

Dirty Russian Money Part 10: The Sons of the Fathers

Liechtenstein is renowned both for its mountainous landscape and its fairy tale castles through whose gates you half expect to see St George trotting with a dragon's head dangling from his saddle. However, the country is, like Switzerland, proud to offer "private banking" services to wealthy individuals, on occasion those from Russia and countries previously occupied by Moscow. The name of one specialist working at the Liechtensteinische Landesbank (LLB) will be familiar to Latvians. Rem Kargin is Senior Representative/Investment Consultant at LLB's Swiss branch. Indeed, as he notes on his linkedin profile, the bank's "Geneva Office has ... is concentrating (sic) on servicing clients from Eastern Europe and the CIS." Kargin, or Kargins is the son of Valerij Kargin the former co-owner of Parex Bank which, as we have noted previously, collapsed in 2008. The son of the other co owner of Parex, Georgijs Krasovickis, is also a prominent banker albeit in the Latvian "fast loans" market. An analysis of the careers of the former owners of Parex and their families allows us to understand a rarely examined aspect of Latvia's banking crisis. These two families are part of a trans-national oligarchy which emerged after the partial disintegration of the Russian empire in its Soviet format. It is arguable that this informal clan which spans nations is manipulating narratives of reform to bamboozle officials in western governments and financial institutions. It is vital that we understand the role of these clans after the [recent revelation in the Daily Beast](#) that respected economist Anders Aslund wrote a paper in 2017 praising Latvia for supposedly addressing money laundering at the behest of a lobbyist for Latvian banks, Sally Painter. As we have seen previously Arnis Lagzdins, who was tasked with persuading the US that Latvia has cleaned up its banking sector, was in charge of compliance at two Baltic based banks which collapsed amidst allegations of money laundering. His son who works for Latvia's security service, allegedly has business links to Russia.

Ironically, in March 2018 a few months after Aslund's paper was produced, Latvia's ABLV bank collapsed similarly amidst allegations of criminal activity. The problems plaguing Latvia's banking sector commenced shortly after independence with the rise of Kargin and Krasovickis. Kargin moved seamlessly from being head of the ideological commission of the local young communist league committee to a successful business career in 1990. He and Krasovickis launched the first Bureau de Change in Latvia in 1991. It was situated at Riga railway station and Krasovickis himself was often sat behind the counter swapping Rubles for dollars. The two men created Parex bank in 1992 and were the bank's majority shareholders. The bank ultimately became very exposed during the financial crisis, possibly due to financial arrangements with its owners, and was purchased by the Latvian government for the princely sum of \$4 USD. The bank was ultimately split into two parts Citadele and Reverta. Citadele was established as a "good", financially viable, bank and was a new corporate entity and privatised via a bogus transaction with the EBRD. The EBRD was paid by the Latvian government to purchase its stake in the bank which, in turn, Citadele retained the right to buy back from the EBRD. "Reverta" was the original Parex corporation and retained the bad assets of the Parex bank. In 2009 it emerged, via Latvia's financial regulator, that the bank's owners had invested in Parex's subordinated capital and were still receiving interest payments from Reverta. On 30 July 2010 Parex/Reverta launched legal proceedings against its former owners. The bank alleged that a whole series of credit and deposit agreements on terms unfavourable to the bank had been concluded with Kargin and Krasovickis during 1995 to 2008. The issue was partly addressed in 2010 when their assets, including those held by third parties were supposedly seized, removing their right to receive interest payments on the subordinated capital.