



## **G7 Members Need to Strengthen Financial Tools of Pressure to Tackle the Vicious Cycle of Kleptocracy and Atrocities**

**May 3, 2023**

---

The G7 was founded on the principles of open democracy, international rules-based order, and human rights. The unspeakable atrocities committed by Russia and by Russia's proxy the Wagner Group in Ukraine, by the Wagner Group across Africa and the Middle East, by the Myanmar junta against its own people, and by two warring generals in Sudan, among other examples, demonstrate that the G7 should not waste any time in stepping up efforts to uphold these principles. Simply put, the G7 should adopt hard-hitting new policies and legislation that target kleptocratic leaders and perpetrators of conflict where it hurts the most—their pocketbooks.

G7 members should use their financial leverage to combat the grand corruption that continues to undermine global peace and democracy. This should occur by increasing financial pressure on high-level corrupt actors and human rights perpetrators, their corporate networks, and their enablers (including businesspersons, lawyers, bankers, real estate agents, and accountants), depriving the spoilers of the lifestyle and affluence that they desperately covet. Only by strategically focusing on the key networks involved in corruption and human rights abuses will the G7 be able to help achieve real accountability and change in the systems that enable corruption and pillage.

There is an opportunity to use financial tools of pressure such as network sanctions, anti-money laundering measures, and law enforcement actions, which are critically necessary to creating leverage for peace, democracy, human rights, and good governance. The impact and effectiveness of these tools—when deployed strategically and robustly—is clear and key to transforming kleptocratic systems of governance around the world. The G7 should utilize financial pressures on kleptocrats and their networks to curtail their ability to exploit the global financial system and limit their ability to personally profit while stealing from state coffers.

The Sentry recommends that the G7 take the following concerted actions:

1. **All G7 members should take steps to ensure that they have robust financial tools of pressure to counter human rights abuses and large-scale corruption wherever it occurs.** Russia's unprovoked war against Ukraine, the Myanmar junta's increasingly horrific brutality against civilians, and the recent deadly conflict in Sudan have laid bare the risks posed by unchecked violent kleptocracies. In this context of intensifying geopolitical challenges, G7 members should take action to update relevant frameworks and legislation to allow them to apply targeted sanctions measures to tackle human rights abuses and corruption (known as Global Magnitsky-style sanctions) where these are not in place. In particular, as the host of this year's G7 Hiroshima Summit, Japan should take the opportunity to commit to adopt the legislation needed to trigger sanctions for egregious violations of human rights and grand corruption. Although the European Union (EU) has already adopted a human rights sanctions regime, it should act urgently to add a global anti-corruption sanctions framework to its toolkit.

Furthermore, G7 members should take lessons learned from the multilateral Russian Elites, Proxies, and Oligarchs (REPO) Task Force and coordinate measures to freeze or seize assets linked not only to those sanctioned in connection with Russia's war against Ukraine but also to anyone sanctioned in relation to human rights abuses and corruption more broadly. Coordinated action would enable G7 jurisdictions to shut perpetrators of gross human rights abuses and kleptocrats out of the global financial system.

2. **The G7 should prioritize fighting money laundering linked to war crimes and atrocities.** G7 members should encourage the Financial Action Task Force (FATF) to explore a typologies report on money laundering linked to war crimes and atrocities so as to better understand international financial flows and threats, with a particular focus on the mercenary Wagner Group. Such a typologies report would serve to protect the integrity of the global financial system and ensure robust implementation of FATF Standards.

The G7 should also call on jurisdictions to update legislation to include war crimes as a predicate offense for money laundering, which would trigger all current anti-money laundering requirements applicable to regulated entities and designated non-financial businesses and professions to address the financing of war crimes and atrocities being committed by the Wagner Group.

3. **G7 members should use domestic authorities to designate the Wagner Group as terrorist organization.** This would equip like-minded jurisdictions with a more robust set of tools to starve the mercenary Wagner Group, which has been perpetrating atrocities around the world, of resources and constrain its ability to spread its global footprint. It could make it easier to prosecute the group's enablers, including individuals and entities, wherever they may be located; enhance information among like-minded states; and serve as a powerful deterrent for any governments, entities, or individuals that contemplate working with Wagner. Every effort should be made to mitigate the potential humanitarian consequences of such designations through carve-outs and general licenses.
4. **The G7 should establish a coalition of like-minded jurisdictions to counter the malign activities of the Wagner Group around the world.** This coalition should include G7 members, African states, and other like-minded jurisdictions and focus on four pillars:
  - ▶ Countering its financing and access to resources through (i) identifying financing methods, networks, and enablers via the sharing of information among coalition members; (ii) forming public-private partnerships to share financial intelligence, including among financial institutions, civil society, and law enforcement authorities; and (iii) developing targeted measures to create barriers to illicit financial flows
  - ▶ Countering the Wagner Group's financing and access to resources through targeted network sanctions and other means of financial pressure, such as advisories
  - ▶ Preventing the recruitment and movement of Wagner Group fighters and facilitators across borders and conflict zones
  - ▶ Counteracting the Wagner Group's propaganda by highlighting that the protection offered by the Wagner Group comes at a very steep price
5. **G7 members should adopt coordinated sanctions and bans related to Russian diamonds in order to cut off a significant source of funding for Russia and an avenue for sanctions evasion.** G7 jurisdictions, including the EU, should work with international partners to adopt a ban on Russian-origin diamonds, both polished and rough, as well as a cohesive and aligned set of principles to improve traceability measures for such diamonds in order to identify and segregate Russian-origin diamonds and provide the industry with tools to help prevent the circumvention of sanctions. In addition, G7 members and partners should coordinate targeted sanctions related to Russia and Wagner Group affiliated diamond companies and their networks all over the globe. Implementing a coordinated ban on Russian diamonds, both rough and polished, accompanied by targeted designations, will improve the ability to effectively disrupt this billion-dollar revenue stream for Russia.
6. **The G7 should strongly condemn the violence in Sudan and impose targeted network sanctions on the military leaders of the Rapid Support Forces (RSF) and the Sudan Armed Forces (SAF), their corporate networks, and the enablers responsible for the resurgent conflict.** The G7 should take strong coordinated action to cut off financial flows for persons that use state power and resources to enrich themselves, which has led to the recent conflict. It is essential that G7 members use escalating and

multilateral financial measures as leverage to try to prevent the conflict from intensifying and to alter the perverse incentive structure for the leaders of the RSF and SAF, as well as their enablers, who have financially benefitted from human suffering and corruption for too long.

7. **G7 members should coordinate on a decisive and forceful response to the ongoing crisis in Myanmar.** G7 jurisdictions should condemn the ongoing violence perpetrated by the military junta against civilians and apply financial tools of pressure against the junta and its enablers. Targeted network sanctions should seek to disrupt the ability of the military regime to earn foreign currency and to purchase items such as weapons and jet fuel that are crucial to the brutal war it wages against its own people. G7 financial regulators and financial intelligence units should work with their financial institutions, which act as gatekeepers to protecting the integrity of the international financial system, to identify arms sales and transactions that could benefit the military and its leaders, while still allowing for humanitarian aid to flow into Myanmar. In parallel, G7 governments should coordinate with the Association of Southeast Asian Nations and the United Nations to ensure that humanitarian aid is delivered to all beneficiaries in ways that do not benefit the junta.