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American Taxpayers Are Funding Putin's Money Launderers Through the European Bank for Reconstruction and Development

By **John Christmas** - October 5, 2024



[Source: valrajamias.com]

I am the exiled whistleblower from the largest bank collapse in Latvian history, fighting for years to publicize evidence of a cover-up organized by the government of Latvia and the European Bank for Reconstruction and Development, which protects Russian President Vladimir Putin's central money-laundering system.

The EBRD is based in London and funded by 74 countries, including the United States, to foster democracy. The cover-up racket in Latvia started in 2009 and continues in 2024. The bank in question, Parex Bank, and its successors and sister banks, were closely linked with Putin. From studying what the EBRD did in Latvia comes lessons about "development banks" generally, and specifically how Putin's money-laundering system can be crippled in a day by defunding the EBRD.

I was employed by Parex Bank, which used to be the largest bank in Latvia. I learned about false accounting within Parex, mainly "loans" going to bank insiders, and, in 2005, I reported details to Latvian government officials. The Latvian government did not investigate the whistleblowing and, instead, hosted Parex promotional events in its diplomatic buildings in London and Switzerland to help Parex grow the fraud as large as possible.

Then, in 2008, the Latvian government nationalized Parex, which had always reported profits without admitting it had been insolvent for years. One source for general information is the Parex article on Wikipedia (2024). The article includes information from multiple contributors and, thus, is not completely accurate and is sometimes contradictory; however at least the article establishes dates and lists further references. Astute readers will notice there is a truth-versus-lies information war going on.

[Source: mklat.lv]

While I was working for Parex, I was invited to meetings with U.S. embassy officials who voiced concerns about what was going on at the bank, specifically links to organized crime. I assumed this meant they wanted me to turn whistleblower. However, when I gave them all the information they needed to take down this rogue bank, they chose to do nothing. Later, after I was chased out of Latvia with threats, I had meetings with FBI agents who also decided to ignore the evidence and do nothing.

Of the six people who received fraudulent loans from Parex, two are on the U.S. Treasury's 2018 "Putin Warning List" (Yuri Shefler and Oleg Boiko) and one is sanctioned by the European Union (Eduard Khudainatov). Khudainatov has been identified by the FBI as a "straw man" holding assets really owned by Putin himself.

Eduard Khudainatov [Source: azernews.az]

When the Latvian government launched the nationalization and bailout, the prime minister lied to the public that Parex collapsed because of the United States, even though clear evidence showed the missing money went to Russians. Keep in mind that Latvia is a member of NATO and receives financial support from the U.S. and, therefore, is supposed to be allied with the U.S.

As a direct result of the Parex surprise nationalization, Latvia suffered economic collapse. Parex depositors were unable to use their frozen accounts and the government could not borrow for months. This led to a riot at the Parex headquarters and a couple of blocks away at the parliament on January 13, 2009. This riot is the subject of many videos on YouTube including one by state-owned broadcaster LTV. LTV does not mention the name "Parex" and attributes the riot to hooliganism against the parliament; however, the rioters shown in the video are clearly bashing the Parex headquarters (LTV, 2011).

Scene from anti-government protests in Riga, Latvia, in 2009. [Source: nbcnews.com]

Later in 2009, Latvia and the EBRD announced the sale of a Parex stake from the government to the EBRD which supposedly proved that Parex assets had not been looted. The EBRD reported that their investment not only restored confidence but also saved money for Latvia (EBRD, 2024).

It is true that many people gained confidence because they were duped; however, it is not true that Latvia saved money. Latvia had no obligation to fully bail out all of the Parex creditors, especially institutional creditors and tens of thousands of shell-company depositors, many of which had balances over the deposit-protection scheme limit. By covering up embezzlement instead of trying to get the lost money back, the government lost the ability to prosecute the bank employees who purposefully extended loans with optional repayment to Putinist oligarchs.

In 2010, a leaked report from government consultant Nomura indicated that Parex was insolvent, the government knew it, and the sale of the stake to the EBRD was not what it seemed. Latvia had an obligation to reverse the sale later at a guaranteed profit to the EBRD. What should have happened at that time is Nomura should have been prosecuted as it was in Italy in a similar case, where it was involved with a fake transaction between Deutsche Bank and Banca Monte dei Paschi di Siena to make the latter appear solvent when really it was not (Martinuzzi, 2019).

Also, ratings agencies should have canceled their ratings for Latvian and EBRD bonds and European officials should have forced both Latvia and the EBRD to correct their financial statements. However, the Nomura report was designed to be a "state secret" and the journalist who leaked it, Lato Lapsa was detained by police and forced to take the report offline. I kept pictures of the key pages from this document and posted them to make sure they remained online (Nomura, 2010). Ever since the cover-up was discovered, it has been repeatedly evidenced from more sources, some of which are included below.

On June 4, 2014, I explained the fraud, with slides, inside a U.S. Senate building in Washington directly to Senator Jeff Sessions (R-AL) and his staff. He later became U.S.

Attorney General. He seemed to have no understanding of what I was talking about. He decided to do nothing even though he had a reputation for being hawkish on Russia. He could not see how Latvia, secretly paying the EBRD to pretend to buy a stake in Putin's money-laundering bank to protect looters, was important.

Lato Lapsa [Source: puaro.lv]

Jeff Sessions [Source: en.wikipedia.org]

Pieter Omtzigt [Source: en.wikipedia.org]

Later in 2014, I convinced Dutch MP Pieter Omtzigt to ask the Dutch parliament to investigate whether the EBRD-Latvia-Parex deal of 2009 was secretly reversible (Wellens, 2016). The Dutch parliament confirmed that it was. Omtzigt then wrote to the European Commission directorate Eurostat explaining that Latvia must correct its accounting. Eurostat replied that Latvia had asked Eurostat to keep the Parex reversion "confidential" and Eurostat had agreed (Omtzigt, 2014).

There were articles about this in the media in the Netherlands, where journalists noted my whistleblowing and Putin connections [925.nl now down, Bendle.nl now down, and The Post Online still up (Koster, 2014)].

There were also articles in the Latvian media which were different because they did not mention me or Putin. For example, the Latvian Public Broadcasting article (LSM, 2014) on the subject expressed curiosity as to why the Dutch investigated this issue in Latvia, as if the people at LSM were not aware that I asked the Dutch to investigate since the deceptive accounting covered up my whistleblowing.

It is useful that, at least, LSM specified Latvians were not previously aware of this tricky accounting which is one of my complaints: It was wrong for Latvia to hide this for years from voters and bond investors. Since Eurostat decided it was okay for Latvia to keep its national debt "confidential" the cover-up was allowed to continue even though it was already revealed.

I have written many articles on this subject for media websites and publications. Big media players, including the *Financial Times*, *The Wall Street Journal*, *Bloomberg* and *Reuters* are silent about the fraud evidence and tend to publish positive articles about the EBRD and Latvia which do not mention what is really happening. I co-authored a conspiracy thriller novel which references the EBRD campaign against me on the back cover. *KGB Banker* won two literary awards in the United States (Christmas and McCormick, 2021).

[Source: booktrib.com]

I was featured in a short Italian documentary (Caterina, 2012) which appeared in the media and a two-part Latvian documentary (Pupols, 2021 and 2022), which was televised. In addition, there is at least one documentary currently in production. My whistleblowing, years of articles and podcast interviews, the book, and the documentaries are all ignored by Latvian authorities and the EBRD. They refuse to correct their financial statements, which means they have fraudulently issued tens of billions of dollars and euros of bonds.

Now in 2024 with the Russia-Ukraine conflict reaching increasingly dangerous levels, I continue writing and speaking in many forums, with the hope of waking up Western governments that the EBRD is doing the opposite of what it claims. This article is referenced from third-party sources which confirm the racket again and again. Some documents referenced below, although written by others, are posted on my website www.LawlessLatvia.com.

These documents contain useful details and to the best of my knowledge are not posted anywhere else. It is not necessary to confirm the authenticity of these documents since other sources below, including the Latvian parliament and Eurostat, evidence the same cover-up but with fewer details.

Another opinion similar to mine, about the revelation that Latvia had to secretly pay to reverse the EBRD investment in Parex, came from Latvian opposition parliamentarian Igors Pimenovs. He made the statement below on March 5, 2015, in parliament (Pimenovs, 2015).

Igors Pimenovs [Source: en.wikipedia.org]

Please keep in mind that this original accounting deception, which started in 2009 and was not reversed until 2014, was only revealed to him and his opposition party in 2014-2015, suggesting that the ruling parties cheated in all the elections to repeatedly defeat the opposition parties from 2009 to 2015 with help from the EBRD which has a mission of fostering democracy. This deception continues into 2024 with Parex successor Citadele Bank as discussed later.

Members of our faction had prepared a letter at the end of the previous year with a request…to understand what is happening and whether the news we received in the press about the fact that the sale of Parex Bank's shares to the EBRD was not a successful sale or privatization, but rather about Latvia's borrowing from the EBRD…And as confirmed by the Ministry of Economy, in response to our question, the EBRD's investments in the equity capital of Citadele Bank and joint-stock company Reverta… there were 93 million euros of investments in the equity capital…it was universal right of the EBRD to sell its shares in the Privatization Agency. In total, Latvia—according to the option agreement with the EBRD—has to pay 114 million euros in addition to all payments already made for the takeover of Parex Bank. So, in addition to the 750 million lats that Latvia paid for the takeover of Parex Bank, we still add this amount—114 million euros. It will not be paid by the shareholders, but by the aunt from Bauska and the uncle from Vecpiebalga—that is, the people of Latvia. It should be noted that in fact the agency has already made an advance payment of 1.26 million euros and that the EBRD retains its shares, which are approximately 24 million euros, and also agreed to refinance the issued subordinated loan to Citadele Bank in the amount of 11 million euros. The total cash payment is 77 million euros. Note that this amount is…not small! One must also consider what the fiscal impact will be on the overall government budget. The Ministry of Economy confirmed that this amount was reflected in the previous year's budget. But this was done in secret, because no one had been told that such an option contract existed. Therefore, in my opinion, this whole story…this whole agreement was made quite opaquely and secretly from the Saeima and, therefore, from the people.

Modern-day acceptance of deceptive accounting by voters, ratings agencies, and bond investors is disturbing enough, but there also is another aspect to the EBRD-Latvia-Parex deal which is even more disturbing. The Spanish government is the only government so far to conduct a comprehensive prosecution of the Tambovskaya Mafia. Details are in a 487 page legal document. (Mellado and Gonzalez, 2015).

This Mafia from St. Petersburg, Russia, is linked with Putin in many ways. In the Spanish prosecution, officials named Parex for offering money-laundering platform account

services to both of the two named individuals responsible for Tambovskaya money laundering, one of whom escaped to Russia while the other was caught in Europe and confessed. Tambovskaya has been connected to large-scale trafficking of cocaine, heroin, sex-slaves and weapons. Some of this information is in Wikipedia, along with a false statement that all of the prosecuted people were acquitted (2024).

Over the years, employees and clients from the old Parex were moved to Ukio Bank of Lithuania, ABLV Bank of Latvia, and Citadele of Latvia.

In 2013, Ukio collapsed and the EBRD got involved in non-transparent ways which should be investigated and made public. Ukio was caught in several major Kremlin-linked money-laundering rackets including, most notably, forwarding large amounts of money to a Russian citizen named Sergei Roldugin. He is a cellist from St. Petersburg and media speculation is that he acts as a front man for Putin (Radu, 2016).

[Source: rust.postinees.ee]

Sergei Roldugin [Source: tc115.medici.tv]

In 2018, ABLV was sanctioned by the U.S. Treasury (Mandelker, 2018) for, among other things, facilitating large-scale looting in Ukraine. Is it coincidence that this banking network crashed the economy of this particular country prior to the Russian military invasion?

Then, another stunning piece of evidence appeared, this time on the Eurostat website. In 2018, Eurostat published a report about a 2017 visit to Latvia and, in the report, mentioned that the EBRD investment into Parex successor Citadele has a secret "put option" which makes it similar to what the EBRD did with Parex (Eurostat, 2018).

Just as the Latvian government used to keep secret that Latvia had an obligation to reverse the Parex stake sale to the EBRD for an unknown amount of money, Latvia still has a secret obligation to reverse the Citadele stake sale to the EBRD for an unknown amount of money. This is of major importance considering many Citadele assets are former assets of Parex and ABLV. The value of these assets is in question since Latvia for some reason could not find a normal investor for Citadele and, instead, is secretly paying the EBRD to act as an investor.

In 2021, European Commission Executive Vice President Valdis Dombrovskis launched a unified anti-money-laundering system for the European Union (European Commission, 2021), which puts a huge regulatory burden on banks and inconveniences everyone in

Europe trying to send or receive money by imposing oppressive due diligence requirements. None of Putin's money men in Europe appears affected by this; however, all ordinary Europeans are. Dombrovskis happens to be the same person who in 2009, as prime minister of Latvia, signed the EBRD-Parex deal.

[Source: investesg.eu]

To top this off came a discovery in 2022. Putin's superyacht "Scheherazade" was seized in Italy and the front owner for the yacht was a Russian citizen named Eduard Khudainatov (Balmer and Parodi, 2022), one of the people who received a large loan from Parex (Stack, 2012). The loan had no collateral, Khudainatov did not pay it back, and the loss was put to European taxpayers in an non-transparent manner. Again, this banking network, which receives protection from the EBRD, was connected to Putin. What is going on?

Putin's alleged superyacht. [Source: newsweek.com]

Last but not least, there are connections between the EBRD racket and Americans from both the Democratic Party and Republican Party. Regarding Citadele in Latvia, one investor besides the EBRD is billionaire Democratic Party donor Tim Collins. The terms of his investment are a designated "state secret" in Latvia. When he has issues with the

Latvian government, he sends former Secretary of State John Kerry to Latvia to speak with the prime minister. Also involved is lobbyist Sally Painter of Blue Star Strategies, subpoenaed for involvement with Hunter Biden.

Tim Collins [Source: eububble.eu]

Sally Painter [Source: concordia.net]

John Kerry [Source: stipr.org]

And there is another EBRD deal running at Bank of Cyprus. It is not publicly known whether the EBRD really invested at Bank of Cyprus or was secretly paid to pretend to invest, like at Parex. However, it is publicly known that Bank of Cyprus shareholders include former Donald Trump administration Secretary of Commerce Wilbur Ross, plus sanctioned Russian oligarchs Viktor Vekselberg and Dmitry Rybolovlev, who were both caught in the past funding Trump.

Wilbur Ross [Source: realclearpolitics.com]

Because of EBRD involvement, which Westerners so far perceive as a good thing, Citadele and Bank of Cyprus have USD correspondent accounts. While the U.S. is battling to stop Kremlin money laundering, the U.S.-funded EBRD is helping these Kremlin-linked banks transact in dollars.

The United States, as the largest EBRD shareholder, does not need to fund a "development bank" which is doing the opposite of its mission. The U.S. should demand the return of its capital investment in the EBRD, de-list EBRD bonds from all U.S. markets, and cancel any further cooperation with this dishonest and deceptive institution. And the U.S. should demand details of all EBRD consulting fees which have been paid to U.S. citizens and donations to U.S. institutions, since these payments were presumably for buying influence, not for furthering a mission of democracy. The U.S. can defend itself against Putin while saving money, and get better results compared with continued big spending on defense and intelligence.

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