

What's Behind the Arrest of the U.S. Founder of a Major Private Equity Group in Russia?

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Michael Calvey **Sergei Bobylev** / TASS

Russia has detained the U.S. founder of Baring Vostok, the biggest private independent equity fund in the country, in Moscow on suspicion of embezzling \$37.5 million.

Michael Calvey, 51, and three other partners in the fund who have also been detained face up to 10 years if convicted. Two more suspects, both bank executives, have also been detained on the same charges.

Here's what we know so far:

– Calvey was detained on Thursday, Moscow's Basmany court spokeswoman told Reuters on Friday afternoon local time.

Embed:

Arrested US private equity executive Michael Calvey just brought to Moscow court for his arraignment. Prosecutors say he defrauded a bank of 2.5bn rubles and want him held without bail pic.twitter.com/q0hY5UkpzE

— max seddon (@maxseddon) [February 15, 2019](#)

– Calvey and his colleagues are [accused](#) of cheating Vostochny Bank, [described](#) as Russia’s third-largest retail bank, out of 2.5 billion rubles (\$37.5 million).

– The fraud case was [reportedly](#) initiated at the request of the bank’s shareholder Sherzod Yusupov on Wednesday.

Who is Michael Calvey?

– Calvey, 51, U.S. citizen and the founder of the Baring Vostok private equity fund. He has [worked](#) and invested in Russia since the mid 1990s.

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– Calvey is also [listed](#) as a board member at the Atlantic Council.

– Calvey is [believed](#) to be at least the third Westerner to face prosecution in Russia’s justice system in the past two months.

What is Baring Vostok?

– Established in 1994, the private equity firm is among the oldest to invest in Russia and the former Soviet Union.

– Its funds have [invested](#) more than \$750 million in 11 Russian and Kazakh banks, including Vostochny.

– Baring Vostok has also invested in major Russian internet companies including the [Ozon](#) retailer and [Yandex](#).

– Baring [entered into a deal](#) to buy 20 percent of Vostochny in late 2010. In 2016, Baring [reportedly](#) boosted its stake in the bank from 67 percent to 74.4 percent as Vostochny was “desperately” looking for a new investor.

What are the reactions?

– Baring Vostok [said](#) Calvey’s detention alongside three of its employees “does not relate to Baring Vostok as a whole or any other Baring Vostok Fund portfolio companies.”

– Russian President Vladimir Putin was “unaware” of Calvey’s detention, his spokesman [said](#). “Don’t break the law,” Finance Minister Anton Siluanov [followed up](#).

– The chief executive of the Russian Direct Investment Fund (RDIF) Kirill Dmitriyev [said](#) he could personally vouch for Calvey.

Reuters contributed reporting.

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