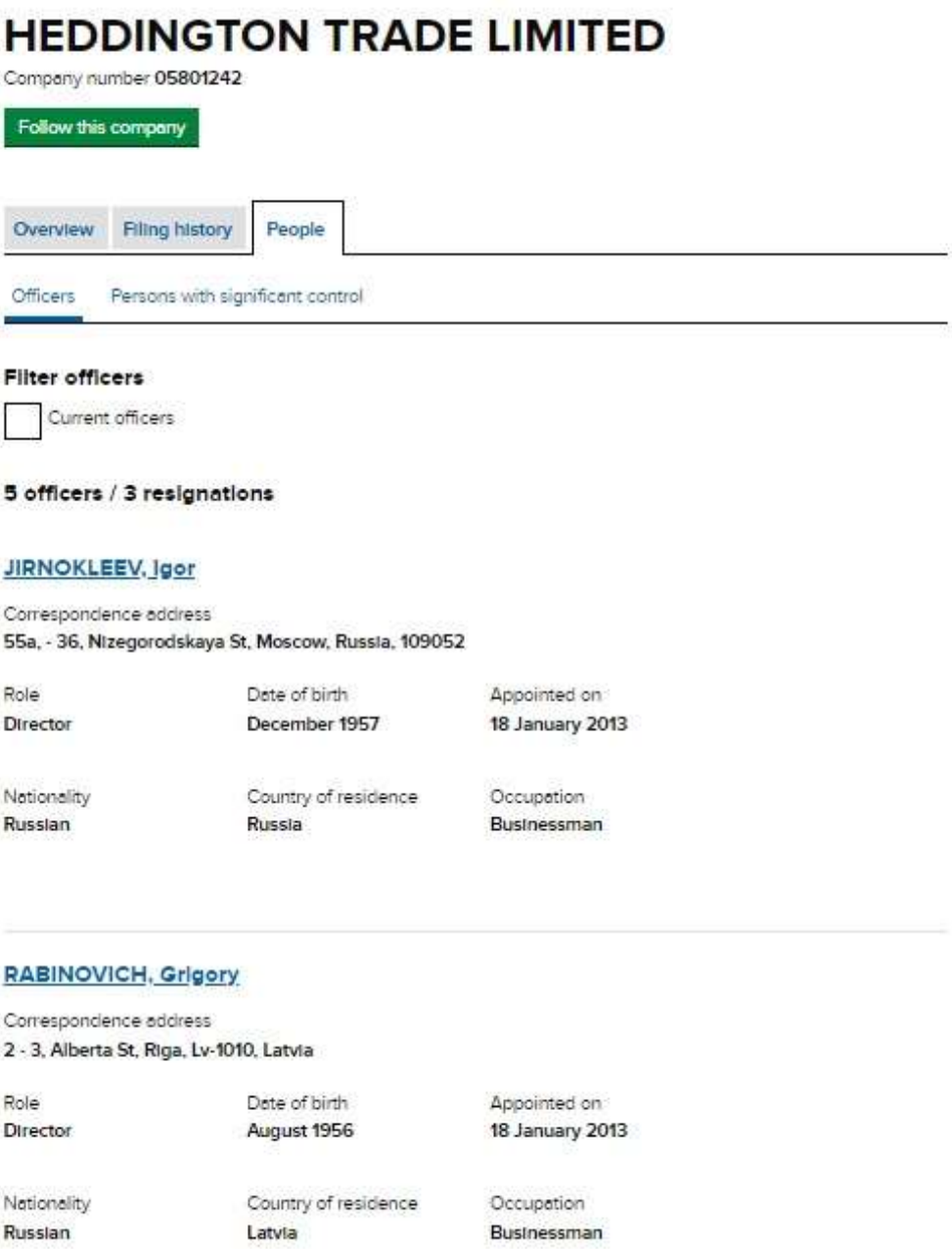
THE COLOUR OF RUSSIAN MONEY PART 16: AN OPEN LETTER TO PAUL VOLCKER

Stephen Komarnyckyj February 15, 2019



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JIRNOKLEEV, Igor

Correspondence address
55a, - 36, Nizegorodskaya St, Moscow, Russia, 109052

Role	Date of birth	Appointed on
Director	December 1957	18 January 2013

Nationality	Country of residence	Occupation
Russian	Russia	Businessman

RABINOVICH, Grigory

Correspondence address
2 - 3, Alberta St, Riga, Lv-1010, Latvia

Role	Date of birth	Appointed on
Director	August 1956	18 January 2013

Nationality	Country of residence	Occupation
Russian	Latvia	Businessman

Dear Mr Volcker

My name is Stephen Komarnyckyj I am a freelance writer who has been investigating the collapse of Parex bank in 2008. I am writing to you in your capacity as an investor in Latvia's Citadele bank via the American equity firm Ripplewood Holdings.

You will be aware, of course, that Citadele is meant to be a "good bank" with sound assets and that it is intended to be wholly separate from Parex which had links to the Tambov mafia. However there are several aspects of the creation of Citadela which give me reason to believe that it is not entirely free of the legacy of Parex.

It is important to recap the history of the Parex here. Although the Latvian government fallaciously attributed the bank's collapse in 2008 to external factors it is clear that there was serious wrongdoing at the bank. The bank's owners were loaned money on highly preferential terms which arguably amounted to little more than the looting of the bank's assets.

There were a number of suspicious financial transactions prior to the bank's collapse according to Ilse Znotina who now heads Latvia's anti money laundering agency. It is highly probable that these included a UK registered shell company with some interesting links to the Tambov mafia. However, she notes that the report she produced as part of a team of auditors detailing these manoeuvres was not acted upon.

Parex's good assets would ultimately be hived off to create Citadele bank, while its bad assets would be incorporated into an entity called Reverta. This manoeuvre was supported via a bogus "privatisation" of Citadele under the terms of which the EBRD purchased an

€ 35m stake in the bank as noted in Citadele's 2010 report.

However, according to a Eurostat report released in April 2018, the EBRD was paid

€ 88m by the Latvian government for its purchase of the €35m stake in the bank. This represents a transfer of

€ 53m from the people of Latvia to the EBRD.

Reverta made some token efforts to recover monies loaned to Parex's former owners while it was kept afloat by huge cash injections from the Latvian government. The questionable transactions I refer to were never addressed. Some of these would appear to involve key personnel in the Tambov mafia and one at least appears to involve a current, very senior, employee at Citadele bank.

The failure to recoup the losses and the Latvian government's payments to Reverta to allow them to be sustained are in effect a transfer of several billion Euros from the Latvian population to the organisations and individuals who looted Parex.

The association both with a wholesome sounding American investment group and yourself as a figure with enormous credibility was meant to exorcise the ghosts of the past. Citadele, by contrast with Parex, would not be associated with Spanish police bundling Russian Mafiosi into cars in dawn raids.

The EBRD's presence was similarly intended to reassure the world that Citadele was utterly distinct from Parex. However, given that the EBRD investment in Citadele was essentially bogus, because it was underwritten by a guarantee, one might also speculate that the Latvian government was concerned at the quality of some of the assets transferred to Citadele. Might they also have included fake, unrecoverable loans?

Citadele, like Scrooge, is haunted by the ghosts of its past notably with regard to its Swiss subsidiary AP Anlage and Privatbank which was transferred to Citadele along with certain of its senior personnel.

The former president of Parex, Valērijs Kargins, stated that he wanted Parex to open a Swiss subsidiary so that depositors' accounts would not appear on computers in the EU.

The bank offered "on its own name but on behalf of the clients… [to] place client's funds on deposits with foreign banks with outstanding credit ratings to enjoy both favourable interest rates and tax relief on interest earned." I have previously raised this matter only for Citadele to hire a specialist crisis management consultancy in order to persuade me that I should pursue it no further. The consultancy assured me that the accounts referred to were "fiduciary deposits." However the wording in that historic advertisement does not, at least, read as if that was the case. Indeed a fiduciary deposit would be illegal if the bank which held it was unaware of the beneficial owner. It should be noted with regard to the client base of the bank that it has a Russian language web page.

I am writing therefore to ask you to:

– Initiate an audit of Citadele's Swiss branch to establish the nature of these accounts

– To investigate whether there are any paper trails available via open source corporate data which might link any current employee of Citadele with any of the questionable transactions referred to.

I am not suggesting that there is any wrongdoing taking place but merely that you should clear the air…

Yours Truly

Stephen Komarnyckyj

Stephen Komarnyckyj is a PEN award winning literary translator and poet whose work is published by Kalyna Language Press and features on the PEN World Bookshelf. You can e mail him on stevekomoffice(at)zoho.eu

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