in regards to how we can provide assistance. This hearing is how we can make sure that the sanctions that are imposed are not being evaded by a country like Switzerland, through the use of their banking system. There is a secondary purpose, and that is to raise the awareness of the need to expand those that are sanctioned under our sanction laws to include those that claim to have clean hands because they are lawyers and accountants, et cetera. They are facilitators, and they need to be held accountable.

With that, let me turn it over to my colleague and friend, the ranking Republican on the Helsinki Commission, Senator Wicker.

**STATEMENT OF ROGER WICKER, RANKING MEMBER, U.S.
SENATE, FROM MISSISSIPPI**

Senator WICKER: Thank you so much, Senator Cardin. Let me just say that you have stated it very well. The title of this hearing is indeed provocative, and deservedly so and intended to be attention getting: "Russia's Alpine Assets: Money Laundering and Sanctions Evasion in Switzerland." My distinguished friend from Maryland is exactly right, Switzerland is a friend, and we share so many common values. This is an issue worth exploring, and it is an issue worthy of the title of this hearing.

Let me say this, it is one of the great honors of my career to have been involved with Senator McCain and Senator Cardin as one of

the co-authors of the Magnitsky Act, and then to have assisted further along with the Global Magnitsky Act. As my friend Senator Cardin prepares in a year and a half to move from the public sector into the private sector, there is no question that his efforts to root out corruption, and particularly on behalf of really threading the very difficult needle of getting Magnitsky passed, it will go down as one of his great legacies during his time of public service at the State and Federal level. Let me just say to my friend how much I appreciate that.

Briefly as we move to the witnesses let me just say, Russia has made corruption an important part of its foreign policy. Everyone really knows that. It is bought off former top officials in Europe and contracted world-class law firms to do its dirty work. The Kremlin even found ways to corrupt the highest levels of Swiss law enforcement. The former Swiss Federal prosecutor was forced to step down and a high-level enforcement officer was convicted of bribery. These are facts.

I am concerned that Switzerland may soon return stolen Russian money to those who took it. This would be wrong under any circumstances, but it is especially disastrous to do so as Russia wages a brutal and unprovoked war against its neighbor, Ukraine. I look forward to learning today how we can do our part to ensure that this stolen Russian money does not leave Switzerland, and how we can guarantee that the investigation into Russian money laundering in Switzerland comes to a successful conclusion. I thank our witnesses for being here, and I will yield back to the distinguished Senate Chairman of Helsinki.

Co-Chairman CARDIN: Thank you. Thank you very much, Senator Wicker. Thank you for those personal comments. I appreciate that.

We will now hear from our witnesses. Your full statements will be made part of our record. We thank the three of you for being with us. We will start with Bill Browder, who is the head of the Magnitsky Global Justice Campaign. Mr. Browder was the largest foreign investor in Russia until 2005, when he was denied entry to the country and declared a threat to national security for exposing corruption in Russia state-owned companies. In 2008, Mr. Browder's lawyer, Sergei Magnitsky, uncovered a massive fraud committed by Russian Government officials that involved the theft of \$230 million of State taxes. Sergei Magnitsky testified against the State officials involved in the fraud and was subsequently arrested, imprisoned without trial, and systematically tortured. He spent a year in prison under horrific detention conditions, was repeatedly denied medical treatment, and died in prison on November 16, 2009, leaving behind a wife and two children.

We will then hear from Mr. Drew Sullivan, the co-founder and publisher of the Organized Crime and Corruption Reporting Project. Before that, in 2004, he founded and edited the Center for Investigative Reporting, the leading investigative center in Bosnia-Herzegovina. Now, last, we will hear from Olena Tregub, secretary general, the Independent Defense Anti-Corruption Committee. That committee is a joint initiative of Transparency International Defense and Security and the Ukrainian chapter of Transparency International.

We will start with Mr. Browder.

**STATEMENT OF BILL BROWDER, HEAD OF GLOBAL
MAGNITSKY JUSTICE CAMPAIGN**

Mr. BROWDER: Senator Cardin, Senator Wicker, it is a great honor to sit before you. We have had a long history together, starting in 2010 with the—following the death of Sergei Magnitsky, which led to the two of you and Senator McCain and Senator Lieberman passing, along with all of your colleagues, the Magnitsky Act. Let me just second what Senator Wicker said, which Senator Cardin—that is the Magnitsky Act is a piece of great leadership and great heroism, and will certainly be—you will be remembered for this work long into the—long after your political career ends. There are many, many people—millions of people around the world that are grateful for what you have done.

As you know, Sergei Magnitsky, his murder was something that changed my life completely. After he was killed, I gave up my life as a businessman to focus all of my time, energy, and resources going after the people who killed him, to make sure they face justice. The Magnitsky Act was an important part of that. The other important part of our campaign for justice was to learn who got the \$230 million that Sergei Magnitsky was killed over. We began an investigation which started moments after he was killed and goes on until today.

As we began this investigation, we started to get information from whistleblowers, from journalists, from law enforcement investigations. One of the places where we got information was a person who told us that the husband of the tax official who approved the \$230 million tax refund received roughly \$10 million in his accounts at Credit Suisse in Zurich. We turn that information over to the Swiss law enforcement authorities. They froze that money; they opened a criminal investigation.

They, subsequently, then froze roughly another \$10 million belonging to various people. One of them was a man named Dmitry Klyuev, who was the head of the Klyuev organized crime group that was—organized the whole tax refund, and a lot of the other nastiness that Sergei Magnitsky was subjected to. Another one was a man named Denis Katsyv, who was the owner of a company called Prevezon, which has also been prosecuted here in New York for—the company has been prosecuted for money laundering connected to the Magnitsky case.

There was a 10-year investigation that was going on. At some point at the beginning of the investigation, the Swiss put their most senior Russian-speaking officer in charge of the investigation. His name was Vinzenz Schnell. The moment this Mr. Schnell began this investigation—or, joined the team, I should say, the investigation ground to a halt. We were very, very confused about why it was not moving forward. We kept on writing applications and requests to the Swiss authorities to have them try to do something, and nothing happened.

Then we discovered around 2018 why it had ground to a halt. What we learned was that Mr. Schnell was apparently invited on a number of all-expense-paid hunting trips in Russia, a bear hunting trip to Kamchatka, boar hunting near Moscow. All the trips were paid for by Russian oligarchs. It was discovered that he did this. He was fired from his job in the Swiss Federal Police. He was

put on trial. He was found guilty. During the trial and during the court hearings, it was—he disclosed that the reason why they were entertaining him was they wanted to get him to drop—the Swiss to drop the Magnitsky investigation.

After he was fired, in spite of this information, that is exactly what happened. The Swiss law enforcement authorities dropped the Magnitsky investigation. They did not prosecute a single person. They are now planning on giving back about 80 percent of the \$20 million that was frozen. Now it is not just giving money back to criminals which makes this so offensive. Three of those four individuals who were—whose money has been frozen are on the U.S. Magnitsky list. They were part of their efforts to get justice for Sergei Magnitsky.

They are not just sanctioned by the United States. They are sanctioned by Canada, by the U.K., by Australia. You have got a situation where Switzerland is not only planning on returning money to criminals, but they are returning money to people who are sanctioned by the United States and our allies. It is not only outrageous that they are doing that, but they are doing that at a time of war, where Russia has launched this unprovoked, aggressive invasion, murderous invasion of Ukraine.

We have applied to the Swiss prosecutor, to the new prosecutor, to stop this miscarriage of justice. Their response was to kick us off the case, to say that we were not the victims. It was just the Russian Government that was the victims. When we went to court to share all the information about the corruption with the court, the court said: Well, we cannot even consider it because the Swiss prosecutors said you are not a victim, so you have no standing, and as a result, we fully affirm the decision. Senator Wicker has been in touch with the Swiss, and the Swiss say: We cannot get involved in any judicial decisions.

In my opinion, what is happening in Switzerland, this is just the tip of a much bigger iceberg. I think our other witnesses will be talking about it in more general terms. The Swiss Government wants to be seen to be doing something, but when it comes to reality the Swiss Government do not want to do anything because they have such—there is such a lot of money to be made off of dirty Russian money in Switzerland. We are in a situation which is perhaps not as brazen as it was when I first came to you back in 2010, but it is still pretty brazen. Where you have a country where the legal system does not work, where criminal justice does not work.

The purpose of the Magnitsky Act when we first came up with it was to deal with a system that did not work. We have that going on right now. I say this with a heavy heart, but I say this as something which I think is necessary because of the stubbornness of the Swiss authorities, which is that when a legal system does not work, we have to intervene ourselves. There is very specific provisions in the Magnitsky Act which say that if a person is involved in concealing the legal liability for the detention, abuse, or death of Sergei Magnitsky, including those who made false and misleading accounts about the fraudulent tax scheme uncovered by Sergei Magnitsky, they can be sanctioned under the Magnitsky Act.

So my request today is that we ask—that you, the Helsinki Commission—asks the U.S. Secretary of State and the Secretary of

Treasury to sanction the individuals in the prosecutor's office who have been involved in this conspiracy to give back the money. Those names include the former Attorney General Michael Lauber, the current Attorney General Stefan Blättler, the Deputy Attorney General—the former Deputy Attorney General Patrick Lamon, the current Deputy Attorney General Diane Kohler, and Vinzenz Schnell, the famous bear hunter. Thank you very much.

Co-Chairman CARDIN: Thank you, Mr. Browder.
Mr. Sullivan.

STATEMENT OF DREW SULLIVAN, CO-FOUNDER, ORGANIZED CRIME AND CORRUPTION REPORTING PROJECT [OCCRP]

Mr. SULLIVAN: Thank you, Senator Wicker and Senator Cardin for the opportunity to be here today.

Co-Chairman CARDIN: Turn your mic on.

Mr. SULLIVAN: The Organized Crime and Corruption Reporting Project is a global nonprofit investigative journalism organization on six continents and we publish over 140 investigative stories a year. From our earliest days, we tracked organized crime, corrupt public officials, and what we call the criminal services industry. That is the banks, law firms, and registration agents that enabled organized crime to globalize their operations. Swiss banks were always front and center in many of the schemes we followed, even in the earliest days. For stolen and illegal money, they are the gold standard for offshore secrecy destinations.

Our investigation into what we call the Russian laundromats, these were all-purpose financial fraud vehicles used to launder more than \$20 billion in Europe, found that Swiss banks were regularly represented. That is why we think the often-mentioned figure of \$200 billion in Russian money in Swiss banks is a gross underestimation. Swiss banks operate worldwide and control trillions of dollars both inside and outside of Switzerland in their wealth management systems and in trusts. Many of these assets are fronted by offshore company proxies, bearer shares, and other untraceable asset structures around the world. We estimate that the total amount of Russian money controlled by Swiss banks is more likely twice that size, up to \$400 billion.

Russian money is hugely important to Swiss banks. The historic outflow of frozen assets—of stolen assets from Russia and other Soviet republics, former Soviet republics, over the past 30 years dramatically altered the banking landscape. At one point, \$160 billion per month was flowing out of Russia alone. Banks fought each other for this money, and when they got it they benefited with historic growth rates. The majority of this profoundly undemocratic money was dirty, but Switzerland had to bank the money or lose ground to Dubai, London, and other banking centers. They leaned into banking Russians hard.

Publicly, Swiss banking secrecy laws have allowed the industry to perpetuate a myth that Swiss authorities were on top of the issue, that they would cleaned up dirty money or were in the process of doing so, that their due diligence processes were robust. These lies would be repeated vociferously by banks, regulators, and government officials over the years. In 2021, OCCRP got a unique opportunity to look for ourselves. With our partner, the German

newspaper *Süddeutsche Zeitung*, we received the first-ever significant leak of Swiss banking account records. In this case, from the banking giant Credit Suisse.

We scoured through the records of more than 18,000 accounts. What we found shocked even us, veterans of big corruption issues around the world. We found that organized crime figures and corrupt officials continued to maintain large Swiss accounts, despite the fact that their crimes literally showed up in the first result of a simple web search of their names. Through these records, OCCRP traced the money from dozens of historic corruption scandals, and clearly saw that around the same time the money went missing it was deposited into a Credit Suisse account. We found Russian oligarchs, despotic leaders, war criminals, drug dealers, and others.

We also found 11 separate instances where a scandal led Credit Suisse officials or Swiss regulators to publicly state that they had initiated steps to fix the problems—new rules, new reviews of accounts, new crackdowns. Despite these alleged fixes and heartfelt pledges, the bank never fundamentally changed its operations. It continued to strongly incentivize the signing-up of criminals, often through subcontractors, and continued to directly appeal to dirty money globally. We found Swiss regulators to be no more honest. They seem to serve the purpose of protecting the Swiss banking sector first and foremost, and then providing an illusion of regulation. At one point they even asked Credit Suisse how they should respond to us. They tolerated banking secrecy laws and hampered enforcement, and they turned serious criminal cases into minor fines.

I have to admit that they did respond to our stories by starting an investigation, but that investigation was into us. They wanted to know who the leaker was and whether they could prosecute them. There is no evidence that they ever looked at the information that we uncovered. Meanwhile, reporters working on the Swiss secrets project had to avoid Switzerland because they could be arrested for violating Swiss banking laws. While Switzerland portrays an image as itself as a clean, modern country, as efficient and finely crafted as their luxury watches, the best metaphor for Swiss banks I can come up with is as junkies hooked on dirty money and living with a government of enablers.

The addiction is driven by the importance of banking to the country. It accounts for more than 10 percent of the country's employment and tax revenues. Banks hold assets worth more than 450 percent of the annual gross domestic product. It is an endless supply of cheap development funds and wealth creation. This tolerance of money laundering has driven its cost to historic lows. It used to cost 20 to 30 percent to launder money. Now bank fees are actually higher than the fees for money laundering. Built into the bank fees charges are the costs to pay off their fines, penalties, and lawyers when they do get caught laundering. Bank fees have essentially become the profits of global money laundering.

When Russian banks—when Russian money started to get problematic in 2014 with the seizure of Crimea, Swiss banks helped paper over dirty money using proxies and offshore companies. That continues today. Calls to Credit Suisse bankers during the report-

ing of our story found they were quite helpful in suggesting corporate structures that would protect the identity of the ultimate beneficial owners. It is this system that is still in place and is allowing Russia to easily bypass sanctions. Nothing has really changed, except that Credit Suisse was taken over by UBS after our story ended.

If Swiss banks cannot enforce sanctions that their government has pledged to enforce, the EU and U.S. Government should look at means of using their jurisdictional control over U.S. and euro-denominated accounts to bring them in line. Swiss banks could also be designated for heightened scrutiny and due diligence checks when dealing with American banks. The banks and regulators have openly lied for decades. Only severe pressure will make them change their ways.

Co-Chairman CARDIN: Thank you for your testimony, as shocking as it is. Thank you very much for your testimony.

Ms. Tregub.

**STATEMENT OF OLENA TREGUB, SECRETARY GENERAL,
INDEPENDENT DEFENSE ANTI-CORRUPTION COMMISSION**

Ms. TREGUB: Thank you, honorable Senator Cardin, Senator Wicker, distinguished members of Helsinki Commission. It is an honor for me to testify today in front of you. I represent the Independent Defense Anti-Corruption Commission. It is a civil society organization from Ukraine. Before the full-scale invasion, we were engaged in defense reform in making Ukrainian defense industry more transparent, more competitive, in reforming defense procurement. After February 24, as many other civil society groups, we started to look into some areas of work which could help stop the war and save our country in the area of our expertise.

That is how we started looking into sanctions and export control regime to obstruct the flow of Western technology to produce Russian weapons. This Western technology comes from democratic Western countries, and Switzerland is one of such countries. Switzerland has a longstanding tradition of neutrality. Yet, when it comes to actual decisions, this neutrality is rather questionable. Sometimes it is hypocritical. As Mr. Sullivan already mentioned, their amount of Russian assets in Switzerland may be over 400 billion dollars. I want to emphasize that despite that, Switzerland refused to be part of the European task force devoted to searching hidden Russian assets.

Why do they do it? Is it because Russians and their money are still hiding in Switzerland? We know stories even about Alina Kabayeva in the media. Still, people, media, suspected, but government seems to look away from this and does not want to investigate. These Russian questions, of course, concern us as Ukrainian citizens a lot because they help Russia to wage the war. When we look particularly at weapons, it is very similar paradox there. Even, I would say, sharper paradox. Because you know that debate about the supply of weapons to any country at war is off the table in Switzerland a long time before the invasion of Ukraine. They are a neutral country. They do not want to be part of any conflict in the world.

The nature of Russian invasion made many people question their beliefs. According to recent polls, already 55 percent of Swiss citizens support lifting the ban on exports of Swiss weapons to Ukraine. Yet, this ban remains. At the same time, our organization analyzed 22 pieces of Russian Military equipment and weapons. It includes—and we found that semiconductors and other critical components produced by Switzerland, by Swiss companies, they make Switzerland No. 1 country in Europe in terms of number of those components. I am talking about very serious, deadly weapons that help Russia to wage this genocidal war and commit war crimes. This is those weapons in which we found Swiss components.

This is Kalibr missile. This is battle helicopter Alligator Ka-52. This is H-101 missile. This is drones Korsar, Orlan. This is Iranian-made drones, Mohajer-6 and Shahed 136. Swiss companies, such as STMicroelectronics, U-Blox, TE Connectivity, TRACO Electronics, they produced microchips and other critical components for these weapons. On paper, they terminated any trade with Russia, because Switzerland introduced in March 22 those sanctions, like other European countries. Investigations prove otherwise, because they are still able to trade these components through third countries such as China, such as Turkey.

We—for example, I give you one example to show how easy it is and how transparent it is. Yet, Swiss Government is not investigating it. For example, the Swiss company U-Blox, which is based in Zurich, it is a world-renowned manufacturer of microchips. They had around 10–14 shipments of different equipment, including navigation model, to Chinese companies that later sold those to Russian company, SMT iLogic. This company is linked to special technological center which is an official manufacturer of Orlan drones, in Russia.

They are—interesting part of the story that Switzerland sanctioned SMT iLogic only in January 2023, almost 1 year after the full-scale invasion began. Even more striking story is another company which directly basically supplies Swiss machinery to Russian war factories, which was sanctioned by United States back in 2014, Galika AG. As of April 2023, they are still not sanctioned by Switzerland and still operating, according to investigations of Swiss journalists.

I want to emphasize this, that if Switzerland is so principled about not being part of any armed conflict in the world, why it is not enforcing measures to stop supply of its critical components to Russian and Iranian weapons? This is the question we are asking. We ask to you as Members of the Congress, to make sure—is to make sure that the sanction regime and global export control coalition, which was created by the United States, will become a functioning mechanism, because the challenge of stopping their critical technology is not only Swiss challenge.

We know that majority of those components into—in these weapons, they come from the United States. United States should lead by example. United States should include Switzerland in this multilateral effort. Swiss Government, they should change their policies. They should provide very strict regulation to their companies to basically make sure that there is no re-export of military equipment to end users in Russia, because feeding Russian war machine

with its technology while denying weapons to Ukraine does not look like neutrality to me. Thank you for your attention. Glory to Ukraine. God bless America.

Co-Chairman CARDIN: Well, let me thank all three of the witnesses. This is just unacceptable. We cannot allow the secrecy of Switzerland's banking laws to prevent the Western global policies to isolate corrupt leaders. As has been pointed out, we have certain tools here in the United States. We have certain treaty responsibilities with other countries. We have certain banking rules. We have to recognize that we are in a fight right now to preserve democratic states, and Ukraine is the front line. One of the best strategies we have is to isolate Russia through effective sanctions. If we allow the laundering of assets, then the sanctions are just not going to be as effective as they need to be. For many reasons, this is just not acceptable.

We have now been joined by our House colleagues. I am going to turn the gavel over to Chairman Wilson. Once again, let me thank all three of the witnesses for your testimony.

**OPENING STATEMENT OF JOE WILSON, CHAIRMAN, U.S.
HOUSE, FROM SOUTH CAROLINA**

Chairman WILSON: Thank you very much, Co-Chairman Senator Ben Cardin. What a honor to be here with you. Something you are going to see is how bipartisan this is, the concern that we have of indeed a global conflict between dictatorships and democracies. Republicans and Democrats are united as never before on an issue. In fact, I am going to prove it right away because I am going to recognize Senator Roger Wicker from the great State of Mississippi as to—and I appreciate Senator Cardin, again, for his leadership here. So—and then we will proceed with further statements and questions.

Senator WICKER: Well, thank you. I do appreciate that. Senator Cardin and I have made opening statements. I am happy to hear from our House members. I can proceed to a question or two from our witnesses.

In that case, Mr. Browder, your suggestion at the close of your testimony is quite astounding. I am sure it sounds rather foreboding to government officials in Switzerland, that you are recommending that our government actually sanction specific Swiss officials just as we sanctioned corrupt Russian officials. So you realize that this is—would be a pivotal moment in U.S. foreign policy. Would you like to talk about that, and what you think the realistic chances are of persuading our government to take this step?

Mr. BROWDER: Thank you, Senator Wicker. It is a suggestion I do not make lightly. I have spent the last 13 years watching the situation deteriorate in—I should say, this tip of the iceberg, if you will, in Switzerland deteriorate. I was just interviewed by several Swiss journalists. They have said to me they do not really care what we are saying here in America about this kind of abuse. They have their ways of doing things, and who are we to criticize them? That was exactly the same attitude that the Russians had when they killed and covered up the murder of Sergei Magnitsky. It is a sort of defiance of the law.

Is it realistic? I do not think any—when I, with you and Senator Cardin and the others, started the Magnitsky Act campaign, nobody thought it was realistic that we could ever sanction Russian officials. Everybody said, that is impossible. We could not do that. The argument always was, we are not sanctioning Russia. I mean, now we are sanctioning Russia, but back then the argument was we are going after the people who were breaking the rules. If they break the rules and the legal system does not allow any recourse, then that is what we are going to do. We can still have diplomatic relations with Russia, but we can sanction those individuals.

I am not suggesting that our governments break relations with Switzerland. That would be crazy. What I am suggesting is that there is clearly an abuse of law that is taking place within the Swiss system that they do not have any kind of recourse to fix it, that we have tried from the outside and they have ignored us. This does get people's attention. That is what—and so will our government do it? I do not know. That is what we are here for, is—I am here for as a witness, and you are here for as a person overseeing the work of the government, is to try to get the right thing done.

Senator WICKER: It is actually the Russian people whose money is being stolen by these corrupt leaders.

Mr BROWDER: Indeed. So, and our mutual friend Vladimir Kara-Murza has been here many times as a Russian opposition politician to say that the regular people of Russia and the regular people of Switzerland, and the regular people of the United States do not want leaders stealing and do not want people promoting that. We are doing everybody a favor by holding those who are responsible and those who enable those responsible—holding their feet to the fire.

Senator WICKER: Have you—have you gained some allies within the Swiss Government, or within the Swiss populace, for your position in this regard? Are some Swiss people helping us in this regard?

Mr. BROWDER: Well, one person who I was hoping would be here today, but could not travel to Washington for personal reasons, is the most senior specialist on corruption and money laundering in Switzerland. He is a professor of criminology from—a former professor from the Basel University. His name is Mark Pieth. Mark is probably the leading voice in Switzerland. He is hugely on our side in this endeavor. He wants Switzerland to be an honest country. There are many people that he knows who are supporting him and supporting me in this whole endeavor.

It is quite interesting, one do not want to put too much emphasis on social media because it can be manipulated, but when I started to put out statements on social media about this hearing, people were coming out of the woodwork, both internationally and in Switzerland, saying—particularly the Swiss—saying, we are ashamed of what our country is doing. We—you know, good on you, you know, trying to make something happen here.

Senator WICKER: Mr. Sullivan, tell us, first of all, about your organization. Then sort of give us a little more information about the type of activities the government is engaging in to investigate your organization, and what you are doing to unearth and expose this corruption.

Mr. SULLIVAN: The Organized Crime and Corruption Reporting Project is very quietly the—one of the largest investigative reporting organizations on Earth. We have about 65 investigative editors working with some 600 journalists around the world, doing large numbers—two to three investigative projects a week.

Senator WICKER: Are you self-supporting, or do you have—

Mr. SULLIVAN: We are funded by governments, including the U.S. Government. We are funded by large, institutional donors and private individuals. Our mission is largely to create investigative reporting around the world, to bring together investigative reporters in countries, to collaborate across borders looking at large, important stories that are out there, including money laundering, drug trafficking, things of that nature.

Senator WICKER: Tell us, if you will, about the extent to which you are being investigated. Was it just a flash in the pan, or does that continue?

Mr. SULLIVAN: It was pretty much a flash in the pan. We are pretty good at protecting sources—[laughs]—so there was no way they could ever get to that source. They did set up an investigation and they did look into it. We were not privy to what actually they looked at, but they failed.

Senator WICKER: Then, Ms. Tregub, tell us about your organization. Also, are there other countries that intentionally or inadvertently are manufacturing or participating in the development of weaponry that winds up in the hands of Russians?

Ms. TREGUB: Certainly. Our organization, since we specialize in defense industry, we were able, after the full-scale invasion, began to study different weapons that were used against Ukraine, and that were captured by Ukraine. We found—we analyzed around 300 components coming from U.S., actually, from 60 different companies from United States. This is unfortunately the leading country out of Western countries supplying their dual-use critical components.

When it comes to other countries, like I said, in Europe Switzerland is No. 1. Then we have Germany, we have the Netherlands, we have United Kingdom, Austria, France. These are European countries. Also we found some Japanese equipment. What is interesting—

Senator WICKER: It is not just the Swiss.

Ms. TREGUB: It is not just the Swiss, but like I emphasized the paradox here that Swiss are much more sensitive about not participating in any armed conflict and being neutral. How come they become number-one European country in critical components in Russian weapons? This is the question here. Yes, it is a global problem which should be tackled by those countries. We will now investigate more weapons, because we want to see how now maybe the number of these Western components is reducing, because this information is now in the public. We published—our organization published several reports. We talked to Wall Street Journal and other big media.

After this, we were reached out by many governments, by Japanese Government, by American Government. They were asking us, what can be done? Can you give us more material? Swiss Government never reached out to us, even though they are No. 1 country.

We will continue this work. Definitely we think that, like I mentioned, a lot of work still needs to be done by you here in the United States.

Senator WICKER: Just one other thing, just so the thousands and thousands of people listening right now understand who you represent. You are a nongovernmental organization. Where do you get your financing?

Ms. TREGUB: Yes, that is right. We are a civil society organization in Ukraine. We get our funding from different Governments—European, British, Swedish, French, private donations. Just like OCCRP was saying.

Senator WICKER: Thank you. I will yield back at this point, Mr. Chairman.

Chairman WILSON: Thank you very much, Senator Wicker. We appreciate so much your leadership.

Ladies and gentlemen and colleagues, I am Joe Wilson, a Member of Congress from South Carolina. I am very grateful to be serving as the new Chairman of the Helsinki Commission, Organization of Security and Cooperation in Europe. I am really grateful, sadly, that we were delayed by votes in the House. I have been joined by Congresswoman Victoria Spartz of Indiana. We are going to be here, and I am going to make an opening statement and then refer to Congresswoman Spartz to ask, that we follow the 5-minute rule, and we will stick to 5 minutes of questions. Then I will ask 5 minutes of questions.

With my opening statement, this is a critical hearing on money laundering and sanctions evasion in Switzerland. I especially appreciate Switzerland in that the communities I represent of central South Carolina were initially settled by German-Swiss farmers in the early 1800's. We treasure our Swiss heritage. Sadly, we see ourselves in an existential battle between democracy with rule of law opposing dictatorships with rule of gun. We did not choose this battle. Now that it is here, democracy must prevail, and all democracies should be working together.

War criminal Putin is not only attempting to wipe Ukraine off the map, he is threatening all of Europe and all democracies. He, in his own words, does not intend to stop at Ukraine. Rather, he seeks to conquer Ukraine and use their resources of Ukraine to take over Moldova and Georgia, and invade Poland, Romania, and the Baltic states—where it has been stated that Estonia, Latvia, and Lithuania are actually revealed as provinces to be resurrected and in a new Soviet Union.

The threat to Americans is real, as the Chinese Communist Party is also waiting to invade Taiwan, and the regime in Tehran is developing nuclear weapons to vaporize the people of Israel as they chant "Death to Israel. Death to America." The resolve of the Ukrainians has deterred other adversaries from engaging in mass murder and destabilization. Now we have to do everything in our power to help the Ukrainians win. Ukrainian victory is the most important goal in the world today, I believe, to further deter dictators who hate Western democracy and all it stands for. Territorial integrity must be achieved for peace through strength in Ukraine.

This is why it is so important for democracies to work together to prevent dictators from evading sanctions and actively undermining Western civilization. We have a historic cooperation among democracies. Europe has woken up and is now taking Putin's murderous invasion seriously. The United States and our European allies are closer than ever before. It is inspiring to see the unity of the European Union, NATO, adding Finland and Sweden, and the Organization of Security and Cooperation in Europe, along with something also extraordinary, and that is in the United States, a unity of Republicans and Democrats to support the people of Ukraine.

Sadly, Switzerland remains a weak link in the chain. Switzerland, as a fellow democracy a sister republic. The United States should be very close with Switzerland. The heritage of my home district is so clearly Swiss. Sadly, Switzerland has yet to address its enabling of dictators by remaining a money laundering and sanctions evasion hub. Although it has adopted European Union sanctions, it remains inundated with Russian oligarch money, and even now, remarkably, incredibly, sadly, plans to return stolen Russian money to those who stole it. It is Switzerland's own interest to embrace its democratic heritage and values and join the democratic world in resisting war criminal Putin and his thugs.

That is why we are holding the hearing today. I just want to thank all three witnesses who have been here today. Mr. Browder is a hero of mine, in that he was not deterred when Sergei Magnitsky was murdered by a war criminal Putin. He led the effort for sanctions against the war criminals in Moscow. People said it could not be done, but we have the Magnitsky Act. I appreciate too, your courage for Vladimir Kara-Murza. This needs to be addressed, the total depravity of the regime and Moscow.

Then, truly, Mr. Sullivan, what you are doing, a corruption reporting project, has never been more important. It is to not only report on corruption, but to deter it, and then to report where corruption has been addressed, which I believe has occurred in Ukraine where they are actively resisting corruption. Then it is really inspiring to me, Ms. Secretary General Tregub, the people of Ukraine have become an inspiration to the world.

It is just so refreshing, as I mentioned, to see Republicans and Democrats, to see the European Union come together, and be so supportive. Almost \$100 billion or more in aid to the people of Ukraine. Additionally, NATO, adding Sweden and Finland. Who would ever imagine in our lifetime that something that significant could occur. It is due to the—respecting the inspiration of the people of Ukraine, what has been done. Over and over again, we need to be working together.

With this, we truly are fighting—it is an existential fight, or disagreement—situation that is before us today, a competition, conflict between democracy and dictators. We must be on the side of democracy and rule of law to oppose dictators rule of gun. I hope, gosh, of all countries, that Sweden [sic; Switzerland] will reaffirm its democratic heritage and reject dictator blood money.

With that, I refer to Congresswoman Victoria Spartz. She has an extraordinary insight. She is the only Member of Congress who is

ever been born in the Soviet Union. Now, of course, she claims proudly her heritage of Ukraine.

Victoria Spartz, all the way from Indiana.

**STATEMENT OF VICTORIA SPARTZ, U.S. HOUSE, FROM
INDIANA**

Representative SPARTZ: Thank you, Mr. Chairman. I apologize for my Yankee accent, but it is a pleasure to be here today. I apologize. I will try to be brief. We actually do have a Department of Justice oversight. I need to go. This is important function Congress does. You know, I actually agree with a lot of things that are brought up here because it does not matter from which country you are from—are you from U.K., Switzerland, UAE, or Cyprus, or Russia? If you do something wrong, you are doing something wrong. We have to really look carefully, you know, what is happened in in some of this country because if we do not have proper enforcement all of these laws that we are passing are becoming useless. This is very big problem in a lot of areas. You know, and it is not like if you are born in some country or another somehow you are made of special clay. **[Laughs.]** We have great people, good people in each country. We have to deal with that.

My question is, if each of you maybe can mention briefly what is the biggest loopholes that you see egregious violations or schemes are using that? How to make sure if we address them we do have a proper due process? It is important for us that we establish, you know, and that is always a concern. How do we make sure when we put some of these policies in place we also have a proper due process? We do have the rule of law and we need to make sure. If you can maybe, each presenter briefly, you know, just share something with us, and some other solutions.

Mr. BROWDER: Thank you, Congresswoman Spartz. I just want to touch on some numbers for you. The Swiss Bankers Association early in the conflict said that there was \$200 billion of Russian money in Switzerland. The two witnesses, Mr. Sullivan and Ms. Tregub, have both—and they are experts, probably more, and do not have a conflict of interest—and said the number of—the amount of Russian money is probably much greater than that. Ms. Tregub said 400 billion dollars. I think Mr. Sullivan said orders of magnitude greater than that. So far, the Swiss have only frozen \$7.8 billion of Russian money.

What that tells you is that the system there in terms of—in terms of going after the blood money that Putin has, that he can use to spend on killing Ukrainians, is pretty much unlimited in Switzerland. You know, we are spending lots of money supporting Ukraine. At the same time, the Swiss are allowing the Russians to have access to that money to kill Ukrainians, and we should do something to shut that down. If the Swiss are not willing to do it voluntarily, then we should put pressure on them. They were not willing to give the Nazi gold back to the Jewish people until Congress got involved. Congress has power here, and the Swiss respect that. Sometimes when people do not behave themselves, we need to give them an incentive to behave themselves. That is why I think we are all here. That is where you can play a role. Thank you.

Representative SPARTZ: Mr. Sullivan.

Mr. SULLIVAN: You know, the real problem is that the global economy now is really extremely difficult to understand, because companies are no longer companies. Bank accounts are no longer bank accounts. They are controlled by offshore companies. They are controlled by proxies. They are controlled by things that you as regulators cannot oversee, because the money goes—moves around the world. Law enforcement only works in a nation-State. It does not go beyond the borders. Mutual legal assistance treaties are ineffective often at tracking these things down. Organized crime and criminals know that if they move money, after 6 months there is no way anybody is going to be able to trace that money.

What we have seen over the years is a different global economy that is really built on offshores. That is enabling Switzerland. Switzerland is a significant player in that industry. Their bankers, their trusts, their wealth management systems are all designed to basically hide not only Russian assets but, you know, assets of African dictators, and even Americans and other Europeans who want to hide from taxes. Consequently, countries, I think, need to look at what they are requiring when an offshore operates in their jurisdiction, when a bank account is set up by somebody offshore, and to look at who that ultimate beneficial owner is. To require this type of information from foreign companies.

You know, if you look at both in New York, and in London, and in Paris, you all find whole luxury buildings owned by BVI companies, or offshores. This is all really a serious part of the problem. Switzerland has been a major player because they are such a credible banking system and their money is accepted everywhere. Really, it is—there is rot at the very core of the financial system, as long as offshores are allowed to really operate in these countries.

Representative SPARTZ: My time has expired, but if you just briefly can mention quickly, because I am out of time, and Mr. Chairman, just a few seconds.

Ms. TREGUB: Oh, sure. I will not repeat on money laundering and banks. I just want to reiterate about the export controls, which I think is important to help stop the war. The export control measures should be expanded to target bigger number of dual use goods, and the U.S. should be leading this process as the leader of export control coalition. They should include Switzerland into this coalition. Generally, there should be some unified policies and procedures developed by the coalition, and companies, and individuals, and intermediaries who were involved in exporting those technology to Russia should be hold accountable. Or, there should be mechanisms for this.

Representative SPARTZ: Thank you. Thank you. I yield back.

Chairman WILSON: Thank you very much, Congresswoman Victoria Spartz. Thank you for being a champion for your birthplace, Ukraine. We really appreciate your service.

Mr. Browder, what can be done? This may be repetitious, but what can be done to ensure that the stolen Russian money is not returned to those who stole it?

Mr. BROWDER: Thank you, Chairman Wilson. I will repeat for you what I—what I testified before, because I think it is so important that you hear it firsthand. In the Magnitsky case, \$20 million

was frozen in Switzerland by law enforcement based on a criminal complaint that we filed where we identified the money. The money belonged to the tax officials—the husband of the tax official who approved the illegal tax refund that led to the murder of Sergei Magnitsky. The money belonged to the head of the Klyuev organized crime group that organized the whole crime, and various others. The person investigating the crime was corrupted. The person inside the Swiss police was corrupted by the Russians. He was bribed with hunting trips all over Russia. He was found to have been corrupted, he was fired, he was prosecuted, he was found guilty.

The corruption by the Swiss courts—and the corruption was due—or the corruption with was meant specifically to close down the Magnitsky case. In spite of him being found out to be corrupt and doing all this terrible stuff, the Swiss law enforcement authorities are now stubbornly returning the money to the criminals who are on the U.S. sanctions list, on the Canadian on the U.K., and on the Australian sanctions list.

This is a slap in our face. It is intolerable. We have made numerous representations to them, from Congress, from myself. The one thing we can do, and this is my proposal to the Helsinki Commission, and I say this with a heavy heart, is to sanction the individuals in the Swiss prosecutor's office who are involved in this corruption. The names of them are in the written testimony that I have submitted. We should, I believe, write a letter to the Secretary of State naming these individuals and asking the Secretary of State to sanction them under the Magnitsky Act.

Chairman WILSON: Thank you for that suggestion. That is specific. I look forward to working with my colleagues to accomplish just what you requested. Then, Secretary General Tregub, how detrimental would it be to Putin's ability to wage war if the loopholes surrounding weapons components were closed? What can be done to save lives of young Russians being sacrificed in and Ukraine and the people of Ukraine?

Ms. TREGUB: Well, we definitely see that the Russian intent is to continue the war as long as they can. Yet they have this very, very highly technological weapons, very deadly weapons that are used against us, against Ukraine, against our peaceful civilians. Our organization published reports about how these particular weapons, like Kalibr missile, like Shahad drones, how they were used to destroy children summer camp, hospitals, and so on. If Russia is not able easily to replenish these weapons, then it will become much more difficult for them to wage this war against Ukraine, and to keep erasing Ukraine from the map.

This is why we focused on them. As of political decision of Russia to wage this war, I do believe now that it used to be Putin's war, and now it is more Russia's war, and they are committed to this war. For me, it is surprising that more than 1 year, more than 500 days into full-scale invasion, they still keep receiving critical technology, not from China. No. From democratic countries, including Switzerland and U.S.

Chairman WILSON: Thank you for your efforts. I have actually visited Bucha. I visited the gravesites of the families that were just brutally murdered and then left to be buried in shallow graves.

This has just got to be addressed. The people of Switzerland, of all people, it would be my anticipation to be actively involved with democracy. Mr. Sullivan, what has been effective in encouraging the Swiss to comply with international law and norms?

Mr. SULLIVAN: I mean, nothing, is the quick answer. **[Laughs.]** I mean, you know, there has been—we can get information when law enforcement goes to Switzerland and requests it. That is an inefficient system, unfortunately. The Swiss will respond to law enforcement requests for information, but they will not be proactive whatsoever. It really does take pressure. You know, the United States has jurisdiction over Swiss U.S.-denominated accounts in Swiss banks. They have a lot of ability to put pressure on that. They have a lot of ability to demand, you know, these kind of, you know, extra due diligence when a Swiss bank is dealing with, for instance, an American bank.

That is a way to basically put pressure on them. You know, the whole international system really depends on banks effectively working with banks. Anything you put in the way of it will immediately put those banks at a significant disadvantage. Consequently, any restrictions or regulations would be absolutely terrible for Swiss banks.

Chairman WILSON: Again, as we are now concluding, I want to thank the witnesses for being here. Each of you have been really special to raise these issues. It is particularly—again, it is so sad and heartbreaking to me, a country as great as Switzerland, and when you mentioned about banks. The integrity of the bank, that is the reason for their success. Part of that should certainly be to uncover and stop corruption around the world.

With that we are adjourned.

[Whereupon, at 2:29 p.m., the hearing ended.]

