

Yandex Seeks Putin's Ear With German Gref Board Appointment

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Sberbank CEO German Gref has joined Yandex's board of directors.

As the state takes an increasingly strong hand over the Russian Internet, German Gref, the liberal-minded chief of state-run Sberbank, was on Tuesday elected to the board of directors of Russia's leading search engine Yandex.

Gref, a former economic development minister, was officially elected as a nonexecutive director at the company's yearly shareholders meeting, Interfax reported, citing a message from the company. He will hold the position for three years.

In their official commentary on Gref's nomination earlier this month, Yandex, Russia's largest Internet company, underscored his value as a mediator between the interests of online businesses and the state.

“The process of Internet regulation has been actively unfolding in recent years, and both

Yandex's team and the Internet industry as a whole are encountering lobbying challenges more and more frequently. German Gref's expertise in this area will be useful for Yandex," the company said.

As the main search engine and news source for millions of Russians, with 62 percent of the search engine market according to Livenet.ru, Yandex has been a constant object of state scrutiny and oblique pressure. The company turned to Sberbank as a mediator in 2009, giving the bank a "golden share" that entailed power over key corporate decisions but no direct role in daily business. Sberbank also purchased a 75 percent share in payment service Yandex.Money for about \$60 million last year.

Gref will join another government-connected board member, Alexander Voloshin, a former chief of the presidential staff. Voloshin was considered "a very efficient mediator between Yandex and the Russian government, but now it looks like Voloshin's influence is not sufficient any longer," said Ilya Ponomaryov, an opposition State Duma deputy who headed multiple IT companies prior to his move into politics.

Yandex has come under increasing pressure in recent months. President Vladimir Putin in late April said that Yandex was compelled into hiring foreigners in its early years and suggested that the company is now partially registered abroad "not only for tax purposes, but for some other reasons." In the same speech, Putin described the Internet as "a special project of the CIA." Earlier this month, State Duma Deputy Andrei Luguvoy asked prosecutors to inspect Yandex for compliance with the much more rigorous laws governing media organizations.

As a candidate to represent Yandex's interests, German Gref is a logical choice, Ponomaryov said: the Sberbank chief "is considered a very liberal player, but he is very close to Vladimir Putin."

Gref has in fact already stepped out in defense of the Internet industry's interests. In January this year he sent a letter to the president, Central Bank and Finance Ministry calling on the agencies to defend anonymous online payments from excessive regulation. To no avail, however — as of May 15, the new law banned individuals from making anonymous payments and limited identified users' electronic payments to no more than 60,000 rubles (\$1,700) a day and 200,000 rubles (\$5,800) a month.

The state took back control of the country's main television station in the early 2000s, but the rapid rise in Internet consumption has created an entirely new and increasingly powerful form of media. Yandex last year overtook the largest state-owned television channel, Channel One, by volume of revenues, and is already neck and neck for viewership while Internet access — now available to more than 50 percent of the population — continues to spread across the country.

A magical chairs of share handovers has seen Russia's second and third largest companies — Mail.ru Group and Vkontakte — in recent years come under the financial control of Kremlin-linked billionaire Alisher Usmanov. Vkontakte founder Pavel Durov fled the country in April, claiming that he had been subjected to political pressure and that the company he built would now fall under the "full control" of Usmanov and Rosneft CEO Igor Sechin, a close Putin ally.

"Yandex is basically the last large stronghold of Internet freedom," Ponomaryov said, adding

that Yandex's founders — whom he knows personally — “are doing their best to save Yandex in this capacity.”

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