Chapter Outline
- Introduction and Overview
- Organized Crime during the Time of the USSR
- Post-Soviet Organized Crime
- Other Organized Crime Genres in Former Soviet Regions
- The Internationalization of the Russian Mafiya
- Russian and Other Eastern European Crime Groups Operating in North America
- Characteristics of Russian/Eastern European Organized Crime

Learning Outcomes
After reading this chapter, you should have a thorough understanding of the following:
- The origins and history of organized crime in Russia, before, during, and after the collapse of the Soviet Union
- The significance of the *vory v zakone*
- The social, political, legal, and economic factors that helped ferment the genesis and proliferation of organized crime in Russia
- How organized crime has become entrenched in Russian government, the economy, and society
- The genesis of Russian organized crime in North America
- Criminal groups from Russia and other Eastern European countries in Canada
- The characteristics of Russian organized crime (in Canada), based on the application of theoretical models from chapter 4
- The significance of the Russian Mafiya when examining organized crime in Canada

Introduction and Overview
Russian criminal groups began to appear on the radar of law enforcement agencies in North America in the 1970s, although they had long been active in the underground economy of the Soviet Union, working with government and communist party officials. Yet it was the collapse of the Soviet Union in the 1990s that unleashed an unprecedented wave of organized criminality in Russia, other former Soviet states, and Western Europe, as well as in North America.

Russian and Eastern European organized crime (REEOC) thrived in the chaotic atmosphere immediately following the implosion of the Soviet Union. The political, social, and economic fallout that continues to occur in this region has also contributed to the export of criminal organizations and activities. What has not changed in Russia is the interconnection between organized crime and the state. By the new millennium, organized crime had already become an “institutionalized part of the political and economic environment” of Russia (Finckenauer and
Voronin, 2001). The alleged alliance between the current Russian President Vladimir Putin and criminal groups—which reportedly do his bidding in a number of areas, including invading Ukraine, hacking into computers of foreign governments and companies, meddling in the elections of other countries, extorting businesses, human trafficking, smuggling, and assassinating enemies—has intensified the power of such groups in Russia and the threats they pose regionally and internationally (Galeotti, 2017). Russia is accused of being an endemically corrupt, autocratic kleptocracy centred on the corrupt leadership of Putin (who may very well be the richest man in the world), in which state officials, corporate oligarchs, and organized crime are bound together to create a “virtual Mafia state” (The Guardian, December 1, 2010, emphasis added).

Organized Russian criminal groups that trace their roots back for decades, in particular the vory v zakone, have been joined by younger career offenders, street criminals, former Soviet intelligence officers, current and former government officials, and businessmen (the “oligarchs” who do Putin’s bidding in exchange for lucrative commercial and government contracts).

Figure 1: Russian President Vladimir Putin has been accused of running a “Mafia” state
Cheloukhine (2012: 111) writes, “Historically, the professionalization of criminal groups in Russia was a product of strong patriarchal traditions, hostility toward the state, and an underdeveloped largely agrarian economy.” For Cheloukhine, the historical development of organized crime in Russia has gone through three stages. The first stage, from the 1920s to the 1950s, was notable for the rise of the vory v zakone. During this period, they were involved in committing petty crimes and extortion, but their greater impact was felt through the formation of secret societies that in later years would become the elite of the criminal underworld in Russia.

The second stage, from the 1960s to the end of the 1980s, was marked by the development of a vast shadow economy, an extensive series of black markets that arose as a result of scarcities of consumer goods that accompanied the communists’ centrally-planned economy. This shadow economy was the main impetus for the formation of organized crime structures in Russia by fostering criminal entrepreneurs while fusing together the black marketers with corrupt government and communist party officials. This corruption and vast black markets would be defining characteristics of the Russian state, economy, and society for years to come, which would only help fuel the rise of organized crime.

The third and final stage was a consequence of the collapse of the USSR, which resulted in the rise of modern syndicated Russian organized crime, its extensive integration into the national economy and politics, and its subsequent export to other countries (Cheloukhine, 2012). “In the independent countries of the former Soviet Union, criminologists, political scientists, and sociologists are unanimous in agreeing that organized crime is a major, and perhaps the most important, factor hindering economic, political and social development” (Cheloukhine, 2012: 111).

According to the Federal Bureau of Investigation (1995: 22), a criminal syndicate in Russia or other former Soviet countries is organized around one of the following: (i) an alliance of criminal figures and corrupt government and political officials, (ii) ethnic ties (Russian, Slavic, Chechen, Georgian, Ukrainian, Albanian, etc.), (iii) the vory v zakone, (iv) a powerful individual, (v) a geographic area, or (vi) a specific criminal activity (e.g. drug trafficking, fuel tax fraud, etc.). Broadhurst, Gordon, and McFarlane (2012) categorize Russian organized crime into three broad types: the vory v zakone, the young entrepreneurs, and the avtoritety, or “thieves in authority.”

The vory are the most sophisticated and professional criminals, most of whose experience goes back to the gulag prison network of the Soviet era. There are about 200 vory in Russia and they also occur in former Soviet states. They are involved in sophisticated crimes such as banking and commodities scams, money laundering, frauds, the sale of strategic metals (such as nuclear and fissile materials), as well as contract murder, theft, robbery, and extortion. They also maintain influence through corruption at all levels of the Russian society (including elements of the political leadership). The “young entrepreneurs” are well-educated post-Soviet people, who see crime as an easy route to riches. The avtoritety emerged from the Communist Party apparatus or the Soviet bureaucracy (including the intelligence and military services) in the last decade of the Soviet Union. Due to their knowledge, experience, sophistication and contacts, they have been able to exploit opportunities from the changes that arose with the collapse of the Soviet Union, especially in the business and economic sectors.

Citing 2007 figures provided by the Russian Ministry of the Interior, Cheloukhine (2012) writes that in Russia, “there were 450 organized crime groups with about 12,000 members.
These numbers include only those involved in killings, raids, drugs and human trafficking.” Then there are around 10,000 “semi-legal operating organized crime groups” with approximately 300,000 “soldiers” which are primarily involved in providing “protection services” to businesspeople. “Officially, these criminal group members are employed as security officers protecting business and financial operations owned by organized crime and illegal economic leaders.” Currently, the size of the illegal economy in Russia is about 20 to 25 per cent of the country’s GDP (Cheloukhine, 2012: 124).

A subset of Eastern European crime is comprised of gangs originating in Yugoslavia, Albania, Georgia, Chechnya, Croatia, and Serbia, many of which are involved in the smuggling of drugs, guns, and weapons in the Balkans and Europe.

Organized crime factions from Russia and other former Soviet republics are active throughout the former communist bloc as well as Eastern and Western Europe, Scandinavia, North America, and Australia. REEOC groups are involved in various criminal enterprises, including extortion, fraud, narcotics trafficking, arms smuggling, illegal gambling, the illegal export of natural resources, loan shark, migrant smuggling, and organized prostitution.

Since the collapse of the USSR, the scope of REEOC in North America has increased significantly. Among the thousands of immigrants who flocked to the U.S. and Canada from Russia and other former Soviet bloc countries beginning in the 1990s were a number of career criminals. This included the vory and others who were sent to North America by their criminal superiors to establish cells and undertake illegal activities.

REEOC groups in Canada are primarily based in the Greater Toronto Area, Southern Ontario, and Montreal, but are also active in British Columbia, Alberta, and the Atlantic provinces. They are diverse in nature with varying degrees of organization and sophistication. They engage in a wide array of crime, from petty theft to sophisticated fraud schemes. These groups may also engage in legitimate business ventures as fronts for their illegal activities and to launder the proceeds of crime. The most frequently reported criminal activities in Canada related to REEOC are extortion, counterfeiting, financial frauds, prostitution, theft (including organized shoplifting), contraband smuggling, drug smuggling and trafficking, and the theft and illegal export of vehicles. The financial crimes most associated with REEOC in Canada are credit and debit card theft, counterfeiting, and money laundering.

Many REEOC groups in Canada continue to function as cells of transnational crime groups based in Russia. Some of these groups have formed working relations amongst themselves as well as with other criminal organizations in Canada.

**Organized Crime during the Time of the USSR**

Organized crime appears to have emerged from nowhere in Russia and other former Soviet countries during the 1990s. In fact, the Soviet Union had long experienced institutionalized criminality that was a result of the centralized economy and tied to officials in the communist party and Soviet state apparatus. Certain individuals and groups gained both economic and political power by providing scarce goods and services to corrupt communist party and government officials, who in turn encouraged the development of an underground system of illegal supply. An assassinated Russian crime boss is reported to have once declared, “They write that I am the godfather of the Mafia. It was V.I. Lenin who was the organizer of the Mafia. He triggered this whole criminal state” (Federal Bureau of Investigation, 1995: 13).
The criminal entrepreneur emerged and prospered in the Soviet Union due to the extensive black markets that arose in reaction to the rigid distribution system of the centralized economy, in which the state had a monopoly over the supply of consumer goods and services. This frequently resulted in scarcity, which in turn provided an environment ideally suited to the growth of an underground economy. During the last 20 years of the Soviet regime, crime syndicates became an essential part of the black market economy. Criminal entrepreneurs, along with corrupt party and state officials, controlled a large part of the underground trade in a vast array of foodstuffs and consumer products. In the final year of the Soviet Union’s existence, the wealth of the black economy was estimated at 110 billion rubles (US $60.5 billion at 1991 rates) (Handelman, 1995: 19).

During the 1970s and 1980s, the Kremlin, especially under Leonid Brezhnev, turned a blind eye to the underground economy as cooperation between criminal entrepreneurs and state officials intensified. This allowed the black market to expand and flourish and contributed to the proliferation of groups that provided the goods. These black market profiteers became a powerful force in Russia and other Soviet countries and were protected by government bureaucrats and communist party officials, who received kickbacks and were often first in line for the scarce consumer goods handled in the shadow economy. The state-controlled media also “suppressed references to organized crime, so as not to expose the collusion between state officials and criminal elements or puncture the myth that the Soviet state had eradicated the social bases of organized crime” (Orlova, 2008: 101).

However, “in tacitly endorsing thief power as the engine of the underground economy, Brezhnev and his cronies inadvertently created a subculture of entrepreneurs” (Robinson, 1999: 96). After Brezhnev’s death, these groups were too well entrenched to be curtailed. As a result, the criminal entrepreneurs were already well schooled in both crime and capitalism, which gave them an advantage when Russia turned toward a free market system in the 1990s.

In short, for the USSR, “the growth of the shadow economy was the main catalyst for the formation of organized crime. Racketeering, robbery, and other crimes were dangerous but
predominantly secondary in nature. The roots of the Russian Mafia lie in the innermost depths of the Russian shadow economy” (Cheloukhine, 2012).

With that said, the black marketer of the Soviet era was pre-dated by another historic form of organized criminal, collectively known as the *vory v zakone*.

## Case Study: Vory V Zakone

With the fall of communism, the world began learning about the *vory v zakone* (“thieves-in-law”), a secret society made up of a network of criminals who deliberately ostracized themselves from the dominant Russian and Soviet culture. Although the beginnings of the *vory v zakone* are obscure, some trace its origins to the period immediately following the 1917 Russian Revolution. The enemies of the new Bolshevik system organized and encouraged fellow citizens, including petty and professional criminals, to rebel against the doctrines of communism and, more broadly, the accepted norms of civil society. They developed a series of anti-establishment and non-conformist codes and rules, with an emphasis on refusing to work legitimate jobs, begin families, serve in the military, pay taxes, or cooperate with police and other agents of the state. This eventually led to the *vory v zakone* and with them the code that governed the “thieves’ world.”

Others believe that the traditions of the *vory* began around the mid-nineteenth century of Czarist Russia, when gangs of highway robbers and outlaw peasant guerrilla bands, originally formed to fight Napoleon’s invading armies, came together out of a shared disdain for the tyrannical rule of Nicolas the First and the injustices of the serfdom over which he ruled. Gangs adopted a system of collective responsibility borrowed from the communal peasant society out of which they emerged and their illicit profits were divided equally among their members.

Regardless of their exact origins, the gangs became increasingly organized and concocted a number of rules and traditions to distinguish themselves from the rest of society and to protect themselves from infiltration. Prospective members had to endure a probationary period lasting six years, “during which they learned the code of behaviour—loyalty to one’s underworld colleagues being the most sacrosanct—and were weaned from the habits of normal society. Indeed, the ultimate proof of gang loyalty was a member’s willingness to endure the long, hazardous process of separating himself from conventional society” (Handelman, 1995: 21–23).

It was in the Soviet prisons and gulags where the modern *vory v zakone* began to come together. The ultimate distinguishing feature of a *vor* in Russia was prison time; it became a badge of honour because it represented both a real and symbolic ostracism from society. Time spent in the gulags also forged a stronger secret fraternity and helped the existing *vors* recruit others inside the prisons into their underground society (Handelman, 1995: 31). The *vors* became an elite class of offender in Soviet prisons and by attracting “violent aides ready to carry out the orders of vory,” they assumed positions of authority to informally govern inmates in prisons and camps (Volkov, 2014: 163).

Writing back in the 1930s, a Russian scholar named Dmitri Likhachev observed that convicts in construction squads building Stalin’s infamous Baltic-White Sea Canal formed a cohesive unit and “ultimately they are governed by a system of collective beliefs that is remarkably uniform among criminals within different ethnic roots.” Likhachev noted that a “Thieves’ Court” regularly punished anyone who broke the rules (as cited in Handelman, 1995: 21).

It was during the period before and following World War II that the *vory* became increasingly involved in the criminal underworld, committing petty crimes, and later becoming involved in more organized infractions such as extortion. After Stalin’s death in 1953, the
amnesty provided to many political prisoners in Russia resulted in the release of hundreds of vors back into society, where they integrated themselves into the criminal underworld and the shadow economy.

By the 1960s, a new vory began to eclipse the old guard. They cloaked themselves in the rituals, customs, and thieves’ code, but were much more driven by material gains. While the older vory was characterized by a rigid leadership style and modest criminal operations, focusing mostly on theft and extortion, the new vory was more flexible and fluid in its leadership and structure, was organized along a more ambitious (regional and national) scale, and became involved in a greater diversity of profit-oriented crimes, including black marketeering. In the underground economy, the “thieves-in-law offered a wide range of criminal services (from ‘knocking out’ a debtor’s money to contract killing), and became a second-tier distribution vehicle for shadow capital.” They also “supervised shadow businesspeople, tshekhiy, protecting them from robberies and extortions, providing enforcement for contracts, and sometimes simply blackmailing them and thereby forcing them to share their profits” (Cheloukhine, 2012: 113).

The demise of the Soviet Union and the introduction of the free market system in Russia provided the most fertile ground for those criminals active in the underground economy and schooled in a political system rife with corruption.

Today, the vory v zakone form a sort of Russian criminal aristocracy. The vory is not in itself an identifiable, independent organized crime group, but the vors are a recognized elite within the Russian criminal world. The individual vors may hold various positions and have different degrees of power depending on their capabilities. In Russian crime groups, there are the leaders and there are the vors. Both have control and command functions, and a vor may also be a leader of a particular crime group. Yet, the vors generally maintain a higher status than the leaders of individual Russian crime groups, no matter how large or powerful those groups may be. A vor may influence many groups simultaneously as the head of an association or confederation, rather than leading a single group. He commits very few crimes directly; instead, he is acknowledged as a patron to other offenders, bringing together individuals for specific criminal conspiracies, adjudicating disputes among them, and furthering criminal activities through his relationships with corrupt officials and law enforcement agents. In this respect, the role and status of a vor are somewhat analogous to the Mafioso. The vors are reportedly supported financially by the revenues from crime groups they are associated with or oversee.

The Russian criminal underworld is believed to be divided up amongst a number of vors, each of whom is recognized by the others as the authority in his respective territory. It is also believed that there may be one top-level vor who has been given responsibility by other vors for overseeing Russian criminal activities in Germany, Canada, and the United States. This top-level vor is chosen at a meeting of members and requires the recommendations of at least two other bosses—the more recommendations, the more prestige (Handelman, 1995; Federal Bureau of Investigation, 1995; Rawlinson, 1998; Nicaso, 2001; Cheloukhine, 2012).

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**Post-Soviet Organized Crime**

When Mikhail Gorbachev came to power in 1985, most of Russia’s major cities already had powerful, wealthy, and well-entrenched criminal syndicates. The introduction of the free market system in the country provided a fertile ground for those involved in the underground economy.
“With the beginning of Perestroika and the 1988 law on cooperatives, allowing small private enterprises, shadow businesses became legal. Thus, yesterday’s criminals, almost overnight, became legally rich and functioning businesspeople, known as ‘new Russians’” (Cheloukhine, 2012: 116).

The rapid and painful economic, social, and political readjustment that accompanied the march towards a market economy led to hyper-inflation, pervasive unemployment, and a growing gap between the rich and the poor. In the midst of this unstable environment, criminality grew and prospered, and the economy became characterized by widespread lawlessness, where the line between legal and illegal commerce, illicit and legitimate businessmen, and criminals and politicians became increasingly blurred. “Russia’s transition to capitalism and its privatization of state property introduced new opportunities for economic crime” and ultimately, these factors coalesced and resulted in what Cheloukhine (2012: 114) calls the “criminalization of post-Soviet society.”

The distinctive feature of this period is based on two processes: a transformation of the old Soviet elite—nomenklatura, or apparatchiks—into the new capitalist elite, and the accompanying criminalization of the transitional economy. In the economic sphere, existing laws did not regulate new forms of state and private enterprise administration, nor other new types of economic activity. Thus, the new state that replaced the collapsed Soviet Union has become one of the main factors that stimulated the process of criminalization of society: on the one hand, this state turned out to be weak and unprepared for the new economic processes, on the other it produced favourable conditions for unhindered criminalization of the economy (Cheloukhine, 2012: 114).

REEOC includes a diverse array of criminal entrepreneurs and organized crime groups from throughout the former Soviet bloc, which have arisen partially as a response to the failure of the state to carry out various basic social functions. Galeotti (1997: 109) contends the mercurial proliferation of organized crime in Russia and throughout Eastern Europe was fostered by an endemic culture of distrust towards the dominant political and economic systems that was exacerbated by the vagaries of the new free market system. For Galeotti, organized crime in former Soviet states was simply “the inheritor of a criminal and terrorist political culture.”

Since the fall of the Soviet Union, the vory v zakone have been joined, and in some cases replaced, by younger, more business-oriented criminal leaders known as avtoritety (authorities), who do not subscribe to the same rigid codes as the vory. Instead, they are guided solely by revenue-generating (criminal) entrepreneurial opportunities. These include moving into more profitable criminal ventures (such as drug trafficking), expanding outside of Russia and Eastern Europe, and working with (corrupt) politicians and bureaucrats if necessary.

The Russian Ministry of the Interior has categorized organized crime into three levels: primitive, mid-level, and the “Mafiya.” The primitive level is mostly inhabited by street thugs, low-level muscle that extorts payoffs from small businesses. The second level consists of criminal groups, some of which are made up of ex-military, KGB, and government bureaucrats, which are much more organized, stratified, ambitious, and disciplined. The third “Mafiya” level is made up of groups with some semblance of a hierarchy and recognized territorial domains and spheres of influence, and would include the vory v zakone (Serio, 1992: 130; Federal Bureau of Investigation, 1995).

Criminal groups located in Russia and other former Soviet republics are active in criminal activities unique to that environment, such as capital flight, the theft and smuggling of natural
resources, illegal arms dealing, trafficking in radioactive material, human trafficking (organized prostitution), extortion of businesses, embezzling from industries and financial institutions, and control of financial institutions.

The power and integration of criminal organizations in Russia’s political and economic spheres are unparalleled among developed nations. In most countries, organized crime thrives primarily through the provision of goods and services that happen to be illegal. In Russia, “organized crime flourishes well beyond these areas—it wields power over all the economy” (Voronin, 1997: 55–56). Criminal groups, which had been living off the avails of the black market economy of the Soviet system, now have significant influence over the legal economy as well. An extensive proportion of commercial enterprises in Moscow and elsewhere are managed either directly or indirectly by criminal groups. Criminal gangs in Moscow have divided the city into spheres of influence to extort protection money from legitimate businesses. Officials and businessmen who resist are subject to intimidation and violence. The chances that a businessperson will have to pay a protection fee called krysha (which literally means “roof”) are arguably greater in Russia than anywhere in the developed world. “Because the number of racketeering groups grew rapidly in the early 1990s, they had to protect their clients from one another, even if they did not initially intend to. So they discovered a new method of entrepreneurship—selling protection” (Volkov, 2014: 165). When a business comes “under the roof” of a crime group in Russia, it is not always viewed as a clear case of extortion. Often, the krysha offers a range of services. The business can expect to be defended from other racketeers, corrupt police, thieves, and debt collectors, among others. Shopkeepers, according to Volkov (2014), “believed that private protection served as a substitute for state-provided police protection and, to a lesser extent, for state-provided courts (165)… The inability of the state to provide a governing order resulted in alternative private organizations taking over this function and turning it into a kind of commercial activity, into violent entrepreneurship” (175).

Russian criminal syndicates have targeted the commercial centres of power, infiltrating a large proportion of Russia’s financial services sector, often with the tacit approval of the Kremlin, which has given them significant influence over the nation’s fragile banking system. At first, the criminal gangs were content to merely “park” their large cash holdings in legitimate financial institutions, but then they assumed direct control of the bank itself (Lindberg and Markovic, 2001). Cheloukhine (2012) succinctly summarizes the gradual criminalization of the Russian economy:

If, at the beginning of the 1990s, racketeering and extortions from small shops, kiosks and restaurants prevailed, then by the end of the 1990s a well-organized system of protection (kryshi) dominated the large enterprises and banks, and in contracts for security and marketing services. The privatization of government functions was completed by a corrupt network formed by organized crime, state officials and law enforcement agencies… Quite often, the organized crime leaders, or their lieutenants, were part of a company’s board of directors or of a bank. Hence, the legal and illegal structures in Russia are closely interconnected … Lack of legislation and the corruption of law enforcement and justice agencies have forced Russian society to fill the legal vacuum with the criminal methods of thieves’ arbitrations and decision implementation. Hence, the basic tendency of crime in the past decade has been the complete transformation of organized crime into a legal business, by money laundering through legitimate structures and through facilitating organized crime leaders’ aspirations to enter politics (Cheloukhine, 2012: 117–118).
Case Study: Solntsevskaya Bratva

One of the largest Russian Mafiya groups is the Solntsevskaya Bratva (like other Russian crime groups, it takes its name from a Moscow neighbourhood). Founded in the early 1980s, its initial lynchpins were Dzhemal Khachidze and Sergei Timofeyev, both of whom were alleged thieves-in-law.

The group is composed of 10 separate quasi-autonomous “brigades” that operate more or less independently of each other. The brigades do come together to pool their resources, however, and a 12-person council meets regularly to oversee financial issues. A 1991 Fortune magazine article said the group “claims upwards of 9,000 members” and it is estimated that worldwide, it earned $8.5 billion in revenue in 2014 (as cited in Matthews, 2014).

Among its many domestic criminal enterprises, the group is involved in gambling, fraud, forgery, arms trafficking, and drug trafficking. The Solntsevskaya group is also indicative of how Russian crime groups have infiltrated the legitimate economy for criminal purposes. In September 1992, it purportedly gained control over the Russian Exchange Bank, replacing the accountants and financial managers with associates to oversee money laundering, embezzlement, and other illegal operations (Lindberg and Markovic, 2001: 1–2). The group has expanded beyond Moscow and even Russia to cultivate extensive international operations in arms, narcotics, and human trafficking as well as money laundering.

According to Volkov (2014: 163), most criminal groups in Russia are named after the city districts or towns where they were originally formed or after their leaders. “In the beginning, they imposed their protection over a particular delineated territory. Later, as they developed interregional and international operations, their profile and sphere of influence came to correlate with those sectors of business that they controlled, and the territory as such became much less relevant” (Volkov, 2014: 164).

Other Organized Crime Genres in Former Soviet Regions

In addition to Russian-based crime groups, a diversified field of competing and cooperating criminal entrepreneurs and organizations have emerged throughout Eastern and Central Europe. In testimony before the U.S. Congress in May 1994, General Mikhail Yegorov, the First Russian Deputy Minister of the Interior at the time, stated that there were 785 Russian/Eastern European/Eurasian criminal groups in Russia in 1990. By 1994, this number had mushroomed to more than 8,059 groups, with 750 to 800 thieves-in-law, and nearly 35,000 members (Federal Bureau of Investigation, 1995: 22). Of these, however, only about 300 are structured, substantive, and stable, including perhaps 12 to 20 major criminal syndicates (Galeotti, 1997: 109).

Chechen Organized Crime

Chechen criminal groups have become some of the most feared criminal syndicates in Eastern and Central Europe. Originating in the Central Asian region of the Caucasus Mountains, they are the largest non-Slavic crime group, with hundreds of active members. Moscow and St. Petersburg have emerged as centres of Chechen organized crime activity and they are also active in Miami, the Bahamas, and London. The Chechens reportedly maintain numerous “front
companies” outside Russia to launder money from drug trafficking. These companies are located in Germany, Poland, Hungary, England, and New York City.

Chechen criminal organizations are generally more structured than most REEOC groups, employing a hierarchy built on family relationships. Each group includes a leader, senior advisors, soldiers, and associates. These groups recruit members primarily from among the Chechen people in the Chechen-Ingushetia region of Southern Russia (focusing on actively recruiting young men in regions where unemployment is high). This ethno-centric approach to membership makes it difficult for law enforcement agencies lacking personnel that speak Chechen to infiltrate the criminal groups. Known for strong family loyalties and a sense of personal honour, Chechens are governed by a code called Adat, which places paramount importance on upholding family honour through vengeance if necessary.

Their primary criminal activities are drug trafficking, extortion, and murder for hire. They share control of the large indoor produce centre in Moscow and are active in directing prostitution and large-scale smuggling of automobiles into Russia. The Russian Ministry of the Interior and Moscow police report that the Chechens also specialize in oil and gas sales and financial fraud and in doing so have penetrated banks and small oil companies throughout Russia.

The Chechen groups have also become involved in financial crimes, including cheque fraud and the counterfeiting of currency. In 1992, Russian investigators prevented a powerful organized crime group based in the region of Chechen-Ingushetia from swindling the Russian State Bank out of 25 billion rubles, then worth approximately US $1.2 billion. Through bribes, the syndicate planned to have bank tellers in Moscow and other cities accept false credit notes. Several million rubles in cash had already been collected by the Chechen criminal group members before the police, alerted by suspicious bank officials, stopped the illegal operation.

The criminal influence of the Chechen organized crime groups extends into the Russian military. It is estimated that in 1991, there were approximately 1,700 Chechens serving in the Russian Army in the Moscow Region. Many of these military contacts were used to facilitate drug trafficking and to gain access to weapons for theft and resale. Chechen criminal groups have also been cited as traffickers of large quantities of uranium, allegedly stolen from the Russian Army and sold on the international market (Chicago Tribune, March 5, 1995; Federal Bureau of Investigation, 1995; Serio, 1992; BBC News, April 1, 1998).

Chechen terrorist groups are also considered a particular threat to Russia and they have “carried out terrorist activities such as contract killings, bombing and kidnapping with both criminal and political motivations.” In their disdain for all things Russian, “Chechen criminals are the only group that does not recognize any thieves-in-law or criminal authorities from former Soviet territories” (Cheloukhine, 2012: 119).

The Internationalization of the Russian Mafiya

It wasn’t long after the collapse of the Soviet Union in the early 1990s that criminal groups from Russia and other former Soviet countries exploded onto the international scene. Glasnost, newly-opened borders, and the political, social, and economic upheaval that resulted from the rise of capitalism, the election of democratic regimes, and relaxed international travel and immigration paved the way for the export of criminal factions from Russia as well as Eastern and Central Europe.
The expansionist crime groups started by preying on expatriates and émigrés abroad and quickly graduated from extortion to various other rackets, including fraud, drug trafficking, arms smuggling, illegal gambling, the illegal export of natural resources, loan sharking, migrant smuggling, and human trafficking. To facilitate their international illegal forays, many of these professional criminals began establishing strategic alliances with other well-established criminal organizations already active in other countries, notably the Sicilian Mafia and American Cosa Nostra. Russian organized crime groups forged a strategic alliance with their Italian counterparts around 1991; the Italian Mafiosi “franchised” Germany and northern Europe to the Russians, giving them free reign to operate in a part of the world they had never penetrated. In return, Russian crime groups distributed drugs for Italian criminals in these countries, while also providing them with much-needed money laundering services (Galeotti, 1997: 115).

REEOC Groups in North America

Since the mid-1990s, organized crime groups originating in the former Soviet Union have proliferated in North America. The genesis of Russian organized crime in Canada and the U.S. actually dates to the 1970s when an estimated 200,000 Soviet émigrés arrived, most of whom were Jews fleeing religious persecution. Included in this exodus were hundreds of criminals who forged loose networks that operated primarily in New York, Los Angeles, and Toronto.

In New York City, Russian gangs extorted money from their fellow citizens and expanded into criminal partnerships with Mafia families, to whom they paid an operating tax (Lamothe and Nicaso, 1994: 45). In Toronto, during the 1970s and 1980s, Russian criminals were involved in extortion, gambling, loan sharking, and drug trafficking, much of it in conjunction with the Ontario arm of the American Cosa Nostra.

It was the collapse of the USSR, beginning in the early 1990s, that precipitated the dramatic rise of REEOC in North America (and the world). With no restrictions on foreign travel or emigration and dismal economic conditions in the former Soviet states, thousands more émigrés began to arrive in North America on an annual basis. Once again, among the immigrants were professional or fledgling criminals. Unlike the earlier generation of Russian criminals in North America, who operated autonomously from criminal groups back in the motherland, many of these new criminals in North America maintained strong ties with their criminal comrades back in Eastern Europe. Some were sent to North America by senior crime bosses. By the mid-1990s, Russian crime groups, some of which were transnational in scope, had become firmly established in cities throughout North America.

It wasn’t long after the collapse of the Soviet empire that Canada began to see signs of criminal activity by Russian and Eastern European immigrants and visitors. The very first wave of REEOC criminal offenders was fairly rudimentary and largely involved in the theft of valuable goods from retail stores. In January 1991, police in Toronto broke up a ring of shoplifters who were caught stealing high-end merchandise. The professional thieves were caught using “booster coats”—custom-made garments that conceal stolen goods. All six of those arrested were Russians who had entered Canada as refugees. Around the same time, bands of Russian thieves were robbing jewellery stores in Metro Toronto and then shipping the stolen merchandise out of the country for sale. On July 9, 1991, Michael Kleinberg was choked to death after being gagged and bound during a robbery at his father’s jewellery store on Bathurst Street in Toronto. Police eventually tracked down his killer: a 34-year-old Russian career criminal named Alex Yaari, who had entered Canada on a visitor’s visa. Yaari was eventually captured in
Vienna, where he had gone to sell the loot from the Toronto robbery. Yaari was extradited back to Canada, where he was convicted of manslaughter and sentenced to 16 years in prison. Another sophisticated network of burglars raided Toronto’s high-end men’s fashion stores, and within days, the clothes were being sold in retail stores and on the black market in Moscow. Thirty separate robberies from jewellery stores in Toronto, Montreal, New York, Los Angeles, and Houston were traced to a gang of Armenians, several of whom were arrested in Toronto. Jewellery stolen in Toronto was recovered in Los Angeles, New York, and Houston. Russian criminals were also stealing cars in Canada, which were illegally exported for sale in Russia. In 1993, police in Ontario began receiving reports of extortion attempts of Russian immigrants by other Russian immigrants (Toronto Star, June 1, 1996).

In its annual report for 1995, the CISC warned that since 1993, “there has been a dramatic and visible increase in Russian criminal activity in the Toronto area. Most of this activity is within the Russian ethnic community, believed to number approximately 100,000 people.” This criminal activity included “home invasions, insurance frauds, extortion, alien smuggling, gas tax scams and international theft rings.” Around this time, police estimated that approximately 10 organized crime groups of Russian descent were operating in Ontario. These groups had connections in other large Canadian cities, in particular Vancouver and Montreal, while some “function as integral parts of international networks and are criminally active with counterparts in the United States, Russia, Eastern and Western Europe and even the Middle and Far East.” The international connections of the Toronto-based Russian crime groups included links with vory v zakone operating in the U.S. and Russia. The same CISC report categorized the Russian criminals operating in the Toronto area into four different categories:

The first group are those who immigrated to Canada between 1984 and 1987. They are mainly involved in business and credit card frauds, gas and oil scams and sales tax fraud. The second category are the recent immigrants who are involved in an enormous variety of criminal acts including the smuggling of cigarettes, liquor, vehicles and precious stones to the United States, Europe and Russia. They also undertake elaborate insurance frauds and operate prostitution rings, extortion, and protection rackets. Some of them are believed to have criminal records in Russia. The third group are visiting criminals who commit specific crimes for local Russian groups. They are essentially on loan to a local group by a criminal organization at home in Russia. These individuals utilize visitor’s visas to enter Canada. Once in Canada, they commit a number of robberies or extortion schemes and then return home with a share of the profits. Some of these individuals also act as enforcers, sent by criminal figures abroad to ensure compliance or to punish transgressions. The fourth category are the entrepreneurs who establish corporate structures. These structures are very internationally connected. Some have had ties to the political, military or intelligence apparatus of the FSU [Former Soviet Union]. Most have large personal fortunes behind them which were amassed very quickly and suspiciously. There are numerous indications that these individuals may be largely responsible for the crippling capital flight problem in Russia” (Criminal Intelligence Service Canada, 1995: 15).

By 1997, the CISC was reporting that Eastern European crime groups in Canada “have increased in terms of both the range and the level of [their] activity and now operate in virtually all regions of the country, from British Columbia to the Atlantic region.” The report goes on to say that some of these Eastern European-based crime groups are characterized by “formal reporting/organizational structures,” while others “appear to be strictly venture-oriented, forming
and disbanding in accordance with the commission of a crime or crimes” (Criminal Intelligence Service Canada, 1997: 8). By the end of 1998, it was estimated that around 200 people in the Toronto area were associated with Russian organized crime groups, while a similar number were scattered around the rest of the country, notably Montreal and Vancouver (Globe and Mail, November 30, 1998).

The 1999 annual report from the CISC described two criminal groups in Montreal—involved in the theft and illegal export of luxury cars and consumer goods, the importation and trafficking of cocaine and steroids, counterfeiting, money laundering, and fraud—as branches of Toronto-based Russian organized crime groups. In December 1997, police in Montreal shut down three massage parlours and arrested 15 Russian nationals accused of operating a prostitution ring with women recruited from Russia. Some companies set up in Quebec by Russian immigrants were accused of serving as fronts for drug trafficking and money laundering (Criminal Intelligence Service Canada, 1999: 25).

The Solntsevskaya and Ivankov Mafiya Organizations

By the mid-1990s, the Solntsevskaya Organization became one of the largest Russian criminal groups in the world. With its North American power base in the Russian community of New York City’s Brighton Beach, the “Organizatsiya” was considered the first significant REEOC group to operate in North America, having been established in New York in the late 1970s. Its initial operations in the U.S. extended beyond New York City to Miami, Boston, Denver, and Los Angeles. Its most profitable activities included insurance and credit card fraud, extortion, and fuel excise tax evasion schemes. The latter was carried out in alliance with the Italian-American crime groups, and together they defrauded the federal and state governments of more than $1 billion in tax revenues during the 1980s.

When a senior vor with the Organizatsiya back in Russia decided to extend their operations in North America, they looked to Vyacheslav Ivankov, himself a vor. Ivankov arrived in the U.S. in 1992, where he began overseeing the criminal activities of the Organizatsiya while taking over gangs run by ex-Soviet citizens throughout North America.

While Ivankov was working out of New York City, he instructed his brother-in-law and second-in-command, Vyacheslav Marakulovich Sliva, to relocate from Russia to Toronto. Sliva had been granted a visa to Canada and arrived there in September of 1994. (Some reports suggest that Ivankov had visited Toronto in 1994, the same year that Sliva arrived in the city as a tourist) (Lamothe and Nicaso, 1994: 48). When he obtained his visa, Sliva failed to mention his criminal record that went back to the age of 16 and included theft, refusal to enlist in the Russian army, and armed robbery. Speculation was rampant among police in Canada, Russia, and the U.S. that Sliva had been instructed to settle in Canada by Ivankov and other senior vors in Moscow to consolidate and take over all Russian criminal rackets in the country (Robinson, 1999: 136–137). The same year that Sliva had arrived in Canada, Russian authorities provided police in Canada with a list of names and photographs of thieves-in-law, a list that included Vyacheslav Sliva. As soon as Sliva arrived in Canada, the Eastern European Organized Crime Task Force of the Toronto-based Combined Forces Special Enforcement Unit (CFSEU) put him under surveillance (Nicaso and Lamothe, 2005: 144; Toronto Star, July 24, 1997).
In 1997, the CFSEU launched Project Osada (Russian for “under siege”) and a team of investigators was assigned to conduct physical and electronic surveillance on Sliva. “They soon determined that he had brought together elements of the existing Russian underworld in Canada as well as American and Soviet criminals. And he was in constant touch with Ivankov in New York City. Links were also uncovered between Russian mobsters and members of Asian and Italian crime groups” (Nicaso and Lamothe, 2005: 145).

During the 34 months he spent in Canada, Sliva continued to orchestrate certain criminal activities back in Moscow, on behalf of Ivankov. As part of Project Osada, police electronic surveillance revealed that he was directing gang members in Moscow over telephone calls from Toronto. Police overheard Sliva instructing gang members in Moscow on how and from whom to extort money using his name. Sliva was also overheard issuing specific orders on transferring money from Russia to himself in Toronto and to Vyacheslav Ivankov in New York. He also issued threats to beat and kill people who had not paid extortion money and had conversations about killing a prominent Russian newspaper editor who had written about Ivankov’s criminal activities and government connections (Nicaso and Lamothe, 2005: 145; Toronto Star, July 21, 1997; July 24, 1997; Friedman, 2000: 187).

While the RCMP was investigating Sliva in Canada, a parallel FBI investigation into Ivankov was ongoing in the U.S. By the summer of 1995, the FBI had gathered enough evidence to bring Ivankov and five members of his crew up on federal extortion charges. On the morning of June 8, a heavily armed team of FBI agents dragged Ivankov kicking, screaming, and spitting from the apartment of his mistress in Brighton Beach. The charges were based on allegations that Ivankov and others were extorting millions of dollars from Russian émigrés who were senior officials with a New York-based investment firm. The suspects were accused of kidnapping the two heads
of the firm, called Summit International, and forcing them to sign a contract agreeing to pay $3.5 million (Toronto Star, June 9, 1995; May 30, 1996; Nicaso and Lamothe, 2005: 146–147; Friedman, 2000: 136). On July 8, 1996, after a five-week trial, the jury needed just three hours to convict Ivankov and his henchmen of extortion and conspiracy. He received a sentence of nine and a half years.

“In prison, Ivankov presented two faces,” Nicaso and Lamothe (2005: 149) write, “the gulag-hardened vor v zakone who kept to his Code and was caught with heroin, and the cerebral individual who read Greek philosophy and studied a wide variety of interests.” While in prison, Ivankov continued to oversee his criminal activities on the outside, “giving orders in ancient dialects like Assyrian and using criminal codes the FBI has yet to master” (Friedman, 2000: 139). Despite his conviction, Ivankov was successful in helping to reshape and expand the Russian Mafia in North America. He built an integrated organizational network that centred around five main cartels, comprising more than 200 gangs in 17 American and Canadian cities. To lead this network, he helped bring over other senior vors from Russia (Friedman, 2000: 139).

**Extortion of National Hockey League Players**

When Sliva first applied for a visitor’s visa to Canada, he noted on his application that one of the purposes of his trip was to visit his friend, Valeri Kamensky, a Russian who was playing for the NHL’s Quebec Nordiques. Kamensky apparently obliged and even secured a letter from the Nordiques co-owner and president to the Canadian embassy in Moscow on Sliva’s behalf. Based on this support, Sliva was granted a visa in 1994 and that same year he arrived in Toronto (Friedman, 2000: 186–187). In reality, the hockey star barely knew Sliva, who had turned to Kamensky because he had once played for a hockey team back in Russia that Sliva had helped manage (Toronto Star, July 23, 1997).

Sliva’s exploitation of the Russian forward was only a glimpse of things to come. As part of their wiretaps during Project Osada, the RCMP say they overheard Sliva and Ivankov discuss how they intended to divide extortion payments coming in from Russian players in the NHL. Sliva and Ivankov had targeted a number of players, including Alexander Mogilny, Vladimir Malakhov, Oleg Tverdovsky, Sergei Fedorov, and Alexei Zhitnik, threatening them and their families with violence if they didn’t pay a krysha. An inquiry by the U.S. Congress in May 1996 into the problem estimated that as many as half of the league’s ex-Eastern bloc players had been extorted (Friedman, 2000: 178).

The extortion of Russian sports figures was not unprecedented, according to a 1997 report by the Center for Strategic and International Studies. “Sports and OC have become increasingly connected in the former Soviet Union in several ways. First, there are documented cases of embezzlement of funds from the former Goliath of Soviet sport, the Central Red Army Sports Club. The president of the Russian Ice Hockey Federation was murdered in April 1997. Another major sports club, Moscow Spartak, lost its director general in a contract killing in June 1997” (Center for Strategic and International Studies, 1997, as cited in PBS, 1999). In his book on Russian organized crime, Friedman explains how Oleg Tverdovsky, who was drafted in the first round by the Anaheim Ducks in 1994, received a visit at his California home one night from a former Russian hockey coach, who demanded a cut of his substantial paycheque.

Although Tverdovsky was well aware that being in America did not guarantee his safety, he nevertheless refused the Russian coach’s demands to be paid off. But the gangsters did not come for him. Instead, on January 30, 1996, four goons—carrying a tear gas pistol, handcuffs, and a
snapshot of Tverdovsky’s forty-six-year-old mother, Alexandra—seized his parents outside an apartment building in Donetsk, where they had gone to visit relatives. Tverdovsky received a message from his father: the gangsters wanted $200,000 for his mother’s safe return ... A few days later the kidnappers escorted Alexandra Tverdovsky onto a train bound for Moscow, confident that they were on their way to make a trade for a few suitcases full of cash. Suddenly, in a rare case of Russian law enforcement competence, the police stormed the train and rescued the captive, arresting all four kidnappers in the process. Tverdovsky, however, wasn’t taking any more chances. He spirited his parents out of the country and hid them away in a house he bought for them in a town in California that to this day he will not name (Friedman, 2000: 176).

Most of the Russian players apparently did give in to the demands of the extortionists but were unwilling to cooperate with police or even acknowledge the presence of Russian organized crime in North America. The one exception was Vancouver Canucks star Alexander Mogilny, who was abducted by two Russian enforcers and then told to deliver to them $150,000 in cash. Instead of paying, Mogilny reported the attempted extortion to the FBI, forcing one of the men to flee the country. The other was eventually captured and became the only man to be convicted of extorting an NHL player (Friedman, 2000: 178).

As Friedman notes, the Russian Mafiya’s infiltration of the NHL goes deeper than the extortion of individual players.

Far from being victims, at least three of the league’s top superstars have actively befriended members of the Russian mob, helping it to sink its roots further into North American soil: they are Slava Fetisov, who led the Detroit Red Wings to the Stanley Cup in 1997 and 1998; Valeri Kamensky, who did the same for the Colorado Avalanche in 1996; and the Florida Panthers’ Pavel Bure, the four-time NHL All-Star nicknamed the “Russian Rocket” for his mind-boggling speed and deft stickhandling. “There are as many as ten other NHL players that have associations to Russian organized crime figures,” says Reg King, a Royal Canadian Mounted Police agent who specializes in the Russian mob (Friedman, 2000: 179).

Friedman contends that Slava Fetisov, one of the first players from the USSR to play in the NHL, was deferentially referred to by other Russian players as “the Godfather.” This moniker stemmed from his ground-breaking entry into the league and his on-ice skills, but also the fact that “he has long been in business with some of the most feared gangsters in the former Soviet Union” (Friedman, 2000: 180). “When Fetisov led the charge of Russian hockey players to North America and joined the New Jersey Devils, he was already mobbed-up,” Friedman quotes an unnamed U.S. law enforcement source as saying (Friedman, 2000: 181). Citing a classified FBI report, Friedman asserts that Fetisov had become a “close associate” of none other than Vyacheslav Ivankov. After Ivankov arrived in the U.S. in 1992, he recruited Fetisov “to fill a position in his global criminal empire.” Records filed with the New York Department of State show that Fetisov had signed the business incorporation papers for an import-export company in New York called Slavic Inc., naming himself as president. However, FBI affidavits claim the company was really being run by Ivankov to help launder money and to obtain visas fraudulently for his criminal associates. “On August 20, 1996, just a month and a half after Ivankov’s extortion conviction, Fetisov signed the dissolution papers for the company, according to New York Department of State records” (Friedman, 2000: 181).
**Project Osada II**

Despite Ivankov’s arrest in the U.S., police in Canada were having a hard time gathering sufficient evidence to lay charges that would stick to Vyacheslav Sliva. The best they could settle for was to charge him with immigration offences. On July 18, 1997, the 52-year-old Sliva was arrested at his luxury condominium in Toronto by the CFSEU and charged with misrepresentation on his visa application for failing to notify Canada Immigration about his criminal record (*Toronto Star*, July 21, 1997; July 23, 1997; July 24, 1997). The Immigration Board ruled that Sliva posed a danger to Canada and he was deported to Russia on July 28, 1997. In a summary of the Sliva file, officials with the CFSEU wrote, “SLIVA’s deportation left a void among various Eastern European organized crime groups in Canada of an overall crime leader because there was no one in Canada of SLIVA’s criminal stature to take over.”

Notwithstanding these optimistic conclusions, the Eastern European Organized Crime unit of the CFSEU remained busy and in 1996 they began an investigation into the importation of cocaine into Canada from the Bahamas via the United States. Project Osada II began as an investigation into the Toronto-based organization left behind following Sliva’s deportation and according to a 1999 classified CFSEU report, “The original intelligence implied that the drugs were under control of ‘Thief-in-law’ Vyacheslav SLIVA in Moscow, Russia.”

Those involved in the conspiracy included offenders from Russia, the Ukraine, and Poland, who were working with members of Italian organized crime in Windsor and Detroit and Asian-based crime groups. Jaroslav Strous and Jacek Mucha, the two ringleaders, reportedly used a smuggling route to move cocaine from Detroit to Windsor that had been established by Elio Massimino, a Sicilian Mafioso who was alleged to be a major organized crime figure in the Windsor area. The CFSEU later established that Massimino had contacts in the Bahamas who had access to large amounts of cocaine. According to the 1999 CFSEU report:

The group STROUS, MUCHA and MASSIMINO set up a transportation flow where: The group send an Eastern European male to the Bahamas to live there and act as the pickup man. This subject would purchase one to two kilos of cocaine at a time and then pass the drugs off to another Eastern European who was employed as a crew member on a Cruise ship out of Florida. The Cruise ship employee would then bring the drugs into the United States where it was then stored. After storing several kilos of cocaine, this employee would travel to his home stopping in Detroit. The drugs were then dropped off in Detroit and MASSIMINO’s contact, who worked at a factory in Detroit, would pick up and deliver the drugs back into Canada. Once the cocaine was safely in Canada the drugs were brought to Toronto by MUCHA and STROUS and then distributed.

As the investigation progressed, it became apparent that the targets were involved in a range of criminal activities, including importing and trafficking in cocaine, credit card fraud, extortion, currency counterfeiting, theft, and the sale of stolen autos. In a number of cases, the main organizer was Yuri Dinaburgsky, a Russian national who was also identified as a leader of one of the groups that specialized in bank card fraud. Dinaburgsky was not a *vor*, but police believed he was dispatched from Russia by senior *vors* to Canada (*Globe and Mail*, December 10, 1999).

Dinaburgsky’s bank card fraud relied on several specially doctored double-wired debit-card punch pads that were used by his operatives who worked at retail stores and gas stations. When a customer’s bank card was swiped, one electronic signal was sent from the point of sale to the bank. Meanwhile, another set of signals was transmitted through the second wire, which was
hooked up to a computer hidden underneath the counter. In some instances, what would appear to be an ordinary power bar was, in fact, a computer concealed inside the bar assembly. Data from the bank card, including encrypted personal identification numbers, would be downloaded to the computer. The data would be embossed on the magnetic strip of the counterfeit bank cards, which would then be used at banks or ATMs to make currency withdrawals or taken to retail stores to purchase goods. These goods would be disbursed through third parties who either resold them or returned the goods to the stores for a refund. In total, Dinaburgsky’s group was responsible for copying and using around 1,200 fake credit cards, leaving banks with a collective loss of more than $500,000 (Reuters, December 9, 1999; Globe and Mail, July 11, 2000).

When Osada II concluded in 1999, 37 people, including Dinaburgsky, were arrested in Canada and the United States. In addition to bank card fraud, the targets of the investigation were charged with smuggling ecstasy from the Netherlands, cocaine from the Bahamas, and fake diamonds from the U.S. They were also charged with immigration fraud and casino fraud in the U.S. and the Caribbean. The 44-year-old Dinaburgsky, who lived in Richmond Hill just outside of Toronto, was charged with participating in a criminal organization, conspiracy to traffic in cocaine, heroin, and ecstasy, fraud, possessing counterfeit money, and other charges. A large quantity of fraudulent credit and debit cards were seized as part of the investigation, along with computers and electronic equipment designed to capture card data and produce the fraudulent cards (Reuters, December 9, 1999; Toronto Sun, December 10, 1999; Globe and Mail, July 11, 2000; Nicaso and Lamothe, 2005: 158). Dinaburgsky would eventually be convicted and handed a 15-month sentence based on his participation in the bank card fraud.

The new millennium continued to witness a number of criminal conspiracies associated with REEOC in Canada. Some of those uncovered by police were related to massive bank card fraud schemes that relied on “skimming,” in which information from bank cards is stolen after they have been swiped by customers through modified pin pads at retail stores or automated teller machines. In December of 2002, police disrupted a debit card fraud that stretched from Vancouver to Kamloops to Denmark. For months, banks were fielding complaints from distraught customers, many of whom only learned their money had been stolen when bank machines refused to process their cash withdrawal requests. The thefts ranged from a few hundred dollars to $2,000. The total losses to customers and banks were $1.2 million, which at the time was the single largest loss attributed to debit card fraud in Canadian history.

The RCMP in Kamloops arrested Dmitri Brezinov on December 2 as he walked out of a Royal Bank branch after inserting a fake debit card into an ATM to withdraw $500. As the request was being denied, Royal Bank staff were calling police. (Banks in the area had already been hit hard by the fraud scheme activity and were watching transactions at the automated teller machines closely.) Police said Brezinov was carrying 77 counterfeit bank cards. Four others (two men and two women) were arrested in Toronto and Sudbury respectively. Police also seized $280,000 in Canadian cash—all in $20 bills—and 3,500 fake bank cards.

The ATM fraud began in March 2002 when one of the conspirators, posing as a legitimate businessman, purchased five ATM machines from a manufacturer. These privately owned ATMs, worth about $10,000 each, were installed in different locations in the Vancouver area: a pizza restaurant, a few convenience stores, and a tobacco shop. Every time a customer withdrew cash, the machine captured all the information needed to reproduce fully functional debit cards. The ATMs were eventually removed from their locations and the card information stored inside was downloaded onto a computer. With that information, the fraudsters began manufacturing bank cards. Brezinev and the other four arrested were recruited to take the phony cards and make
as many withdrawals as possible. In return, they could keep four per cent of the cash. In August of 2003, Brezinev and four other Russian nationals (two men and two women) pleaded guilty. The 35-year-old Brezinev had entered Canada on a fake passport (Globe and Mail, December 5, 2002; Toronto Star, August 23, 2003).

Russian crime groups were also involved in other criminal venues in Canada. In July 2001, police broke up a sophisticated group of car thieves with alleged links to Russian organized crime. Police said they were responsible for stealing more than $5 million worth of cars across Ontario. After stealing or fraudulently obtaining keys for the targeted vehicles, the thieves would register the cars with the Ministry of Transport with counterfeit documents before they were exported or resold domestically. Two Russian men were charged with 39 offences following an 18-month investigation (Toronto Sun, July 29, 2001).

Other Eastern European Criminal Syndicates in Canada

Since the initial onslaught of Russian crime groups, other criminal groups from Eastern and Central Europe have been active in Canada in a variety of illegal endeavours. On December 2, 2003, more than 40 law enforcement agents from the RCMP, OPP, Canada Post, Immigration Canada, and municipal police in southern Ontario arrested members of what was described as a multi-million dollar fraud and theft ring carried out by ethnic Roma (pejoratively referred to as “gypsies”) from Romania. One cell of the province-wide group had stolen thousands of cheques from the mail throughout Ontario. Police said banks cleared the cheques for payment to the thieves based on bogus personal identification. Police estimated the group cheated individuals and banks out of about $2 million. As part of the investigation, police raided about 30 locations in Hamilton, which police said was a base for the cell. Most of those arrested entered Canada as refugees (Canadian Press, December 2, 2003).

In 2012, Canadian law enforcement authorities announced they had uncovered a human smuggling and trafficking ring that brought hundreds of Romanian refugee claimants to the Toronto area. The smugglers charged between $10,000 and $30,000 for passage to Canada through a route that ran from Mexico to Texas to the GTA. “Those using the pipeline are said to be arriving in Canada indebted to the smugglers and are made to repay them by applying for welfare benefits and engaging in low-level organized crime,” according to an October 25, 2012 article in the National Post. The suspected smuggling operation was blamed for a spike in Romanian refugee claims in Canada, which increased from 57 in 2007 to 258 in 2011, according to Immigration and Refugee Board figures. Most of the Romanian claimants contended that as ethnic Roma they faced persecution in their home country.

The human smuggling ring was unearthed during police interviews with those who had used its services, most of whom had come from the same city in Romania. The Romanian informants were detained in 2012 after being caught in a van crossing the border in Quebec without stopping. In total, 85 Romanian nationals, including 35 minors, crossed the border at Stanstead, Quebec in separate incidents earlier that year. The illegal migrants paid a small down payment to the organizers and were flown to Mexico, where travel visas are not required. They were smuggled across the southwestern U.S. border and then across the northern border into Canada (CTV News, December 5, 2012).

Police said the smuggling ring was linked to a number of “distraction” crime rings that police were investigating throughout Ontario. In one theft ring, discovered in September of 2012, 34 suspects were accused of targeting convenience stores, jewelers, and elderly women. The modus
operandi of the group was straightforward: while one suspect distracted the store clerk or the intended victim, another shoplifted items or stole from the victim’s purse. A similar alleged “distraction” crime ring was uncovered by Toronto police in October that year. As the Toronto Sun reported:

The group typically uses two women in a car, often with a toddler in the backseat. They drive around residential neighbourhoods in search of elderly, Italian-looking women. The crooks pull up to the curb and ask if they speak Italian … One woman—described as 30 to 35 and eastern European—hops out and asks for directions to a doctor’s office or a pharmacy … She may also offer to buy the victim’s jewelry or ask for help with a funeral or funds for a trip to the U.S. The woman then pretends to be extremely happy and kisses the victim’s hand or gives the victim a hug. During the hug, she swipes the victim’s earrings or necklace and replaces the stolen items with cheap jewelry (Toronto Sun, October 10, 2012).

Police believed the thefts in Toronto had also been perpetrated in other cities and regions in Ontario, including Ottawa, Sudbury, Windsor, London, and Montreal. Police said the group was highly mobile and had been moving from city to city. Durham Regional Police said members approached people on the street, in parking lots, in vehicles, and in malls. According to City TV News, surveillance video at a police news conference showed that “several women wearing layers of clothes and baggy skirts entered a convenience store. One or two members spoke to the cashier, who was working alone while others walked around the store. Another person then broke into the storage room. While that person was in the storage room, the other people in the group distracted the employee with questions. One of them carried a baby. Police said the women then left the store with hundreds of items from the storage room hidden in their clothes” (CityNews.ca, September 5, 2012).

“Over 400 persons were associated with the ring,” Durham Regional Police Service chief Mike Ewles said at a news conference. It was allegedly led by four main individuals, two of whom have since fled to Europe. A Durham police investigation, dubbed Project Mansfield, was launched in March of 2012 and by the beginning of September, 28 people were arrested and 263 charges laid (CityNews.ca, September 5, 2012).

Around the same time, police in Ottawa were linking dozens of distraction thefts to an international Romanian crime ring that targeted seniors. As the Ottawa Sun reported at the end of September 2012, “Jewelry, debit and credit cards have been targeted in 60 thefts throughout the city since July, where parking lots, shopping centres, and convenience stores have been common areas to swoop in on vulnerable victims.” Police said the theft ring used four main tactics to rip off victims:

1. Street Distraction—A suspect (often female) approaches a victim and offers them gold jewellery in memory of a dead relative, or as a gift. The suspect places the necklace on the victim while removing the victim’s own gold necklace.

2. Family in Need Distraction—One or more suspects approach a victim with a story about a relative in need and offer expensive-looking jewellery in exchange for money to help. The victim later discovers the jewellery is worthless.

3. Follow the Shopper Distraction—While a victim uses his or her debit card at a retail checkout counter, suspects behind the victim will watch as the PIN is entered on the key
4. Store Distraction—While a store employee is distracted by a suspect, another female suspect will hide items under a long, flowing skirt before exiting the store (Ottawa Sun, September 29, 2012).

Many of the aforementioned robberies were carried out by people the theft ring had recruited from Romania and then smuggled into Canada. Once on Canadian soil, they claimed refugee status and social assistance.

In April of 2013, Ferenc Domotor pleaded guilty and received a nine-year sentence for his role in heading one of the largest human trafficking rings discovered in Canada to date. His wife Gyongyi Kolompar and son Ferenc Domotor Jr. pleaded guilty to similar charges. The Hamilton-based Domotor family, along with other criminal associates, lured victims to Canada from their native Hungary with the promise of a better life. Once they arrived, “they were forced to work at construction sites without pay, fed table scraps, suffered brutal living conditions and threatened with violence,” according to a National Post article. Police identified at least 19 Hungarian nationals who were victimized by Domotor’s organization. Police launched a 10-month investigation in December 2009 when one of the victims managed to contact the authorities (CTV News, April 3, 2012; National Post, April 4, 2012).

The Domotor criminal organization originated in western Hungary. Starting in the late 1990s, some of its members moved to Hamilton, where they began their human trafficking operation as well as a cheque fraud scheme. Citing Crown prosecutors, the Globe and Mail described the Domotor organizational structure as a pyramid. At the top was 50-year-old Ferenc Domotor. The second-in-command was his younger brother, Gyula Domotor. “Mid-level positions were made up of various members of their extended family, including siblings, cousins, and in-laws. At the bottom of the organization were enforcers and other ‘foot soldiers’—mostly young Hungarian men” (Globe and Mail, July 13, 2012). In July, 22 people connected to the Domotor group were deported back to Hungary (Government of Canada News Release, July 22, 2014; CBC News, July 22, 2014).

Other REEOC human smuggling and trafficking operations have forced young women into the sex trade. In 2000, the RCMP, local police, and immigration authorities raided more than a dozen strip clubs in Toronto, where the owners were charged with running brothels. Most of the women were from Eastern Europe and many of their entrance visas were fraudulently obtained. The charges were the result of an ongoing investigation by police in Southern Ontario into the trafficking of women into Canada and the U.S. by organized crime syndicates from Eastern Europe. In 2004, memos and briefing notes by federal government authorities obtained under access to information by Vancouver immigration lawyer Richard Kurland revealed that federal officials were aware the foreign strippers, mainly from Russia, Hungary, Romania, or Ukraine, would be forced into prostitution at clubs run by Eastern European crime groups. According to one memo, “Reports have emphasized that this profession [exotic dancing] is very closely linked with organized crime (as it is in Europe) and that the primary concern is what faces these women in Canada.” Another memo written in 2004 by an assistant deputy minister at Citizenship and Immigration voiced concern about the involvement of criminal syndicates in forcing women who had been legitimately brought over from Eastern Europe for exotic dancing into prostitution. “… Many vulnerable women are being misled, exploited and trafficked to support illegal sex trade activities in Canada,” the memo read. Romanian women between ages 15 to 25 were particularly
vulnerable targets for criminal syndicates operating in Europe and North America and often had their passports and temporary work visas confiscated by the recruiters and were then forced to perform sex acts in strip clubs (*CanWest News*, December 18, 2004; December 21, 2004).

**Characteristics of REEOC**

The preceding chronology provides some indication of the characteristics of REEOC in North America. Using the taxonomy of a criminal organization created in chapter 1, this section examines in more detail the salient characteristics of Eastern European organized crime in Canada, with particular emphasis on the so-called Russian Mafiya.

**Organizational**

Given the great diversity of REEOC, it would be almost impossible to construct a typical organizational structure. Volkov (2014: 164) characterizes the structure of a criminal group as hierarchical, including “the leader (lider, glavar’), two or three deputy leaders (avtoritet), brigade leaders (brigadiry) in charge of basic operational units, and brigades, which in turn included five to eight soldiers (boitsy). Those groups that infiltrated legitimate business also included commercial and political advisors, a role close to that performed in the Italian American mafia by the consigliere (‘advisor’).”

Before it evolved into a type of criminal overlord, it is believed that *vory v zakone* groups were structured hierarchically. The Federal Bureau of Investigation (1995: 33) paints a picture of the organization of a *vory* group that is similar to the bureaucratic model that was first used to characterize the structure of the American Cosa Nostra family. This organizational structure includes a rudimentary division of labour with a modest degree of specialization. Reporting directly to the *vor* is a counselor, which is apparently similar to the consigliere position that reports to the head of an Italian Mafia family. Beneath the *vor* are two or more lieutenants or “brigadiers,” and under this position are the rank-and-file soldiers. Underneath the soldiers are crews that perform various functions necessary to carry out criminal offences. Of the utmost importance in the structure of a *vory v zakone*—if a typical organizational structure actually does exist—is to insulate and protect the *vor* from arrest and prosecution.

Seigel (2012) depicts a contemporary Russian *vory v zakone* as being headed by the *vor*, and beneath him are “the deputies of various sections, team leaders and soldiers.” The term used to refer to offenders in a Russian criminal enterprise overseen by a *vor* is *bratva* (brotherhood). This would explain why some criminal groups use the term in their name, such as the Solntsevskaya Bratva, also called the Solntsevskaya brigade. “Traditionally, membership in a *vory* required three sponsors and a ceremony where prospective members must swear an oath of the *vorovskoy zakon* (the thieves’ code)” (Seigel, 2012: 36–37).
While there may be hundreds of criminal groups operating in Russia and abroad, only a fraction may have some identifiable vertical structure. Most Russian criminal syndicates share one organizational characteristic: they operate in a highly fluid network of partnerships that join numerous business associates together in one or more criminal conspiracies. “Russian crime groups in the United States are typically fluid, and membership is transient, comprising five to twenty persons,” according to Abadinsky (2013: 219–220). “Loosely structured, without a formal hierarchy, the groups are usually formed on the basis of regional backgrounds or built around a particular criminal activity. One group may be comprised mainly of immigrants from Kiev, while another may consist predominately of Georgians. Alternatively, a group may organize exclusively to extort money from local ethnic Russian merchants or to operate a gasoline tax evasion scheme.”

Most of the Russian crime groups do not have any strict limitations on who can become involved in their criminal enterprise. The most important factor is functionality: the ability to bring to a particular criminal conspiracy a specific target, expertise, or commercial or political connection. Other EEOC crime groups, such as those from Chechnya or Georgia, restrict their membership to their own ethnicity and nationality, although this does not preclude them from cooperating with other criminal organizations that do not share this ethnicity.

Despite the diversity in the types of REEOC groups, most have one thing in common: their membership is made up largely of professional criminals, many of whom had some criminal background in their country of origin. The precedent was set by the vory, which as part of its creed rejects legitimate employment.

As far as modes of communication are concerned, vors have traditionally used their own “thieves’ jargon” called fehnay—which uses a Russian grammatical structure, but a different
vocabulary—to communicate amongst themselves and to avoid being understood by anyone outside of the *vory*.

As described, many REEOC groups are transnational in scope. While Russian criminal groups have operated in North America and Western Europe to a limited degree since the 1970s, they were relatively autonomous from groups operating in Russia. As such, a truly transnational REEOC group was rare before 1990. The fall of the Iron Curtain changed all that, allowing REEOC groups to expand to other countries, which includes maintaining cells in different countries and conducting criminal activities across national borders. As Galeotti (1997: 114–115) notes, “Russia’s borders are all dangerously soft, with criminal groups operating freely across them in every direction. Drugs flow east and north, into Russia and also onwards into Europe. Russian expatriates in the other states of the former Soviet Union harbour local allies and branches of Russian gangs. Terrorists and hit-men find refuge across regional and national borders.”

To facilitate their expansion, many REEOC groups have established strategic alliances with other criminal organizations in Europe, including the Sicilian Mafia and the Calabrian ’Ndrangheta. In North America, Italian Mafia families have partnered with Russian crime groups in such areas as gambling, extortion, prostitution, and fraud. A 1997 report by the Center for Strategic and International Studies notes that Russian organized crime has also cooperated with Colombian drug cartels in Miami, “where the local FBI office characterized the Russian gangsters as ‘very brutal...they are very sophisticated. They are computer literate. They hit the ground running.’ Miami represents a gateway to both the United States and Latin America. The Drug Enforcement Agency (DEA) and FBI disrupted one scheme that involved a plan to use a Russian-built submarine to smuggle cocaine from Colombia to the United States” (Center for Strategic and International Studies, 1997 as cited in PBS, 1999).

In 2004, the Criminal Intelligence Service Canada also reported that “Eastern European Organized Crime” has “strategically” formed criminal partnerships in this country. “The groups partner with each other and other organized crime groups, such as outlaw motorcycle gangs and Traditional (Italian-based) organized crime. EEOC’s ability to expand its criminal networks to other groups helps it to benefit from others’ expertise in order to target new and/or specific criminal markets” (Criminal Intelligence Service Canada, 2003: 8–9).

### Commercial: Criminal Activities

REEOC groups epitomize a fundamental commercial trait of organized crime: their activities revolve around multiple profit-oriented criminal enterprises (both consensual and predatory), which are supported by such tactical imperatives as corruption, violence, and money laundering.

Russian crime groups operating in North America tend to specialize in one or more of the following: extortion, fraud (bank, credit card, immigration, gasoline excise, medical insurance, and counterfeiting), smuggling (including drugs, contraband, weapons, and people), auto theft (for export back to Eastern European countries), human trafficking, and the sex trade. The type of activities that an REEOC group specializes in will vary with the type of group as well as their location. In North America, there is more emphasis on certain types of fraud (bank card, fuel excise tax, and insurance). As the 2004 annual report of the CISC puts it, “EEOC prefers criminal ventures, particularly frauds, with relatively low risks, high returns and limited risk of detection” (Criminal Intelligence Service Canada, 2004: 9). Criminal enterprises in the former Soviet republics are active in criminal acts that are unique to that environment, such as capital
flight, the theft and smuggling of natural resources, trafficking in weapons and radioactive material, extortion, and embezzling from financial institutions.

Russian crime groups have been involved in drug trafficking in Canada, but not on a particularly large scale. Heroin, cocaine, and synthetic drugs like ecstasy are their drugs of choice and many have worked in tandem with Italian, Colombian, outlaw motorcycle and Asian crime groups in importing drugs into North America, where they are brokered to retailers (REEOC groups generally do not distribute at the retail level in North America). Back home, Russian crime groups capitalized on the newly open borders to smuggle opiates from Central Asia. They are also known to have worked with the Colombian cartels to smuggle cocaine into Pacific Rim countries, including Canada.

On September 30, 2013, Canada Border Services Agency officers in Vancouver seized 130.8 kilograms of cocaine hidden inside a 40-foot refrigerated marine container arriving from Russia. The shipping documents described the contents of the container as 25,000 kilograms of food products. When officers used an X-ray mobile screening system to scan the container and its contents, they discovered bricks affixed to the roof of the container. In total, 109 bricks containing cocaine were removed (Canada Border Services Agency News Release, December 16, 2013).

REEOC groups are well known for using tactical imperatives, such as corruption, violence, and money laundering, to support their profit-oriented criminal activities. The level of corruption in Russia, in both the public and private sectors, is extensive and has probably increased since the fall of communism, thanks in part to the proliferation of criminal groups. Due to the historical system of “favours” granted by Soviet officials, corruption has long been institutionalized within the communist government apparatus, and what may be deemed corruption in North America is now simply considered normal in dealing with government agencies in Russia and other former Soviet republics. Many criminal entrepreneurs and groups operating in Russia and other former Soviet republics have some type of connection to a government agency, including the active participation of former and current police and security agencies in criminal conspiracies (Galeotti, 1997: 114). Today, organized crime has infiltrated all corridors of government power in Russia and “sometimes it is difficult to differentiate where the real power is and where the organized crime is that controlled this power” (Cheloukhine, 2012: 123).

In fact, officials from secret service agencies, the police, and the military have founded criminal groups while still in the employment of the state. With the fall of communism, ex-KGB officers, veterans of the Afghan war, and unemployed military officers formed expedient alliances with gangster thugs and black market profiteers who carried out the “heavy” work—violence, threats, and intimidation (Lindberg and Markovic, 2001). Members of the Russian military comprise an important element in Russian organized crime: “Poorly paid, badly housed, and demoralized, Russian military forces at home and abroad are deeply immersed in criminal activities conducted for personal and group profit. Smuggling crimes of all types, particularly drug and arms smuggling, the massive diversion of equipment and materials, illegal business ventures, and coercion and criminal violence all fall under the umbrella of military organized crime” (Turbiville, 1995: 63).

Like other organized crime genres, Russian crime groups use violence and intimidation for tactical purposes. Intimidation by appearance (such as the vor’s tattoos) and displays of firearms, threats of physical violence, kidnapping, and murder are all commonly employed. In Russia, there has been a substantial rise in the number of kidnappings. Attempts to infiltrate the banking
sector have been accompanied by the use of violence. This includes kidnapping and the murder of a number of bankers over the last few years. In addition, reform-minded business leaders and investigative journalists have been systematically assassinated or kidnapped.

As Russian and other Eastern European groups have increased their presence in North America, incidents of violence related to their operations have become more frequent. Extortion operations have relied on kidnappings and other threats. There are also reports that enforcers and even hired killers have been brought to the United States from former Soviet republics to undertake extortions, kidnappings, and even contract murders, and then return home once the job is completed. In Canada, REEOC has not been engaged in the level of violence seen in other countries, although Russian crime figures regularly use intimidation as part of their extortion efforts, while intimidation is a crucial part of human trafficking schemes that force immigrants into forced labour and the sex trade.

Given their expanding revenue base, REEOC accounts for a growing share of the billions of illicit dollars laundered globally every year. Russian crime groups are also known to launder the proceeds of crime for other criminal groups, thanks to their ability to work through the Russian state and private banking systems. Police in North America and Europe have initiated numerous money laundering investigations targeting REEOC enterprises engaged in laundering funds derived from criminal activities. Millions of dollars in criminal proceeds have been transferred from Russia to accounts in Western Europe, the United States, and Canada. Some of this money is repatriated to the former Soviet republics, where it is invested in other criminal schemes or legitimate businesses. As Russian crime groups expanded operations in North America, they increasingly used legitimate businesses and the financial markets to conceal and launder criminal proceeds and to erect a facade of legitimacy. One of the largest known money laundering operations in Canada was instigated by Russian crime figures and used a publicly-traded company listed on the Toronto Stock Exchange.

**Case Study: YBM Magnex International Inc.**

In May 1998, the FBI raided the U.S. offices of YBM Magnex International Inc., a public company that purportedly manufactured magnets and was listed on the Toronto Stock Exchange (TSE). The raid was part of an investigation alleging the company was involved in a massive fraud by members of Russian organized crime that used the securities market as a money laundering vehicle. The FBI investigation revealed that the directors and major shareholders of YBM and its parent company, Arigon Inc., were linked to Semyon Mogilevich.

At the time, the Mogilevich Organization was based in Budapest, Hungary and headed by the Ukrainian-born Semyon Mogilevich, who has been referred to as “the Brainy Don” due to his economics degree from the University of Lvov and his sophisticated criminal network (Friedman, 2000: 237) that operates across Europe and extends into North America, the United Kingdom, and Israel. "From the early 1990s Mogilevich has consistently been linked to a wide range of criminal activities including arms dealing, drug running, trafficking in nuclear materials and the large-scale theft and smuggling of precious gems, stolen art and petroleum, in offences committed across a range of continents, spanning the former Soviet Union, Central and Eastern Europe, Israel, North America and the UK” (Hignett, 2012: 281).

Many of the international criminal activities of the Mogilevich Organization were facilitated through semi-legitimate companies. To help launder the illicit proceeds of crime, Mogilevich set
up and used dozens of companies, including Arigon. Mogilevich sat as a director for Arigon in the mid-1990s along with several Hungarian associates.

By the early 1990s, Mogilevich and Sergei Mikhailov—a former KGB officer and a suspected leader of the Solntsevo Gang, reputed to be one of the most powerful crime groups in Moscow at the time—expanded their criminal pursuits into North America. In February of 1994, YBM Magnex Inc. was incorporated in Pennsylvania by a Russian immigrant named Joseph Bogatin. In April 1996, Bogatin created Pratecs Technologies Inc., a public company incorporated in Alberta and listed on the Alberta Exchange. In October 1996, Pratecs acquired YBM Magnex and formally changed its name to YBM Magnex International Ltd.

At that time, Mogilevich and five members of the Solntsevo crime group owned just under one-third of YBM’s outstanding shares. In 1996, YBM moved onto the Toronto Stock Exchange, and on November 20, 1997, the Ontario Securities Commission (OSC) approved a $53-million equity issue at $16.50 a share.

Before and after the initial public offering, law enforcement officials alleged that Mogilevich directed proceeds from his criminal operations through YBM-related bank accounts in Philadelphia. Following the 1998 FBI raid of YBM Magnex offices, the company went into receivership. By 1999, YBM officials pleaded guilty to conspiracy charges in U.S. Federal Court, admitting the company was conceived as a vehicle for fraud and money laundering. The company eventually went bankrupt, leaving investors with worthless stock. When trading in its shares was halted, the company had raised about $890 million.

As early as 1995, evidence was mounting that Arigon and YBM Magnex were being used as money laundering vehicles. The laundering technique behind the use of public companies is relatively straightforward: shares in a public company, previously injected with criminal proceeds, are put on the market. This allows a criminal organization the opportunity to raise capital and is thus a seemingly legitimate source of funds. The actual laundering occurs after shares are purchased and the “capital financing” raised through the share offering is received by the original criminal owners of the company. The objective of this method is to generate a clean dollar through the issuing of shares for every dirty dollar invested in the company. Because these shell companies can appear to be highly profitable through the injection of criminal profits, they are seemingly attractive investment opportunities for investors.

In a 1995 report, Britain’s National Criminal Intelligence Service (NCIS) stated that Mogilevich and Mikhailov were earning hundreds of millions of dollars from a string of illegal activities and that Arigon and YBM were being used to launder the proceeds of crime. The report alleged that US $50 million in illegal revenue passed through the Arigon accounts at the Royal Bank of Scotland over a three-year period. Further, YBM was used by Mogilevich “…purely to legitimize the criminal organization by the floating on the stock exchange of a corporation which consists of the U.K. and U.S.A. companies whose existing assets and stock have been artificially inflated by the proceeds of crime.” According to U.S. court documents, Mogilevich intentionally used Canadian stock exchanges to orchestrate his YBM-related laundering activities because of what he perceived to be lax securities regulations in that country.

Mogilevich was also linked to a major money laundering operation in which billions of dollars were channelled through the Bank of New York. Some of the money from the account reportedly went to pay for contract killers and some went to drug barons (New York Times News Service, May 27, 1998; Globe and Mail, May 23, 1998; New York Times News Service, July 27, 1999; Globe and Mail, June 8, 1999; Toronto Star, July 10, 2001; Schneider, 2003: 56–57).
Behavioural

Outside of the vory v zakone, most REEOC conspiracies do not adhere to any established code of conduct, rules, or regulations. In contrast, the vory was purportedly built upon, and historically guided by, a rigorous set of codes, rules, and regulations that were in place to dictate the behaviour of its members. For years, members were apparently ruled by a code of conduct called the Vorovskoy Zakon (the “thieves’ code”), the roots of which can be traced back centuries to gangs of thieves that developed codes to distinguish themselves from outsiders and set up barriers to prevent infiltration by government authorities and other outsiders.

Like outlaw motorcycle gangs, this code helped define the subculture to which the vors belonged and which self-defined them in relation to the rest of society. Prospective members were weaned from the habits and norms of Russian society, and the ultimate proof of gang loyalty was a member’s willingness to separate himself from conventional society. As a result, the vory v zakone was built upon anti-establishment and non-conformist principles, rejecting such accepted societal norms as working legitimate jobs, having families, paying taxes, and even accumulating wealth. In short, “the thieves’ ‘professional ethics’ had become the code of behavior that gradually ruled all aspects of their lives” (Cheloukhine: 2012). Like other organized crime genres, the code of the vory also emphasized practical aspects, such as secrecy and loyalty to the group.

A written document discovered by police in California during an investigation of Russian criminals provided some insight into the code of the vory. Specifically, members are bound by 18 rules, the transgression of which is punishable by death.

Vorovskoy Zakon

A thief is bound by the Code to:
Forsake his relatives: mother, father, brothers, and sisters;
Not have a family of his own: no wife, no children; however, this does not preclude him from having a lover;
Never, under any circumstances, work in a legitimate job; live only on means gleaned from thievery;
Help other thieves, both by moral and material support, utilizing the commune of thieves;
Keep secret information about the whereabouts of accomplices (i.e. dens, districts, hideouts, safe apartments, etc.);
If necessary, take the blame for someone else’s crime, if it can help buy time or freedom for the real perpetrator;
Demand a convocation of inquiry for the purpose of resolving disputes in the event of a conflict between oneself and other thieves, or between thieves;
If necessary, participate in such inquiries;
Carry out the punishment of the offending thief as decided by the convocation;
Do not resist carrying out the decision of punishing the offending thief who is found guilty, with punishment determined by the convocation;
Have good command of the thieves’ jargon (fehnay);
Do not gamble without being able to cover your losses;
Teach the trade to young beginners;
If possible, have informants from the rank and file of thieves;
Do not lose your reasoning ability when using alcohol;
Have nothing to do with the authorities (particularly with prison officials);
Do not participate in public activities, nor join any community organizations;
Do not take weapons from the hands of authorities; do not serve in the military;
Make good on promises made to other thieves (California Office of the Attorney General, 1996).

As Nicaso (2001) writes, like in other organized criminal subcultures, honour through power is the most important concept in the code of the von:

Manliness, as an expression of honour, therefore stands for the ability to impose oneself over others. Only those who possess this quality can be Vory V Zakone, much like members of the Italian Mafia. Being able to impose oneself remains as an indisputable title of honour. The recourse to law being out of the question, this ability unavoidably implies violence. There is a tight connection among honour, violence and distribution of roles and resources in the Vorovskoi Zakon. Who insults a vor must be punished, and the killing of a vor must be avenged.

While there is still evidence that many of the tenets of the thieves’ code may still be in effect, it has dissipated somewhat in the last few decades. Strict codes of honour in the Russian underworld have been compromised by an all-consuming passion for making money. With the rise of capitalism in Russia, honour has become synonymous with wealth, so that the accumulation of capital, regardless of how it is obtained, serves to gain honour and consequently power and a position of supremacy within the von zakone.

And while most REEOC groups do not follow the code of the thieves, they do share a similar antipathy toward government and the “system.” Rosner (1986: 43, 126) describes how this has been carried over to those Eastern European criminals who have made their way over to North America. “While they come with a great deal of education and marketable skills, the new immigrants arrive from a social system where beating the system is a normal practice.” They are “skilled in behaviour needed for living in a particularly corrupt system of acquiring and dispensing goods and services.”

Like the full-patch outlaw biker or the heavily tattooed Japanese Yakuza member, the behavioural peculiarities of the vor extend outwardly into his style of dress. By the 1940s, a vor was distinguishable by his homemade aluminum crosses worn around the neck and waistcoats. Most wore beards and almost always wore their shirts outside their pants with one or several waistcoats above (Varese, 2001: 145–146). Contemporary vors can also be distinguished by their tattoos, the most prominent one being an eight-pointed star that is most often worn on the chest. “Every tattoo contained information about the criminal charges, the terms of the previous convictions, the psychological predispositions and the sexual orientation of the criminal. Tattoos were not an art; they represented the status of the criminal in the underworld” (Cheloukhine, 2012: 113). “The same tattoo on the kneecaps means the wearer takes a position of anarchy against the rest of society: ‘I won’t bow to any other power; I cannot be made to fall to my knees.’ The unofficial wearing of the star—and of several other Thieves’ identifiers—often leads to its removal, often by knife or razor blade” (Nicaso and Lamothe, 2005: 134). Fashion and jewellery are also a means of identification for the contemporary vor. “For example, the thief-in-law’s shoulder strap—only a few can wear them—simply means ‘I am a thief-in-law.’ Rings are a kind of business card or identification for a criminal. A ring tells us how many times a criminal has been charged by the Penal Code, his status in the criminal world, his relations with the legal system and the police” (Cheloukhine, 2012: 113).
Key Terms
Avtoritety
Glasnost
Kleptocracy
Krysha
Mafia state
Soviet Union
Vor
Vory v zakone

Review Questions
What are the origins and history of organized crime in Russia before, during, and after the collapse of the Soviet Union?
What is the significance of the vory v zakone (“Thieves-in-Law”) in the context of organized crime in Russia?
What are the social, political, legal, and economic factors that helped ferment the genesis and proliferation of organized crime in Russia?
How has organized crime become entrenched in the Russian government, the economy, and society?
What was the genesis of Russian organized crime in North America?
What criminal groups from Russia and other Eastern European countries are active in Canada?
What are the characteristics of Russian organized crime (in Canada), based on the application of theoretical models from chapter 4?

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