



DECEPTION IN HIGH PLACES:

The Corrupt Angola-Russia Debt Deal



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**EXECUTIVE SUMMARY
and
RECOMMENDATIONS**

Executive Summary

This report provides a detailed account of the Debt Deal between Russia and Angola in 1996, in which an unnecessary middleman, **Abalone Investments** (a company formed by **Arcadi Gaydamak** and **Pierre Falcone**), **made hundreds of millions of dollars in profit from the transaction despite offering no discernible services or value, at the expense of the Russian and Angolan treasuries.** A number of Russian and Angolan individuals, including **Vitaly Malkin**, formerly the richest member of Russia’s Duma prior to his resignation in 2013, benefited from the Deal, and Swiss Bank Corporation (SBS), which through merger later became **UBS, facilitated it.**

As a consequence of this Deal, in which the Angolan government sought to pay off its debt to Russia incurred during the Angolan civil war, at least **\$386 million in profits was paid to the “middlemen”** and at least **five known Angolan beneficiaries.** The maths, in its most simplified form, is shocking: Angola owed Russia \$5 billion; they agreed, after negotiation, to pay \$1.5 billion. They paid \$1.39 billion of that amount via the middleman Abalone Investments, and private individuals including Gaydamak, Falcone and others, earned over \$386 million—at least 27 per cent of the amount paid through Abalone—for doing almost nothing. More than \$400 million—30.37 per cent of the funds paid to Abalone—went to suspected insiders or still unknown beneficiaries.

Table 1 ■ Incomplete list of known or estimated receipts from the Debt Deal to various participants

Name	Role in the Debt Deal Transaction	Amount US\$
Arcadi GAYDAMAK	37½% owner of Abalone Investments; architect of the Debt Deal	138,037,303 ¹
Pierre FALCONE	37½% owner of Abalone Investments; architect of the Debt Deal	124,963,680 ²
Vitaly MALKIN	25% owner of Abalone Investments	48,834,000 ³
José Eduardo dos SANTOS	President of Angola	36,250,000 ⁴
Elísio de FIGUEIREDO	Angolan Ambassador without portfolio to France	17,557,000 ⁵
Joaquim Duarte da Costa DAVID	Director General of Sonangol until 1998; thereafter Minister of Industry	13,250,000 ⁶
José PAIVA da COSTA CASTRO	Director General of Sonangol UK	4,465,000 ⁷
José LEITÃO da COSTA e SILVA	Minister in the Office of the Angolan Presidency	3,358,000 ⁸
Total		\$386,714,983

In 1996, Angola owed Russia \$5 billion for various loans granted by the USSR to the Angolan government, led by the ruling MPLA party. This was a crippling amount: in that year, Angola's Gross Domestic Product was just over \$7.5 billion, making the debt equal to two thirds of Angola's entire annual economic output.

In April 1996, the Angolan government authorised Arcadi Gaydamak and Pierre Falcone to re-negotiate the terms of this debt on its behalf. Gaydamak and Falcone were close to Angolan officials, having played key roles in securing weaponry for the MPLA from Russia via France. Both Falcone and Gaydamak were later convicted on various charges in France for their roles in the weapons transaction, commonly known as the "Angolagate" scandal, before being acquitted on some of the charges in an April 2011 appeal judgment.

By May 1996, Gaydamak and Falcone had helped negotiate the outlines of a debt renegotiation plan. Under its terms, Angola's debt to Russia would be reduced from \$5 billion to \$1.5 billion. Angola would receive a five-year grace period, after which it would have 15 years to re-pay the debt and accrued interest in 31 instalments. The transaction would be facilitated by the issuance of Promissory Notes by the Angolan Central Bank. The deal would be formalised in November 1996.

The government of the Russian Federation issued a decree on 30 October 1996 permitting the Ministry of Finance to sell the Promissory Notes on the open market. Less than two weeks later, in November 1996, Gaydamak and Falcone formed Abalone Investments in the Isle of Man. **Abalone Investments, a shell company with no material assets whatsoever, was formed solely to become a party to the debt repayment arrangement.** This timing strongly suggests that Abalone's involvement in the future debt transaction was anticipated prior to any formal agreement being signed, and that all parties, including the Russian and Angolan governments, were collusive in this course of action.

On 20 November 1996, the Russian First Vice-Minister for Finance, Andrey P. Vavilov, signed an agreement providing that Angola's debt to Russia would be reduced by 70 per cent from \$5 billion to \$1.5 billion. After a five-year grace period, Angola would pay back the amount in 31 instalments. Angola would also be liable for interest totalling \$1.39 billion (\$457,160,000 accrued through to June 2001 and \$939,437,000 from June 2001 to June 2016). In light of the weak financial condition of both Russia and Angola at the time, such a steep reduction in the amount of the debt to be paid may well have been reasonable for both parties. Angola, at least, could have perceived the restructuring arrangement as a very good deal for itself.

The mechanics of the Deal were straightforward. Angola's central bank would issue 31 Promissory Notes, each in the amount of \$48,387,096.77, to the bearer. Russia, in turn, would issue 31 Repayment Certificates corresponding to the 31 Promissory Notes. Angola gave the Promissory Notes to Russia. Every time Angola paid \$48,387,096.77, Russia would provide it with Angola's originally issued Promissory Note as well as the corresponding Repayment Certificate. Over the course of 15 years of repayments, Angola would thus pay \$1.5 billion, a highly discounted pay-off for its original \$5 billion in debt.

On 5 March 1997, Abalone Investments signed an agreement with the Russian government to purchase the Promissory Notes in six separate "tranches" (with each "tranche" bundling five or six Notes together). The plan was for Abalone to buy one tranche at a time on 30

November, in the years 1997, 1998, 2000, 2002, 2003 and 2004. The payments would be made via an escrow agreement, and, in return, Abalone would receive both the Promissory Notes and Repayment Certificates issued as part of the Debt Deal.

Critically, Abalone agreed to purchase the Notes at **half their face value**. Abalone would thus pay **\$750 million to purchase \$1.5 billion in Promissory Notes and corresponding Repayment Certificates**. (If Abalone purchased 70 per cent of the Notes by 31 December 2004, the remainder of the payments could be deferred to December 2006.) Abalone was granted this right to purchase at half the Notes' face value despite undertaking zero commercial risk and incurring no obligations—they were not 'forced' to purchase the Notes. Abalone merely had the right of 'first refusal' (or an option) to purchase the Notes. The only cost to Abalone was a \$4.5 million payment to the Russian Treasury—a fraction of what Abalone would earn from the first Note purchased in the Deal. Abalone was granted such favourable returns while offering nothing of substantial value.

Abalone's profitability was assured when they signed an agreement with Sonangol, Angola's state oil producer, on 30 May 1997. (Recall that Abalone was created solely for the purpose of serving as the middleman in this deal.) Sonangol committed to purchasing all the Promissory Notes from Abalone by December 2006 at their **full face value**, even though Abalone would have purchased the Notes from Russia at **half their face value**. With these two agreements in place, **Abalone was due to make a total "profit" of just under \$750 million** on the transactions despite offering little, if anything, in return. As a mirror image of its arrangement with Russia, Abalone's arrangement with Sonangol accorded the company the right to require Sonangol to purchase any Notes Abalone presented to Sonangol at any time, and Sonangol would simply have to pay up; but Abalone had no corresponding obligation to offer any Notes at all to Sonangol, even if Sonangol desired to purchase. Sonangol could not require Abalone to sell Notes to it.

The entire agreement was to be facilitated by means of complementary Escrow Agreements that Abalone signed with Russia and Angola respectively. The Escrow Agreements stipulated the Swiss Bank Corporation (SBS) as the Escrow Bank, which later became, via merger, Union Bank Suisse (UBS), the largest bank in Switzerland. Using SBS as escrow ensured that each party would pay up before any monies or Promissory Notes were distributed.

Documents show that **Glencore**, the controversial oil trading company, introduced SBS to the parties. Glencore had a "pre-financing" agreement with Sonangol that used prospective oil deliveries as collateral so that Sonangol could borrow the funds needed to transfer onwards to Abalone, in order to redeem the Notes. Glencore also appears to be connected to another company that received payments from Abalone, Loke Trade SA. Bank records also indicate that **Glencore's UK affiliate, Glencore International London, paid the bank charges levied against Abalone for establishing the Escrow agreement in 1997 (\$75,000) and its annual bank charge in late 1997 (\$20,000)**. Abalone did not even pay the original bank charges on the Deal, again pointing to how little value it brought to the transaction. For reasons that are not clear, Glencore's Swiss parent also made a payment to Abalone in May 1998 in the amount of \$577,352.15.

SBS, and later UBS, executed the transfers out of the Abalone account held at the bank in Geneva. It does not appear that these transfers were subject to substantial internal review, or reported to the authorities, despite the obvious criminal risks attached. From the documents

available, it appears that UBS legal advisor Alain Zbinden, the Abalone account manager Yves Lehur, and a Mr. Fleury, who approved many or all of the payments from the Abalone account, were the UBS personnel most familiar with the Abalone transactions. **UBS should be further investigated for their involvement in these transactions.**

Between October 1997 and July 2000, Sonangol transferred \$774,193,548.32 to Abalone's UBS account in Geneva. This amount covered the purchase of 16 Notes from Abalone. Abalone used the "profits" from this transaction to transfer funds to (or at the instruction of) the principal members of the Deal, Gaydamak, Falcone and Malkin, and to senior Angolan officials, as detailed in Table 1.

Investigations by French and Swiss authorities reveal that **significant sums of money were transferred to five powerful Angolan politicians** who, in their official functions, would have either overseen or otherwise influenced the Debt Deal. The most prominent **recipient** of funds was the **Angolan President José Eduardo dos Santos**. In total, dos Santos received **\$36.25 million** from Abalone via front companies. The second largest transfer of funds—about **\$17,557,000**—was transferred, via front companies, to **Elísio de Figueiredo**, a powerful Angolan politician who acted as the Angolan Ambassador without Portfolio in France. Two prominent officials within Sonangol also received funds. **Joaquim David**, who served as **Director General of Sonangol** until 1998 and is now **Minister of Industry**, received **\$13.25 million**, while **José Paiva da Costa Castro**, the **Director General** of Sonangol UK for the duration of the Debt Deal, received **\$4.465 million** from the Debt Deal. Finally, **José Leitão da Costa, Minister in the Office of the Angolan Presidency, received \$3.558 million**. Three million dollars of the funds to José Leitão da Costa were paid from Abalone's UBS account directly into a Swiss bank account bearing his name, raising the question of why UBS did not flag or report this obviously suspicious payment.

Although the mechanics of the transaction were straightforward, it encountered a number of obstacles and was amended on numerous occasions between 1997 and 2000. Importantly, these amendments made the Deal **progressively more lucrative for Abalone**. According to an amendment in August 1999, Abalone would cease to transfer funds directly to the Russian Ministry of Finance to pay for the Promissory Notes. Instead, **Abalone would transfer Russian debt instruments (known by their acronyms as PRINs and IANs) to the Russian Ministry of Finance to pay for the Notes**. They were to be exchanged on a \$1:\$1 basis, as reflected in the face values of the instruments; that is, Abalone would pay for a \$48 million Promissory Note by transferring Russian debt instruments to the same nominal or face value as the Promissory Note.

However, the PRINs and IANs were trading for a fraction of their face value on the open market. On 23 August 1999 (the date the amendment was signed), for example, \$100 worth of PRINs was trading at a paltry \$10.54 on the open market; IANs were trading at \$14.42 for \$100. Because of market fluctuations, **it is possible that Abalone could have purchased \$48 million face value of PRINs/IANs for as little as \$5 million if they got the best deal, giving them a massive \$43 million profit on each \$48 million Promissory Note bought from Russia and sold to Angola**. (At the other end, based on the market prices, it is difficult to see how Abalone could have paid more than \$17 million for each \$48 million Promissory Note.) It is unclear why Russia agreed to accept PRINs/IANs from Abalone, probably knowing that it would cost Abalone a fraction of their original commitment, and given the further prejudice to the Russian fiscus as a result.

In October 1999, Russia opted to terminate its Escrow Agreement with UBS, and wrote a letter asking UBS to return the Notes in its possession to Russia. This, it appears, was never done. Instead of using UBS as the Escrow Bank, Abalone was directed to transfer the PRINs/IANs to Russia's nominated bank, **Sberinvest Moscow**. UBS, however, despite the notice that it should no longer serve as escrow for the Notes, continued to receive payments from Sonangol, make payments from the Abalone account, and release Promissory Notes and Repayment Certificates to Sonangol, until July 2000.

Roughly at this time, Vitaly Malkin became a partner in the enterprise. **On 20 December 1999, Malkin purchased 25 per cent of Abalone directly from Arcadi Gaydamak for \$60 million.** Malkin thus became involved in the company at the very time it was likely to reap its largest profits. In one of the purchase agreements between Malkin and Gaydamak, Malkin was referred to as a "representative of R K Bank," which presumably refers to Rossiyskiy Kredit Bank. Malkin was the co-owner of Rossiyskiy Kredit Bank with his fellow oligarch, Boris Ivanishvilli (now Prime Minister of Georgia).

In late 2000 and early 2001, the Deal faced its largest obstacle. Gaydamak and Falcone were being investigated in France for their roles in the Angolagate scandal, leading to France issuing warrants for their arrest. Switzerland was running its own parallel investigation and, in February 2001, accounts relating to the Deal were frozen in Geneva. The Abalone account was only unfrozen in 2004 on the order of the Geneva courts.

For the Deal to continue, the principals needed to change jurisdiction. In 2001, Gaydamak opened a new account in the name of **Sberinvest** at the Russian Commercial Bank, in Cyprus. The choice of name was interesting: **Sberinvest Moscow** was Russia's banking agent for the Deal. Later evidence suggests that Gaydamak opted to call the Cyprus account **Sberinvest** to fool the Angolan government into believing that funds transferred to the account were actually going directly to Sberinvest Bank (Russia's appointed agent for the transaction), instead of into Gaydamak's pocket.

Remarkably, Gaydamak undertook this ruse without the knowledge of either Falcone or Malkin. Both Falcone and Malkin would later sue Gaydamak, claiming that he had effectively cut them out of the Deal from this point onwards, allegedly relying on a dubious Abalone Power of Attorney document signed by Gaydamak's principal financial administrator, **Joelle Mamane**.

Between March and August 2001, Sonangol transferred \$618,235,483.25 to the Sberinvest Cyprus Account. Together with their earlier transfer of funds to the Abalone Geneva account, this should have entirely extinguished Angola's debts. However, unbeknownst to Angola, Gaydamak transferred debt instruments to Russia only sufficient to purchase a portion of the Promissory Notes and Repayment Certificates from Russia.

Gaydamak actively promoted the ruse that the debt had been paid. In 2004, he wrote to Angola that all the necessary funds had been received from Angola, and that the debt to Russia had thus been settled. However, in reality, Russia had failed to receive payment for the final eight Promissory Notes still in its possession.

This swindle was only fully uncovered, belatedly, in 2005 during a meeting between Angolan and Russian officials. When Angolan officials stated that they had completely settled the

debt, Russia claimed to still be owed for the eight Promissory Notes and accrued interest. The matter was resolved, finally, in November 2005 when Angola agreed to pay the full face value of the remaining eight Notes (worth \$387 million) to Russia. Gaydamak, meanwhile, was to pay back \$206 million he had received from Angola but failed to pay to Russia.

It is unclear if Gaydamak ever paid the \$206 million back to Angola. If he did not, then **Angola would have paid \$1.779 billion to settle a debt of only \$1.5 billion. If he did, Angola still paid a net amount of \$1.573 billion—\$73 million more than had been stipulated in Angola’s 1997 agreement with Abalone.**

In either event, the Deal still made little sense for either country. If Angola had paid the funds directly to Russia on the same terms as Abalone was able to buy the Notes from Angola, it **would have saved at least \$823 million**, and maybe even as much as \$1.029 billion: more than 13 per cent of the country’s entire GDP in 1996.

Similarly, if **Russia** had dealt with Angola and directly received all the funds that were paid by Angola to Abalone, it could have made an **additional \$750 million**. In either scenario, one of the treasuries was significantly prejudiced by the insertion of Abalone Investments into the Deal.

The scandal does not end there. From the proceeds of his Cyprus adventure, an important part of which was swindled out of Angola, Gaydamak made himself a billionaire. Using his profits from the Cyprus phase of the Deal, Gaydamak invested in a series of investment funds to the value of as much as \$325 million. By 2005, these investments were reportedly worth \$1.25 billion. **Pierre Falcone and Malkin both litigated against Gaydamak** in the Israeli courts in 2008, claiming that they were due their fair share of this profit. They failed to win their case.

When Gaydamak tried to cash in the funds, he was hamstrung by Luxembourg and Israeli officials, who were concerned about money laundering. As a result of the Luxembourg investigation, considerable funds belonging to Gaydamak were frozen in Luxembourg. According to Luxembourg press reports, he was only able to have the funds released to his accounts in Cyprus in December 2005 after allegedly claiming that the funds belonged to a charitable trust called the **Dorset Foundation**.

To undertake the entire Cyprus operation, Gaydamak relied on the services of his confidante and financial administrator, Joelle Mamane and her husband Gad Boukobza. Mamane had also played a critical role the earlier phase of the Debt Deal, serving as managing director of Abalone from March 1999. Gaydamak also came to believe that Mamane and Boukobza were less than trustworthy. In September 2012, Gaydamak was reportedly litigating against Mamane and Boukobza in Luxembourg. Gaydamak claims that they used their fiduciary powers to steal €600 million of Gaydamak’s profits from his Cyprus adventure. The court is yet to reach a verdict.

The complex cast of characters and the multiple transactions related to this Deal tend to obfuscate the central point: a number of individuals made vast profits off the repayment of debt at the expense of the citizens of Angola and Russia alike. The manipulation of the financial sector enabled the rich and powerful to do little, earn much, and cause massive harm to the ordinary people of both countries.

Figure 1 ■ Abalone Investments Ltd.: Purchase and Sale of Notes 1–6 (3 October 1997)

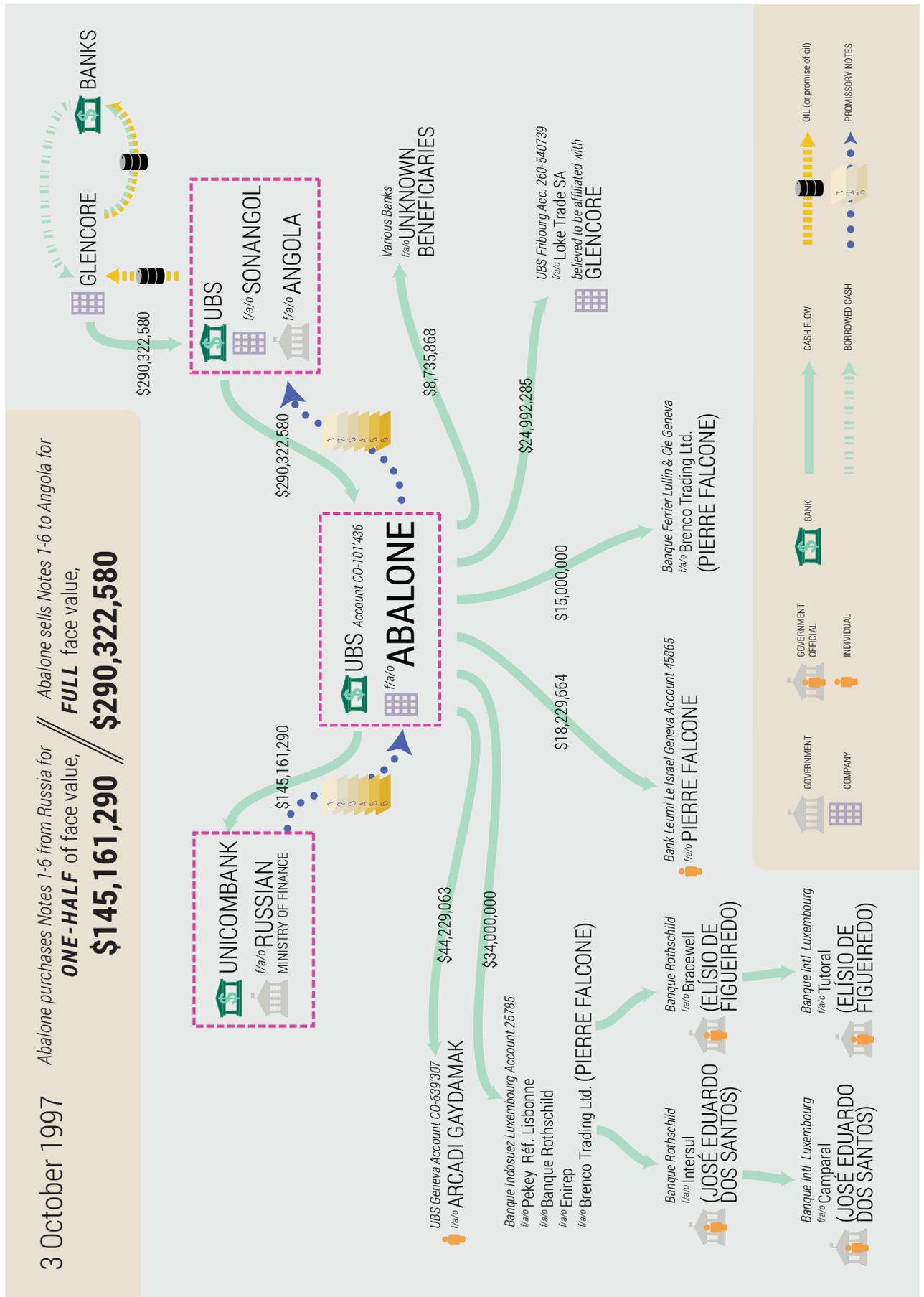


Figure 2 ■ Abalone Investments Ltd.: Purchase and Sale of Note 7 (8–15 January 1998)

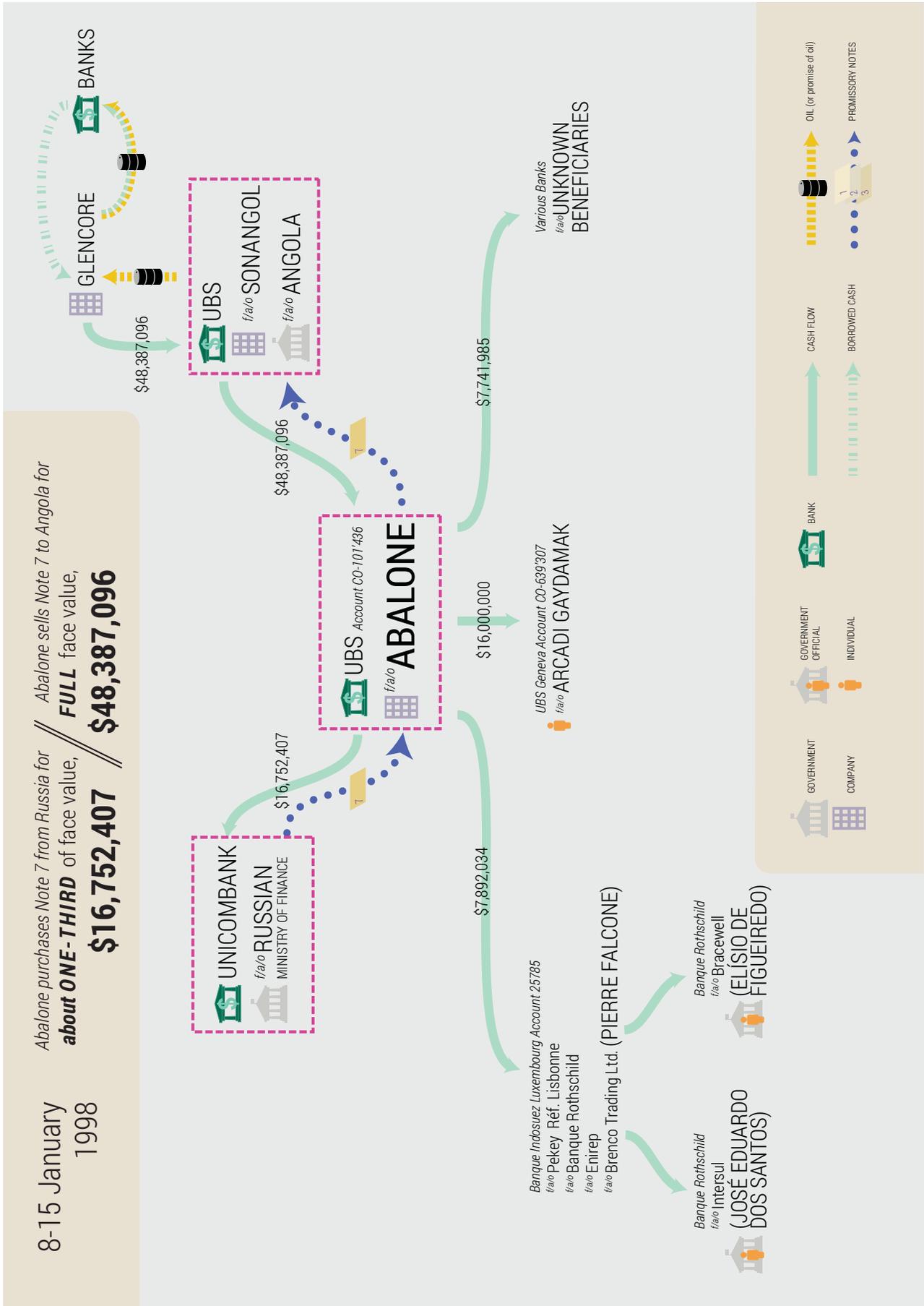


Figure 3 ■ Abalone Investments Ltd.: Purchase and Sale of Notes 8–16 (August 1999–July 2000)

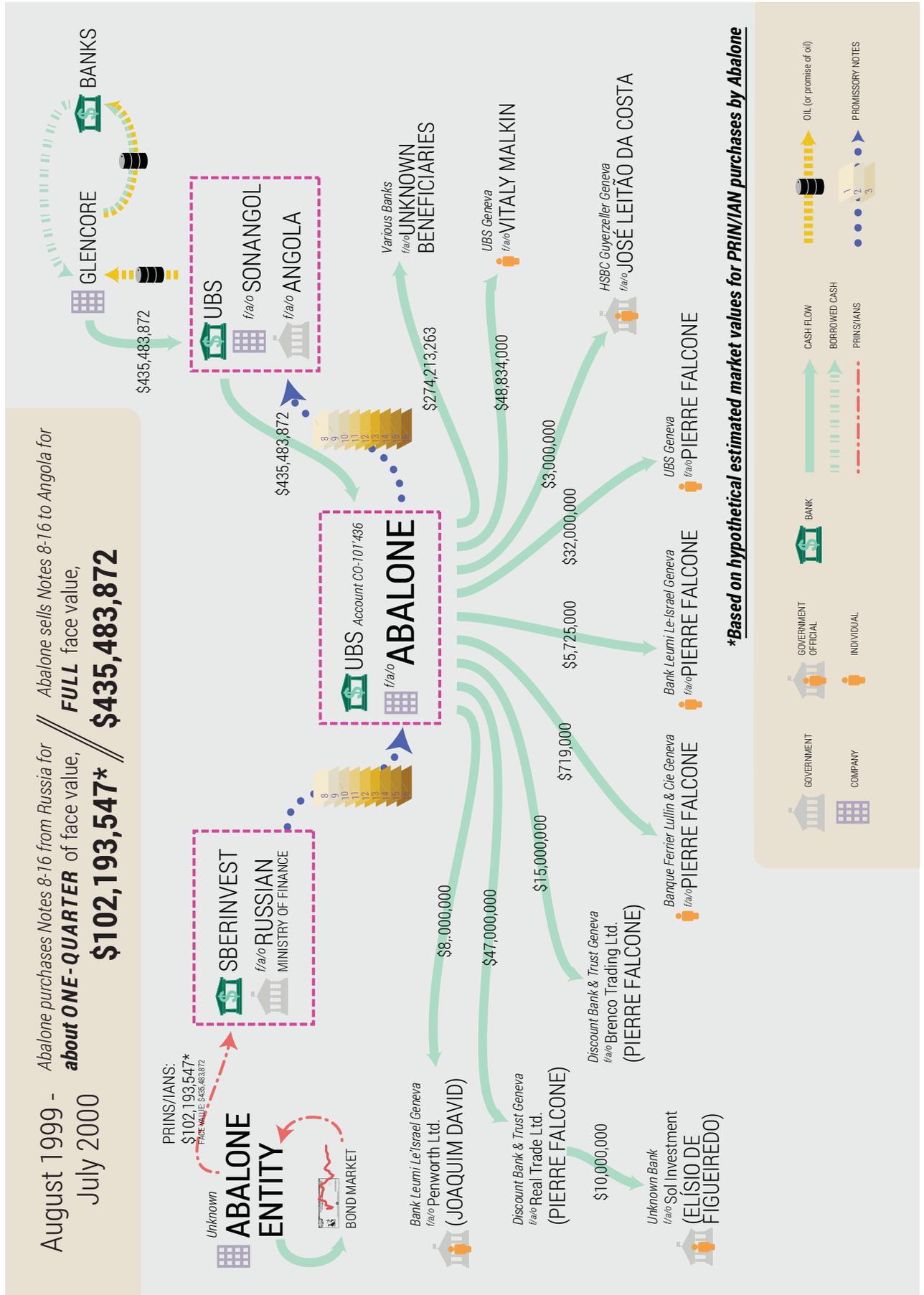
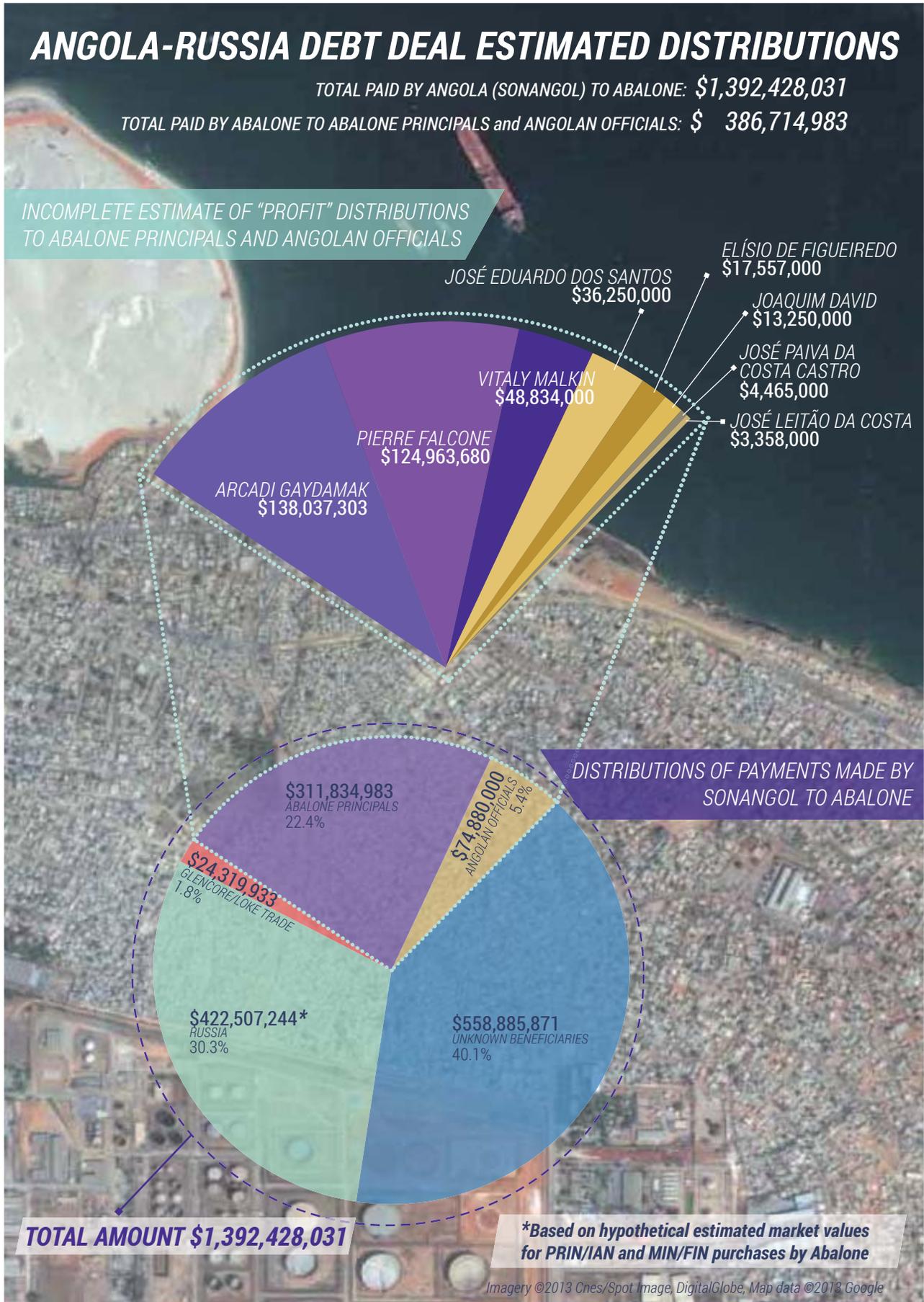


Figure 4 ■ Angola–Russia Debt Deal Estimated Distributions



Recommendations

Potentially culpable acts closely related to the Debt Deal transactions occurred in numerous jurisdictions, including not only Switzerland, but also at least Russia, Angola, Luxembourg, Cyprus, Israel, Holland, the British Virgin Islands, the Isle of Man, Panama, and possibly the UK. Authorities in all those jurisdictions should, without delay, initiate investigations into the alleged wrongdoing within their jurisdictions and cooperate with other jurisdictions via mutual legal assistance and otherwise to ensure full prosecution of offenses.

Moreover, other measures are called for in response to the serious issues of money laundering and corruption raised by the findings of this report.

1. For Angola:

- a) The Attorney General should initiate criminal investigations against identified Angolan public officials, and any others who may have unlawfully benefitted personally from corrupt payments related to the French Angolagate arms purchases, the Angola-Russia Debt Deal, and other major corruption scandals involving senior Angolan officials who have to date not been held accountable, and proceed with criminal prosecutions where warranted
- b) Judicial and police authorities should, in accordance with applicable law, without delay, freeze assets of those under investigation, and be prepared to confiscate permanently and liquidate assets to fulfill judgments rendered
- c) The Parliament should constitute an independent commission of inquiry to investigate the French Angolagate arms purchases, the Angola-Russia Debt Deal and other notorious corruption cases, to identify any gaps in law, enforcement and/or administrative mismanagement that allowed the corruption to occur, and to make its findings publicly available.
- d) All government officials who have been found by a court of law to have participated in transactions involving a serious abuse of public office for private gain should be removed from serving in public office.
- e) Non-Angolan citizens should also be subject to asset freezing, in accordance with applicable law, and, where it is not possible to adjudicate their cases domestically, judicial authorities should cooperate with relevant jurisdictions to pursue full investigation and, where possible, prosecution.

- f) The government should cooperate fully with national and international investigations into the French Angolagate arms purchases, the Angola-Russia Debt Deal and other major corruption scandals by making the accounts of the Ministry of Finance, Sonangol and the Banco Nacional de Angola open and fully accessible.
- g) The government should ensure that Swiss-confiscated repatriated funds are used on development projects led by Angola, and form a multi-stakeholder committee to manage the process composed of Parliamentary representatives, judicial authorities, and independent civil society representatives.
- h) Civil society should: (i) utilize national public probity laws to hold public officials to account for abuse of public office for private gain; (ii) press Angolan judicial and police authorities and foreign and international law enforcement organizations to ensure that those involved in this case are held accountable; (iii) participate in the process of repatriating Angolan funds with the government.

2. For Switzerland:

- i) Federal prosecutors should investigate fully the Angola-Russia Debt Deal, paying particular notice to newly uncovered information, and initiate investigation into the conduct of identified persons involved in the transaction, as well as any others who may have unlawfully benefitted personally from the transactions or assisted others in perpetration of the crimes. Where warranted, such persons should be prosecuted.
- j) To the extent proceeds of the transactions are found within Swiss jurisdiction, assets should be frozen pending outcomes of investigations and prosecutions. Illicit assets should be seized in accordance with applicable law and repatriated to Angola. The repatriation must be transparent and supervised by the Angolan Parliament and judicial authorities with active participation of independent Angolan and Swiss civil society members.
- k) Prosecuting authorities should assist foreign jurisdictions in initiating investigations to the extent proceeds are no longer within Swiss jurisdiction, or relevant criminal offenses were committed outside of Switzerland.
- l) The Swiss financial regulator should sanction the financial intermediaries who, after appropriate investigation, are found to have violated or disregarded their due diligence responsibilities; the sanctions should be made public.
- m) Parliament should pass legislation requiring public disclosure of payments to governments made by resource extraction companies and commodity trading companies (including subsidiaries and other entities under their control), to be included in an annual report, on a project-by-project basis. Such legislation should provide, at a minimum, a transparency standard akin to disclosure regulations adopted or to be adopted by the US and the EU. Given Switzerland's outstanding market position in commodity trading, particularly oil trading, trading activities must be covered by such transparency requirements.
- n) Parliament should pass legislation to detect and prevent illicit financial flows executed and facilitated by Swiss extraction and trading companies. Whereas Swiss criminal law prohibits laundering of illicit assets of any type, special due diligence provisions set out

in the Swiss anti-money-laundering directive currently only apply to a limited class of financial intermediaries and associated financial flows. These provisions must be amended to make such duties also applicable to extraction and trading companies.

- o) Parliament should pass legislation that obliges Swiss extraction and trading companies to publically disclose their structure and beneficial ownership. The government should exercise its own due diligence process regarding the beneficial ownership of every corporate entity it conducts business with and ensure that all government agencies comply with general anti-money laundering rules.

3. For the European Union and Member States:

- p) The EU should ensure that the Fourth Anti-Money Laundering Directive has strong controls, that (i) require national level registration of all beneficial owners of companies and trusts, with such information to be publicly available; (ii) make tax crime a serious crime/automatic predicate offence for money laundering crimes, regardless of minimum and maximum sentencing guidelines; and (iii) secure mandatory minimum sanctions for companies and professionals who fail to implement the rules, in particular ensuring that fines are related to profits or loss avoided and are thereby a credible deterrent, and that sanctions are enforced and made public. Further, an early transposition deadline and member state commitment towards quick transposition and enforcement should be prioritized.
- q) The EU should seal its political agreement on the Capital Requirements Directive IV and ensure that the disclosure requirements for banks, including profits, tax payments, subsidies, turnover and staff in each country in which they operate, are fully implemented by 2015.
- r) The EU's Accounting Directive, that will require country-by-country reporting of payment to governments in the extractives and forestry sectors, should be extended to include the banking sector. If banking and other sectors (telecommunications and construction) are kept out of the final legislation, then their inclusion through the review process should be explored.
- s) Member states should independently pass legislation and/or otherwise appropriately operationalize EU directives to the same effect. They should also explore how to further strengthen their national legislation, where EU laws do not apply, to support a stronger EU-level approach to due diligence and tax havens.
- t) Judicial authorities in member states, particularly including Luxembourg and Cyprus, should take all measures to initiate investigations, freeze assets and make inquiries, as necessary, with Swiss and other foreign authorities for cooperation, necessary to prosecute and remedy money laundering within their jurisdictions.
- u) Member states should cooperate, in accordance with international norms, to restrict movement of indicted defendants in all such investigations.

4. For Financial Sector Companies:

- v) Cooperate fully, pro-actively and in good faith with criminal investigations initiated in relation to criminal activities in which they or any of their employees or directors or other affiliates or agents may reasonably be suspected of involvement.
- w) Ensure full, diligent implementation of anti-money laundering laws and “know your client/customer” requirements to avoid facilitating illicit transactions, especially where red flags, such as large transaction amounts, previous offenders, jurisdictions known for inadequate anti-money laundering enforcement, and/or “politically exposed persons” (senior government officials and known family members or associates) are involved. Such implementation should include development of adequately resourced internal policies, procedures, staffing and training.

Notes

1. The Gaydamak figure includes four payments from Abalone totalling \$60,519,663 to an account in name of Arcadi Gaydamak; and six payments totalling \$441,917,640 from Sberinvest Cyprus to Global Alpha Star Fund, Gaydamak's lawyer Zichroni, Belinvest Finance SA, Mensanat Trading and Doxa Global Fund. The figure subtracts from Gaydamak's estimated gross earning an assumed payment by him of an estimated \$158.4 million for MinFin 5s and MinFin 7s for delivery to Russia, as well as a payment of \$206 million reimbursement to Angola, which may not have occurred. Note that Gaydamak's investment manager, Pierre Grotz, alleges that Gaydamak recouped approximately \$360 million from the Debt Deal. See Véronique Poujol, "L'incroyable destin de l'argent de l'Angolagate," *D'Lëtzebuurger Land* (16 September 2010), available at <http://www.land.lu/2010/09/16/lincroyable-destin-de-largent-de-langolagate/> (\$360 million grew to \$1.4 billion according to the investment managers); and Nurit Roth, "Suit claims Gaydamak defrauded Angolans of \$365 million," *Haaretz* (13 April 2008), available at <http://www.haaretz.com/print-edition/business/suit-claims-gaydamak-defrauded-angolans-of-365-million-1.243850>.
2. The Falcone figure includes five payments totalling \$57,673,664 made from Abalone to an account in name of Pierre Joseph Falcone; three payments totalling \$30,290,016 to Brenco Trading Ltd. and Brenco Group; and one payment of \$47,000,000 distributed to Real Trade Ltd., less \$10 million onward-sent to Sol Investment Group, believed owned by Elísio de Figueiredo.
3. The Malkin figure includes two payments made from Abalone to an account in name of Vitaly Malkin.
4. The dos Santos figure represents \$36,250,000 received through Banque Indosuez Luxembourg.
5. The de Figueiredo figure includes \$7,380,000 received through Banque Indosuez Luxembourg; also includes one \$10,000,000 payment received by Sol Investment through Real Trade Ltd., and €143,450 believed to be linked to the Debt Deal and that appears in the annex to the November 2005 Switzerland-Angola Accord (converted to \$177,000, based on 30 September 2004 rate of \$1.23305/€). See EXHIBIT 42: Switzerland-Angola Accord 1 November 2005 (Annex).
6. The David figure includes two payments totalling \$8,000,000 paid to Penworth Ltd., plus an additional \$5,250,000 in the same account, as appears in the annex to the November 2005 Switzerland-Angola Accord.
7. The Paiva figure appears in an account in the name of Midas, identified as beneficially owned by José Carlos de Castro Paiva in the annex to the November 2005 Switzerland-Angola Accord.
8. The Leitão da Costa figure includes one payment of \$3 million paid to an account in name of José Leitão da Costa e Silva; and \$358,000 believed to be linked to the Debt Deal and that appears in the annex to the November 2005 Switzerland-Angola Accord.