The Moscow Times
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VTB Banker Takes Over for Borodin at Bank of Moscow

By Anatoly Medetsky

April 12, 2011



A Moscow court on Tuesday removed Bank of Moscow president Andrei Borodin from his position, even as shareholders were set to oust him next week anyway.

A VTB executive, Mikhail Kuzovlyov, took over from Borodin as acting chief of Bank of Moscow, cementing VTB's hold on the smaller lender.

VTB recently bought about half of Bank of Moscow from City Hall for $3.5 billion in the country's largest purchase in the sector, much to Borodin's chagrin.

Moscow's Tverskoi District Court ruled in favor of Interior Ministry investigators who asked that Borodin and his deputy Dmitry Akulinin be deposed. The court suspended the executives indefinitely. The motion from the law enforcers said the duo used their authority to the detriment of their bank and its previous major shareholder, City Hall, court spokeswoman Yekaterina Ilina said.

The investigators believe that Borodin and Akulinin assisted in the issuance of a loan by the bank using as collateral property that has questionable liquidity, Ilina said.

Lawyers for the bankers said they would appeal the decision.

Borodin said last week that his status in the case of the 12.8 billion ruble ($454.7 million) loan, which the Interior Ministry said ended up in the personal bank account of Yelena Baturina, wife of the recently ousted Moscow Mayor Yury Luzhkov, had been changed from witness to suspect. A Baturina spokesman said she hadn't commit any wrongdoing.

Summoned to appear for questioning last week, Borodin chose instead to fly to London for medical treatment and said in an interview with Ren-TV television over the weekend that he could ask for political asylum if the other choice were to "end up on a prison bunk" in Russia.

Borodin said Tuesday that he would return to Russia only if he could reach an agreement with the people who "force me to be in London," he said, RIA-Novosti reported.

He labeled the court ruling a result of government interference in corporate affairs. The decision created an "extremely dangerous precedent that opens the way to the takeover of any company or bank by corporate raiders," he said, Interfax reported.

"A decision by investigators can remove executives from the management of any company," he said, calling on the big business lobbying group Russian Union of Industrialists and Entrepreneurs, or RSPP, and other business groups to take an interest in what he dubbed "lawlessness."

At the same time as he was involved in the investigation he was negotiating to sell a 20.3 percent stake in Bank of Moscow, an interest he held jointly with Lev Alaluyev, to VTB.

Nevertheless, it transpired over the weekend that the bankers sold the stake to Vitaly Yusufov, son of former Energy Minister Igor Yusufov and co-owner of the companies Nordic Yards and Osnova Telecom. Borodin said he was unhappy about the price, but he didn't name the amount.

"When they don't twist your arms, you can sell quietly and for what it's really worth — or you can take the chance of not selling," he told Vedomosti.

Yusufov now owns more than 26 percent of Bank of Moscow, having bought shares from other minority shareholders, Vedomosti reported Monday, citing sources.

Bank of Moscow's board of directors convened for a special meeting after the court ruling to appoint Kuzovlyov interim chief executive. Kuzovlyov said in a statement that he would do his best to increase efficiency and transparency at Bank of Moscow.

Bank of Moscow shareholders have been casting ballots by mail to vote on whether to dismiss Borodin and elect a new president, a process that is scheduled to come to an end on April 21. According to VTB chief Andrei Kostin, Kuzovlyov had collected more than half of the vote by Friday.

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