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Rosbank CEO Held in Corruption Probe (Video)

By The Moscow Times

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Interior Ministry footage showing police raiding Rosbank and confronting its CEO, Vladimir Golubkov.

The chief executive of Societe Generale's Russian unit was detained Wednesday on suspicion of taking bribes, dealing a blow to one of the few foreign banks that has dared to challenge Russia's dominant state banks.

The investigation into Rosbank chief executive Vladimir Golubkov in Moscow follows promises by President Vladimir Putin to crack down on the endemic corruption in business and public life as well as to defend national economic interests.

It could also alarm international companies in Russia that are wary of the weak rule of law and the state's ability to step in against businesses or individuals that fall out of favor.

Despite announcing cost cuts when it published its latest results, the French bank last week reaffirmed its commitment to Russia, a market it entered at high cost over the past decade that has been abandoned by some Western banks.

Those growth plans could now be at risk after Golubkov's detention on suspicion of illegally accepting a six-figure dollar sum in cash and soliciting a far larger bribe.

The Rosbank CEO was held "on suspicion of receiving illegal monetary compensation" totaling 5 million rubles ($160,000), the Interior Ministry said in a statement that gave his job title but not his name.

Golubkov was also suspected of soliciting a bribe of $1.5 million from a businessman to grant a loan, the interior ministry statement said, and a second senior Rosbank manager was also held. The bank itself did not comment, while SocGen had no immediate comment.

Television footage released by the ministry showed uniformed offers elbowing their way into Rosbank's head office, cutting to a scene of Golubkov standing in his office with several wads of 5,000 ruble ($150) notes in front of him on his desk.

Golubkov, wearing a light-colored suit, did not speak to the cameras.

Such payments are not unusual in the Russian banking system and frequently go undetected. Cases that come to light have been known to result from set-ups by competitors to incriminate rivals.

Rosbank said it was cooperating with authorities in the investigation into Golubkov and said first deputy CEO Igor Antonov was taking charge of operations, which were unaffected by the developments.

"It doesn't look pretty," said one Russian banking analyst who spoke on condition of anonymity. "But everyone knows this is something that is specific to Russia, that it happens - just not at this level."

Another senior Russian banker, who neither knows Golubkov personally nor was aware of the details of the case, said: "Somebody could have set up the guy."

Western bankers say it is sometimes difficult to prevent their staff from accepting loan 'facilitation' payments seen as vital for cementing relationships in a country where the courts offer limited recourse for resolving disputes.

Russia has suffered tens of billions of dollars in capital outflows and its economy has been weighed down by weak investment as large foreign players, such as British oil major BP, have liquidated major investments after coming under heavy pressure from officials or competitors.

SocGen has paid an estimated 4 billion euros ($5.2 billion) to build up an estimated 82 percent stake in Rosbank, but despite creating Russia's ninth-largest commercial bank the franchise has failed to make consistent profits.

In an interview with Reuters published on May 7, Golubkov said Rosbank had growth

potential: "Russia is Societe Generale's second most important market and a priority development target."

Golubkov has been CEO at Rosbank since 2008. The lender was previously the bank of Russian metals billionaire Vladimir Potanin, who is a major shareholder in Arctic miner Norilsk Nickel, and tycoon-turned-politician Mikhail Prokhorov.

SocGen has struggled to impose effective control over Rosbank and integrate its other Russian operations, with a high cost base and below-par loans growth last year driving the bank to a small loss.

Hopes had been high that an overhauled management team, with Golubkov backed up by deputy CEOs Francois Bloch and Ilya Polyakov, would be able to turn the page.

That outcome has eluded other Western banks including Barclays and HSBC, which have pulled out of Russia after finding that they could not compete with state-backed Sberbank and VTB.

"SocGen's investment in Rosbank has been problematic since the beginning, in terms of price paid, profitability and governance concerns...These new political or regulatory issues are not going to help," said Yannick Naud, portfolio manager at Glendevon King Asset Management.

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