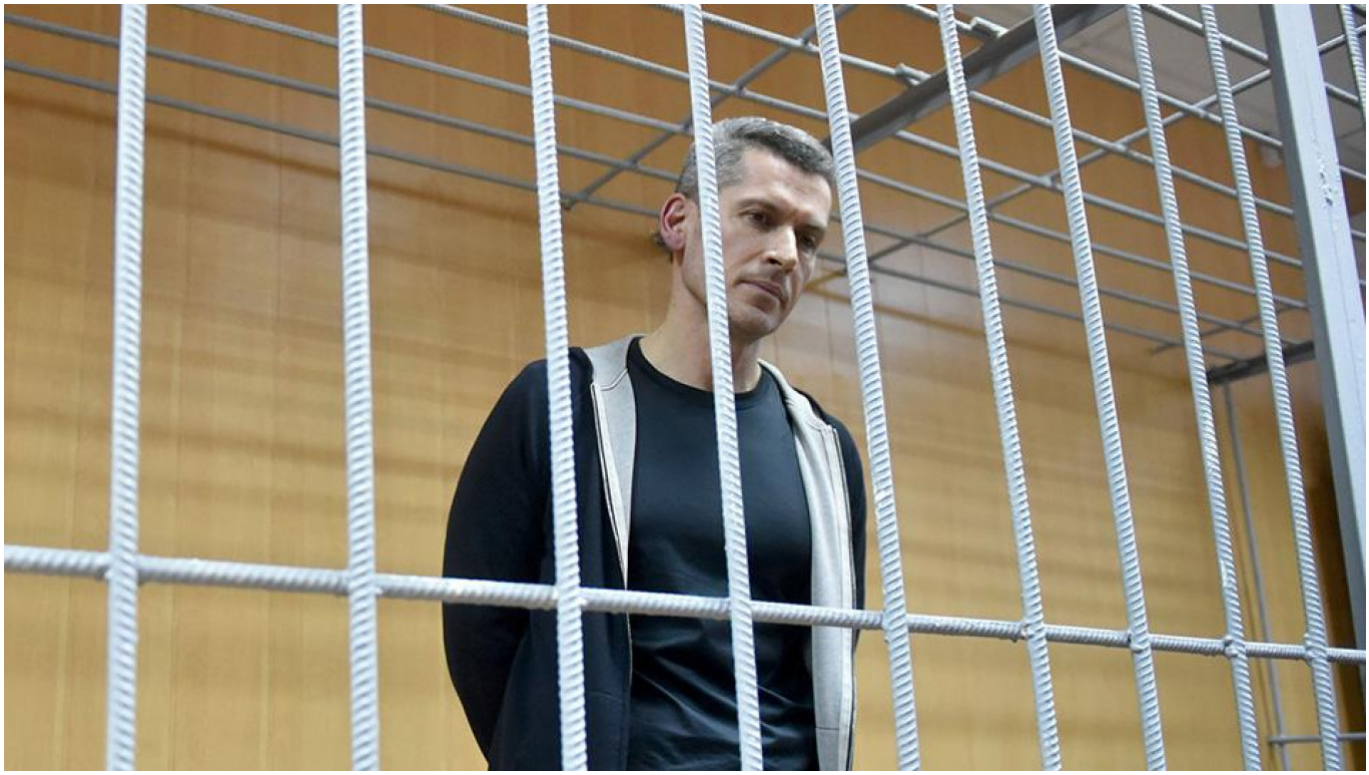
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Russia Arrests Oligarch Worth $1.4Bln in 'Strict' Crackdown on Embezzlement, Kremlin Says

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Ziyavudin Magomedov **Anton Kardashov / Moskva News Agency**

The arrest of a Russian oligarch on charges of embezzlement over the weekend is part of a "tough" crackdown on the misuse of state funds, the Kremlin said on Monday.

Ziyavudin Magomedov, the 63rd richest person in Russia with an estimated $1.4 billion according to Forbes, was arrested on Saturday on suspicion of embezzling more than $35 million in state funds. Magomedov, who was ordered to remain in pre-trial custody for two months, has denied the charges against him.

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"No, these are not some one-off actions. You know that a very strict, purposeful policy is

being implemented in terms of monitoring the use of budgetary funds," the state-run TASS news agency cited Kremlin spokesman Dmitry Peskov as telling reporters.

Peskov dismissed as "political gossip" allegations that the arrest of Magomedov and his brother Magomed was part of a pre-cabinet reshuffle directed at weakening figures close to Prime Minister Dmitry Medvedev, the RBC business portal reported.

The Magomedov brothers have been under police and Federal Security Services (FSB) surveillance for six months before their arrest, RBC cited an Interior Ministry investigative department source as saying, corroborating the information with an FSB source.

According to the Bell business news site, the Magomedovs face seven counts of embezzlement dating back to 2010-2013, including airport and World Cup venue construction projects in the westernmost Russian exclave of Kaliningrad.

"Companies tied to the Magomedov brothers won tenders for projects, then attracted budgetary funds for financing, increased the project's costs and scattered money across fictitious contractors, overstating the cost of work," RBC cited its Interior Ministry source as saying.

"Most of the assets were wired to offshore jurisdictions through a chain of shell companies," the source added.

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