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Guest Post: Latvia and EBRD Using Fraud To Protect Putin's Bankers!

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citizen of Latvia, living in exile because of Latvia's ongoing cover-up campaign against his whistleblowing

Cover-up: the European Bank for Reconstruction and Development, Latvia's government and commercial banks, and Vladimir Putin

Abstract

In 2008, Latvia nationalized **Parex Bank**, which had been the largest bank in Latvia for many years. In 2009, Latvia announced the privatization of a **Parex** stake to the **European Bank for Reconstruction and Development (EBRD)** as a way to make Latvians feel confident that **Parex** assets were sound. Then, for several years, information was gradually released that all was not well at Parex because a large part of Parex assets were overvalued and the privatization was not what it seemed. This culminated in the 2014 revelation that the 2009 privatization had to be reversed because Latvia had a secret obligation to re-purchase the stake at a higher price.

Accounting standards dictate that if there is a two-part transaction (A pays to B and B pays to A) then both parts of this must be disclosed, however Latvia and the **EBRD** only disclosed the first part and didn't disclose the second part. This cover-up is highly disturbing because Westerners, especially Latvians, lost a lot of money and **Parex** had connections with **Vladimir Putin**. According to a later Eurostat report, this same accounting trick is still continuing today between the Latvian government, the **EBRD**, and **Parex** successor **Citadele Bank**. Latvia has been understating its national debt from 2009 to 2024 thanks to these transactions which in reality increase the national debt.

I am the exiled whistleblower from the largest bank collapse in Latvian history, fighting for years to publicize evidence of a cover-up organized by the government of Latvia and the European Bank for Reconstruction and Development. The EBRD is based in London and funded by 73 countries, including the United States, the United Kingdom, and all of the European Union member states, to foster democracy. The cover-up started in 2009 and still continues now in 2024.

I have written many articles on this subject for a variety of media websites and publications. Big media players including the Financial Times, Wall Street Journal, Bloomberg, and Reuters are silent about the central fraud issue and tend to publish positive articles about the EBRD and Latvia, however they occasionally publish articles which hint at the problem. I co-authored a conspiracy thriller that references the EBRD campaign against me on the back cover. 'KGB Banker' won two literary awards in the United States (Christmas and McCormick, 2021). And I was a subject of a televised two-part documentary about Vladimir Putin's influence over the Latvian government (Pupols, 2021 and 2022). This documentary included evidence plus interviews confirming the cover-up and was aired on RETV in Latvia. Plus two more documentary producers are working on new documentaries right now. My whistleblowing, years of articles, the book, and the documentary are all ignored by Latvian authorities and the EBRD since they will not admit my whistleblowing ever occurred and they refuse to correct their financial statements.

Now, in 2024, with Putin's aggression reaching increasingly dangerous levels, I feel compelled to write this new article improved with more comprehensive referencing and a corroborating statement from the Latvian parliament archive. Some documents referenced below, although not written by myself, are posted on my own website

necessary to confirm the authenticity of these documents since other sources below, including the Latvian parliament and Eurostat, evidence the same cover-up but with fewer details. The cover-up protects, either intentionally or unintentionally, top Putin associates as explained below.

I was employed by Parex Bank which used to be the largest bank in Latvia. I learned about false accounting within Parex, mainly 'loans' going to bank insiders, and in 2005 I reported details to Latvian government officials. The Latvian government didn't react until it decided to nationalize Parex in 2008 without admitting that Parex was insolvent. One source for information is the Parex Bank article on Wikipedia (Wikipedia, 2024), which isn't entirely accurate and includes contradictory information from multiple contributors; however, at least it establishes dates and lists further references. I authored one of the articles, which someone put in the links underneath the main article; however, I didn't have influence on the main article. Astute readers can get a general picture of the situation and see there is an information war going on.

Directly following the Parex nationalization, Latvia suffered economic collapse. This led to a riot at the Parex headquarters and a couple blocks away at the parliament on 13 January 2009. This riot is the subject of many videos on Youtube, including a video by state-owned broadcaster LTV. LTV doesn't mention the name 'Parex' and attributes the riot to hooliganism against the parliament, however the rioters in the video are clearly in front of the Parex headquarters (LTV, 2011).

Later in 2009, Latvia and the EBRD announced the sale of a Parex stake from the government to the EBRD. The EBRD reported that the deal not only restored confidence but also saved money for Latvia (EBRD, 2024).

money. Latvia had no obligation to fully bail out all of the Parex creditors, especially institutional creditors and tens of thousands of shell-company depositors, many of which had balances over the deposit protection scheme limit, but chose to do that anyway. By denying the existence of fake assets on the Parex books, the government lost the ability to prosecute the responsible fraudsters. Plus, the government paid the EBRD a secret fee, which further increased losses, as explained below.

In 2010, a leaked report purportedly prepared by the government's consultant Nomura indicated that Parex was insolvent and the government knew this, a large part of the assets needed to be written off, and the sale of the stake to the EBRD was not what it seemed. Latvia had an obligation to reverse the sale later at a guaranteed profit to the EBRD. What should have happened at this time is that Nomura should have been prosecuted as it was in Italy in a similar case, where it was involved with a fake transaction between Deutsche Bank and Banca Monte dei Paschi di Siena to make the latter appear solvent when really it was not (Martinuzzi, 2019). Also, rating agencies should have canceled their ratings for Latvian and EBRD bonds, and European officials should have forced both Latvia and the EBRD to correct their financial statements. However, the Nomura report was indicated to be a 'state secret' and the journalist who leaked it, Lato Lapsa of www.Kargins.com, was detained by police and forced to take down his website. I kept pictures of the key pages from this document and posted them to make sure they remained online (Nomura, 2010). Even though the government never confirmed if this report is real, the same cover-up was repeatedly evidenced from more sources some of which are included below.

The leaked Nomura report was never discussed again. So, I was stuck in exile, both discredited and receiving threats. After a few years of effort, I

investigate if the EBRD-Latvia-Parex deal of 2009 was secretly reversible (Wellens, 2016). The Dutch parliament confirmed that it was. Omtzigt then wrote to Eurostat explaining that Latvia must correct its accounting. Eurostat replied that Latvia had asked Eurostat to keep the Parex reversion 'confidential' and Eurostat had agreed (Omtzigt, 2014). There were articles about this in the media in the Netherlands where journalists noted my whistleblowing and Putin connections (925.nl now down, Bendle.nl now down, and The Post Online still up (Koster, 2014)). There were also articles in the Latvian media that were different because they did not mention me or Putin. For example the Latvian Public Broadcasting article (LSM, 2014) on the subject expressed curiosity as to why the Dutch investigated this issue in Latvia, as if the people at LSM weren't aware that I asked the Dutch to investigate since the deceptive accounting covered-up my whistleblowing. It's useful that, at least, LSM specified Latvians weren't previously aware of this tricky accounting which is one of my complaints: it was wrong for Latvia to hide this from voters and bond investors for years. Since Eurostat decided it was ok for Latvia to keep its national debt 'confidential' the cover-up was allowed to continue even though it was already revealed.

Another opinion, similar to my opinion, about the revelation that Latvia had to secretly pay to reverse the EBRD investment in Parex came from Latvian opposition parliamentarian Igors Pimenovs. He made the statement below, translated automatically, on 5 March 2015 in parliament (Pimenovs, 2015). Please keep in mind this original accounting deception, which started in 2009 and was reversed in 2014, only was revealed to him and his opposition party in 2014-2015, implying the ruling parties cheated in all the elections to repeatedly defeat the opposition parties from 2009 to 2015 with help from the EBRD which has a mission of fostering democracy. This deception still

Members of our faction had prepared a letter at the end of the previous year with a request… to understand what is happening and whether the news we received in the press about the fact that the sale of Parex banka's shares to the EBRD was not a successful sale or privatization, but rather about Latvia's borrowing from the EBRD… And as confirmed by the Ministry of Economy, in response to our question, the EBRD's investments in the equity capital of "Citadeles" bank and joint-stock company "Reverta"… there were 93 million euros of investments in the equity capital… it was universal right of the EBRD to sell its shares in the Privatization Agency. In total, Latvia – according to the option agreement with the EBRD – has to pay 114 million euros in addition to all payments already made for the takeover of Parex banka. So, in addition to the 750 million lats that Latvia paid for the takeover of Parex banka, we still add this amount – 114 million euros. It will not be paid by the shareholders, but by the aunt from Bauska and the uncle from Vecpiebalga – that is, the people of Latvia. It should be noted that in fact the agency has already made an advance payment of 1.26 million euros and that the EBRD retains its shares, which are approximately 24 million euros, and also agreed to refinance the issued subordinated loan to "Citadeles" bank in the amount of 11 million euros. The total cash payment is 77 million euros. Note that this amount is… not small! One must also consider what the fiscal impact will be on the overall government budget. The Ministry of Economy confirmed that this amount was reflected in the previous year's budget. But this was done in secret, because no one had been told that such an option contract existed.Therefore, in my opinion, this whole story… this whole agreement was made quite opaquely and secretly from the Saeima and, therefore, from the people. – Pimenovs

Modern-day acceptance of deceptive accounting by bond issuers is disturbing already, but there also is another aspect to the EBRD-Latvia-Parex deal which is even more disturbing. The Spanish government is

(Mellado and Gonzalez, 2015) which was circulated by journalists at the time. This Mafia, from St Petersburg, Russia, is linked with Putin in many ways. In the Spanish prosecution, officials named Parex for offering money-laundering platform account services to both of the two named individuals responsible for Tambovskaya money laundering.

Also, employees and clients from the old Parex had been moved to Ukio Bank of Lithuania, ABLV Bank of Latvia, and Citadele of Latvia.

In 2013, Ukio collapsed and the EBRD got involved in intransparent ways which should be investigated and made public. Ukio was caught in several major Kremlin-linked money-laundering rackets including most notably forwarding large amounts of money to a Russian citizen named Sergey Roldugin. He is a cellist from St Petersburg and media speculation is that he acts as a front man for Putin (Radu , 2016).

In 2018, ABLV got sanctioned by the US Treasury (Mandelker, 2018) for, among other things, facilitating large-scale looting in Ukraine. Is it coincidence that this banking network crashed the economy of this particular country prior to the Russian military invasion?

Then, another stunning piece of evidence appeared, this time on the Eurostat website. In 2018, Eurostat published a report about a 2017 visit to Latvia and in the report mentioned that the EBRD investment into Parex successor Citadele has a secret ‘put option’ which makes it similar to what the EBRD did with Parex (Eurostat, 2018).

Just as the Latvian government used to keep secret that Latvia had an obligation to reverse the Parex stake sale to the EBRD for an unknown amount of money, right now Latvia still has a secret obligation to

bought the Citadele stake for a price of zero. This is of major importance considering many Citadele assets are former assets of Parex and ABLV. The value of these assets is put in question since Latvia for some reason couldn't find a normal investor for Citadele and instead is secretly paying the EBRD to act as an investor.

In 2021, European Commission Executive Vice President Valdis Dombrovskis launched a unified anti-money-laundering system for the European Union (European Commission, 2021) which puts a huge regulatory burden on banks and inconveniences everyone in Europe trying to send or receive money by imposing oppressive due diligence requirements. None of Putin's money men in Europe appear effected by this however all ordinary Europeans are. Dombrovskis happens to be the same person who in 2009, as prime minister of Latvia, signed the EBRD-Parex deal.

To top this off came a discovery in 2022. Putin's superyacht 'Scheherazade' was seized in Italy and the front owner for the yacht was a Russian citizen named Eduard Khudainatov (Balmer and Parodi, 2022). He was one of the people who received a large loan from Parex (Stack, 2012). The loan had no collateral, Khudainatov didn't pay it back, and the loss was put to European taxpayers in an intransparent manner. Again this banking network which receives protection from the EBRD was connected to Putin. What is going on?

My hope is for this article to form a basis for open discussion, where nobody has to be afraid of 'state secret' laws and police harassment, about the accounting used by the EBRD, Latvia, and other states where the EBRD is active.

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