

# THE SHUVALOV AFFAIR:

**A CASE HISTORY OF A PUTIN AIDE'S  
FINANCIAL CONTROVERSY**

---

BY MICHAEL WEISS





# THE SHUVALOV AFFAIR:

## A CASE HISTORY OF A PUTIN AIDE'S FINANCIAL CONTROVERSY

---

BY MICHAEL WEISS



[www.henryjacksonsociety.org](http://www.henryjacksonsociety.org)

This paper is written in the author's personal capacity and the views expressed are his alone.

## ABOUT THE AUTHOR

Michael Weiss the Research Director at the HJS and Co-Chair of the Russia Studies Centre. A widely published journalist, Weiss has expertise in the Syrian uprising, contemporary Russian politics and human rights in the Middle East. He is the author of the influential reports “Intervention in Syria? An Assessment of Legality, Logistics and Hazards,” which was repurposed and endorsed by the Syrian National Council, “The Case Against Non-Intervention in Syria,” and the co-author of “Revolution in Danger: A Critical Appraisal of the Syrian National Council,” and “Age of Impunity: Russia After Communism and Under Putin.” Weiss has been published in Slate, The Wall Street Journal, The Weekly Standard, The Daily Telegraph, The New Criterion, The Guardian, Foreign Policy, Prospect, Standpoint, World Affairs, The American Interest and The New Republic. Michael is a columnist for the Beirut-based NOW Lebanon.

# Contents

<b>The Weathered Scandal</b>	<b>7</b>
<b>From Managing Partner to First Deputy Prime Minister</b>	<b>8</b>
<b>The Czar Remains</b>	<b>9</b>
<b>All Roads Lead Back to Yukos</b>	<b>10</b>
<b>The Corus Deal</b>	<b>11</b>
<b>Shuvalov's Alibi: The Sibneft "Stock Option"</b>	<b>13</b>
<b>The Gazprom Investment</b>	<b>16</b>
<b>"Not a Conflict of Interest... A Necessity"</b>	<b>18</b>
<b>Conclusion</b>	<b>19</b>
<b>FACTBOX: The Shuvalovs' Declared Income</b>	<b>22</b>
<b>The Shuvalovs' Properties</b>	<b>22</b>
<b>The Kremlin's Mega-Yacht</b>	<b>22</b>

---

**OF ALL THE  
SCANDALS TO  
ROCK THE KREMLIN  
IN RECENT YEARS,  
NONE HAS BEEN  
AS POTENTIALLY  
DAMAGING OR AS  
SWIFTLY DAMAGE-  
CONTROLLED  
AS THE CASE OF  
IGOR SHUVALOV,  
THE FIRST DEPUTY  
PRIME MINISTER  
OF THE RUSSIAN  
FEDERATION.**

---

# The Weathered Scandal

Of all the scandals to rock the Kremlin in recent years, none has been as potentially damaging or as swiftly damage-controlled as the case of Igor Shuvalov, the First Deputy Prime Minister of the Russian Federation. Beginning in December 2011 and extending into May 2012, two previously little-noticed transactions – one involving the purchase of a sizable stake in an imperiled Anglo-Dutch steelmaker, the other involving Shuvalov's by-proxy investment in Gazprom during its 'liberalization' period – have been extensively investigated by the international financial press. Public interest in these deals has been driven, in part, by the tabloid sensationalism of watching some of Russia's most obsessed-over billionaire oligarchs appear as supporting characters in a melodrama set in the heart of Vladimir Putin's Presidential administration.

The Shuvalov Affair would be less fascinating if Russia's reputation for transparency and accountability did not make it – as described in US State Department cables – a "virtual mafia state". Journalist Luke Harding summarized these cables' contents in his memoir detailing his time as *The Guardian's* much-chivvied Moscow correspondent:

"Arms trafficking, money laundering, personal enrichment, protection for gangsters, extortion and kickbacks, suitcases full of money and secret offshore bank accounts in Cyprus and Switzerland: the cables unpick a dysfunctional political system in which bribery alone totals an estimated \$300bn a year, and in which it is often hard to distinguish between the activities of government and organised crime."<sup>1</sup>

Accused by prominent Russian opposition figures of taking bribes and profiting from insider trading, Shuvalov claims that his family's vast fortune – estimated today to be in excess of \$200 million – was obtained lawfully and transparently. In this, he has been supported by an array of past and present government officials. Alexander Voloshin, a former Chief of Staff to both Boris Yeltsin and Putin, wrote on his blog:<sup>2</sup>

"Shuvalov is a direct, consistent and principled person of progressive views: He has always been for demonopolizing the economy, for privatization and for a leaner government. I believe it is for his principles and also his management abilities that the president and prime minister value him. For the same reasons he has plenty of opponents and ill-wishers. And for the same reasons it is now that he is being attacked."

Nevertheless, certain counter-claims advanced by Shuvalov and his surrogates in support of his defense cannot be corroborated with the available evidence. In instances where a proffered corporate document might extinguish all lingering doubt about Shuvalov's business practices, none has emerged. Moreover, allegations of possible conflicts of interest in which Shuvalov profited from companies in which he was, at least tangentially, involved in reforming as a government official are not so easily dismissed as his defenders suggest. Most of the controversy surrounding Shuvalov has been rebutted or contextualized by unnamed sources, who various press organs have described as having close ties to him and his activities during the episodes in question. However, other anonymous sources contradict these claims.

1. Harding, Luke, *Mafia State: How One Reporter Became an Enemy of the Brutal New Russia*, Guardian Books, London: 2011.

2. Bershidsky, Leonid, 'Shuvalov Tests Russia's Corruption Laws: Leonid Bershidsky', *Bloomberg*, 4<sup>th</sup> April, 2012: <http://www.bloomberg.com/news/2012-04-04/shuvalov-tests-russia-s-corruption-laws-leonid-bershidsky.html> (Accessed 29<sup>th</sup> October, 2012).

Whatever the reality, this case has done more than merely expose the opacity with which sizable fortunes are made in contemporary Russia – it has shown how big business and big government in the age of Putin are no longer complementary or mutually reinforcing but rather one and same.

## From Managing Partner to First Deputy Prime Minister

Igor Shuvalov was born in Bilibino, the largest town in the autonomous *okrug* of Chukotka in Russia's Far East, the son of the first secretary of the Communist Party's district committee. Raised in a family that was part of the Soviet intelligentsia, and imbued with an abiding Russian patriotism, Shuvalov entered the army in 1986, leaving two years later having attained the rank of *starshina*, the highest for a conscript. In 1993, he graduated as a top student from the Lomonosov Moscow State University Law School, one of the most prestigious law schools in the country, and then undertook legal work for the Russian Foreign Ministry almost immediately. These were the vertiginous days of post-Soviet 'shock capitalism', when a trained lawyer versed in the dynamics of market economics was a rare commodity.

With a son and a wife to support, Shuvalov shifted his career into the private sector in 1994 when he met Aleksandr Mamut through Roman Kolodkin, a Mamut family friend and Shuvalov's boss in the Foreign Ministry. (Today, Kolodkin is Russia's Ambassador to the Netherlands.<sup>3</sup>) Mamut – an ambitious businessman with ties to the Russian President Boris Yeltsin's

family – had formed a small consultancy in partnership with the London-based law firm, Frere Cholmeley Bisshoff. The resulting enterprise was the law firm, ALM (Mamut's initials). Shuvalov became a managing partner at ALM and steadily attracted clients, including the European Bank for Reconstruction and Development, which a source confirmed in an interview for this report, and Sibneft, a state oil company that was formed by the government specifically for sale via privatization.

Another client was OLBI, a trading company owned by entrepreneur Oleg Boyko, already famous for having introduced the first credit card-friendly stores in Moscow.<sup>4</sup> OLBI was composed of approximately 60 subsidiary companies or divisions, the "financial core" of which became the National Credit Bank, for which Boyko claimed Shuvalov provided legal counsel.<sup>5</sup> In exchange for his services, Shuvalov was given 15 per cent ownership of a Cyprus-registered parent company that owned a controlling equity interest in OLBI, Boyko alleged. He also told *Forbes* that seventy per cent of Shuvalov's business activities for OLBI were in connection with matters of finance and debt trade.<sup>6</sup> To date, he has not produced any documentation to media outlets substantiating these claims.

Shuvalov resumed his career in public services in 1997.<sup>7</sup> At Boyko's suggestion, the Russian Deputy Prime Minister, Alfred Koch, brought him on to work in Russia's State Property Committee and to head its Department of State Register of Federal Property. As Koch explained to *Forbes*:

"When we met, Shuvalov said that he earned all the money he needed and

3. Russian Ambassador's Biography: 'Roman Anatolievich Kolodkin', Russian Embassy in the Netherlands: <http://www.rusembassy.nl/index.php/en/embassy/ambassador> (Accessed 27<sup>th</sup> October, 2012).

4. 'The World's Billionaires: Oleg Boyko', *Forbes*, March 2012. Available at: <http://www.forbes.com/profile/oleg-boyko/> (Accessed 1<sup>st</sup> November, 2012).

5. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

6. *Ibid.*

7. Senior Officials: Igor Shuvalov. Russian government website: <http://www.government.ru/eng/persons/3/index.html> (Accessed 29<sup>th</sup> October, 2012.)



---

## SHUVALOV'S REPUTATION FOR HONESTY WAS ALSO A POWERFUL COUNTERWEIGHT AGAINST STATE CORRUPTION, WHICH IS SO RAMPANT THAT EVEN THE PRESIDENT HIMSELF REFERS TO ITS EXTIRPATION AS HIS "POLITICAL VISION".

---

that now he wanted to work in the civil service. There were no lofty words about 'service to the Motherland' and it was quite a pragmatic desire to get a civil service career. I thought it was strange, but nice."<sup>8</sup>

Shuvalov progressively worked his way up the ranks; by 1998, he was named, first, the Deputy Minister of State Property of Russia and then, the Chairman of the Russian Federal Property Fund. This put him at the vanguard of Russian economic reformism given the ongoing demand – domestically and internationally – for the privatization of Soviet-era state properties. By the time Putin succeeded Yeltsin as President in 2000, Shuvalov had been appointed Chief of the Governmental Staff, working directly under the Russian Prime Minister Mikhail Kasyanov, who was one of Putin's economic 'liberals' from the Yeltsin era. However, the two men apparently fell out in 2003, shortly before Kasyanov broke with Putin, being dismissed in February 2004.

Shuvalov reportedly considered full retirement from the public sector and a return to private enterprise before the Kremlin Chief of Staff, Alexander Voloshin, helped recruit him to the Presidential administration. Shuvalov was appointed Putin's aide in charge of economic policy in 2003. Voloshin resigned as Chief of Staff

in 2003, objecting to Putin's handling of the politicized prosecution of Yukos and its executives, and was replaced by Dmitry Medvedev, a longtime Putin loyalist and future one-term Russian President. This cabinet reshuffle enabled Shuvalov to assume the role of Medvedev's deputy in the Putin administration, acting as Russia's 'sherpa' to international institutions, such as the World Trade Organization, the Davos World Economic Forum, and the G8.

---

## The Czar Remains

---

When, in 2008, Medvedev and Putin exchanged roles – the former assuming the Presidency and the latter assuming the Premiership – Shuvalov became First Deputy Prime Minister, widening his slate of responsibilities. He effectively became Russia's 'face' to Western enterprises and business leaders; a market-friendly corporate attorney working in the heart of the Kremlin, dedicated to luring foreign direct investment into a country in which the threat of state confiscation or nationalization hangs over any lucrative business that falls afoul of the political establishment. Shuvalov's reputation for honesty was also a powerful counterweight against state corruption, which is so rampant that even the President himself refers to its extirpation as his "political

---

8. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

vision".<sup>9</sup> Despite Russia's low ranking in Transparency International's 2011 Corruption Perceptions Index (ranked 143 out of 182 countries<sup>10</sup>), Shuvalov was able to strike a more amenable figure in the era of 'managed democracy'; he is the type of man with whom any London or Wall Street private equity firm could easily do business. Shuvalov has personally appealed to Stephen Schwartzmann of the Blackstone Group and David Bonderman of TPG Capital to participate in Russia's sovereign wealth fund.<sup>11</sup>

His position in the Kremlin has endured the role reversal in the Putin-Medvedev 'tandem'. In May 2012, following Putin's return to the presidency, Shuvalov was reappointed First Deputy Prime Minister, this time in Medvedev's cabinet but with an expanded portfolio that includes overseeing further privatizations of state-owned enterprises.

Shuvalov's defenders have argued that, as a public servant, he has distinguished himself by virtue of his above-board behavior and transparency, even as the ever-expanding figures of his and his wife's annual incomes raised eyebrows. Shuvalov's reported earnings jumped from around \$160,000 in 2008 to \$500,000 in 2010; his stay-at-home wife and former law school classmate, Olga Shuvalova, had declared earnings of \$12 million in 2008, \$20 million in 2009, and \$10 million in 2010 respectively. The Shuvalovs' maintain that real estate holdings along with dividends or distributions from investments channeled into an offshore family trust are the source of this income.

## All Roads Lead Back to Yukos

Shuvalov's liberal orientation and his gift for avoiding controversy ran aground over the Yukos affair. ALM represented the imperiled oil conglomerate, and its deputy managing partner in charge of the client was Pavel Ivlev. (Although Shuvalov had left ALM, he and his wife rented office space to the firm.) Vasily Aleksanyan, a former law school classmate of both Shuvalov and Ivlev, was the lynchpin of this arrangement.

Shuvalov backed Putin's campaign against Yukos, at least publicly, despite the fact that his former ALM partners were being rounded up for alleged criminal activities in connection with their service to Khodorkovsky's company. In 2005, Shuvalov conceded that the prosecution of the Yukos executives and the seizure of the company's assets was having an adverse effect on foreign direct investment in Russia; however, he noted that 'the decision taken was correct'.<sup>12</sup>

Ivlev fled Russia for the United States (residing currently in New Jersey) while Aleksanyan was arrested. After being released from prison following a ruling by the European Court of Human Rights,<sup>13</sup> Aleksanyan died of complications related to AIDS in October 2011 in Moscow.<sup>14</sup> His death is widely believed to have been hastened by the circumstances of his incarceration.

At almost exactly the same time as

9. Hearst, David, 'Dmitry Medvedev announces 'vision' to clean up Russian corruption', *The Guardian*, 15<sup>th</sup> September, 2009: <http://www.guardian.co.uk/world/2009/sep/15/president-dmitry-medvedev-russian-corruption>

10. Corruption Perceptions Index 2011, Transparency International. Available at: <http://cpi.transparency.org/cpi2011/results/> (Accessed 25<sup>th</sup> October, 2012).

11. White, Gregory L., 'Share Deals Open Window on Kremlin: Putin Lieutenant Shuvalov Seen as Profiting on Stock Investments Made Through Russia Tycoons', *The Wall Street Journal*, 28<sup>th</sup> March, 2012.

12. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

13. 'Case of Aleksanyan v. Russia', European Court of Human Rights Judgment, 5<sup>th</sup> June, 2009. Available here: <http://hudoc.echr.coe.int/sites/eng/pages/search.aspx?i=001-90390> (Accessed 2<sup>nd</sup> November, 2012).

14. 'Former Yukos executive dies of AIDS', *Associated Press*, 3<sup>rd</sup> October, 2011. Available at: <http://news.yahoo.com/former-yukos-executive-dies-aids-193709900.html> (Accessed on 2<sup>nd</sup> November, 2012).

Aleksanyan's death, First Deputy Prime Minister Shuvalov re-encountered Pavel Ivlev at the annual US-Russian Business Council meeting in Chicago. Ivlev brought up news of Aleksanyan's recent demise, and asked his former colleague what he was doing to combat corruption. After Shuvalov's pro forma public response, he angrily confronted Ivlev, reportedly asking: "What's wrong with you?"<sup>15</sup> The formerly close relationship had broken down.

On December 3<sup>rd</sup>, 2011, the news journal *Barron's* published a major exclusive on the Shuvalov family's fortune – 'How a Putin Aide Gained \$119 Million' – which created a sensation in Russia, prompting some of the most prominent figures in the country's opposition movement to demand a criminal investigation of the Deputy Prime Minister. At issue was a loan in the amount of \$49.5 million, which Sevenkey Limited – an offshore company owned by Shuvalov's wife – had made in 2004 to an investment vehicle owned by the oligarch Alisher Usmanov.

## The Corus Deal

In 2004, Alisher Usmanov – Russia's wealthiest man, with an estimated net worth of \$18.1 billion<sup>16</sup> – purchased a 13 per cent equity interest in Corus Steel, the Anglo-Dutch company then on the verge of bankruptcy. To do this, he needed \$319 million.

Although it attracted little attention from the press at the time, Usmanov's equity purchase in the flagging steelmaker was acknowledged by the US Securities and Exchange Commission, which disclosed that \$49.5 million of Usmanov's financing

came by way of a Bahamas-registered company, Sevenkey Limited.<sup>17</sup>

Usmanov would later claim that he did not have the money to purchase the Corus shares, and that he had been denied loans from several Russian banks. At first, he opted to reach out to friends: Vasiliy Anisimov, the owner of Coalco Metals; Vladimir Nikitenko, the head of Petrokommerz Bank; and Shuvalov, whom Usmanov had met through the oligarch Roman Abramovich during Shuvalov's days at ALM. "Shuvalov found out about my struggle to find money and gave it to me as a friend", Usmanov told *Forbes*. "He just had the money."<sup>18</sup>

According to *Barron's*, the entirety of the \$49.5 million was deposited in Sevenkey Limited's bank account just weeks before the very money was loaned to Gallagher Holdings, a Cyprus-registered company under the guidance of Eugene Shvidler, another billionaire oligarch who, at the time, ran Sibneft. Shvidler is today a major shareholder in Evraz, the FTSE-listed, UK-based steel company controlled by Roman Abramovich, Shvidler's best friend and longtime business partner who is sometimes referred to as 'Abramovich's representative on earth'.<sup>19</sup> Probably most famous for his ownership of the UK's Chelsea Football Club, Abramovich is estimated to be the ninth richest man in Russia today, with a net worth of \$12.1 billion.<sup>20</sup>

The loan from Sevenkey Limited to Gallagher Holdings had a stated interest rate of five per cent per annum. However,

17. Belton, Catherine, 'Shuvalov case raises cronyism questions', *Financial Times*, 27<sup>th</sup> March 2012. Available at: <http://www.ft.com/cms/s/0/9a859342-7818-11e1-b237-00144feab49a.html#axzz2AnKlq6mP> (Accessed 22<sup>nd</sup> October, 2012).

18. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

19. Hollingsworth, Mark & Lansley, Stewart, *Londongrad: From Russia with Cash: The Inside Story of the Oligarchs*, Fourth Estate, London: 2009.

20. 'The World's Billionaires: Roman Abramovich', *Forbes*, March 2012. Available at: <http://www.forbes.com/profile/roman-abramovich/> (Accessed 1<sup>st</sup> November, 2012).

15. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

16. 'The World's Billionaires: Alisher Usmanov', *Forbes*, March 2012. Available at: <http://www.forbes.com/profile/alisher-usmanov/> (Accessed 1<sup>st</sup> November, 2012).

Gallagher paid Sevenkey \$119 million during 2005-2007, reflecting a more than forty per cent annualized rate of return on the original loan. Accordingly, the Shuvalovs, through Sevenkey Limited, more than doubled their money in three years on a loan signed for five per cent interest. Accounting for the loan amendments extraordinarily weighed in Sevenkey's favor; Nikolay Krilov, Usmanov's attorney, told *Forbes*: "Shuvalov's investments of the trust are the least protected of anyone's. He received no support, seats on the board of directors and does not require a quick return."<sup>21</sup>

But, the \$49.5 million loan to Gallagher Holdings was not all that was repeatedly changed since its issuance. Sevenkey's ownership structure was also altered continually between 2001 and 2005, and again in 2008. *Barron's* reported that Sevenkey was initially owned by a Bahamas-registered company that was itself owned by one of Shuvalov's family trusts.<sup>22</sup> In January 2008, the shares were restructured such that Sevenkey was owned by a British Virgin Islands (BVI)-registered company, Radcliff Business, itself in turn owned by Severin Enterprises, another BVI company. The sole shareholder of Severin Enterprises was – and continues to be – Olga Shuvalova. The corporate secretary for Sevenkey is Alastair Tulloch, a London-based attorney, and the director is Sean Hogan, who has been a nominee for at least seven-hundred-and-eighty-two companies in the UK alone.<sup>23</sup>

There are a number of outstanding questions pertaining to this loan and the

outsized return for the Shuvalovs. For one, Gallagher's audited financials for 2006 do not reflect the receipt of the \$49.5 million Sevenkey loan; rather, they only disclose a variety of bank loans Gallagher took out, all at an annual interest rate of approximately nine per cent, in a bid to finance the Corus investment. Why, then, would Gallagher borrow from Sevenkey if, contra Usmanov's admission to *Forbes*, there were banks that were willing to lend Gallagher money?<sup>24</sup> And why take out a loan from Sevenkey when doing so ultimately meant paying back more than twice the original borrowed sum?

Rollo Head, a partner at the London-based public relations company RLM Finsbury, which represents Usmanov's interests in Britain, told *Barron's*:

"Gallagher Holdings can confirm, and as was disclosed at the time, that it undertook a commercial loan with Sevenkey in 2004 as part of its funding for its highly successful investment in Corus shares. This loan, which included the principal, accrued interest and share of the profit, was subsequently paid off in 2007."<sup>25</sup>

That same year (2007), Corus Group was taken over by the Indian multinational conglomerate Tata Group, whose combined listed companies have a market capitalization close to \$90 billion.<sup>26</sup> The acquisition made Tata Group the fifth largest steel company in the world.<sup>27</sup>

Before 2008, Sevenkey paid no dividends to its owners, and it was primarily used

21. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

22. Alpert, Bill, 'How a Putin Aide Gained \$119 Million', *Barron's*, 3<sup>rd</sup> December, 2011. Available at: <http://online.barrons.com/article/SB50001424052748703827804577056191874119450.html> (Accessed 28<sup>th</sup> October, 2012).

23. 'Hogan, Sean Lee', DirectorCheck website. Available at: <http://company-director-check.co.uk/director/916018469> (Accessed on 29<sup>th</sup> October, 2012).

24. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

25. Alpert, Bill, 'How a Putin Aide Gained \$119 Million', *Barron's*, 3<sup>rd</sup> December, 2011. Available at: <http://online.barrons.com/article/SB50001424052748703827804577056191874119450.html> (Accessed 28<sup>th</sup> October, 2012).

26. Timmons, Heather, 'Tata Pulls Ford Units Into Its Orbit', *The New York Times*, 4<sup>th</sup> January, 2008. Available at: <http://www.nytimes.com/2008/01/04/business/worldbusiness/04tata.html?sq=tata&st=cs&adxnnl=1&scp=7&adxnnlx=1238497443-4R16x3p9Aj5a8CErvf45bw> (Accessed 26<sup>th</sup> October, 2012).

27. 'Q&A: Tata takeover of Corus', *BBC News*, 31<sup>st</sup> January, 2007. Available at: <http://news.bbc.co.uk/1/hi/business/6069492.stm> (Accessed 29<sup>th</sup> October, 2012).

for managing the Shuvalov family's property, including real estate in the UK, Dubai and Austria, and one yacht. In 2008, however, Sevenkey's corporate resolutions showed a declared dividend of \$80 million following a line of credit opened for Radcliff amounting to €85.5 million. By the close of 2008, Radcliff had earned \$114 million from Sevenkey. As we have seen, Olga Shuvalova's declared income was \$12 million in 2009.

The question remains: where did Sevenkey Limited get the \$49.5 million in 2004 to lend the money to Gallagher Holdings?

According to SWIFT banking wire transactions, between 27<sup>th</sup> February-8<sup>th</sup> March 2004, three wire transfers were made for \$20 million, \$10 million, and \$20 million respectively, transferring money from the Latvian Trade Bank account (belonging to Unicast Technologies, a BVI-registered company) to the Amsterdam Trade Bank account (belonging to Sevenkey Ltd), providing the latter with an account balance of nearly \$50 million.<sup>28</sup> According to *Barron's*, a source with "first-hand knowledge" of the deal said that Shvidler arranged these transfers, and that the \$50 million was justified by Sevenkey's sale of some shares in a BVI-registered firm, Netherfield Holdings Ltd, to Unicast Technologies. Prior to these transactions, Sevenkey's bank account had had a balance of zero.

The \$49.5 million was then transferred to Gallagher Holdings on 4<sup>th</sup> April, 2004, according to The Amsterdam Trade Bank, a Dutch branch of the Russian Alfa Bank Group. As *Barron's* reported:

"Sevenkey's corporate records show numerous -- and profitable -- amendments of the initial loan agreement that Gallagher didn't include in amendments to its

2004 SEC filing. In April 2005, for instance, the loan's original 5% rate of interest was augmented with \$19 million in payments to Sevenkey as 'consideration' for having made the loan. In July 2006, another amendment says that the Usmanov firm will 'gratuitously' grant Sevenkey 4.9% of Gallagher's investment income for 2006, if Gallagher earns more than \$1 billion that year. It did. A draft of Gallagher's 2006 audited financials, attached to loan papers, showed that Usmanov's firm earned \$1.02 billion from investing in 2006, up from \$440 million the prior year. A 4.9% piece would have worked out to \$50 million."<sup>29</sup>

Usmanov told *Bloomberg*: "I made about \$1 billion of profit on the investments, including that made in Corus. Fifteen percent of the profit was shared with co-investors."<sup>30</sup>

## Shuvalov's Alibi: The Sibneft "Stock Option"

After the *Barron's* story broke on 3<sup>rd</sup> December 2011, Shuvalov and his supporters gave their account of how the Deputy Prime Minister amassed his near \$50 million fortune to lend Usmanov for the purposes of investing in Corus Group. This money, they alleged, derived from a stock option that Shuvalov retained for 0.5 per cent interest in Sibneft, going back to the mid-1990s when Shuvalov was still a managing partner at ALM.

29. Alpert, Bill, 'How a Putin Aide Gained \$119 Million,' *Barron's*, 3<sup>rd</sup> December, 2011. Available at: <http://online.barrons.com/article/SB50001424052748703827804577056191874119450.html> (Accessed 28<sup>th</sup> October, 2012).

30. Fedorinova, Yuliya, 'Putin Aide's Wife Helped Buy Corus Stock Via Trust, Usmanov Says,' *Bloomberg*, 7<sup>th</sup> December, 2001. Available at: <http://www.bloomberg.com/news/2011-12-07/putin-aide-s-wife-helped-buy-corus-stock-via-trust-usmanov-says.html> (Accessed 1<sup>st</sup> November, 2012).

28. Four SWIFT messages authorizing the bank deposits. Available at: <http://henryjacksonsociety.org/wp-content/uploads/2012/10/ShuvalovSWIFT.pdf> (Accessed 31<sup>st</sup> October, 2012).



---

## ANOTHER SOURCE TOLD FORBES THAT SHUVALOV'S LEGAL WORK YIELDED THE 0.5 PER CENT STOCK OPTION, WHICH ABRAMOVICH'S MILLHOUSE PRESS AGENT, JOHN MANN, CONFIRMED EXISTED WHILE REFUSING TO DISCLOSE THE EXACT WORTH OF THIS OPTION, ONLY HINTING THAT IT WAS INDEED SIZABLE.

---

As we have seen, Shuvalov's clients at this time included Sibneft, of which Roman Abramovich was a controlling shareholder. In 2004, the same year in which the Corus investment took place, Abramovich not only made the *Sunday Times Rich List* for the first time, but did so in the top-ranked position as Britain's wealthiest man, with an estimated fortune of £7.5 billion. The majority of his wealth – £5.3 billion – came from his ownership of Sibneft.<sup>31</sup> According to Andrey Gorodilov, Abramovich's deputy at Millhouse (a management company for the Chelsea Club owner's major investments), Abramovich and Shuvalov have been friends since the mid-90s, when Shuvalov provided Abramovich with legal counsel for the privatization of Sibneft. Gorodilov told *Forbes*: "Sibneft and subsidiaries were constantly going through credit changes and tax restructuring. An Omsk refiner was almost declared bankrupt due to non-payment debts. There were many cases, and this was a busy time."<sup>32</sup> Another source told *Forbes* that Shuvalov's legal work yielded the 0.5 per cent stock option, which Abramovich's Millhouse press agent, John Mann, confirmed existed while refusing

to disclose the exact worth of this option, only hinting that it was indeed sizable. Mann claims, "We didn't know what he needed, [we] just performed our duties satisfy the obligation."<sup>33</sup>

Alexey Navalny points out that the stock option would have been cited in any corporate due diligence during the merger negotiations between Sibneft and Yukos, which took place in 1998. Navalny adds, "What's the reason for giving an option to Shuvalov in that period of time when he was not an official [of Sibneft]?"<sup>34</sup>

British court documents related to Berezovsky's high-profile civil litigation against Abramovich – in which the previously-murky details of Sibneft's ownership and governance came to light – show Abramovich insisting that Berezovsky and his then-partner Badri Patarkatsishvili never held any significant shares, much less any stock options, in Sibneft. Yet, by Abramovich's own admission, Berezovsky and Patarkatsishvili both played integral roles in lobbying for the company's privatization. As Judge Justice Gloster stated in the executive summary of her full judgment, in

---

31. Hollingsworth, Mark & Lansley, Stewart, *Londongrad: From Russia with Cash: The Inside Story of the Oligarchs*, Fourth Estate, London: 2009.

32. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

33. *Ibid.*

34. Navalny, Alexey, 'Shuvalov', Navalny: Blog in English. Available at: <http://navalny-en.livejournal.com/16075.html>. (Accessed 29<sup>th</sup> October, 2012).

return Abramovich's cash payments to Berezovsky:

"Mr. Abramovich and Sibneft would enjoy Mr. Berezovsky's political patronage and influence, which was indispensable [sic] to the construction of any major business in the conditions of the 1990s, the Russian term for such support being "krysha" (literally translated "roof")."<sup>35</sup>

Such services, for which Abramovich alleges he paid Berezovsky \$1.3 billion,<sup>36</sup> were presumably greater than anything Shuvalov could have performed in advising Sibneft on factory bankruptcies as well as the other issues. No record of Shuvalov's stock option is contained in the High Court ruling or in Sibneft's corporate documents. *Forbes* asked both Shuvalov and Abramovich's spokesmen to provide evidence of the stock option offer to Shuvalov: neither responded.<sup>37</sup>

Moreover, as the High Court full judgment on 'Berezovsky v. Abramovich' states:

"Initially only 2.8% of Sibneft was owned by the public. However that proportion increased when Sibneft increased its capital in 1997. By 1998, public investors comprised 3.2% of the company. Thereafter, the proportion of shares held by the public varied up to 14.8%. The 'free' shares were traded on the Moscow Stock Exchange."<sup>38</sup>

A 0.5 per cent stock option in Sibneft, therefore, would have been a major reward for corporate counsel. If this

stock option did exist, then it is strange that Shuvalov and his defenders have not produced any evidence of it, as this would have made the allegations by Navalny – namely, the suggestion that Sevenkey's overly remunerative loan to Gallagher was, in fact, a bribe paid to a government official – much easier to refute.

According to the *Financial Times*, upon joining the government, Shuvalov's wealth was \$18 million, derived from his dissolved partnership with Boyko and his Sibneft stock option.<sup>39</sup> Boyko says that "some of the assets became his, not directly, through securities and promissory notes of Russian banks."<sup>40</sup> Citing unnamed sources familiar with Shuvalov's business activities at the time, the *Financial Times* claimed that Shuvalov then "transferred [his assets] to an offshore company registered in the name of his wife."<sup>41</sup> This was how Sevenkey Ltd. was formed, in the Bahamas, although it apparently consisted of several subsidiaries, both in Russia and abroad. These included entities known as Regional Property Developments Ltd (registered in the UK) and Radcliff Business Ltd (registered in the BVI). UK Companies House has corporate documents on Regional Property Developments, which show that Sean Hogan is its director (the same director for Sevenkey) and that Alastair Tullouch is its secretary (again, the same secretary for Sevenkey).<sup>42</sup>

Olga Shuvalova has said that she had had no prior business experience before assuming the ownership of Sevenkey,

35. Gloster, Justice, 'Executive Summary of the Fully Judgment of Gloster J', Berezovsky v. Abramovich', Case No. 2007, Folio 942, High Court of Justice, Queen's Bench Division, Commercial Court, Chancery Division. Available: <http://www.bailii.org/ew/cases/EWHC/Comm/2012/2463.html#para973> (Accessed 1<sup>st</sup> November, 2012).

36. Hollingsworth, Mark & Lansley, Stewart, *Londongrad: From Russia with Cash: The Inside Story of the Oligarchs*, Fourth Estate, London: 2009.

37. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

38. Gloster, Justice, 'Judgment in Boris Abramovich Berezovsky v. Roman Arkadievich Abramovich', Case No: 2007, Folio 942, High Court of Justice, Queen's Bench Division, Commercial Court, Chancery Division. Available: <http://www.bailii.org/ew/cases/EWHC/Comm/2012/2463.html#para973> (Accessed 29<sup>th</sup> October 2012).

39. Belton, Catherine, 'Shuvalov case raises cronyism questions', *Financial Times*, 27<sup>th</sup> March, 2012. Available at: <http://www.ft.com/cms/s/0/9a859342-7818-11e1-b237-00144feab49a.html#axzz2AnKlq6mP> (Accessed 22<sup>nd</sup> October, 2012).

40. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

41. Belton, Catherine, 'Shuvalov case raises cronyism questions', *Financial Times*, 27<sup>th</sup> March, 2012. Available at: <http://www.ft.com/cms/s/0/9a859342-7818-11e1-b237-00144feab49a.html#axzz2AnKlq6mP> (Accessed 22<sup>nd</sup> October, 2012).

42. 'Appointment of director or secretary: Regional Property Developments Limited', Companies House, 13<sup>th</sup> November, 2007. Available at: <http://henryjacksonsociety.org/wp-content/uploads/2012/10/RPD-Hogan.pdf> (Accessed 2nd November, 2012).

but had worked as a court secretary and, briefly, at ALM with her husband. “[A]s colleagues recall”, wrote Nadezhda Ivanitskyaya, “she did not conduct any real legal affairs, but was responsible for international administrative transactions. After having three children, she wanted to go back to work, but her husband explained that he wanted ‘a wife, and not a prosecutor.’”<sup>43</sup>

Still, Shuvalova worked through the early days of her husband's public service career, raising the obvious question of why the Shuvalov family would need Olga to work to supplement her husband's low-wage government job (a minister's average salary is about \$150,000) if she controlled \$18 million in assets via an offshore family trust.

Concurrent with Shuvalov's employment at the Russian Federal Property Fund, the same governmental organ was attempting to privatize the last remaining twenty per cent stake in Sibneft. Given Shuvalov's apparent ties to Abramovich, then a major shareholder in Sibneft, and his own alleged stock option in the company, this would seem to suggest a potential conflict of interest. However, Alexander Voloshin, Putin's former Chief of Staff, maintains that all decisions related to the Sibneft privatization were “taken on a much higher level.”<sup>44</sup> Other insiders claim that Shuvalov wasn't involved in any government decisions *vis-a-vis* Sibneft.

Four months after the *Barron's* article, Shuvalov was back in the financial news. A *Wall Street Journal* piece and two *Financial Times* articles reported on a separate investment, made in 2004, by one of Sevenkey's UK-registered subsidiaries in the state energy colossus, Gazprom.

## The Gazprom Investment

---

In 1997, Oleg Boyko made the acquaintance of Suleyman Kerimov, being then interested in buying state-owned airlines and agencies undergoing privatization. At this point, Shuvalov was still working at the State Property Committee and Boyko made the relevant introduction to Kerimov. The two became friends, and their families even holidayed together throughout the mid-2000s.

In the summer of 2004, Shuvalov sought Kerimov out for a lucrative investment.<sup>45</sup> Shuvalov evidently had \$20 million in cash – “obtained from the sale of bank notes”, according to an insider with whom Ivanitskaya spoke – that Kerimov decided to bundle into his own large investment in Gazprom, the largest state gas company. Regional Property Developments Ltd – Sevenkey's UK-registered subsidiary – deposited \$17.7 million into an account in the Amsterdam Trade Bank, which then lent the money to Nafta Moskva, whereupon it was subsequently invested in Gazprom's stocks. The Amsterdam Trade Bank was, of course, the same Netherlands-based unit of Alfa Bank in which Sevenkey had deposited \$49.5 million for payment to Gallagher Holdings (also in 2004) to finance Usmanov's purchase of his Corus shares. Nafta Moskva was Kerimov's investment vehicle, and public documents show that it repaid its \$17.7 million loan to Regional Property Developments by 2007.<sup>46</sup>

Kerimov was, according to the *Financial Times*, a “little-known ‘minigarch’ until he bet big on Gazprom, winning huge loans from state banks, VEB and Sberbank,

---

43. Ivanitskaya, Nadezhda, ‘The Trust Which Burst’, *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

44. Belton, Catherine, ‘Shuvalov case raises cronyism questions’, *Financial Times*, 27<sup>th</sup> March, 2012. Available at: <http://www.ft.com/cms/s/0/9a859342-7818-11e1-b237-00144feab49a.html#axzz2AnKlq6mP> (Accessed 22<sup>nd</sup> October, 2012).

---

45. Ivanitskaya, Nadezhda, ‘The Trust Which Burst’, *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

46. *Ibid.*



to build up a significant stake in the gas company from the end of 2003, and then later building a stake in Sberbank with the help of the same bank. By mid-2008 he had made more than \$20bn on these shares.”<sup>47</sup>

The reason for Kerimov's wild success was Gazprom's liberalization between 2003 and 2005, which Kerimov correctly saw as a colossal investment opportunity. Kerimov assessed that the company was undervalued by two-hundred-and-forty times in comparison with the US energy giant, Exxon.

---

**BECAUSE SHUVALOV'S FAMILY TRUST EARNED A NINE-FIGURE DIVIDEND FROM ITS GAZPROM INVESTMENT, AND BECAUSE THIS TRANSPIRED DURING A PERIOD IN WHICH HE WAS ADVISING PUTIN ON ECONOMIC MATTERS, ACCUSATIONS OF INSIDER TRADING HAVE BEEN LEVELED AGAINST HIM.**

---

In October 2003, Putin said, “Gazprom's liberalization is a matter of months, not years.”<sup>48</sup> Indeed, the stock price for Gazprom surged on the back of liberalization. When Sevenkey invested, via Regional Property Developments, Gazprom's ordinary share prices were fifty-five rubles per share, the equivalent

of \$1.90.<sup>49</sup> By 2007, the price per share had jumped to \$14.57.<sup>50</sup> According to sources consulted by the *Financial Times*, Sevenkey sold off all its remaining shares in Gazprom by early 2008. Sevenkey made more than \$100 million from its Gazprom shares in fewer than four years.<sup>51</sup>

Because Shuvalov's family trust earned a nine-figure dividend from its Gazprom investment, and because this transpired during a period in which he was advising Putin on economic matters, accusations of insider trading have been leveled against him. Shuvalov was on the board of Gazprom until 2000, and while his formal relationship with the company ended in 2004 – when he became Putin's economics czar – he continued to play an integral role in the liberalization of Russian state industries.

Shuvalov's defenders deny that there was any conflict of interest in his Gazprom investment. German Gref, now Chief Executive at Sberbank (one of the institutions that lent Kerimov money for investing in Gazprom), and Russia's former Finance Minister claim that Shuvalov was not an “insider” and took no part in discussion about Gazprom's reforms.<sup>52</sup> However, this claim was refuted by “another senior official at the time” who spoke to the *Financial Times* and argued that Shuvalov was, in fact, part of a small circle of intimates who had direct knowledge of the Gazprom liberalization process.<sup>53</sup> Moreover, Shuvalov made numerous public statements pertinent to Kremlin decision-making with respect to Gazprom, including on plans to hike up the price of state-owned gas.

As Nadezhda Ivanitskaya at *Forbes* points

---

47. Belton, Catherine, ‘Shuvalov case raises cronyism questions’, *Financial Times*, 27<sup>th</sup> March, 2012. Available at: <http://www.ft.com/cms/s/0/9a859342-7818-11e1-b237-00144feab49a.html#axzz2AnKlq6mP> (Accessed 22<sup>nd</sup> October, 2012).

48. Ivanitskaya, Nadezhda, ‘The Trust Which Burst’, *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

49. Belton, Catherine, ‘Shuvalov case raises cronyism questions’, *Financial Times*, 27<sup>th</sup> March, 2012. Available at: <http://www.ft.com/cms/s/0/9a859342-7818-11e1-b237-00144feab49a.html#axzz2AnKlq6mP> (Accessed 22<sup>nd</sup> October, 2012).

50. *Ibid.*

51. *Ibid.*

52. *Ibid.*

53. *Ibid.*

out, Gazprom's liberalization took place in the context of an internal Kremlin debate about whether or not Russia's oil and gas sectors should be merged. Then Prime Minister, Dmitry Medvedev, who was also a board member of Gazprom, advocated conjoining Gazprom with the oil giant Rosneft; it was a scheme vigorously opposed by Medvedev's rivals: Sergei Bogdanchikov, the President of Rosneft, and Igor Sechin, the Deputy Chief of Staff to Putin. Shuvalov backed Medvedev. Shuvalov's endorsement of Medvedev's prescription seemingly ran counter to his image as an opponent of state-run behemoths. This has led some critics to speculate that Shuvalov's motive was to increase the Gazprom share price in order to enrich himself.<sup>54</sup>

In January 2005, Shuvalov was nominated to serve on the Gazprom board of directors for a second time; however, his candidacy was aborted, allegedly because Gref advocated having Shuvalov represent other state-owned enterprises.

Correspondence obtained by Ivanitskaya between Sevenkey Director Sean Hogan and Aleksey Rodionov, Managing Director of Nafta Moskva, shows that \$20 million was paid back in December 2007 to a company owned by Olga Shuvalova. The company was presumably Regional Property Developments.<sup>55</sup>

Kerimov made around \$20 billion from his Gazprom investments by mid-2008. According to Ivanitskaya, Olga Shuvalova's declared income for 2010 was \$11.8 million. *Forbes* estimates the Shuvalov family's wealth to be in excess of \$200 million, of which \$119 million was derived from the Corus deal and a further \$100 million from the sale of the Gazprom stocks.<sup>56</sup>

## “Not a Conflict of Interest... A Necessity”

In April 2011, the Russian General Prosecutor's Office opened an investigation into Shuvalov's business dealings, largely on the back of disclosures in the *Barron's* December 2011 exclusive. The Prosecutor's Office later said that it uncovered no evidence of any illegality or wrongdoing on the part of the Deputy Prime Minister. The Office argues that there are no facts that prove that Shuvalov had any direct involvement in the operations of Sevenkey, nominally controlled – via other companies – by his wife. The money the trust made from the Corus deal was legitimate, the Office further states. Moreover, Shuvalov and his wife met all their outstanding tax requirements for 2007, reflecting the income they would have earned from the amounts publicized by *Barron's*.

Under Russian law, it is permissible for a civil servant to place his business assets in a trust, in which his spouse or anyone else can be a beneficiary. (It is a common practice for Russian officials, from the high-to-low-ranking, to transfer ownership of their assets into their spouse's name.) However, Shuvalov's involvement with Usmanov is complicated further by his governmental role when the 2008-2009 economic crash hit Russia. Shuvalov was then the head of a state commission tasked with exploring ways of stabilizing the Russian economy and targeting enterprises considered to be deserving of government stimulus subsidies. One such enterprise was Metalloinvest, Russia's largest iron ore company, owned by Usmanov.

According to public records, Metalloinvest was \$5 billion in debt prior to receiving

54. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup>, October 2012).

55. *Ibid.*

56. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

state guarantees in September 2009: the Russian equivalent to the US and UK 'bailouts' in response to the financial crisis. None of the proceedings that determined which companies received state subsidies or state guarantees were ever made public. According to a Russian government website, Shuvalov's commission 'merely approved the decision', which had actually been made by a separate commission headed by the then Deputy Economy Minister, Oleg Savelyev. Nevertheless, Shuvalov authorized \$30 billion in state guarantees for Metalloinvest, which Savelyev's commission subsequently approved.<sup>57</sup>

It is important to note that while a civil servant in Russia is allowed to have business dealings, he is duty-bound to inform his employer of any arrangements that could represent a conflict of interest. The employer has the right to suspend an employee in such an event; an oversight committee is then appointed consisting of the employee's colleagues as well as independent specialists to adjudicate the possible conflict.

According to *Forbes*, the then Prime Minister, Vladimir Putin, was fully aware of Shuvalov's earnings and how he made them: "Putin's spokesman Dmitry Peskov stressed that Shuvalov always informed him about his transactions."<sup>58</sup> Peskov further defended Shuvalov's relationships with oligarchs relying on government decision-making in their favor: "The owners of big business are the owners of strategic enterprises operating in the most sensitive areas, and many are related to the single-industry town. So to not be in a close relationship with the permanent officials is impossible. But this is not a conflict of interest, it is a necessity."<sup>59</sup>

57. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

58. *Ibid.*

59. *Ibid.*

Natalia Pelevine remains convinced that Shuvalov's justifications do not add up. She has filed a complaint with the Federal Bureau of Investigation, on the basis of Eugene Shvidler's involvement in transferring money to Sevenkey via Unicast Technologies Limited (Shvidler is an American citizen). She has also raised the Corus Group transaction with Britain's

---

## **NATALIA PELEVINE REMAINS CONVINCED THAT SHUVALOV'S JUSTIFICATIONS DO NOT ADD UP. SHE HAS FILED A COMPLAINT WITH THE FEDERAL BUREAU OF INVESTIGATION, ON THE BASIS OF EUGENE SHVIDLER'S INVOLVEMENT IN TRANSFERRING MONEY TO SEVENKEY VIA UNICAST TECHNOLOGIES LIMITED (SHIVDLER IS AN AMERICAN CITIZEN).**

---

Serious Fraud Office, citing Usmanov's and Abramovich's residence in the UK. However, Pelevine has said, neither appear to be actively investigating the matter.<sup>60</sup>

For his part, Shuvalov has appealed to the Anti-Corruption Council, established in 2008 by former Russian President, Dmitry Medvedev, to hear his case. The Council is staffed by Russia's governmental elite, including the current head of the FSB, the chairman of the Investigative Committee, and the head of the Interior Ministry: an

60. Interview with Natalia Pelevine. Conducted by the author on 18th October, 2012.

---

## ALEXEY NAVALNY HAS SUGGESTED THAT SHUVALOV'S FATE IS DETERMINED BY HIS CLOSENESS TO PUTIN, AND THAT IN THE ABSENCE OF THE MECHANISMS TO DELIVER AN IMPARTIAL DOMESTIC RUSSIAN INVESTIGATION, THE UNITED STATES SHOULD EXAMINE SHUVALOV'S BUSINESS PRACTICES

---

assemblage, which, calls the impartiality of the Council into question. Quite apart from the fact that this Council obviously lacks independence, it no doubt hurts the Council's credibility that Investigative Committee Chief, Aleksandr Bastrykin, was recently accused of threatening the life of the *Novaya Gazeta* journalist, Sergey Sokolov, under circumstances that Bastrykin has described as his own "emotional breakdown."<sup>61</sup>

Alexey Navalny has suggested that

Shuvalov's fate is determined by his closeness to Putin, and that in the absence of the mechanisms to deliver an impartial domestic Russian investigation, the United States should examine Shuvalov's business practices to determine whether the Foreign Corrupt Practices Act might have been violated, especially given Shvidler's American citizenship and Usmanov and Abramovich's financial interests in the United States. Navalny has created Facebook group titled, 'Shuvalov to the prisoner's dock', which, to date, has amassed over 4,000 members: ironic, considering that one of the social network's major investors was none other than Alisher Usmanov.

---

61. Herszegov, David M., 'Russian Official Apologizes for Threatening Journalist', *The New York Times*, 14<sup>th</sup> June, 2012. Available at: <http://www.nytimes.com/2012/06/15/world/europe/russian-official-apologizes-for-threatening-journalist.html> (Accessed 28<sup>th</sup> October, 2012).

# Conclusion

---

This report raises significant questions about the nexus between enterprise and politics in the Russian Federation today, with one of the country's most powerful governmental figures implicated in two opaque investment schemes involving the country's richest industrialists. It is remarkable that both deals, which occurred in 2004, were not scrutinized until seven years after they were concluded, and only then as a result of leaked documents and an ensuing media firestorm.

There is much that still cannot be established without further evidence, particularly with regards to the existence of Shuvalov's alleged 0.5 per cent stock option in Sibneft, and also, the extent to which Shuvalov may have had a direct hand in the share value-enhancing reforms imposed on Gazprom during the same period in which he had invested \$17.7

million in the company's future success.

The Russian General Prosecutor's Office has not disclosed the details of its investigation into the Corus deal. And there is no guarantee, given the current political environment in Russia, that any domestic investigation into the conflicts of interest, bribery, or insider trading involving a presidential aide, would be impartial.

Only a handful of people know the truth about the Shuvalovs' business practices. Most, if not all, benefited greatly from them.

Despite the fact that Alexey Navalny and Natalia Pelevine have both pressed the Russian courts and foreign financial regulatory bodies to investigate possible wrongdoing, Igor Shuvalov appears to have been immunized from political harm – for now.

## **FACTBOX: The Shuvalovs' Declared Income**

### **Igor Shuvalov, First Deputy Prime Minister:**

**2008:** \$160,000

**2010:** \$500,000

### **Olga Shuvalova, Stay-at-Home Wife and Former Law School Classmate:**

**2008:** \$12 million

**2009:** \$20 million

**2010:** \$10 million

## **The Shuvalovs' Properties**

Among the Shuvalovs' properties are several cars: a Jaguar, a Mercedes-Benz S 500, a Mercedes-Benz S350, a Mercedes-Benz S-Class V221, a Ford Hymer Camper, and two limousines. They also own twenty-five per cent of a 175-square meter flat, and another 109-square meter flat, both in Moscow. Shuvalov has the free, unlimited 5-year use of two land plots in the Moscow suburbs that amass up to 40 acres combined. Shuvalov rents a 643-square meter house in Russia, a 1,479 square meter house in Austria, and a 424-square meter flat in London.

A Soviet-era state residence known as 'District 4', previously used by Politburo members, was sold to an offshore subsidiary called Aphrodite Limited. In 2003, Putin dissolved Gosinkor, the state corporation-cum-development bank that had owned 'District 4' and found that two land plots – one approximately 1,500 square meters, the other 7.5 hectares – belonged to Shuvalov. 'District 4' has since become a lavishly renovated

family villa. "The house is huge and construction took quite some time", one eyewitness told *Forbes*. "The site itself is very beautiful. Italian [designers] worked on it."<sup>62</sup> Suleyman Kerimov and Roman Abramovich are both neighbors.

## **The Kremlin's Mega-Yacht**

Shuvalov has also been implicated in the management of a mega-yacht purchased for use by the Kremlin. The Olympia, costing \$50 million and estimated to be one of the 100 largest yachts in the world, is managed by Unicom Management Services, a Cyprus-registered company owned wholly by OAO Sovkomflot, a state-owned maritime shipping company. Up until July 2007, Shuvalov was the chairman of the board of OAO Sovkomflot. Opposition figures, Boris Nemtsov and Vladimir Milov, have suggested that the Olympia is actually owned by Vladimir Putin.<sup>63</sup>

62. Ivanitskaya, Nadezhda, 'The Trust Which Burst', *Forbes*, 3<sup>rd</sup> May, 2012. Available at: <http://www.forbes.ru/5bissue5d/issue/2012-05/80892-trast-kotoryi-lopnul> (Accessed 23<sup>rd</sup> October, 2012).

63. Nemtsov, B, Milov, V, Ryzkhov, V, & Shorina, O, 'Putin. Corruption: An Independent White Paper', 2011. Available here: <http://www.nemtsov.ru/?id=706613> (Accessed 29<sup>th</sup> October, 2012).



First published in 2012 by The Henry Jackson Society

The Henry Jackson Society

8th Floor, Parker Tower, 43-49 Parker Street, London, WC2B 5PS

Tel: 020 7340 4520

**[www.henryjacksonsociety.org](http://www.henryjacksonsociety.org)**

© The Henry Jackson Society, 2012

All rights reserved

The views expressed in this publication are those of the authors and are not necessarily indicative of those of The Henry Jackson Society, Student Rights or their directors