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INDEPENDENT NEWS FROM RUSSIA

Russian Court Finds U.S. Investor Calvey Guilty of Embezzlement

Ruling seen as a blow to Russia's investment climate.

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Michael Calvey arrives to attend a court hearing in Moscow. **Alexander Zemlianichenko / AP / TASS**

A Moscow court has found American investor Michael Calvey guilty of embezzlement in a case which has rocked the Russian corporate world.

The capital's Meshchansky district court ruled Thursday that Calvey and his business partners had engaged in "criminal embezzlement," agreeing with the prosecution's argument that he had "organized and issued deliberately bad loans" to the value of 2.5 billion rubles ($34 million) during an acquisition deal for a Russian bank in 2015.

The court session will resume Friday morning, when a sentence is expected to be laid down.

During the trial prosecutors had requested a six-year suspended sentence for Calvey, who has already served months in prison and under house arrest since his arrest in February 2019.

Six of Calvey's colleagues were also found guilty Thursday. They included French citizen Philippe Delpal and five Russians — Vagan Abgaryan, Maxim Vladimirov, Ivan Zyuzin, Alexander Tsakunov and Alexei Kordichev — who were senior managers at Vostochny Bank, the lender at the center of the embezzlement charges, or Baring Vostok.

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Calvey is the founder of Baring Vostok, one of the most successful investment funds in Russia, specializing in investing in technology and finance startups. It has invested almost $3 billion in 80 companies, including some of Russia's most valuable technology companies such as Yandex and e-commerce giant Ozon.

Along with his colleagues, he was first arrested in February 2019 on the embezzlement charges. He was held in prison, then transferred to house arrest and most recently has been under a curfew, banned from leaving Moscow while his trial was ongoing.

The case related to a dispute with businessman Artem Avetisyan's Finvision over the ownership of Vostochny Bank. At the time of Calvey's arrest, the two sides were embroiled in international arbitration proceedings over claims of asset stripping by Avetisyan prior to the deal, and the counter-claims of embezzlement against Baring Vostok.

Calvey's arrest triggered uproar among Russia's business community and investors. Critics said it represented the criminalization of a business dispute which itself was already going through courts to be settled. Calvey's Baring Vostok had won some early procedural rulings in that legal fight.

Last year an agreement over the civil case was resolved, raising hopes it could pave the way for the criminal case to be dropped or sidelined. However, investors feared the settlement — which involved a $32 million payout by a Baring Vostok subsidiary — rewarded Avetisyan's strong-arm tactics.

Calvey has denied the charges against him, and said finding him innocent would have unleashed billions of dollars of investment into the Russian economy. His arrest, detainment and ongoing criminal trial are regularly cited by international investors and business owners as emblematic of the dangers of investing in Russia and the country's weak rule of law, with many saying the trial led to a direct fall of foreign investment into Russia.

Speaking outside court Friday after the proceedings, Calvey said the prosecutors and judge had "ignored the hundreds of documents, testimonies and expert witnesses" that attest to his innocence.

"I hope that tomorrow the judge will address the real facts," he added. "Hope dies last."

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