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The National Bank of Moldova has recently received the third formal progress briefing on Kroll investigation

The National Bank of Moldova ("NBM") has recently received its third formal progress briefing from Kroll on its continuing investigation of a large scale fraud in the Moldovan banking sector. The fraud resulted in the collapse in late 2014 of Banca d'Economii SA ("BEM"), Banca Sociala SA ("BS"), and Unibank SA ("UB"), (together, the "Three Moldovan Banks"). The investigation has identified the misappropriation of approximately USD 600 million. Tracing of the end destination of this amount is ongoing.

Kroll's investigation is part of an ongoing investigation into transactions of the Three Moldovan Banks during the period 2012 to 2014, with the ultimate goal of recovering funds worldwide from the wrongdoers, as well as the identification of all parties who knowingly participated in and benefitted from the fraud, including individuals, companies and financial institutions.

Kroll has continued to trace the proceeds of fraudulent loans granted to Shor Group companies acting in concert between January 2012 and November 2014, prior to the collapse of the Three Moldovan Banks. The tracing exercise has revealed additional layers of complexity in the structure used to launder the proceeds of the fraud, which involves hundreds of company bank accounts in multiple jurisdictions (including Latvia and Estonia) and thousands of transactions designed to prevent the onward tracing of the misappropriated funds. Millions of dollars of the fraud proceeds were transferred to parties around the world, with the major part to bank accounts in Russia (USD 200 million), Moldova (USD 95 million), Estonia (USD 58 million) and Cyprus (USD 41 million). It is likely that these transfers at least in part lead to further laundering mechanisms which require further analysis.

Kroll continues to work together with international supervisory authorities to unravel the money laundering structure and identify the final destinations of the fraud funds. Further investigation and detailed analysis is ongoing, in order to quantify the potential nature and extent of involvement of the other Moldovan banks.

The tracing exercise has also identified a proportion of funds that can be traced to accounts that appear to be linked to a number of individuals in Moldova. Analysis is ongoing to clarify the end destination of the fraud proceeds and to prepare the complete list of beneficiaries, which must remain confidential to avoid negatively impacting recovery strategies.

The next phase of investigation will include initiating legal actions to obtain orders in multiple jurisdictions to support the tracing exercise with a view to commencing recovery actions in the first half of 2017 against target individuals and organisations that benefitted from or facilitated the fraud.

Kroll will continue to provide regular updates to the NBM during the coming months. It is important that the confidentiality of the next phase of the investigation is maintained, to maximise the opportunities for recovery.

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