

Why Some Bankers Get Special Treatment

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London's High Court sentenced Mukhtar Ablyazov, the former head of Kazakhstan's BTA Bank, to 22 months in prison last week for contempt of court. He was found guilty of lying under oath, but there has been no ruling yet on the main question of whether Ablyazov embezzled at least \$5 billion of the bank's assets.

Ablyazov struck me as one of the savviest businesspeople I have ever met. His personal friends have energetically tried to convince me that Ablyazov is a Kazakh version of Khodorkovsky and that he only pulled the assets out of the bank so that corrupt officials in the Kazakh government would not get their hands on them.

But prominent bankers, including Alexander Lebedev, have assured me that Ablyazov is a major scam artist on the level of Bernard Madoff. Lebedev contends that Ablyazov attracted money to the bank from domestic and foreign sources, used those funds to buy assets and then embezzled the funds. It was only after the purported embezzlement that Kazakh President Nursultan Nazarbayev's wrath fell on Ablyazov's head.

There is a history of tension between Nazarbayev, an authoritarian leader, and Ablyazov that goes back for at least a decade. Nazarbayev had Ablyazov thrown in jail in 2002 in a case largely seen as politically motivated. He was released after serving 10 months on the condition that he renounce politics.

The current Ablyazov affair is indeed murky. It is difficult to say for sure whether Nazarbayev stole from Ablyazov or Ablyazov from the bank's investors. Luckily, the British court system is sorting out the whole mess.

Meanwhile, a Lithuanian court recently issued an arrest warrant for Vladimir Antonov, the Russian co-owner of the failed Lithuanian bank Bankas Snoras. Antonov was detained in London. It is strange that the British were able to detain Antonov, but the Russian police or the Chechens who were hunting for him couldn't nab him when he was in Russia.

Why don't the Russian authorities initiate criminal proceedings in London against former Bank of Moscow head Andrei Borodin? Bank of Moscow's alleged crimes make the BTA Bank case look trivial by comparison.

In another example, Fyodor Khoroshilov, a former senior manager for metals tycoon Roman Abramovich, took about \$1.2 billion in loans from VTB to develop a number of oil and gas deposits he owns. The problem is that the documents he supplied were fake, and there was not enough oil in the ground to justify a loan of that size. After Khoroshilov fled to London, VTB filed a lawsuit against him in Britain on fraud and embezzlement charges. But why didn't VTB demand that the London court arrest Khoroshilov on these charges?

The answer is that Khoroshilov would probably spill the beans if he were threatened with jail time. He might reveal who received kickbacks and how much they got in that incredible deal.

Khoroshilov might even disclose the workings of a purported VTB slush fund that is allegedly financed by kickbacks from the bank's largest deals. Part of this fund is believed to provide "supplementary payments" to senior government officials. Apparently, this fund was established after Khodorkovsky's arrest in 2003 on the pretext that it is better that the fund, rather than oligarchs, pays off government officials.

I wouldn't be surprised if Borodin could also divulge similar information about the Bank of Moscow.

And this is precisely why all these guys remain untouchable.

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