

Calvey Faces Setback as London Court Rules in Favor of Russian Investors

Besieged U.S. fund manager could lose control of Bank Vostochny.

By [Bloomberg](#)

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Michael Calvey is under house arrest in Moscow. **Yevgeny Razumny / Vedomosti / TASS**

The London Court of International Arbitration ruled in favor of a group of Russian investors in their legal battle with besieged private equity investor Michael Calvey in a decision that could force him to give up control of a key asset.

The court found Artem Avetisyan's Finvision had the right to exercise an option to buy a 10 percent stake in Bank Vostochny, the RBC news website reported, citing a copy of the ruling. That stake would give Avetisyan and his partners a majority of the bank's shares. The court also ordered Baring Vostok Capital Partners to pay 550,000 pounds (\$689,000) for the other side's legal fees, RBC said, citing Finvision's press service.

Related article: [Russian Regional Court Rules Against Detained Investor Calvey](#)

This decision is a further setback for Calvey, an American private equity investor in Russia who is currently under house arrest in his Moscow apartment. A Russian court ordered Baring Vostok to give up control of the 10 percent stake earlier this month. Calvey's fund dismissed that ruling, arguing that the London proceedings took precedence over the Russian ones under their shareholder agreement with Avetisyan's company.

The arrest of Calvey, a veteran foreign investor in Russia and a longtime defender of Kremlin policies, shocked the investment community and cast a shadow over the country's annual showcase for overseas business this month.

The dispute, which resulted in the February arrest of Calvey and several of his associates, centers around a 2016 merger between Bank Vostochny and Avetisyan's Uniastrum Bank. Baring Vostok argued it was not obliged to cede control because it alleges Avetisyan stripped assets from his lender before the union was complete.

"The case in London isn't over," Baring Vostok's press service said in a statement. "The interim decision by the tribunal only relates to the process of using the option, while the main dispute — over whether the option has legal power following the fraud that took place before the banks merged — will be heard in January 2020."

Finvision couldn't immediately be reached for comment.

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Calvey and five associates were arrested on charges they stole 2.5 billion rubles (\$39 million) from the bank after an ally of Avetisyan lodged a criminal complaint. Three of the men remain in jail. Baring Vostok denies wrongdoing and says the Russian group is using the 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.

The London court ruled that Finvision was within its rights to seek a judgment in Russia. It did not comment on the criminal charges Calvey faces other than to say it was a sign of the severity of the dispute, according to RBC.

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