global witness

Millions of apparently stolen dollars paid for apartment in Trump property:

Congo case shows authorities must act to close real estate money-laundering loopholes

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RECOMMENDATIONS:

- Law enforcement in the U.S. and Europe should investigate whether the Presidential family of Republic of Congo laundered public funds by purchasing property in New York, building on investigations into the family's assets and middlemen pioneered by French and Portuguese authorities, and seize the apartment if appropriate.
- U.S. investigators and relevant Congressional committees should carefully consider these allegations and, if appropriate, hold Donald Trump and the Trump Organization accountable for their part in the transactions in question.
- In the U.S., the Treasury Department should initiate a rulemaking to require the real estate sector to perform anti-money laundering checks on clients, including enhanced checks on politically exposed persons. As part of this rule, the Treasury Department should also require the disclosure of ultimate beneficial owners of companies purchasing real estate throughout the U.S.
- Every country should require lawyers that carry out transactions for their clients, including the buying and selling of real estate and the creation of companies, to know the real identity of their clients and the source of their clients' funds.
- Every country should require all companies and trusts to disclose publicly who ultimately owns and controls them, and to make this information public.

A new investigation by Global Witness, 'Trump's Luxury Condo: A Congolese State Affair', reveals how in July 2014 state funds apparently stolen from the Republic of Congo (Congo) were used to purchase a $7.1 million luxury apartment in the Trump International Hotel & Tower at 1 Central Park West, New York (Trump International). The transaction bears the hallmarks of money laundering.

The funds used to purchase the Trump International apartment appear to have originated in Congo's treasury. The money travelled via offshore accounts, secrecy jurisdictions and shell companies. Global Witness's investigation shows that a member of Congo's Presidential family, the Sassou-Nguessos, was the owner of the company that paid for the apartment.

A New York shell company was set up on behalf of, and financed by, Cypriot front companies apparently belonging to Claudia Sassou-Nguesso, daughter of the Congolese President.

In power for much of the past four decades, President Denis Sassou-Nguesso and his family have been under investigation since 2010 by French prosecutors pursuing the family's assets in France, alleging that they were acquired through the misappropriation of public funds and money laundering.

An important enabler in the apartment purchase was the U.S. law firm K&L Gates, which set up the New York front and arranged the transaction. One of Trump's companies acted as the broker.

Congo is a small Central African country that has recently become sub-Saharan Africa's fourth biggest oil producer, earning huge revenues from the oil sector. However, the country is beset by corruption and mismanagement; despite its oil riches it consistently performs badly in several development indices. The consequences of transactions like this can be devastating, often for people battling poverty and corrupt governments in places like Congo.

The U.S. and Europe must address their systemic loopholes that enable corruption and money laundering, allowing notorious political elites to enjoy the spoils of apparently ill-gotten gains abroad.

THE SCHEME

Global Witness' new investigation reveals the details of the scheme used by Claudia Sassou-Nguesso to apparently siphon off public funds to pay for the apartment in Trump's property in New York.

The central figure in the scheme is a notorious Portuguese businessperson called José Veiga, known to be a go-between for the Sassou-Nguessos. Veiga was an agent for a Brazilian infrastructure company called Asperbras in Congo, securing public works contracts with the Congolese government. The contracts were apparently inflated; Asperbras charged prices up to 10 times more expensive than comparable contracts, according to the French newspaper *Le Canard Enchaîné*. Veiga and Sassou-Nguesso appear to have used Asperbras subsidiaries and sham public works contracts to extract millions of dollars from Congo's treasury.

In a letter to Global Witness, Asperbras completely refuted claims of over-priced contracts and irregularities in the public procurement process in Congo. The company said it could not comment on its deals in Congo because they are under investigation in Portugal, but said that its relationship with Veiga was solely for brokerage services and as a business intermediary in Congo.

Contracts and bank records reviewed by Global Witness show Veiga on two sides of a lucrative deal with the Congolese government. He was representing the contracting company in Congo, Asperbras, and the apparent director and owner of the subcontractor, a Cypriot company called Sebrit. This is a glaring conflict of interest and a common feature of corrupt contracting arrangements.

A set of contracts, notarized in Congo's capital Brazzaville, show that in July 2013 Veiga ceded the shares and assets of Sebrit's two holding companies to Claudia Sassou-Nguesso. On the same day, Claudia Sassou-Nguesso authorized Veiga to manage the companies on her behalf, for which he would receive no remuneration. This appears to be an attempt to disguise her ownership of the Cypriot companies used to move apparently stolen state funds, including Sebrit.

CONGO TO CYPRUS, VIA U.S. AND BVI

The apparently stolen public funds moved from Congo to a Cypriot network of companies, via Delaware and the British Virgin Islands (BVI), in a matter of weeks:

- On November 28, 2013, a department in Congo responsible for managing the treasury transferred around $675 million (€491.1 million) to a Delaware-based Asperbras subsidiary called Asperbras LLC. Bank documents show that, prior to this transfer, Asperbras LLC had only a couple of thousand dollars in that account.

- On December 9, 2013, Veiga set up a company called Sebrit Limited in Cyprus.

- Two days later, Sebrit signed a contract with a second Asperbras subsidiary, the BVI-based Energy & Mining Asp. Sebrit was ostensibly subcontracted to carry out part of a Congolese geological mapping project, despite having no obvious experience, financial capital or employees and having been set up just two days prior. Energy & Mining would pay Sebrit $6.8 million for a 'Geophysical Report' and would transfer $12.7 million for Sebrit to "invest in financial and human resources in the search for new business to the client [Energy & Mining]", according to the terms of the contract.

- On December 13, 2013, two days after this contract was signed, Asperbras' Delaware subsidiary transferred $31 million (€22.7 million) to Energy & Mining.

- Three weeks later, on January 6, 2014, Energy & Mining paid $19.5 million (€14.3 million) to Sebrit.

APARTMENT PURCHASE

A few months after receiving its payment from Energy & Mining, Sebrit paid $7.1 million for the purchase of unit 32G in the Trump International. The apartment has an open view of Central Park from an imposing skyscraper equipped with "valet services, gym, spa and pool".

American law firm K&L Gates LLP, ranked in the top 20 law firms worldwide, was hired to arrange the purchase. K&L Gates incorporated a company called Ecree LLC, registered in New York on May 30, 2014 – two months before the apartment was acquired.

Neither Veiga's nor Claudia Sassou-Nguesso's names are on corporate documents for Ecree obtained by Global Witness. Instead, the director of Ecree is a lawyer at K&L Gates and the registered address for Ecree is that of the K&L Gates office in New Jersey.

Ecree finalized the purchase of the apartment from a private seller on July 31, 2014, according to the purchase deed.

Sebrit provided the money for the various costs associated with the purchase.

Documents reviewed by Global Witness describe transfers between January 6, 2014 and June 23, 2015 from Sebrit to K&L Gates, the Trump International Management Corporation, and a lawyer representing the seller of the apartment.

Global Witness sent questions to the Trump Organization, Claudia Sassou-Nguesso, José Veiga's lawyer, an email address for the public works ministry in Brazzaville, and the Congolese government spokesperson, asking for comment on the details and allegations laid out in this briefing. No substantive responses to the allegations put to them for comment were received from any of these parties within the deadline provided. However a Trump Organization spokesperson told the New York Times that the unit had been bought from an unrelated party and that condo fees paid for the apartment were for maintenance costs "and are not fees paid to Trump for profit."

WHAT DID TRUMP COMPANIES KNOW?

While the purchase of the apartment was made by Ecree, Veiga signed documents associated with the transaction. In a reference letter addressed to members of the Board of the Trump International Hotel & Tower Condominium, Veiga expresses his support for a purchase application for the apartment by Lauren Lemboumba, Claudia Sassou-Nguesso's daughter.

Global Witness does not allege that the Trump organization, or K&L Gates, broke any laws in the sale of the apartment. There are no legal requirements in the U.S. for real estate actors or law firms to do due diligence on their clients, so they may argue they were entitled to take on this business.

However, Global Witness contends that the reference in Veiga's referral letter to Sassou Nguesso's granddaughter, a politically exposed person (PEP) alongside her mother, should have prompted enhanced checks by the Trump organization on the apartment purchasers and the source of their funds. The Sassou-Nguessos had been under investigation in France for corruption and embezzlement since 2010 and would have appeared on a simple Google search.

By February 2016, at a time when companies in which Trump was a director and president were receiving monthly fees for unit 32G, Veiga had been arrested for his links to corruption and money laundering in Congo. This should have raised alarms and prompted a review of prior due diligence.

Global Witness also believes that K&L Gates should have identified warning signs forcing it to seriously consider the risks of acting for Sebrit or its owners, or accepting funds from the company. Where the ownership of Sebrit was obscured, this ought to have put K&L Gates on notice to make further enquiries.

These facts call into question the quality of due diligence carried out by the Trump companies and the decisions made based upon that due diligence.

A real estate broker should reasonably be alarmed if a client, purchasing a multi-million dollar luxury property, was identified as a PEP from a notoriously corrupt government. And if circumstances change, as in Veiga's case (he was later arrested for corruption), then there is a case for real estate professionals with ongoing financial relationships with such clients to revisit the original due diligence file.