

New Worries of Selective Justice

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April 06, 2011

The  Moscow Times

Bank of Moscow president Andrei Borodin could well become the latest symbol of selective justice, just as the Kremlin is bending over backward to show it is trying to improve the investment climate in the country.

He is the latest Russian to end up in London in the midst of a fraud investigation into his business by law enforcement agencies — coupled with an aggressive takeover attempt by state-controlled lender VTB.

While the investigation looks like an attempt to crack down on corruption, it closely follows the dismissal of Mayor Yuri Luzhkov, whose administration held almost half of Bank of Moscow. If the authorities begin to suspect fraud after the departure of a political figure — rather than before — they provide grounds for the businessmen connected with that figure to insist that their prosecution is politically tinged, said Lilit Gevorgyan, Russia analyst at IHS Global Insight in London.

The existence of an underlying political motive "in some sense is not far from the truth, given

that justice in Russia remains a selective process and applies to those whose vital link with the ruling elite is severed," she said.

Borodin's relocation to London last week, ostensibly for medical treatment, prompted prosecutors Wednesday to warn they would seek his extradition if formal charges against him appear.

"It's our position to bring back all citizens who commit a crime and go abroad," said Saak Karapetyan, chief of international cooperation at the Prosecutor General's Office, Interfax reported.

Businessman and longtime exile Boris Berezovsky went so far as to suggest Wednesday that Borodin — who said a day before that he would return to Moscow as soon as his health permitted — could ask Britain for political asylum.

"I have major experience communicating with the Russians who seek political asylum," he said by phone from London. "This experience says ... the people are really persecuted on political motives or because someone wants to take away their business."

Borodin is negotiating with VTB to sell his stake in Bank of Moscow based on a valuation of \$6 billion for the entire lender, he said Tuesday, RIA-Novosti reported. That's roughly the same valuation that VTB gave Bank of Moscow by buying half of the lender from City Hall for 103 billion rubles earlier this year in the country's biggest banking acquisition.

Borodin and his adviser Lev Alaluyev together own 20.3 percent of Bank of Moscow.

Bank of Moscow complained last week that the takeover "campaign" by VTB had cost it 5 billion rubles in lost profit so far this year because it was unable to attract as many deposits and extend as many loans as it had hoped. Also, it had to sacrifice staff to deal with an extraordinary number of inspections by government agencies that since November — weeks after Luzhkov was ousted — have included the Central Bank, Federal Tax Service, Interior Ministry, Investigative Committee and Federal Financial Markets Service.

"This type of pressure on one of the country's leading credit organizations demonstrates the vulnerability of the Russian banking system on the whole and produces a negative effect on the investment climate," the bank said in a statement.

Former Yukos chief lawyer Dmitry Gololobov doubted the legal assault on Borodin and Bank of Moscow would raise any substantial new concerns about doing business in the country.

"Everyone understands that ... there's lots of illegal money circulating in Russia," said Gololobov, who has practiced law in London since Yukos began collapsing under what some described as politically motivated tax claims.

If investors believe there are political motives behind the case, they would at best just make another mental note to confirm the well-known pattern, he said.

Law enforcement sources said Tuesday that Borodin didn't report for questioning as a witness last week in the investigation into a loan of 12.8 billion rubles that ended up in the personal bank account of Luzhkov's wife, Yelena Baturina. Conflicting news reports have said his status

changed — or could be changed — to "suspect."

Bank of Moscow and the Interior Ministry didn't comment on the case Wednesday.

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