Greece

Greek law change viewed as backtracking on money laundering

Bulk of frozen assets set to be handed back under penal code amendment

Greek prime minister Kyriakos Mitsotakis © AP

Kerin Hope in Athens

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The centre-right government of prime minister Kyriakos Mitsotakis has pushed a measure through parliament that appears to overturn Greece's commitment to international standards on combating corruption and money-laundering.

An amendment to the country's penal code approved late on Wednesday night provides for people suspected of criminal fraud and money-laundering to recover assets frozen by the court, if they are not brought to trial within 18 months.

It normally takes three to five years in Greece for a criminal case to move from a preliminary investigation to a full court hearing, according to members of the Athens Bar Association, while the appeal process may take equally long.

The amendment, which was part of a new law updating the penal code, is at odds with international anti-money laundering practices, to which Greece subscribes.

According to the Financial Action Task Force, the global anti-money laundering watchdog, and Greco, the Council of Europe's anti-corruption monitoring body, cash and properties seized during a criminal probe should remain frozen until all judicial procedures are completed.

Kostas Tsiaras, the justice minister, filed the amendment on Wednesday morning minutes before the final session of debate on the new law without giving a legal explanation of why Greece was breaking with its previous practice.

Alexis Tsipras, the former prime minister and leader of the leftwing opposition Syriza party, submitted a written question to the premier on the issue. “Why have you chosen to show leniency to white-collar criminals in high political and financial circles who have exploited their position close to power . . . for personal gain?” Mr Tsipras asked.

Among those set to benefit from the move are a dozen Greek shipowners, prominent business people and former bankers under investigation for breach of trust and money-laundering. While their assets were frozen between two and seven years ago, none of the accused have ever appeared in court.

The government’s move took Greek lawyers and judges by surprise as the conservative New Democracy party promised that it would raise standards in the justice system, specifically in departments tackling corruption and economic crime, after winning a general election in July.

“There’s more than a reputational issue at stake here . . . Greece is now more likely to be re-rated downwards in international indices of where to do business, with knock-on effects on investor interest,” said a senior Athenian lawyer who declined to be named.

The amendment requires judicial committees to be set up around Greece to examine almost 900 cases of suspected money-laundering within the next three months and decide which of them justify extending the asset freeze for another 18 months.

An official at Greece’s anti-money laundering agency said the bulk of assets frozen in the past three years, amounting to €1.02bn, would probably have to be handed back.

“It’s unlikely the committees would be able to identify many assets that were the products of criminal activity given these time constraints,” the official said. A FATF official warned last week: “If a country passed a law requiring assets related to money laundering or terrorism to be automatically released after being frozen for a specific period but before a final judicial ruling . . . then FATF would be most concerned.”

Additional reporting by Thanasis Koukakis