

Assad Henchmen's Russian Refuge

How some of the top financiers and human rights abusers of the Syrian regime are funnelling money out of Syria into Russia, and possibly beyond

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Global Witness estimates that prominent members of the powerful Makhoul family, cousins of dictator Bashar al-Assad, own at least US\$40 million worth of property across two Moscow skyscrapers. Some of the same family members have been key in maintaining al-Assad's grip on power.

Several Makhoul family members, close cousins and accomplices of Syrian dictator Bashar al-Assad, have purchased tens of millions of dollars' worth of properties in Moscow's prestigious **skyscraper district**.



St Basil's Cathedral (front) and 'Moscow City', where prominent members of the Makhoul family purchased at least US\$40 million worth of property. (Vladimir Gerdo/TASS via Getty Images)

Headed by al-Assad's uncle, Mohammed Makhoul, the Makhouls are considered to be Syria's richest and second most important family. Before 2011, they **controlled 60 percent** of the Syrian economy, ostensibly acquired through years of corruption and intimidation.

Discussion has grown about **the Makhouls' fortunes** suffering in Syria's war-time political realities because of new players on the scene. However the Makhouls have almost all been sanctioned by the European Union and United States for their various

roles in al-Assad's campaign of violence against his own people.

Our exposé of the Makhouls' properties is rare supporting evidence that lends substance to rumours of regime money being funnelled out of Syria throughout the war. Information about the regime's assets and finances is notoriously scarce due to the **terror fostered** by al-Assad's apparatus at home and **abroad**.

Our investigation further shows that the loans secured against some of the properties could be for the purposes of laundering money from Syria into Moscow. This opens the possibility that the money could then be moved into other jurisdictions, such as the EU, where members of the family are sanctioned.

Of the newly-revealed Moscow property purchases, the largest amount was bought by Hafez Makhoul, one of Bashar al-Assad's first cousins.

Hafez is accused of overseeing the killings and torture of detainees and protestors. Most of Hafez's purchases were arranged using an opaque Lebanese loan structure that bears several hallmarks of money laundering, possibly with the purpose of moving the money beyond Russia.

Five other Makhoul family members, including the wife of Syria's richest man,

Rami Makhoul, have also purchased property in the luxurious Moscow International Business Center skyscraper district, also known as ‘Moscow City’, where several Russian multinationals, banks and government departments have their offices.

Global Witness estimates the Makhoul family owns at least US\$40 million worth of property across two Moscow skyscrapers. The properties were bought in various stages between December 2013 and June 2019.

“Information about the regime’s assets and finances is notoriously scarce due to the terror fostered by al-Assad’s apparatus at home and abroad.”

Each of the sanctioned Makhoul family members has challenged the European Council sanctions against them, but the European Court of Justice has repeatedly rejected their claims and affirmed the need for sanctions.



Russian President Vladimir Putin and Bashar al-Assad at a military meeting in 2017. Russia helped turn the war in al-Assad’s favour. (Mikhail Klimentyev/AFP/Getty Images)

Russia has been a key ally of the al-Assad family over their almost 50-year rule. It intervened on their side of the war in Syria in 2015, turning it in their favour through

airstrikes and land offensives on opposition-controlled territory.

Reports of Russian banks aiding the Syrian regime surfaced in 2012 and 2013, after Western sanctions hit and the more powerful family members were stripped of European visas and their EU and Swiss bank accounts were frozen. Now it seems that the Syrian regime has been using Moscow as an alternative safe haven, and possibly a potential gateway for its ill-gotten gains to enter the wider financial system.

MASTERMIND OF 2011 CRACKDOWN

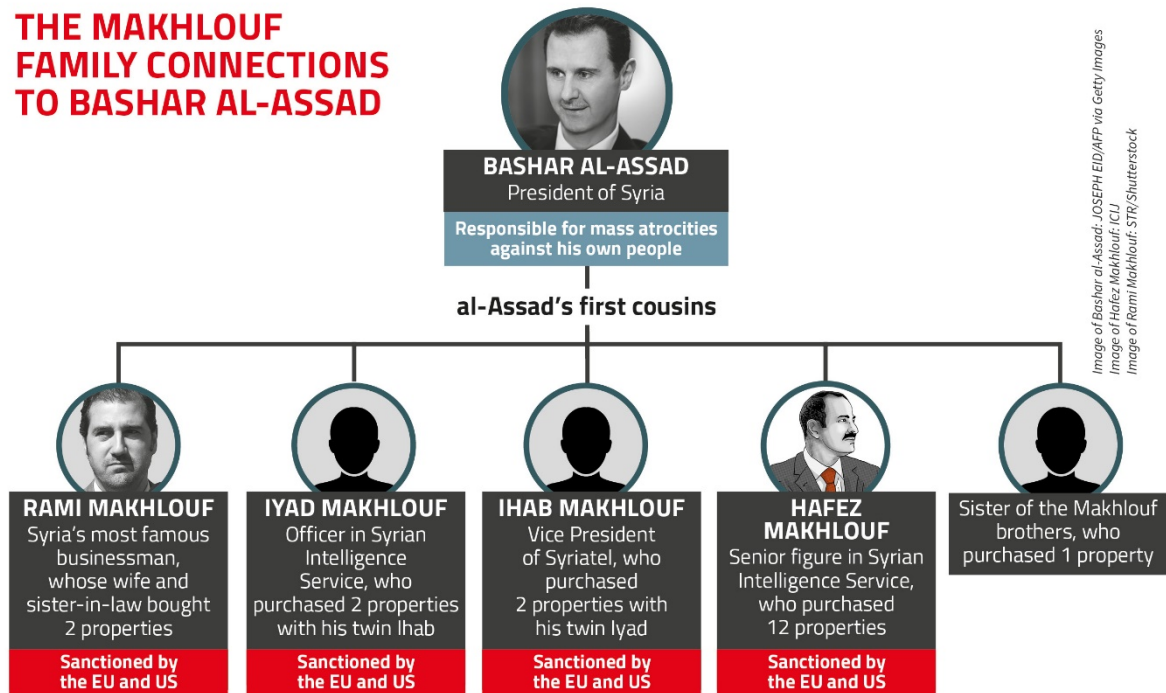


Illustration of Hafez Makhoul. There are very few photos of him and most Syrians do not know what he looks like. (Courtesy of ICIJ)

Hafez Makhoul, who purchased US\$22.3 million worth of property in Moscow’s ‘City of Capitals’ towers, was head of the Damascus ‘Section 40’ of Syria’s infamous General Intelligence Directorate until late 2014. This is the Syrian agency charged with quelling internal dissent, formerly and popularly known as the State Security service. As Damascus is the capital, this was already an important role, but Hafez appears to have had a great deal more authority than this official title reflects.

He was sanctioned by the EU in 2011 for being involved in ‘violence against demonstrators’, much of which took place

THE MAKHLOUF FAMILY CONNECTIONS TO BASHAR AL-ASSAD



outside the capital. Pre-existing sanctions against him in the US were **expanded in 2011** to include his involvement in killing demonstrators in Daraa, the initial protest hotspot, which is located in southern Syria.

Testimony collected by Syrian human rights groups **about Hafez's Section 40** and its command branch, **the Al-Khatib Branch**, as well as wider testimony collected by journalists about the **systemic use of torture** by Syria's intelligence services, points to how Hafez would have potentially overseen the detention of thousands of Syrians and their **subsequent abuse**, and, in some cases, **even murder**.

Moreover, multiple regime defectors have **since testified**, in a 2019 book by journalist Sam Dagher, that Hafez was a hard-line member of Bashar al-Assad's inner circle and one of his most influential advisers. According to the testimony, Hafez was one of two main advocates for crushing the demonstrations in 2011. Dagher's book includes testimony from witnesses who saw Hafez shooting civilians in Douma and giving

shoot-to-kill orders on hundreds of peaceful protestors in Daraa and Homs.

Hafez Makhlof did not respond to several requests to comment made through companies connected to him and his known legal representatives.

SUSPICIOUS FLOWS OF MONEY INTO MOSCOW

When buying the Moscow office space in 2016, Hafez Makhlof's Russian-registered property companies took out loans using 11 of the properties as collateral. The complex structure of these loans disguises Hafez's connection to the funds. This is characteristic of money laundering and could have been designed to establish money flows between Russia and Syria which would appear unconnected to Hafez, raising the possibility that the ultimate aim is to move the money out of Russia.

The loans were provided to Hafez's Russian companies by a Lebanese company called Nylam SAL Offshore. The company is

classified as ‘offshore’ in Lebanon; while Lebanese ‘offshore’ companies do not hide their owners like offshore companies in so-called secrecy jurisdictions like the British Virgin Islands, these companies do benefit from **enhanced banking secrecy**. The exact amount loaned by Nylam is unknown.



A man shouts over the debris of his house after airstrikes on Idlib by Syrian and Russian forces, July 27 2019. (Muhammed Said/Anadolu Agency via Getty Images)

Hafez has close ties to the individuals who run and own Nylam. Two of the directors and shareholders of Nylam are Haytham Abbas and Hassan Sharif, who are brothers of Mohamed Abbas and Ammar Sharif, two prominent Syrian businessmen sanctioned by the **US** and **EU** respectively for supporting the al-Assad regime. Hafez is a cousin of the Abbas brothers, and Mohamed Abbas was specifically sanctioned for acting as a front for Hafez’s brother, Rami Makhoul, and for using Lebanese offshore companies to do so. Furthermore, Global Witness understands that Ammar Sharif is married to the sister of Rami’s wife Razan Othman, making him Rami’s brother-in-law.

Like members of the Makhoul family, Ammar Sharif has had his appeal against European Union sanctions rejected.

In 2018, two years after the property purchases, Hafez, the sole shareholder of his

three Russian companies, passed his shares to Briana SAL Offshore, a Lebanese company with identical shareholders, directors and address as Nylam. Russian corporate records for the Russian property companies contain details about Briana because it is a shareholder. These records show that Briana states its country of business as Syria.

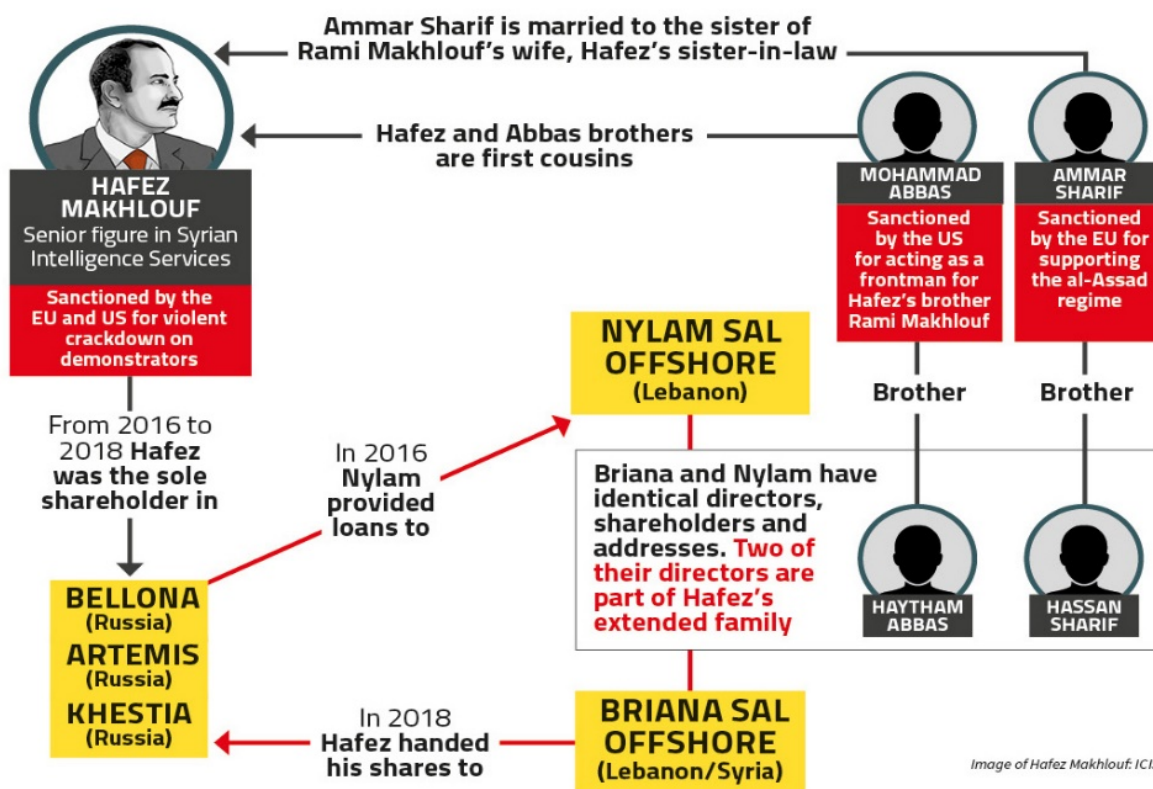
Consequently, the ultimate obligation for the Nylam loans passed from Hafez himself to Briana. This means that the loans are now between two companies, Nylam and Briana, which are owned and run by the same people, all of whom are seemingly part of Hafez’s network. However, on paper at least, neither company would seem to be connected to Hafez.

The loan agreements and any subsequent re-mortgage agreements between two supposedly independent and private companies, Nylam and Briana, not known to be linked to Hafez, could be used as a pretext with banks for money moving from Syria and Lebanon to Russia or vice versa.

Letters requesting comment from Haytham Abbas, Hassan Sharif, Briana and Nylam in Lebanon were undeliverable, while attempts to reach Abbas and Sharif through the three Russian companies they own went unanswered.

Hafez would not, on the face of it, appear to need to disguise his identity to do business in Russia. The Makhoul family are not sanctioned by Russia, and there is evidence that Hafez has lived and operated in Russia freely for several years. Hafez and his wife appear to have spent time in Moscow from at least August 2013, when their Russian driving licenses were issued. They bought a three-

CIRCULAR LOAN TO OBSCURE SOURCE OF FUNDS



bed property not far from the Moscow skyscrapers in September 2015. They registered a Porsche Cayenne and Mercedes GL350 to that address, property documents and leaked traffic databases unearthed by Global Witness show, indicating that they lived in the apartment.

Given the Makhoul's ability to operate freely in Russia, the use of a complex loan structure that obscures the origin of the money seems unnecessary if the funds were intended to simply stay in Russia, suggesting the money may be moving through Russia and into other jurisdictions.

THE RUSSIAN BANK

Russia's biggest bank, Sberbank, provided banking services for at least one of the Russian property companies formerly owned by Hafez and now owned by Briana, a Russian corporate database shows.

As the loans from Nylam to Hafez's Russian companies were international (coming into Russia from Lebanon), it is feasible that they were transacted in US dollars, which is the commonly used international currency. If that were the case, the money could have transited through Sberbank's SWIFT payment system, which, according to anti-money laundering expert Graham Barrow, could risk breaching the terms of the US sanctions against Hafez Makhoul.

The convoluted nature of the loans taken against the properties should have raised red flags with Sberbank, but it is unclear what due diligence was carried out on the loans.

Sberbank's dealings with the Makhoul's are part of a broader pattern of major Russian banks helping the Syrian regime. In 2012 and 2013, both Reuters and Wall Street Journal reported that the al-Assad regime held

accounts at **Gazprombank** and **VTB**, two of Russia's largest banks, which, like Sberbank, have extensive international correspondent banking relationships.

While Sberbank in Russia is not bound by EU or US sanctions law, it does have branches in major European and US financial centres, including London, Frankfurt and New York. Sberbank also has dozens of correspondent banking relationships, and Euro and US dollar clearing accounts.

Sberbank's business with the Makhlouf-linked companies could present compliance risks to other banks transacting with Sberbank and should be a red flag to regulators in the jurisdictions in which the Makhloufs are sanctioned and Sberbank has a presence.

Sberbank did not respond to a request for comment. In past comments to the **media**, Sberbank has said that "professionalism, transparency and integrity are the bank's core values" and "the bank has zero tolerance for those who act contrary."

THE MAKHLOUFS' OTHER PROPERTIES

Several other Makhlouf family members purchased property in Moscow skyscrapers between 2013 and 2019. Razan Othman, wife of Hafez's brother Rami Makhlouf and daughter of the Syrian Ambassador to Romania, purchased one of the first office spaces in December 2013 in the 'City of Capitals' towers, according to Russian property records. Razan has been under EU sanctions **since 2012** because of her marriage to Rami.

Rami was sanctioned in 2011 **by the EU** for being the '**principal financier**' of al-Assad and

'bankroll[ing] the regime allowing violence against demonstrators'. He had already been sanctioned in 2008 **by the US** for acquiring his wealth through kleptocratic means. Rami owns Syriatel, Syria's national telecommunications company, as well as several large holding companies with interests in oil, gas and aviation. He was dubbed '**the king of Syria**' due to his huge sway over the country's politics and economy.

Rami's adult children, who are not sanctioned, openly flaunt their wealth on social media, offering a glimpse into their luxury lifestyles. They regularly post pictures on Instagram of their expensive cars, private jet, and their holidays in Europe, Dubai, Moscow and Syria. Rami's eldest son, Mohammed Rami Makhlouf, is seemingly trying to establish an international image for himself as a millionaire entrepreneur and philanthropist at the age of 21. A PR agency was used to **place** articles in **English** language publications promoting Mohammed Rami Makhlouf's future business plans and discussing his taste in private jets.

This August Rami's two sons spent around a month partying in Mykonos, Greece and France, while al-Assad and Russia rained bombs down on Idlib, displacing even more Syrians in a conflict which has already led to millions of refugees being forced to flee the country.



Mohammad Rami Makhoulf (pictured) is Rami Makhoulf's eldest son. He and his brother publicly flaunt their luxury lifestyles.

Rami Makhoulf's children must have received visas from an EU state in order to travel freely in Europe, but it is unclear which country issued them. Among EU states, only Romania, Bulgaria and the Czech Republic have maintained relations with the Syrian regime, though other member states are apparently **looking to re-establish them**.

In addition to Hafez's and Rami's wife's property acquisitions, Iyad and Ihab Makhoulf, twins and the youngest of the four Makhoulf brothers, used a Russian-registered company to purchase half a floor in in Moscow's 'Federation' tower in February 2019, worth US\$9.5 million. The two men also bought one property in their own names and two parking spaces in 'City of Capitals' in June 2017.

Iyad is a serving Lieutenant-Colonel in the General Intelligence Directorate. As an officer he holds command responsibility which means he is answerable for the actions of his subordinates. He was sanctioned **in 2011 by the EU** for 'violence against the civilian population'.



Rami Makhoulf (pictured) was sanctioned by the EU for being the 'principal financier' of the al-Assad regime. (STR/Shutterstock)

Iyad's twin, Ihab, is vice-president of Syriatel, and was sanctioned by the **EU in 2011** for 'directly supporting the regime' and for funding it, as Syriatel transfers a 'significant part of its profits to the Syrian government'. **The US** sanctioned the twins in 2017: Iyad for helping the Syrian government evade international sanctions, and Ihab for helping his brother Rami evade international sanctions and move his assets overseas.

Only one of the 20 Makhoulf skyscraper properties in Moscow has been rented so far, according to Russian property records, indicating that most of the properties are not being used commercially.

Ihab and Iyad Makhoulf did not respond to several requests to comment made through their companies and known legal representatives. Razan Othman also did not

respond to a request for comment through her known legal representative.

Of all the family members, only Rami has previously commented on the sanctions against him. In 2008, regarding the first US sanctions against him, he said that he had been “unfairly targeted”.

SOURCE OF THE MONEY

The source of the funds for the property purchases is unknown. It could be from the Makhloufs’ own private wealth, accumulated over years of acting as powerful enablers and profiteers of the regime in Syria, including under al-Assad’s father Hafez al-Assad.

Alternatively, it could be funds looted from Syria by other members of the al-Assad regime, stashed abroad by the Makhloufs. **Mohammed Makhlouf**, the elderly father of the Makhlouf brothers and Bashar al-Assad’s uncle, was widely known to act as the banker to the al-Assads. It seems, according to US and EU sanctions that accuse them of moving money on behalf of the regime, that his sons have inherited some of this role.

Two of the directors of the Russian companies incorporated by Hafez Makhlouf and his twin brothers in order to buy the Moscow properties appear to be connected to the Syrian Embassy in Moscow and the Syrian Army, according to Global Witness’ research. While this does not conclusively prove a link between the property purchases and the al-Assad regime, the Syrian Embassy in Moscow (like Syrian Embassies elsewhere), is known to act as little more than an extension of al-Assad family interests. It is unlikely that embassy officials would be involved in the transactions unless they aligned with the interests of the al-Assad regime.

Whether the funds are the Makhlouf’s private wealth or cash that they are funnelling out on behalf of the regime, there is little doubt that the money is tied to grave human rights abuses in Syria.

The Makhlouf’s roles have made them complicit in some of the worst atrocities of the 21st century. Those crimes include: weekly indiscriminate bombing of civilian areas, including strategic targeting of hospitals; laying siege to civilian areas; the arbitrary detention of civilians; mass executions of prisoners and defectors, their torture and rape; and the regular use of chemical weapons on civilians.

The older Makhloufs avoid publicity. Most have no pictures of themselves online or in the press. Family members did not respond to request for comment from Global Witness. In a rare interview given by Rami in 2011, he claimed he was sanctioned purely for being Assad’s cousin and that Assad did not need his money. In PR materials, one of the younger Makhlouf family members claimed that the family wealth comes from their business interests in Syria.

However, the family’s links to the Syrian regime call into question the legitimacy of their business interests. All financial institutions must ensure that robust due diligence processes are in place to prevent tainted money, like that of the Makhloufs, entering the global financial system. Weaknesses in such processes allow abusive and kleptocratic rulers to enjoy the spoils of their illegal actions while the victims of such regimes, including the citizens of Syria, continue to suffer without recourse to justice.

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