



## Dodgy Deal: Turkmen Bankaccounts Turkmenistan

### update

This dodgy deal is no longer being updated

### banktrack contact

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## Description

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Deutsche Bank is holding several accounts for the Central Bank of Turkmenistan, in which some of the billions of dollars from Turkmenistan's gas sales are held. Turkmenistan possesses one of the largest natural gas reserves in the world, which will earn the country \$5 billion a year from 2007. But its citizens have no information about where the money is going because the money is managed in a completely opaque way. Until the death of the president Saparmurat Niyazov in December 2006, Turkmenistan was one of the world's most oppressive dictatorships and the regime's disastrous policies on health and education saw social indicators falling, despite the country's vast natural gas reserves.

Reports from international financial institutions indicated that the accounts in Deutsche Bank were under the personal control of the president. Following pressure from NGOs and after the German financial regulator BAFIN investigated the situation, Deutsche Bank, has admitted holding an account, which BAFIN says is in compliance with the law.

Deutsche Bank says this is an account for the Central Bank of Turkmenistan. However, Niyazov repeatedly fired Central Bank governors, and thus had de facto control over the Central Bank. Deutsche Bank has not answered calls to make public information about Turkmenistan's other accounts, in particular the foreign exchange reserve fund, which is believed to have contained \$2 billion of gas proceeds and to have been under the President's personal control.

## what must happen

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**Deutsche Bank** should clarify what due diligence it performed, and what proof it obtained, to ensure that Niyazov did not have sole control of Turkmen state funds held there. Deutsche Bank should also clarify how holding accounts for Niyazov's Turkmenistan fitted with its voluntary human rights commitments under the UN Global Compact.

**The new Turkmen government** should institute regular independent audits of spending of government budgets, and should commission a full independent inquiry into Niyazov's assets and where they have been/are being held.

**BaFin, the German regulator**, should perform a full investigation of the Turkmen accounts at Deutsche Bank, rather than just a random probe, to answer outstanding questions about the accounts.

## Other issues

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Under the late dictator Niyazov, Turkmenistan was one of the most repressive governments of the world. The European Parliament's resolution in 2003 stated that "the already appalling human rights situation in Turkmenistan has deteriorated dramatically recently, and there is evidence to suggest that this Central Asian state has acquired one of the worst totalitarian systems in the world."

Despite the country's large gas reserves and multi-billion dollar revenue earnings annually, 58% of the population lives in poverty according to the World Bank and social indicators such as health and education have worsened in the past decade.

Until his death in December 2006, Niyazov ran an extreme and bizarre personality cult and exercised personal control over all areas of the government, including the Central Bank. Spending of government budgets was entirely untransparent: 77% of spending took place off budget from foreign currency funds.

Sources from the international finance community have confirmed to Global Witness that the billion dollar foreign reserve account held at Deutsche Bank in the name of the Turkmen Central Bank was de facto controlled by President Niyazov himself. This means that money held in these accounts was at great risk of being misused for corruption, the funding of Niyazov's personality cult of huge gold statues, or human rights abuses.

Following two letters in which it refused to acknowledge any Turkmen accounts, Deutsche Bank wrote to Global Witness in March 2007 acknowledging that it held an account for the Central Bank of Turkmenistan handling its international payment transactions, and saying that the client relationship has been found by BaFin, the German regulator, to be in compliance with regulations.

BaFin's letter to Global Witness, however, acknowledges 'several current accounts', including one 'in which some of the Turkmen central bank's foreign currency reserves are deposited'. Deutsche Bank has not yet responded to calls to specifically acknowledge Turkmenistan's other accounts, in particular the foreign exchange reserve fund.

By holding these accounts for a regime such as Niyazov's, Deutsche Bank appears to have been in violation of its own good governance rules and the rules of the Global Compact, of which the bank is a signatory.

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## Updates

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### Dec 11, 2007

1990 Saparmurat Niyazov is elected president of Turkmenistan, one year later the country proclaims independence from the Soviet Union.

1990s Reports about state oppression and Noyazov's personality cult begin surfacing. Since the 1990s Deutsche Bank operates a branch in Turkmenistan.

1999 Niyazov is declared "President for Life".

2000 DB board member Tessen von Heydebreck visits Turkmenistan and signs a new cooperation agreement with Niyazov.

2001 Niyazov's personality cult reaches a new level with the introduction of the "Rukhnama", a "spiritual guide" written by Niyazov. The Rukhnama became compulsory reading and formed the basis of the education system.

2001 Contract signed between Turkmenistan and Ukraine over \$1.68 billion worth of Turkmen gas. The contract states that half the amount is to be paid in money (the other half in barter) by Ukraine onto a DB account in Frankfurt.

2004 15,000 public health workers are dismissed including and replaced with military conscripts.

2005 Niyazov orders all hospitals outside Ashgabat shut, with the reasoning that the sick should come to the capital for treatment. All rural libraries were ordered to be closed as well, citing ordinary Turkmen do not read books.

2006 Global Witness publishes the above mentioned contract and seeks explanations from Deutsche Bank about the accounts and whether the accounts comply with the bank's own corporate governance guidelines. Deutsche Bank replies with standardised letters, stating that bank secrecy mean that it cannot divulge any information.

2006 Global Witness hands in a complaint at the Global Compact about Deutsche Bank and the accounts, but finds out that the Global Compact will not investigate member's behaviour and is only prepared to facilitate dialogue between the two parties.

Dec 2006 Niyazov dies. Global Witness publishes a press release, seeking assurance that the money in the accounts at Deutsche Bank will be safeguarded. Gurbanguly Berdymukhammedov is elected as Niyazov's successor.

Jan 2007 Global Witness writes to the German banking regulator BaFin, seeking assurance that the accounts do not violate German anti-money laundering law. Bafin replies, confirming the existence of the accounts and that Bafin had performed random checks on them, not finding any violations against the law.

March 2007 Deutsche Bank writes to Global Witness confirming that it holds an account 'for the Central Bank of Turkmenistan handling its international payment transactions'.

August 2007 The news agency Tass reports that the new Turkmen president, Gurbanguly Berdymukhammedov, has called for audits of Turkmen government budgets to be published for the first time.

## financial institutions involved

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### banks

Deutsche Bank -

- Holds several accounts for the Central Bank of Turkmenistan