

December 2020

An Assessment of the Mirziyoyev Government's Capacity to Responsibly Manage Seized Assets

**The Case of Domestic Seized Assets Belonging to
the Karimova Syndicate**

**PROFESSOR KRISTIAN LASSLETT
DR DAWID STANCZAK**

Table of Contents

INTRODUCTION.....	2
MDS-SERVIS	5
TERRA GROUP	11
RUBICON WIRELESS COMMUNICATION	13
CENTRAL ASIAN MEGASTAR AND NEFTGAZMONTAJ	15
RECOMMENDATIONS.....	17

PART I

INTRODUCTION

US\$1 billion in assets have been seized in Western Europe, which authorities claim ultimately belong to Gulnara Karimova. Karimova is the eldest daughter of Islam Karimov. Karimov was President of Uzbekistan until his passing in 2016.

The US Treasury observes Gulnara Karimova ‘headed a powerful organized crime syndicate that leveraged state actors to expropriate businesses, monopolize markets, solicit bribes, and administer extortion rackets’.¹ Karimova and her key lieutenants are currently serving, or have recently served, custodial sentences in Uzbekistan.

In September 2020 a Memorandum of Association (MoU) was signed between the Government of Uzbekistan and the Government of Switzerland. It is the first step in a broader return process that will see a US\$131 million tranche in illegally acquired assets acquired by the Karimova syndicate, repatriated back to Uzbekistan.

In the MoU both governments commits to:

- ‘Transparency and accountability in the restitution process;
- Use of the assets to improve the living conditions of the people of Uzbekistan;
- Investment of the funds in projects which support sustainable development (in accordance with the UN's 2030 Agenda and Uzbekistan's development strategy);
- Establishment of a monitoring mechanism;
- Potential involvement of non-state actors’.²

¹ ‘United States Sanctions Human Rights Abusers and Corrupt Actors Across the Globe’, *United States Department of the Treasury*, Press Release, 21 December 2017, available online: <https://home.treasury.gov/news/press-releases/sm0243> (accessed 11 November 2020).

² *Memorandum of Understanding on the Framework for the Restitution of Illegally Acquired Assets Forfeited in Switzerland to the Benefit of the Population of the Republic of Uzbekistan between the Swiss Federal Council and the Government of the Republic of Uzbekistan*, 8 September 2020, available online: <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-80393.html> (accessed 20 November 2020)

These standards broadly conform with the Global Forum on Asset Recovery (GFAR) *Principles for Disposition and Transfer of Confiscated Stolen Assets in Corruption Cases*, which is the current best practice benchmark for responsible asset return.

The Government of Switzerland will now negotiate with the Government of President Mirziyoyev a series of binding agreements that will set out the particular processes and mechanisms which will be employed to achieve these MoU principles during the asset return process. If the MoU principles are to be achieved, these processes and mechanisms will need to be acutely sensitive to the governance environment in Uzbekistan. In order to better understand the risks and challenges both governments will face when delivering the MoU principles in practice, arguably the best barometer is how the domestic seized assets belonging to the Karimova syndicate have been managed by the Government of President Mirziyoyev.

The following report presents findings of an investigation conducted into the Mirziyoyev government's management of these domestic assets seized from the Karimova syndicate. In particular, state management of the following corporate assets have been traced:

- MDS-Servis LLC
- Terra Group LLC
- Rubicon Wireless Communication LLC
- Central Asia Megastar LLC
- Neftgazmontaj LLC

All these companies are reported to have been owned and managed by the Karimova syndicate, prior to the arrest and conviction of key syndicate members. Subsequently, these companies have been seized by the state, and in some instances their assets and shares have been publicly auctioned. Our investigation into these processes documented a series of serious red flags:

- A major Karimova syndicate company, MDS-Servis, has been purchased at public auction by a family group whose bank, prosecutors claim, was co-founded by Karimova. This bank also previously acted as the banker for a core Karimova syndicate entity, Terra Group LLC. A principal standing behind the family group which acquired MDS-Servis has been accused of corruption and illegal activities in Russian litigation and an associated criminal investigation.
- The Mirziyoyev government has failed to publicly disclose elementary information relating to the domestic seizure of Karimova syndicate assets and their subsequent management.

- In derogation of its legal obligation under Uzbek law, the Mirziyoyev government has failed to respond to freedom of information requests asking for essential documents relating to the domestic seizure and management of Karimova syndicate assets.

Because these findings evidence a manifest lack of governmental capacity to responsibly manage seized assets in compliance with basic transparency, accountability and restitutive norms, this report recommends an independent third party body be set up as the return mechanism for facilitating the repatriation of US\$131 million to Uzbekistan. It ought to be set up in a jurisdiction with rigorous corporate transparency and accountability requirements, with access to independent courts. Such a body, it will be argued, could provide a transparent, accountable, and responsive mechanism for facilitating a justice oriented return process in Uzbekistan that is for the public benefit, and which is executed with maximum civic participation.

PART II

MDS-SERVIS LLC

MDS-Servis LLC is one of the first private health clinics and ambulance services in Tashkent. Historical details on the shareholding structure of MDS-Servis can be extracted from international investigations and civil forfeiture proceedings.

An investigation by law firm Mannheimer Swartling conducted on behalf of the board of Swedish telecommunications multinational Teliasonera, suggests that from 2010 to 2012, 62.2% of shares in MDS-Servis Clinic were held by Takilant Ltd.³ Takilant Ltd is a core Karimova syndicate offshore holding entity registered in Gibraltar.⁴ Its shares were formally held by Karimova syndicate operative and manager, Gayane Avakyan.⁵ Karimova has recently explicitly acknowledged she is the beneficial owner of Takilant, according to news reports.⁶

In 2012 the share structure in MDS-Servis Clinic changed. Takilant Ltd's direct interest was reduced to 13.22%, while Uzbek registered company Solid Investments and Securities Limited obtained a 37.78% stake in MDS-Servis Clinic LLC (note: Mannheimer Swartling state that 96.22% of Solid Investment and Securities Limited shares were owned by Takilant Ltd). By 2018 media reports indicate shares in the clinic were primarily held by UK registered company NNB Investments (62.2%) and the Uzbek firm Solid Investments and Securities (37.8%).⁷

When checked on 13 January 2020, Solid Investments and Securities shares were held by Takilant Limited and British Virgin Island company, Black Swan Intervest Limited.⁸ An annual return filed on 8 August 2013 by NNB Investments Limited, indicates its shares were 100% held by Gayane Avakyan.⁹

³ Mannheimer Swartling Internal Report on TeliSeonera Bribery Allegations, 31 January 2013, pp. 158.

⁴ Lasslett, K., Kanji, F., and McGill, D. (2017) 'A Dance With The Cobra': *Confronting Grand Corruption in Uzbekistan*, London: International State Crime Initiative, available online: statecrime.org/data/2017/08/Full-Report-with-Executive-Summary.pdf (accessed 23 November 2020)

⁵ Share Transfer, Talikant Limited, 7 March 2005; Netherlands Public Prosecution Office, Statement of Facts Teli Company, 21 September 2017, available online: <https://www.prosecutionservice.nl/documents/publications/fp/hoge-transacties/feitenrelaas/statement-of-facts-telia-company> (accessed 22 November 2020)

⁶ Miller, H. (2020) 'Ex-Uzbek Boss's Daughter Gets Chance at Frozen \$350 Million', 3 December 2020, *Bloomberg*, available online: <https://www.bloomberg.com/news/articles/2020-12-03/ex-uzbek-boss-s-daughter-gets-chance-to-win-frozen-350-million> (accessed 7 December 2020)

⁷ 'MDS-Service clinic in Tashkent put up for auction (updated)', *Spot*, 10 September 2018, available online: <https://www.spot.uz/ru/2018/09/10/mds/#> (accessed 30 September 2020).

⁸ Solid Investments and Securities Limited, Company Extract, Reg Number 638, Unified Register of Legal Entities, (accessed 13 January 2020).

⁹ NNB Investments Limited, Annual Return 2012, Companies House, 8 August 2013, available online: <https://find-and-update.company-information.service.gov.uk/company/08172643/filing-history> (accessed 7 November 2020)

Multiple evidence sources, therefore, indicate NNB Investments, Solid Investments and Securities, and Takilant Limited were owned or controlled on paper by Gayane Avakyan. According to international criminal investigations Avakyan was Karimova's key proxy in corporate filings and one of the principal managers within Karimova's syndicate.¹⁰ Avakyan has been prosecuted and imprisoned in Uzbekistan for criminal activities undertaken for, and on behalf of companies tied to the Gulnara Karimova syndicate.¹¹

The MDS-Servis clinic was put up for auction in September 2018. According to media reports the auction was on the basis of a criminal court order.¹² The details of the criminal case relating to MDS-Servis are not publicly available. Various media reports state that the auction of MDS-Servis and all its property took place via the electronic platform E-ijro Aukcion (lot # 0013387). Records of the auction and its results are not available on the platform's official website. Links to the completed auction no longer work.

Several news reports on the auction provide conflicting information. Media accounts claim Invest Finance Bank (InFinBank) applied for the clinic with an offer of 32.1 billion soums in October 2018.¹³ InFinBank is a joint stock company commercial bank established in Uzbekistan during 2007. However, the auction concluded in December 2018 with Master Leasing LLC announced as the winner at 21.3 billion soums.¹⁴

The reported auction winner, Master Leasing, was owned by InFinBank until November 2018.¹⁵ Currently, the owner of Master Leasing recorded on Uzbekistan's unified register of legal entities is Valijonov Rustam Abdumalikovich.¹⁶ An expert source with intimate knowledge of InFinBank's ownership structure, claims Rustam Valijonov is a cousin of Farkhod Mamatdjanov whose family is the primary owner of InFinBank. Multiple sources indicate Farkhod is the principal business figure in the Mamatdjanov family (sometimes spelt Mamadjanov).¹⁷

¹⁰ See, for example, Netherlands Public Prosecution Office, State of Facts Telia Company, 21 September 2017, available online: <https://www.prosecutionservice.nl/documents/publications/fp/hoge-transacties/feitenrelaas/statement-of-facts-telia-company> (accessed 22 November 2020)

¹¹ 'Prosecutor General's Office: Madumarov and Avakyan were sentenced', *Uz Daily*, 18 July 2014, available online: <https://www.uzdaily.uz/en/post/28564> (accessed 30 October 2020);

¹² 'MDS-Service clinic in Tashkent is auctioned off: the cost is 32.7 billion soums', *Kun.uz*, 10 September 2018, available online: <https://kun.uz/uz/news/2018/09/10/toskentdagi-mds-service-klinikasi-aukcionga-kujildi-narhi-327-mlrd-sum> (accessed 11 March 2020).

¹³ 'The MDS-Service clinic is known to the customer', *kun.uz*, 12 October 2018, available online: <https://kun.uz/uz/news/2018/12/10/toskentdagi-mds-service-klinikasi-kimga-sotilisi-mumkin-ekani-malum-buldi> (accessed 11 March 2020).

¹⁴ 'Master Leasing bought at auction Tashkent clinic MDS-Service', *Spot*, 29 December 2018, available online: <https://www.spot.uz/ru/2018/12/29/mds/> (accessed 11 March 2020).

¹⁵ InFinBank, Notice of Changes in the List of Subsidiary Business Companies, 08 November 2018, available online: <https://openinfo.uz/ru/facts/23225/> (accessed 20 October 2020).

¹⁶ Master Leasing LLC, Company Extract, Reg No.9800, Unified Portal of Interactive Public Services, accessed 30 September 2020.

¹⁷ 'Gulnara Karimova's Terra group bank accounts have been frozen', *Radio Ozodlik*, 29 October 2013, available online: <https://www.ozodlik.org/a/25151464.html> (accessed 28 December 2019)

Master Leasing shares a registered phone number and street address with InFinLeasing. They also jointly own a subsidiary, In Rent LLC.¹⁸ When InFinLeasing's company extract was checked on the unified register,¹⁹ it was owned by Nargiza Mamatdjanova, the reported wife of Farkhod Mamatdjanov.²⁰ Finally, while InFinBank no longer appears on the share register of Master Leasing, employees of Master Leasing retain two of the five seats on the Supervisory Board of InFinBank.²¹

Since the public auction in 2018 MDS-Servis' shareholding structure has changed. When the company's extract was checked on 13 January 2020, the shares were held by Sherli Qandolatchi LLC (1.31%), Master Leasing LLC (26.81%) and Orient-Confection (71.88%).²² Other important details on the company extract were noted. MDS-Servis currently shares an email address with InFinLeasing LLC. As noted above, when InFinLeasing's extract was checked on the unified register of legal entities, its sole shareholder was Nargiza Mamatdjanova.²³

Reports suggesting that MDS-Servis was acquired by a family owned conglomerate (Mamatdjanov family), which includes the entity InFinBank,²⁴ raises a number of serious concerns from a responsible asset return perspective. First, a cofounder of Invest Finance Bank is Avesta Finansial Holdings (it held a 26% interest in the bank, when it was established in 2007).²⁵ According to the indictment prepared by Uzbek prosecutors for the Karimova case, which has been viewed by the authors, she was the ultimate controller of Avesta Finansial Holdings. Because the subsequent court judgements were not made public it is impossible to verify whether the presiding judge agreed with the prosecutor's claim. InFinBank has declined to comment on this allegation.²⁶

¹⁸ In Rent LLC, Company Extract, Reg No.687760, Unified Portal of Interactive Public Services, accessed 7 December 2020.

¹⁹ InFinLeasing, Company Extract, Reg No.17889, Unified Portal of Interactive Public Services, accessed 30 December 2019.

²⁰ Lasslett, K. and Uzbek Forum for Human Rights (2020) *Out of the Cauldron into the Fire? Risk and the Privatization of Uzbekistan's Cotton Sector*, Power Briefs | Central Asia, Issue 2, available online: <https://d1fz6q6taiufku.cloudfront.net/uploads/2020/06/PB-issue2-v4.2.pdf> (accessed 22 November 2020)

²¹ Invest Finance Bank, Material Fact No.8, 29 September 2020, available online: https://www.uzse.uz/reports/7345/material_fact (accessed 7 December 2020)

²² MDS Servis, Company Extract, Reg No.1109/7, Unified Portal of Interactive Public Services, accessed 14 February 2020.

²³ InFinLeasing, Company Extract, Reg No.17889, Unified Portal of Interactive Public Services, accessed 30 December 2019.

²⁴ See, for example, Invest Finance Bank, Material Fact 06, 19 July 2020, Tashkent Republic Stock Exchange, available online: https://uzse.uz/reports/7338/material_fact?locale=en (accessed 23 November 2020)

²⁵ Invest Finance Bank, Bank Charter, available online: <https://infinbank.com/upload/iblock/dfd/dfd2a10d9ee686e1624afd29dc6f9598.pdf> (accessed 23 November 2020)

²⁶ Email Communication, Press Office, Invest Finance Bank, 7 December 2020.

Second, InFinBank made headlines in 2013 when it was reported to be the banker for a large corporate group believed to be owned by Gulnara Karimova.²⁷ A Radio Ozodlik source claims when Karimova came under investigation by Uzbek authorities, her media arm, the Terra Group, had ‘more than a dozen accounts [with InFinBank] and the total turnover in them is so large that bank experts have not yet been able to prepare a report on the details for the investigator’.²⁸

The third matter of concern is the family group behind InFinBank. InFinBank’s 2015 financial statements claim the institution is ‘ultimately controlled by Mr Mamadjanov Fakhritdin Djuraevich’, father of Farkhod Mamatdjanov.²⁹ The bank’s charter states that Fakhritdin Mamatdjanov was a co-founder of InFinBank, alongside Avesta Finansial Holding. Since 2015 Mamatdjanov Snr has retained a significant stake in InFinBank, alongside Swiss Capital International Group AG, and Alfa Group LLC, an Uzbek firm majority owned by English Limited Liability Partnership, Wayrex LLP (99.99%).³⁰

However, Radio Ozodlik reports that Fakhritdin’s son, Farkhod Mamatdjanov, is the ultimate owner of InFinBank.³¹ Court documents and leaked internal records obtained by the authors relating to Swiss Capital International Group lend support to this claim. These records, including internal company emails, indicate that Swiss Capital International Group is ultimately controlled by Farkhod Mamatdjanov through the UK limited liability partnership Wayrex LLP.³² When this relationship was put to InFinBank for comment its press office claimed Farkhod Mamatdjanov has never held shares in the bank. They did not comment on whether Farkhod Mamatdjanov has indirectly held a significant shareholding in the bank through the Swiss Capital International Group.

Farkhod Mamatdjanov has a business track record that features a number of notable red flags. An executive employed by a Russian joint-venture of Swiss Capital International Group, has accused Farkhod Mamatdjanov and Swiss Capital International Group of various illegal

²⁷ ‘United States sanctions human rights abusers and corrupt actors across the globe’, US Department of Treasury, 21 December 2017, available online: <https://home.treasury.gov/news/press-releases/sm0243> (accessed 12 February 2020)

²⁸ ‘Gulnara Karimova’s Terra group bank accounts have been frozen’, *Radio Ozodlik*, 29 October 2013, available online: <https://www.ozodlik.org/a/25151464.html> (accessed 28 December 2019)

²⁹ Invest Finance Bank (2015), *Invest Finance Bank: Consolidated Financial Statements and Independent Auditor’s Report*, 31 December 2015, available online: <https://www.infinbank.com/upload/iblock/334/334a2e4b766c89287373061f77f09da6.pdf> (accessed 10 October 2019)

³⁰ Alfa Group, Company Extract, Reg No.777, Unified Portal of Interactive Public Services, accessed 14 February 2020.

³¹ Babadzhanov, S. (2018) ‘Half a billion dollars lawsuit filed against ex-Prosecutor General Kadyrov’, *Radio Ozodlik*, 6 March, available online: <https://rus.ozodlik.org/a/29080195.html> (accessed 30 December 2019)

³² Email from Peter Schafflützel to Said Tulyaganov, 17 June 2016.

activities.³³ The executive claims Mamatdjanov boasted about his corrupt connections with employees inside the General Prosecutor's office in Uzbekistan.³⁴

Russian court records also indicate that Russian property tied to Farkhod Mamatdjanov has been frozen. We know this from an appeal decision published by the criminal division of the Stavropol Regional Court. The appeal was lodged by the 'suspect' 'Farkhod Mamatdjanov', and it relates to a Pyatigorsk City Court decision to freeze property belonging to 'Swiss XXXX' - the rest of the company's name is redacted.³⁵ This freezing order was made in response to a request by the Russian Ministry of Internal Affairs. Investigators claimed it was necessary as 'this property will continue to be used by members of organized criminal groups as another means of committing a crime'. The Appeal Court upheld the freezing order.

Finally, in June 2020, UzInvestigations uncovered a highly irregular set of transactions which involved involving the Uztex textile group, Swiss multinational Rieter, and UK offshore entity Wayrex LLP,³⁶ a relationship that received significant coverage in the Swiss broadsheet *Tages-Anzeiger*.³⁷ Farkhod Mamatdjanov has not responded to requests for comment.

If the public auction reporting is correct and MDS-Servis was acquired either by the InFinBank group directly, or its principal shareholders the Mamatdjanov family, this raises serious concerns from a responsible asset return perspective. There is significant evidence indicating MDS-Servis was owned and controlled by the Karimova syndicate. According to media reports it was then seized and auctioned on the basis of a criminal court order. The apparent winner of the auction was a family owned group, whose bank previously acted as one of the principal bankers for Karimova syndicate companies. There is also evidence the Karimova syndicate cofounded InFinBank through Avesta Finansial Holdings. Finally, there are concerning allegations in Russia tying a principal figure in the family owned group to illegal activities and corruption.

In conclusion, from a responsible asset return perspective, arguably of gravest concern here is that assets seized from the Karimova syndicate may have ultimately benefited close business associates of the syndicate, who themselves have a chequered business record. Also of concern is the sizable challenges presented when attempting to detect and document the ultimate

³³ Stavropol Region Arbitration Court, Case No.A63 - 13475/2018, Decision, 19 December 2018.

³⁴ Stavropol Region Arbitration Court, Case No.A63 - 13475/2018, Decision, 19 December 2018.

³⁵ Stavropol Regional Court Criminal, Case No.22-958/2019, Appeal Decision, 26 February 2019.

³⁶ See Lasslett, K. 'For Western Brands Uzbekistan's cotton Privatisation Raises Red Flags', *openDemocracy*, 1 July 2020, available online: <https://www.opendemocracy.net/en/odr/for-western-brands-uzbekistans-cotton-privatisation-raises-red-flags/> (accessed 20 November 2020)

³⁷ See, Brönnimann, C. (2020) 'Rieter's Delicate "Boomerang Contracts" in Uzbekistan', *Tages-Anzeiger*, 30 June 2020, available online: <https://www.tagesanzeiger.ch/rieters-heikle-bumerang-vertraege-in-usbekistan-674616747460> (accessed 7 December 2020); Lasslett, K. and Uzbek Forum for Human Rights (2020) *Out of the Cauldron into the Fire: Risk and the Privatisation of Uzbekistan's Cotton Sector*, Power Briefs | Central Asia, Issue 2, available online: <https://d1fz6q6taiufku.cloudfront.net/uploads/2020/06/PB-issue2-v4.2.pdf> (accessed 27 November 2020)

beneficial owners who stand behind corporate entities. A lack of corporate transparency in Uzbekistan, which is further exacerbated by the active use of offshore secrecy jurisdictions, means there is sparse public record data available on companies. As a result, were returned assets to be spent on private sector goods and services, without comprehensive due diligence, there is a significant risk that restituted funds may benefit individuals and groups linked to the initial offence.

PART III

TERRA GROUP LLC

The Karimova syndicate's media holding entity, Terra Group LLC, was the subject of wide-ranging criminal investigations in 2013 in the wake of public exposés relating to Gulnara Karimova's financial activities.³⁸

Terra Group reportedly held dozens of accounts at InFinBank. The accounts were allegedly so large it took the bank considerable time to furnish details to criminal investigators.³⁹ The criminal investigation into the activities of Terra Group and two other companies – Prime Media and Gamma Promotions – eventually led to the convictions of Karimova syndicate associates, Gayane Avakyan and Rustam Madumarov.⁴⁰

In addition to the criminal prosecutions, Terra Group's accounts were frozen in October 2013 and its assets were seized by the government of Uzbekistan.⁴¹ No public information, however, is available on what has happened to the property.

When Terra Group's current company extract was checked on 14 January 2020, 29% of its shares were held by Grantland Alliance Corp, while 71% was held by Yekaterina Klyuyeva.⁴²

Freedom of Information requests in the required legal format were sent to the Prosecutor General's Office for copies of court judgements relating to any convictions of Terra Group LLC and any subsequent auctioning or sale of its assets and properties. No response has been received. This is a breach of the government's legal obligations set out in Article 19 of the law, *On the Openness of the Activities of Public Authorities and Administration*.⁴³ Under the law authorities must respond within 15 working days after registering a request for information.

³⁸ 'Bank Accounts Of Holding Group Linked To Karimova Frozen', *Radio Free Europe/Radio Liberty*, 30 October 2013, available online: <https://www.rferl.org/a/uzbekistan-karimova-bank-accounts-frozen/25152801.html> (accessed 12 March 2020).

³⁹ 'Gulnara Karimova's Terra group bank accounts have been frozen', *Ozodlik Radio*, 29 October 2013, available online: <https://www.ozodlik.org/a/25151464.html> (accessed 12 March 2020).

⁴⁰ 'The Prosecutor General's Office of Uzbekistan clarifies the fate of Islam Karimov's daughter', *Vedomosti*, 28 July 2017, available online: <https://www.vedomosti.ru/politics/articles/2017/07/28/726665-docheri-karimova> (accessed 07 March 2020).

⁴¹ 'Accounts of Terra group of the daughter of the President of Uzbekistan Gulnara frozen', *Radio Ozodlik*, 30 October 2013, available online: <https://www.ozodlik.org/a/25152981.html> (accessed 11 November 2020).

⁴² Terra Group, Company Extract, Reg No.1745, Unified Portal of Interactive Public Services, accessed 14 January 2020.

⁴³ *On the Openness of the Activities of Public Authorities and Administration*, Law of the Republic of Uzbekistan, No.ZRU-369, 5 May 2014, available online: lex.uz/docs/2381138 (accessed 8 October 2019)

The government of Uzbekistan's failure to publicly disclose how these seized assets have been managed, and its failure to consider lawful requests for information, raises red flags over the administration's capacity to meet MoU and GFAR benchmarks regarding responsible asset return. These benchmarks expect governments to transparently manage seized assets, ensuring they are used for the public benefit.

PART IV

RUBICON WIRELESS COMMUNICATION LLC

Rubicon Wireless Communication (Rubicon) was founded in 1995. It became a leader in the cellular network industry in Uzbekistan. Since 2001, Rubicon operated under the brand name Perfectum, the then largest mobile network operator in the country.

News reports from 2019 linked Rubicon to Karimova's partner, Rustam Madumarov, who is reported to have acted as a key proxy in the Karimova syndicate.⁴⁴ In May 2014, Madumarov was convicted and sentenced to a long term of imprisonment in Uzbekistan for tax evasion, illegal income and illegal international transactions, related to Terra Group, Prime Media and Gamma Promotion.⁴⁵

Current official information on Rubicon Wireless' ownership is conflicting. According to information on Uzbekistan's unified register of legal entities, Rubicon is owned by two foreign businesses, the United States based Amis Protrade International Inc. (35%) and the Gibraltar registered Marvelgate Ltd (65%).⁴⁶ According to documents used in the Swedish prosecution of TeliaSonera, Marvelgate was owned by Karimova's business partner Marina Klyuyeva.⁴⁷ In her last will and testament, Klyuyeva is reported to have named Karimova as the recipient of all shares and interests in Marvelgate.⁴⁸

In contrast to the official commercial registry record in Uzbekistan, a Presidential decree dated 27 October 2020 indicates 65% of the shares in Rubicon Wireless are owned by the state.⁴⁹ This

⁴⁴ 'Another property owned by Rustam Madumarov is up for sale in Uzbekistan', *kun.uz*, 24 May 2019, available online: <https://kun.uz/uz/news/2019/05/24/ozbekistonda-rustam-madumarovga-tegishli-yana-bir-mulk-savdoga-qoyildi> (accessed 9 March 2020).

⁴⁵ 'Prosecutor General's Office: Madumarov and Avakyan were sentenced', *Uz Daily*, 18 July 2014, available online: <https://www.uzdaily.uz/en/post/28564> (accessed 11 November 2020); 'Major participants in corruption schemes allegedly created by Gulnara Karimova arrested in Uzbekistan', *Radio Ozodlik*, 20 August 2015, available online: <https://www.ozodlik.org/a/27198969.html> (accessed 11 November 2020).

⁴⁶ Rubicon Wireless Communication, Company Extract, Reg No.331, Unified Portal of Interactive Public Services, accessed 7 November 2020.

⁴⁷ 'The "last will and testament" in Gulnara Karimova's box - "Islam and Iman" is the last owner of wealth', *Radio Ozodlik*, 7 September 2018, available online: <https://www.ozodlik.org/a/gulnora-karimova-bank-rustam-gayane-shveytsariya-shvetsiya/29477347.html> (accessed 02 October 2020).

⁴⁸ *Ibid*

⁴⁹ *On Measures to Accelerate the Reform of Enterprises with State Participation and Privatization of State Assets, Decree President of the Republic of Uzbekistan*, No.6096, 27 October 2020, available online: <https://www.lex.uz/docs/5068826> (accessed 5 November 2020); see also 'Mobiuz and Perfectum will

apparent seizure of Marvelgate Ltd's interest is not reflected in the publicly available corporate register maintained by the government. According to the 27 October 2020 Presidential decree, this 65% state share in Rubicon Wireless is now slated for privatisation via public auction.

This is not the first time Rubicon related assets have been publicly auctioned. In June 2019, Uzbekistani media reported that real estate owned by Rubicon, located in Tashkent, was put up for sale on the Centre for the Organisation of Electronic Online Auctions.⁵⁰ The auction was set to take place on 27 June 2019 through a 'phased price reduction' at the starting amount of 205 billion soums, with a minimum set price of 164 billion soums.⁵¹ No official record of the auction could be located. A link provided by Uzbekistan's state news agency to the auction lot no longer works.

A freedom of information request was submitted to the Ministry of Justice using provisions set out in Article 19 of the law, *On the Openness of the Activities of Public Authorities and Administration*. Under the law authorities must respond within 15 working days after registering a request for information. The freedom of information submission requested a copy of the court decision permitting auction of Rubicon's real estate, and for documents relating to the results of this auction. No response was received.

This example again raises concerns over the opaque manner in which assets linked to corruption and impropriety organised by the Karimova syndicate, are being seized and then managed by the government of Uzbekistan. There is a significant risk that these assets are not being managed in the public interest.

prepare for privatization, Ucell will transform', *Gazeta*, 28 October 2020, available online: <https://www.gazeta.uz/ru/2020/10/28/mobile-operators/>; (accessed 28 October 2020).

⁵⁰ 'Another property owned by Rustam Madumarov, Perfectum, went on sale', *Kun.uz*, 25 May 2019, available online: <https://kun.uz/uz/news/2019/05/25/rustam-madumarovga-tegishli-yana-bir-mulk-perfectum-savdoga-qoyildi> (accessed 09 March 2020); 'Perfectum Mobile property put up for sale for the second time', *Kun.uz*, 19 June 2019, available online: <https://kun.uz/en/news/2019/06/19/perfectum-mobile-property-put-up-for-sale-for-the-second-time> (accessed 02 April 2020).

⁵¹ 'The property of the mobile operator Perfectum Mobile was put up for sale for the second time. It was estimated at 205.5 billion soums', *Podrobno*, 19 June 2019, available online: <https://www.podrobno.uz/cat/obchestvo/imushchestvo-sotovogo-operatora/> (accessed 30 October 2020).

PART V

CENTRAL ASIAN MEGASTAR AND NEFTGAZMONTAJ

Central Asia Megastar LLC (CAM) is a duty-free shop and marketing agency based at the Islam Karimov Tashkent International Airport. According to a Swedish investigation into the telecommunications bribery scandal, from December 2009 Gibraltar holding vehicle, Takilant Ltd, owned 60% shares in CAM.⁵²

International investigations suggest that Takilant was owned by Gayane Avakyan,⁵³ on behalf of Gulnara Karimova.⁵⁴ Currently, the State Asset Management Agency (SAMA) holds a 52.34% share in CAM, the remaining 47.66% is owned by Uzbekistan Airways.⁵⁵

Neftgazmontaj is a construction company primarily involved in the oil and gas sector. The company was formed in 2004 and used to be a joint venture of Zeromax.⁵⁶ Zeromax previously controlled large sections of Uzbekistan's economy and Gulnara Karimova was widely reported to be one of its beneficial owner.⁵⁷ According to the company's extract from the Unified Register of Legal Entities, 54.58% of shares in Neftgazmontaj are currently owned by SAMA.⁵⁸

Under Uzbek law these companies are required to maintain certain records relating to shareholders, financial accounts, and decisions made at the annual general meeting. A freedom of information request was made to SAMA for a copy of these records kept for Central Asia Megastar and Neftgazmontaj, while under the agencies majority ownership. Like with the previous example, no response was received.

⁵² Mannheimer Swartling Internal Report on TeliSeonera Bribery Allegations, 31 January 2013, pp. 158.

⁵³ *ibid*

⁵⁴ 'US asks Sweden to Freeze Assets Linked to Uzbek President's Daughter', OCCRP, 1 April 2015, available online: <https://www.occrp.org/en/daily/3826-us-asks-sweden-to-freeze-assets-linked-to-uzbek-president-s-daughter> (accessed 5 November 2020)

⁵⁵ Central Asia Megastar, Company Extract, Reg No.82, Unified Portal of Interactive Public Services, accessed 13 January 2020.

⁵⁶ Zeromax GmbH: Investor Profile, AUCC Investment Summit, New York, October 2009, accessed 06 March 2020; Zeromax GmbH: Analysis of the auditor's role and compliance of its work with the Swiss professional code of obligation, *Financial Advisory Service*, February 2014.

⁵⁷ 'Gulnora Karimova's attorney loses the case', *Kun.uz*, 19 August 2018, available online: <https://kun.uz/en/news/2018/08/18/gulnora-karimovas-attorney-loses-the-case> (accessed 02 October 2020); see also Pannier, B. (2010) 'Does PM's Rise, Energy Firm's Demise Shed Light On Uzbek Succession Question?', Radio Free Europe/Radio Liberty, 20 May 2010, available online: https://www.rferl.org/a/Does_PMs_Rise_Energy_Firms_Demise_Shed_Light_On_Uzbek_Succession_Question/2048173.html (accessed 11 November 2020).

⁵⁸ Neftgazmontaj LLC, Company Extract, Reg. No. 2/963, Unified Portal of Interactive Public Services, accessed 08 March 2020.

The government's failure to disclose key corporate filings related to corporate assets apparently seized from the Karimova syndicate, raises concerns again over the probity of these company's public administration.

PART VI

RECOMMENDATIONS

There is an emerging body of data in Uzbekistan relating to the domestic seizure and management of Karimova syndicate assets, which now allows confident predictions to be made regarding the challenges that will be faced when attempting to facilitate responsible asset return in Uzbekistan.

The Government of Uzbekistan has demonstrated practices that fall well below the benchmarks set out in the GFAR and MoU principles. Seized assets have not been transparently managed. The government has unlawfully derogated from its accountability obligations. There is data to suggest the seized assets have not been managed in the public interest. There is also data indicating that at least some of these assets have been acquired by a family group whose senior figure is tied by multiple sources to illicit activity, and whose bank performed significant banking services for the Karimova syndicate. It is also alleged by prosecutors in Uzbekistan that the Karimova syndicate was a co-founder of the bank.

As a result of these findings, it would appear that a rigorous third party mechanism may be required if the MoU principles are to be achieved. In particular, it is recommended that:

- An independent not-for-profit company or trust ought to be established in a jurisdiction where there is full corporate transparency on a public register, robust governance requirements, and where there is access to independent courts.
- The board of this body should be independent from the Government of Uzbekistan, although its board ought to include government representatives.
- The independent offshore body should include representatives from civil society, and engage in a national consultation in Uzbekistan giving the public an opportunity to consider how these returned assets could be used.
- The independent offshore body ought to then ensure the assets are returned through initiatives that redress harm, and/or counter corruption, incorporating the elicited public feedback.
- The independent offshore body must ensure its financial and administrative records are fully available to the public, including meeting minutes and other internal documentation, to ensure transparency.
- The independent offshore body should ensure it has rigorous controls and publicly available documentation for all returned moneys spent, including open evidence that any contracted organisations in country which benefited from the spending was rigorously vetted.

- The independent body should ensure all returned assets conform to GFAR and MoU principles.