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DEUTSCHE BANK'S $10-BILLION SCANDAL

How a scheme to help Russians secretly funnel money offshore unravelled.

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DEUTSCHE BANK'S $10-BILLION SCANDAL

How a scheme to help Russians, secretly funnel money offshore unravelled.

Almost every weekday between the fall of 2011 and early 2015, a Russian broker named Igor Volkov called the equities desk of Deutsche Bank's Moscow headquarters. Volkov would speak to a sales trader—often, a young woman named Dina Maksutova—and ask her to place two trades simultaneously. In one, he would use Russian rubles to buy a Russian blue-chip stock, such as Lukoil, for a Russian company that he represented. Usually, the order was for about ten million dollars' worth of the stock. In the second trade, Volkov—acting on behalf of a different company, which typically was registered in an offshore territory, such as the British Virgin Islands—would sell the same Russian stock, in the same quantity, in London, in exchange for dollars, pounds, or euros. Both the Russian company and the offshore company had the same owner. Deutsche Bank was helping the client to buy and sell to himself.

At first glance, the trades appeared banal, even pointless. Deutsche Bank earned a small commission for executing the buy and sell orders, but in financial terms, the clients finished roughly where they began. To inspect the trades individually, however, was like standing too close to an Impressionist painting—you saw the brushstrokes and missed the lilies. These transactions had nothing to do with pursuing profit. They were a way to expatriate money. Because the Russian company and the offshore company both belonged to the same owner, these ordinary-seeming trades had an alchemical purpose: to turn rubles that were stuck in Russia into dollars stashed outside Russia. On the Moscow markets, this sleight of hand had a nickname: konvert, which means "envelope" and echoes the English verb "convert." In the English-language media, the scheme has become known as "mirror trading."

Mirror trades are not inherently illegal. The purpose of an equities desk at an investment bank is to help approved clients buy and sell stock, and

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there could be legitimate reasons for making a simultaneous trade. A client might want to benefit, say, from the difference between the local and the foreign price of a stock. Indeed, because the individual transactions involved in mirror trades did not directly contravene any regulations, some employees who worked at Deutsche Bank's Russian headquarters at the time deny that such activity was improper. (Fourteen former and current employees of Deutsche Bank in Moscow spoke to me about the mirror trades, as did several people involved with the clients. Most of them asked not to be named, either because they had signed nondisclosure agreements or because they still work in banking.)

Viewed with detachment, however, repeated mirror trades suggest a sustained plot to shift and hide money of possibly dubious origin. Deutsche Bank's actions are now under investigation by the U.S. Department of Justice, the New York State Department of Financial Services, and financial regulators in the U.K. and in Germany. In an internal report, Deutsche Bank has admitted that, until April, 2015, when three members of its Russian equities desk were suspended for their role in the mirror trades, about ten billion dollars was spirited out of Russia through the scheme. The lingering question is whose money was moved, and why.

Deutsche Bank is an unwieldy institution with headquarters in Frankfurt and about a hundred thousand employees in seventy countries. When it was founded, in 1870, its stated purpose was to facilitate trade between Germany and other countries. It soon established footholds in Shanghai, London, and Buenos Aires. In 1881, the bank arrived in Russia, financing railways commissioned by Alexander III. It has operated there ever since.

During the Nazi era, Deutsche Bank sullied its reputation by financing Hitler's regime and purchasing stolen Jewish gold. After the war, the bank concentrated on its domestic market, playing a significant role in Germany's so-called economic miracle, in which the country regained its position as the most potent state in Europe. After the deregulation of the U.S. and U.K. financial markets, in the nineteen-eighties, Deutsche Bank refreshed its overseas ambitions, acquiring prominent investment banks: the London firm Morgan Grenfell, in 1989, and the American firm Bankers Trust, in 1998. By the new millennium, Deutsche Bank had become one of the world's ten largest banks. In October, 2001, it débuted on the New York Stock Exchange.

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Although the bank's headquarters remained in Germany, power migrated from conservative Frankfurt to London, the investment-banking hub where the most lavish profits were generated. The assimilation of different banking cultures was not always successful. In the nineties, when hundreds of Americans went to work for Deutsche Bank in London, German managers had to place a sign in the entrance hall spelling out "Deutsche" phonetically, because many Americans called their employer "Douche Bank."

In 2007, the bank's share price hit an all-time peak: a hundred and fifty-nine dollars. But as it grew fast it also grew loose. Before the housing market collapsed in the United States, in 2008, sparking a global financial crisis, Deutsche Bank created about thirty-two billion dollars' worth of collateralized debt obligations, which helped to inflate the housing bubble. In 2010, Deutsche Bank's own staff accused it of having masked twelve billion dollars' worth of losses. Eric Ben-Artzi, a former risk analyst, was one of three whistle-blowers. He told the Securities and Exchange Commission that, had the bank's true financial health been known in 2008, it might have folded, as Lehman Brothers had. Last year, Deutsche Bank paid the S.E.C. a fifty-five-million-dollar fine but admitted no wrongdoing. Ben-Artzi told me that bank executives had incurred a tiny penalty for a huge crime. "There was cultural criminality," he said. "Deutsche Bank was structurally designed by management to allow corrupt individuals to commit fraud."

Scandals have proliferated at Deutsche Bank. Since 2008, it has paid more than nine billion dollars in fines and settlements for such improprieties as conspiring to manipulate the price of gold and silver, defrauding mortgage companies, and violating U.S. sanctions by trading in Iran, Syria, Libya, Myanmar, and Sudan. Last year, Deutsche Bank was ordered to pay regulators in the U.S. and the U.K. two and a half billion dollars, and to dismiss seven employees, for its role in manipulating the London Interbank Offered Rate, or LIBOR, which is the interest rate banks charge one another. The Financial Conduct Authority, in Britain, chastised Deutsche Bank not only for its manipulation of LIBOR but also for its subsequent lack of candor. "Deutsche Bank's failings were compounded by them repeatedly misleading us," Georgina Philippou, of the F.C.A., declared. "The bank took far too long to produce vital documents and it moved far too slowly to fix relevant systems."

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In April, 2015, the mirror-trades scheme unravelled. After a two-month internal investigation, the three Deutsche Bank employees were suspended. One was Tim Wiswell, a thirty-seven-year-old American who was then the head of Russian equities at the bank. The others were Russian sales traders on the equities desk: Dina Maksutova and Georgiy Buznik. Afterward, Bloomberg News suggested that some of the money diverted through mirror trades belonged to Igor Putin, a cousin of the Russian President, and to Arkady and Boris Rotenberg. The Rotenberg brothers own Russia's largest construction company, S.G.M., and are old friends of Vladimir Putin. They are on the U.S. government's list of sanctioned Russians, which was compiled in response to Putin's aggression in Ukraine. According to the U.S. Treasury, the Rotenbergs have "made billions of dollars in contracts" that were awarded to their company by the Russian state, often without a transparent bidding process. (Last year, S.G.M. was awarded a contract worth $5.8 billion to build a twelve-mile bridge between Russia and Crimea.)

In June, 2015, with pressure from shareholders intensifying over the mirror trades and other scandals, the co-C.E.O.s of Deutsche Bank, Anshu Jain and Jürgen Fitschen, announced that they would resign. They were replaced by John Cryan, whose remit was to clean up the bank. That September, he announced the impending close of all investment-banking activity in Russia. When the Moscow investment bank shut down, in March, the remaining employees threw a "going out of business" dinner at a restaurant near the office. By the end of the evening, bankers were dancing on the bar.

Many current and former employees of Deutsche Bank cannot quite comprehend how the equities desk in a minor financial outpost came to taint the entire institution. The ostensible function of the Moscow desk was straightforward: it bought and sold stock for approved corporate clients—mutual funds, brokerages, hedge funds, and the like. The desk had about twenty employees, and included researchers, who analyzed financial data; sales traders, who took calls from clients about buy and sell orders; and traders, who executed the orders.

According to a former employee, before the crash of 2008 the desk's yearly profit was nearly three hundred million dollars. In the years after the crash, profits plunged by more than half. In this environment of

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diminishing returns on normal stock-market activity, the Moscow equities desk was looking to find fresh revenue streams.

Many businesses in the Russian Federation avoid taxes by using offshore jurisdictions, such as Cyprus, for their headquarters. Rich Russians, meanwhile, often funnel their private fortunes offshore, in an effort to hide their assets from the capricious and predatory Russian state. Frequently, this fugitive money is invested in assets such as property: on Park Lane in London, or Park Avenue in New York. (Boris Rotenberg's wife, Karina, told the Russian edition of Tatlerthat the family has three main houses: one in Moscow, one in Monaco, and a "dacha" in Provence, where she keeps her horses.)

The impact of this capital flight is felt at both ends of its journey. Research published last year by Deutsche Bank's own analysts suggested that unrecorded capital inflows from Russia into the U.K. correlated strongly with increases in U.K. house prices and, to a lesser extent, with a strengthening of the pound sterling. Capital flight also has weakened Russia's tax base and its currency. In 2012, Putin began a "de-offshorization" program, urging businesses and oligarchs to keep their headquarters and their fortunes at home. Two years later, after Russia's incursion into Crimea led to sanctions from the European Union and the U.S., Putin declared that offshorization was illegal. But as the ruble and the economy foundered many Russians felt even more eager to remove their money. Mirror trading was an ideal escape tunnel.

According to people with knowledge of how mirror trades worked at Deutsche Bank, the main clients who were engaged in the scheme came to the bank in 2011 through Sergey Suverov, a sales researcher. Suverov left the bank soon afterward. (He has not been charged with wrongdoing.) Igor Volkov, the Russian broker, became the clients' primary representative. Initially, the accounts that Volkov handled—funds based in Russia and overseas, with such bland names as Westminster, Chadborg, Cherryfield, Financial Bridge, and Lotus—placed conventional stock-market orders. But Volkov soon made it clear to his contacts at Deutsche Bank that he wanted to make a large volume of simultaneous trades. (He could not be reached for comment.)

What did Deutsche Bank know about the companies that Volkov represented? Each new fund that wished to trade with Deutsche Bank, known as a "counterparty," was subjected to a "double check" by

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compliance departments in London and Moscow, to insure that papers were in order. Evidently, all the counterparties passed both internal reviews. The bank was also required to complete a "know your client," or "K.Y.C.," assessment, and determine if the client had any taint of criminality. Deutsche Bank did little to interrogate the source of funds—including those behind Westminster and other Volkov clients. According to people who worked on the desk in 2011, the K.Y.C. procedure consisted of not much more than sales traders asking counterparties to fill in a paragraph stating the source of their funds. "Nobody asked any further questions," a former employee recalls.

The Russian equities desk generally had four sales traders who took calls from clients. Two were American, and two—Maksutova and Buznik—were Russian. The sales traders reported to Tim Wiswell, the American in charge of the Russian equities team, and to Carl Hayes, an executive in London. Two other managers—Batubay Ozkan, in Moscow, and Max Koep, in London—oversaw the desk.

Maksutova and Buznik were allocated the equities desk's Russian clients. Maksutova was assigned the clients represented by Volkov. Colleagues say that she knew few personal details about Volkov. (A former trading colleague of Volkov's said that Volkov is about forty years old and heavyset, adding, "He likes beer." Another former colleague said that Volkov "wasn't a great trader, but he was a good fisherman.") Volkov previously had worked at Antanta Kapital, a brokerage owned by Arcadi Gaydamak, a Russian-Israeli billionaire. Antanta Kapital ceased trading in 2008, and Gaydamak was later indicted in Israel for fraud and money laundering. (He received probation, but he recently spent three months in prison, in France, for illegal arms trading.)

In 2009, top managers at Antanta Kapital formed Westminster Capital Management, which became one of the first major mirror-trade clients. As a Deutsche Bank employee put it, Volkov was Westminster's "execution guy." Volkov also began executing mirror trades for several other companies.

Four employees at Deutsche Bank in Moscow recall that nobody tried to hide the scheme. Wiswell, Buznik, and Maksutova all met with Volkov, and his orders were discussed openly on the desk. Colleagues also remember that Hayes asked both Buznik and Wiswell about the mirror trades. Few conversations relating to the trades, however, were likely

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retained by Deutsche Bank's internal monitoring systems. Within the office, conversations about the trades typically occurred face to face, and videoconferences with colleagues in London were not recorded.

Several Deutsche Bank employees in London knew about the mirror trades, even though the orders were taken in Moscow. The London office executed half the transactions. The trades were also documented by a computer system, called DB Cat, which catalogued every trade made by the bank. Hayes and Koep, the supervisors in London, could call up trading receipts on their computers.

Although many people at Deutsche Bank knew about the mirror trades, not everybody was happy about them. In late 2012, Maksutova, the sales trader, went on maternity leave, and Buznik temporarily worked with Volkov. Buznik became uneasy that Volkov was executing identical buy and sell orders, and twice asked to meet with Wiswell to discuss the propriety of mirror trading. Wiswell, colleagues say, looked after Volkov's accounts personally. Wiswell assured Buznik that the trades were legitimate, and Buznik did not share his concerns with other managers. (Neither Wiswell nor his attorney responded to dozens of requests for comment.)

One day in 2011, the Russian side of a mirror trade, for about ten million dollars, could not be completed: the counterparty, Westminster Capital Management, had just lost its trading license. The Federal Financial Markets Service in Russia had barred two mirror-trade counterparties, Westminster and Financial Bridge, for improperly using the stock market to send money overseas. The failed trade was a problem for Deutsche Bank. It had paid several million dollars for stock without receiving a cent from Westminster. Employees at all levels of a financial institution notice when a trading desk abruptly falls short by a few million dollars. The episode should have raised serious suspicions—especially given the revoking of Westminster's license—but apparently it did not.

Employees recall that the failed trade was resolved in November, 2012, when Westminster repaid Deutsche Bank. Volkov resumed calling in mirror trades, on behalf of other counterparties. These companies were supposedly subjected to a rigorous "client review" process, and all of them were deemed satisfactory by a Deutsche Bank compliance team. But there was a pattern suggesting malfeasance. Clients of the scheme consistently lost small amounts of money: the differences between

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Moscow and London prices of a stock often worked against them, and clients had to pay Deutsche Bank a commission for every transaction—between ten hundredths and fifteen hundredths of a percentage point per trade. The apparent willingness of counterparties to lose money again and again, a former manager at Deutsche Bank told me, should have "sounded an air-raid alarm" that the true purpose of the mirror trades was to facilitate capital flight.

Wiswell, Buznik, and Maksutova also knew that there was a common interest among the counterparties, because many of them were represented by Volkov. But even Deutsche Bank employees who did not work on the desk could have concluded, after a cursory examination, how closely aligned the funds were. According to public documents, Chadborg Trade LLP, which was based in the U.K., wholly owned Lotus Capital, which was based in Russia. Another British mirror-trades entity, ErgoInvest, was registered in the same office in Hertfordshire where Chadborg was registered. Westminster Capital Management, meanwhile, was bought in 2010 by a man named Andrey Gorbatov. In 2014, Gorbatov bought another Russian brokerage implicated in mirror trades: Rye, Man & Gor. Clients of mirror trades told me that the same people who established Westminster also established one of the other counterparties: Cherryfield Management, in the British Virgin Islands.

The counterparties were not owned by Russian oligarchs. They were brokerages run by Russian middlemen who took commissions for initiating mirror trades on behalf of rich people and businesses eager to send their money offshore. A businessman who wanted to expatriate money in this way would invest in a Russian fund like Westminster, which would then use mirror trades to move that money into an offshore fund like Cherryfield. The offshore fund then wired the money, in dollars, into the businessman's private offshore account. A middleman who formed one of the Russian counterparty funds told me that the cost of his services depended upon the Russian authorities' desire to stop the export of capital. In 2011, when controls were lax, the fee was 0.2 per cent. In 2015, when sanctions were strong, and Putin was determined to retain as much wealth as he could in Russia, the fee rose to more than five per cent.

Crucially, the footprint of individual mirror trades was small. One Deutsche Bank employee recalls that, in 2014, the Moscow equities desk traded

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seventy to ninety million dollars' worth of stock daily. Mirror trades never exceeded twenty million dollars a day, and were normally in the region of ten million dollars. (Deutsche Bank claims that some of the suspicious trades were "one-way," meaning that another bank picked up the mirror order—a more laborious but less traceable transaction.)

Whose fortunes were being hidden? In April, I met a broker in Moscow who had worked with clients of the Deutsche Bank mirror trades. He told me that mirror trading was not a new scheme. It was invented, in the late aughts, by other banks in Russia, to help importers avoid heavy taxes on their products. The scam was ingeniously simple. A Russian importer would claim on his invoices that he had bought, say, ten rubber ducks rather than the true figure of ten thousand rubber ducks, in order to pay tax on only ten rubber ducks. Of course, the importer still needed to pay his supplier overseas for the remaining rubber ducks. He did this by expatriating money using mirror trades. Instead of paying a large tax to the Russian treasury, the importer paid a much smaller fee to money launderers.

The broker found it hard to believe that the wealthiest Russians, such as the Rotenberg brothers, would have used mirror trades. After all, there were so many ways for Putin's friends to send their money offshore, including through Russian government-owned banks, like Gazprombank, which have branches overseas. Other people I spoke with disputed the broker's assessment: U.S. and E.U. sanctions have made it increasingly difficult for Russian billionaires to expatriate money, and mirror trades had the advantage of being a quiet method, because of the relatively small amounts involved in each transaction.

Another Russian banker, who helped to set up the mirror-trade scheme, told me that much of the money belonged to Chechens with connections to the Kremlin. Chechnya, the semi-autonomous region in the North Caucasus, is ruled by the exuberantly barbarous Ramzan Kadyrov, who is close with Putin. Chechnya receives huge subsidies from Russia, and much of the money has ended up in the pockets of figures close to Kadyrov.

The Deutsche Bank mirror-trades operation appears to be linked to an even bigger attempt to expatriate money: the so-called Moldovan scheme. Starting in 2010, fake loans and debt agreements involving U.K. companies helped funnel about twenty billion dollars out of Russia to a

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Latvian bank, by way of Moldova. When the Moldovan scheme unravelled, in late 2015, several people were arrested. One was Alexander Grigoriev, a Russian financier who controlled Promsberbank—a now defunct institution, based in a Russian backwater called Podolsk, which counted Igor Putin as a board member. Two of Promsberbank's major shareholders—including Financial Bridge—have been accused of making mirror trades. The Russian news agency RBC has reported that "the criminal dealings of Promsberbank" and the mirror trades at Deutsche Bank are connected.

Deutsche Bank has not commented on whose money was expatriated through the mirror trades, although John Cryan, the C.E.O., has said that the bank has not knowingly assisted Russians on the sanctions list. In the deadening argot of finance, Deutsche Bank's Russian fiasco has frequently been called a "failure of controls." In an interview in March, 2016, Cryan said, "To our knowledge, the individual transaction steps in themselves were innocuous. However, the case raises questions about how effective our systems and controls were, especially with regard to the onboarding of new clients, an area where we experienced difficulties in collecting sufficient information."

This passive language is hard to square with the blatant nature of the scheme. Roman Borisovich, a former investment banker at Deutsche Bank in London, who focussed on Russian businesses, told me, " 'Fucking Obvious' is the middle name of Russian corruption."

Deutsche Bank's myopia has been noticed by regulators. In March, the Financial Conduct Authority of the U.K. sent a letter to Deutsche Bank, saying that the company's U.K. branch had "serious A.M.L. (anti-money laundering), terrorist financing and sanctions failings which were systemic in nature." A month later, Georg Thoma, a lawyer who sat on Deutsche Bank's integrity committee, and who was brought to the bank specifically to improve controls and analyze the bank's former misconduct, was forced out. He had just argued with executives at a board meeting. The deputy chairman of the board, Alfred Herling, told the Frankfurter Allgemeine Sonntagszeitung that Thoma had been "overzealous" in probing links between senior executives and misconduct at the bank.

Reports of Deutsche Bank's internal investigation into mirror trades do not inspire confidence. Mirror trades occurred for at least two years before anyone raised any concerns, and when red flags appeared it was months

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before anyone acted on them. According to Bloomberg News, the internal report notes that, in early 2014, a series of inquiries about the propriety of mirror trades had been logged by multiple parties, including Hellenic Bank, in Cyprus, the Russian Central Bank, and back-office staff members at Deutsche Bank itself. When Hellenic Bank executives contacted Deutsche Bank and asked about the unusual trades, they did not hear back from the compliance department. Instead, their inquiry was fielded by the equities desk that was performing the mirror trades. Deutsche Bank in Moscow reassured Hellenic Bank that everything was in order.

Tim Wiswell, the head of the equities desk, was known to his colleagues as Wiz. He grew up in Essex, Connecticut. He has strong connections to Russia. His father, George C. Wiswell III, worked for many years in the oil-and-gas sector in Moscow. Tim spent a year of high school there.

Wiswell graduated from Colby College, in Maine, in 2001. In his mid-twenties, he arrived in Moscow. He already spoke Russian. His first job was at Alfa-Bank, the private bank of Mikhail Fridman, the second-wealthiest man in Russia. When a salaried position did not materialize, he moved to a junior position in equities at United Financial Group, the Russian investment bank co-founded by Charlie Ryan, an American pioneer in post-Soviet Russian finance. In 2006, U.F.G. was bought by Deutsche Bank. Within a few years, Wiswell had become the head of the Russian equities desk.

Colleagues at U.F.G. remember Wiswell as an all-American type who loved sailing and skiing. His boss there, Martin Skelly, told me that Wiswell was an industrious, well-liked employee, and compared him to Matt Damon's character in the Jason Bourne films—"the same kind of rugged, good-looking, composed, thoughtful guy." In 2010, Wiswell and Natalia Makosiy, an art historian from Moscow, got married in Newport, Rhode Island; photographs of the event, which featured a samovar filled with Russian moonshine, appeared in a wedding magazine.

Many young Americans were drawn to Moscow banks in the aughts. Will Hammond, an American who worked with Wiswell at U.F.G., has been writing a memoir of his time on the trading floors—and dance floors—of Moscow. He remembers Russia at the time as "the wild, wild East": "If you wanted to be competitive, you had to do a lot of things that were not done in the developed world, because it was Russia. It was a very aggressive

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sales mentality, which was going on across the board across all the Russian banks." Others recall that it was common to engage in "front running"—using knowledge of a pending trade from a client to make money on a personal account. In America, the tactic would be considered insider trading. (Insider trading did not become illegal in Russia until 2011.)

A former colleague of Wiswell's at Deutsche Bank says that, even before the mirror trades, some of Wiswell's activity as head of the equities desk was questionable. In the late aughts, a fund called Lanturno sometimes traded with Deutsche Bank "over the counter." Such trades do not pass through a stock exchange; a broker sets the price based on the market value. (Many mirror trades were also over-the-counter.) The former colleague recalls occasions in which Lanturno lost money on a trade, either by buying too high or selling too low. The next morning, however, bank records would indicate that Lanturno had not lost money on the trade. When challenged by colleagues, Wiswell would say that he had altered the entries for Lanturno to rectify an error made on his part. The sums involved were small and easily ignored—the reversed losses were between ten and twenty thousand dollars. The former colleague, however, noted that Wiswell was later flown to Mauritius on a private jet by Lanturno's owner, Dmitry Perevalov, to celebrate Perevalov's fortieth birthday. Two photographs on Facebook show that the men also went skiing together. (Perevalov denied that any trades were amended on his behalf, and said that it was "impossible" to change an order once it had been entered into Deutsche Bank's systems. Former employees recall trades being amended regularly.)

Recently, I received a photocopied trade blotter from a source within Deutsche Bank. It showed that, between October 13, 2009, and October 27, 2009, Wiswell made a series of curious over-the-counter trades on behalf of a counterparty called Gigalogic Holdings, which, according to former Deutsche Bank employees, was the personal investment fund of Stephen Lynch, an American investor in Russia—and a friend of Wiswell's. Because a trader sets the price for over-the-counter trades based on a spread of a few decimal points around a stock's market value, there is scope to create a margin. The blotter showed that Wiswell had repeatedly bought low and sold high on Gigalogic's behalf, effectively paying Lynch nearly half a million dollars of Deutsche Bank's money. According to colleagues, when Wiswell was confronted about the

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transactions he said that they had been approved by superiors. Lynch, Wiswell said, had been helpful in a bankruptcy auction that Deutsche Bank had participated in, and paying him through over-the-counter trades was "easier than writing him a check." (A lawyer representing Lynch denied that Lynch had been paid by Wiswell, and also denied any connection between Lynch and Gigalogic. When presented with company documents from Cyprus showing that Lynch owned all the shares in Gigalogic between 2007 and 2012, the representative declined further comment.)

When the mirror trades began at Deutsche Bank, in 2011, revenues on Wiswell's desk were falling sharply, and Wiswell likely felt pressure to improve performance. For Maksutova and Buznik, at least, there was no obvious financial benefit to performing mirror trades: the extra volume did not affect their bonuses. Many at Deutsche Bank, however, believe that Wiswell profited personally from the scheme.

In August, 2015, shortly after Wiswell was suspended from Deutsche Bank, he was fired. He initiated a wrongful-dismissal suit. The court hearings, in Moscow, were open to the press. On February 1, 2016, a lawyer for Deutsche Bank called Wiswell "the mastermind of the scheme for the withdrawal of billions of dollars from the country." The lawyer also said that Wiswell's wife had received a quarter-million-dollar payment, for "financial services," into the bank account of a corporation that is registered under her name. Wiswell lost the suit.

Deutsche Bank refused to say whether it believes that Wiswell took bribes, and declined to discuss the case further for this article, perhaps because of the ongoing investigations into its Moscow office. According to people within Deutsche Bank, however, senior executives have told colleagues that Wiswell received bribes far in excess of the quarter-million-dollar payment cited by the company's lawyer.

Will Hammond, Wiswell's colleague at U.F.G., suggested to me that the bribery allegations were part of an effort to place the blame solely on Wiswell and save the jobs of Deutsche Bank supervisors. One of the executives who oversaw the desk, Batubay Ozkan, plans to leave the bank this year, by mutual agreement; Hayes and Koep—the supervisors who could monitor the trades made by Wiswell's desk—still work for Deutsche Bank in London. (None of the three have been charged with

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wrongdoing.) "Someone is going to an awful lot of trouble to make Wiz look guilty," Hammond said.

On an April evening in Moscow, I met with a broker who had intimate knowledge of the structure of the mirror trades. The city was emerging from the choking cold of winter, and young people flirted outside Paveletskaya Station as if it were high summer. As the broker and I walked across the square, he characterized mirror trades as just one of a thousand ruses employed by smart businessmen. But why, I asked him, would somebody with a prominent position at a major bank get involved in such a scheme? Wiswell's annual compensation was in the region of a million and a half dollars. The broker laughed. He said that Wiswell had been paid handsomely by clients of the mirror trades. For the architects of the scheme, the broker explained, it was worth it to bribe someone inside the bank: "Guys always pay something. They think it will hook you, so you are not going to do unexpected things." In the estimation of the broker, Wiswell was a useful functionary but hardly a criminal genius. Sometimes, the broker said, money was transferred into an offshore account maintained by Wiswell's wife, and sometimes cash was delivered to Wiswell in a bag.

Wiswell's current whereabouts are unclear. He recently launched a craft-beer business, Barbell Brewery, in Moscow, but some months ago he left the country with his wife and their two children for a trip to Southeast Asia. In March, his wife posted a request on Facebook for a nanny, noting that her family was on an extended stay in Bali, in the resort town of Seminyak. She later told a Balinese dance instructor that the family planned to remain on the island for a year. (Wiswell's wife declined, through a lawyer, requests for an interview.)

Former colleagues expect Wiswell to return to Moscow, where he owns an apartment. Russia is likely to be a friendly jurisdiction to him. When Moscow regulators looked into the mirror trades, they found little to trouble them. They said simply that Deutsche Bank had fallen victim to an illegal scheme, and levied a token punishment—about five thousand dollars. American and European regulators are likely to be much more punitive. Indeed, Wiswell probably will not return to America anytime soon, given the Department of Justice's investigation of Deutsche Bank. One of Wiswell's friends, now in America, called him "finance's Edward Snowden."

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On March 9, 2015, less than a month before the mirror-trades scandal became public, Oliver Harvey and Robin Winkler, two strategists in the research department of Deutsche Bank in London, published a report, "Dark Matter," which described the vast unrecorded transfer of money among nations. Most economic papers are politely ignored by the world at large, but "Dark Matter" attracted wide interest. Several newspapers ran articles about it, and Harvey appeared on both CNN and the BBC to discuss his research.

The report's conclusions confirmed long-held suspicions. In any national economy, the authors explained, there are capital flows that do not appear on what is called "the balance of payments." Errors and accidental omissions should be random, and therefore reveal no pattern. The authors found that in the United Kingdom the pattern was anything but random. Britain had "large positive net errors" that suggested significant "unrecorded capital inflows." Analyzing data from other countries, Harvey and Winkler deduced where the vast majority of unrecorded capital flowing into the U.K. was coming from. Since 2010, they wrote, about a billion and a half dollars had arrived, unrecorded, in London every month; "a good chunk" of it was from Russia. "At its most extreme," the authors explained, the unrecorded capital flight from Moscow included "criminal activity such as tax evasion and money laundering."

In a connected and digitized financial system, how could such capital flight happen? Bank transfers leave a footprint. Imports and exports are accounted for. How could money disappear in one place and show up in another? The two strategists did not have to wait long, or look far, to learn the shameful answer: of the eighteen billion dollars that the researchers had estimated was flowing into the U.K. each year, about twenty per cent had arrived there as the result of trades made at their own bank. Half the trades were settled at Deutsche Bank's City of London headquarters, which is a short walk from the office, in Pinners Hall, where Harvey and Winkler worked.

John Cryan, the Deutsche Bank C.E.O., has little time to think about such embarrassments. Whatever the outcome of the various investigations into mirror trades, the bank is in trouble. It lost seven and a half billion dollars last year. Cryan has called the 2015 result "sobering." Britain's recent decision to leave the E.U. has imperilled Deutsche Bank even further. So far in 2016, the bank has lost half its market valuation, and in early August

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its stock price dipped to an all-time low, of $12.58. The only investors who now like the bank are short-sellers. The financier George Soros took a short position in Deutsche Bank before the Brexit referendum, effectively betting against the share price, and is estimated to have made more than a hundred million dollars as the stock nose-dived. Meanwhile, unlike many other Wall Street lenders, Deutsche Bank continues to loan millions of dollars to businesses associated with Donald Trump. When theTimes questioned Trump recently about his credentials on Wall Street, he said that a private wealth manager at Deutsche Bank, Rosemary Vrablic, could vouch for him.

The mood within the bank is bleak, not least because Cryan has announced that job cuts are forthcoming. A recent survey found that less than half of Deutsche Bank employees are proud to work there. (Cryan also called this news "sobering.") The mood among shareholders is, if anything, worse. Ingo Speich, a fund manager at Union Investment, a German company that is one of Deutsche Bank's biggest shareholders, told me that in 2015 there were catcalls at the bank's annual general meeting. This year, Speich stood up and inveighed against "a decade of mismanagement." Meanwhile, the market capitalization of Deutsche Bank has become a grim Wall Street joke. This summer, Deutsche Bank, which is a hundred and forty-six years old, has been valued at about eighteen billion dollars—the same as Snapchat.

Since 2011, the Federal Reserve has performed a yearly "stress test" of U.S. lenders, assessing whether banks would have enough capital to withstand the shock of an economic downturn. Deutsche Bank failed the test in 2015, and failed again this June, when "broad and substantial weaknesses" were uncovered. Soon after the Federal Reserve's latest report was released, the International Monetary Fund issued a dire warning. Deutsche Bank, it said, was not only "one of the most important net contributors to systemic risks in the global banking system"; it was also a contagious agent, because of heavy financial "spillover" between Deutsche Bank and other lenders and insurers. Any kind of failure at Deutsche Bank, the I.M.F. suggested, would be extremely bad news for everybody.

Given Deutsche Bank's fragility, the mirror-trading scandal could not have come at a worse time. Cryan has promised to settle the Russian case by the end of this year, and the bank recently set aside about a billion dollars

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for legal costs. This may not be enough. Last year, Deutsche Bank was fined the relatively small sum of two hundred and fifty-eight million dollars for its circumvention of sanctions against Iran, Sudan, and elsewhere. In 2014, however, BNP Paribas agreed to pay nearly nine billion dollars to settle with regulators over sanctions violations. And the mirror trades may exact a heavy fine from U.S. regulators, who take a dim view of activity that looks like money laundering. A payment as vast as the one levied at BNP Paribas could require Deutsche Bank to raise capital to survive. A German government bailout might become a necessity. A capital shortfall at Germany's largest bank might provoke a banking crisis across Europe. The shock to the global economy would be profound.

Deutsche Bank's Web site includes a statement of values. The document was written in 2013, when Deutsche Bank created a new code of ethics to help it "conduct business with the utmost integrity." In the wake of the mirror-trades scandal, one section of the text stands out. "We enable our clients' success by constantly seeking suitable solutions to their problems," it reads. "We will do what is right—not just what is allowed." ♦

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