

# Putin Focus Not Enough for Arrested Investor to Keep Key Asset

**A court has ordered a transaction that will cut Michael Calvey's stake in Vostochny Bank.**

June 11, 2019



Calvey was arrested in February on fraud charges. **Stanislav Krasilnikov / TASS**

A Russian court ordered Baring Vostok Capital Partners to immediately give up control of a bank at the center of an investor dispute that's shaken business confidence and drawn the attention of President Vladimir Putin.

A court in Blagoveshchensk in the country's Far East ordered that a call option for a 10 percent stake in Vostochny Bank be exercised before Baring Vostok's pending appeal is heard, U.S. investor Michael Calvey's private equity group said in a statement. The transaction would cut the fund's stake below the 50 percent needed to retain control.

"This is an unprecedented action by the court, which has essentially treated the 9.99 percent stake of shares in Vostochny Bank as a perishable product," according to the statement,

which added that Baring Vostok plans to appeal the court's decision.

**Related article:** [Kremlin Hopes Detained U.S. Investor Calvey Will Be Freed for St. Petersburg Forum](#)

The stake will be transferred as soon as a company controlled by Artem Avetisyan, who has been battling Baring Vostok for control over Vostochny, pays 750 million rubles (\$11.6 million) for the disputed call option. That will give Avetisyan and his allies, who control about 37 percent of the bank, a bigger share than Baring Vostok, which currently owns 52 rubles.

The court order marks a further setback for Calvey, who dominated discussions at Russia's biggest investment conference last week despite being held largely incommunicado under house arrest in his Moscow apartment. Putin said during the St. Petersburg International Economic Forum he would monitor the case closely and weighed in with terse advice from the Bible, "don't steal," a sign that he may find some credence in the charges against Baring Vostok.

Calvey and five associates, most of whom remain in jail, were arrested in February on fraud charges days after an ally of Avetisyan lodged a complaint. Baring Vostok denies wrongdoing and says the Russian group is using the criminal probe to take over Vostochny with little investment. Baring Vostok's funds have invested at least \$400 million in the bank over the last decade.

Avetisyan, a prominent businessman who sits on advisory panels to the Kremlin and the security services, denies the criminal case is related to the shareholder dispute.

The use of law enforcement to seize companies is a widespread problem in Russia. A survey by the Kremlin's business ombudsman found 84 percent of businessmen who are subject to criminal investigations end up losing part or all of their business, RBC reported last month.

Calvey, an Oklahoma native, founded Moscow-based Baring Vostok in 1994 and the fund has raised \$3.7 billion in total capital since then.

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