

PRESS RELEASE: Sergei Pugachev denies allegations of intentional bankruptcy and misappropriation

Moscow, 7 February 2014 – The Moscow City Court on Monday upheld the refusal of the Basmanny District Court to arrest businessman Sergei Pugachyov, a former Russian senator and founder of International Industrial Bank (IIB), in absentia.

Investigators allege Mr. Pugachev was involved in misappropriation of funds and the intentional bankruptcy of IIB. In a statement released today, Mr Pugachev denies involvement in any wrongdoings. Lawyers for Pugachev argue that the legal proceedings have been replete with irregularities, and the wrongful application of law enforcement agencies to solve commercial disputes, echoing the experience of high profile Russian businessmen such as Mikhail Khodorkovsky. Under Russian law, the charges brought against Mr. Pugachev are associated with business activities, and recourse for arrest in absentia is not available. Despite these provisions, the Basmanny District Court granted an arrest warrant late last year. Defence counsel successfully argued that there were serious problems with the decision, and the ruling was quashed on appeal.

A further attempt to have the Basmanny Court grant an arrest warrant was denied in January 2014. The Moscow City Court's decision today to uphold the refusal of the lower court highlights once again the highly irregular manner in which the justice system has been used in this matter. The charges against the former politician were met with surprise by many, given the widely held belief that Mr Pugachev, who served in the Russian Senate from December 2001 to January 2011, was close to both former President Boris Yeltsin and to current President Vladimir Putin.

Speaking for the first time about the matter, Sergei Pugachev commented: *"In the last few years, law enforcement agencies have become the main tool for solving commercial disputes in Russia. Ever since I left the country, every one of my main domestic assets has been facing raiding attempts or expropriation. I have also been on the receiving end of threats and attempts at extortion. The unsubstantiated criminal allegations against me are consistent with that. The International Industrial Bank was founded by me more than 20 years ago but after I disposed of my shares over ten years ago, I no longer had any involvement, let alone control over its activities. If its bankruptcy was indeed intentional, it would have to have been instigated by the Russian Central Bank, which closely supervised its activities, and the Central Bank's Chairman."*

The case re-ignites the public debate about the Russian justice system and its

impact on doing business in the country, at a time when Russia is in desperate need of inward investment. The pardoning of Mikhail Khordorkovsky late last year and the release of his business associate Platon Lebedev in January had been interpreted as signs Russia's authorities were taking steps to appease international opinion. The authorities' continued pursuit of Mr Pugachev, along with his statement made today that his domestic assets have been subject to raids and attempts at expropriation, goes against this trend. In an interview on 15 January 2014 with Radio Ekho Moskv, counsel for the defence Aleksandr Gofstein said that Sergei Pugachev will plead not guilty and the prosecution does not have sufficient evidence, *"the fact is that there was no crime, and that's why there is no documentary evidence of criminal activity."*

Press Office of Sergei Pugachev