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Our Ref: NPM/OB/028429.0002

**BY EMAIL, BY FAX AND BY COURIER**  
28 January 2011Dr. Erwin Beyeler  
The Attorney General of Switzerland  
Bundesanwaltschaft  
CH-3003 Bern**Copied to:**Richard Isarin, Chief Executive Officer  
Maya Kamm, Chief Compliance Officer  
Romeo Cerutti, General Counsel  
Private Banking  
Credit Suisse (Zurich)  
Paradeplatz 8  
ZurichDr. Eugen Haltiner, Chairman  
Dr. Urs Zulauf, Vice-Director, Legal Department  
Swiss Federal Banking Commission  
Schwanengasse 12  
P.O.Box  
CH-3001 BerneMoney Laundering Reporting Office Switzerland  
Federal Office of Police  
Nussbaumstrasse 29  
CH-3003 BernEva Aigner  
Swiss Financial Market Supervisory Authority  
Einsteinstrasse 2  
CH - 3003 Berne

Dear Dr Beyeler,

**Re: Money Laundering Suspicion Report / Accounts at Credit Suisse (Zurich) held  
in the names of:****Aikate Properties Inc.  
Arivust Holdings Limited  
And any other accounts beneficially owned by Vladlen Stepanov and/or his wife,  
Olga Stepanova, Elena Anisimova and her son Andrey Anisimov, Olga Tsareva  
and her daughter Elena Tsareva**We act for Hermitage Capital Management Limited ("Hermitage"), the investment advisor to the  
Hermitage Fund.



## I. Suspected Money Laundering Activity through Various Accounts Held at Credit Suisse (Zurich) ("Credit Suisse")

The purpose of this letter is to bring to your attention our clients' suspicion that the criminal proceeds generated by a large-scale criminal organisation, which involves high-level government officials, through complex frauds against our clients and other organizations that resulted in theft of some US\$230 million from the State Budget of the Russian Federation may be held in various accounts at Credit Suisse. The investigation carried out by our clients has shown that these accounts belong to corrupt Russian tax officials and their immediate family members who have used and continue to use these accounts to launder the proceeds of money stolen from the Russian state, the exposure of which led to the death in prison of an anti corruption lawyer Sergei Magnitsky ("Mr Magnitsky"), who was contracted as an external lawyer and adviser to Hermitage<sup>1</sup>. In addition, there are several accounts at Credit Suisse that our clients have identified as omnibus accounts that these individuals use for no other purpose than laundering money for various unconnected parties.

We hope that this letter, and the accompanying documentation, provides you with sufficient information necessary to conduct an urgent investigation and to take the steps that you consider necessary, such as freezing the accounts holding the illicit funds, investigating the account holders and those doing business with them, as well as any other steps as you consider appropriate under the given circumstances, including bringing criminal charges and requesting extradition of those involved. Should you conclude that your investigation leads to the same results as that carried out by our clients, we request that you freeze the accounts of those involved in the criminal activity immediately. In addition to the information provided with this letter, extensive information and documentation relating to the underlying frauds is available online at <http://russian-untouchables.com>, a website dedicated to the late Mr Magnitsky established following Mr Magnitsky's tragic death in prison.

You will notice that we have also copied this letter to Credit Suisse and the Swiss Banking Commission ("Commission") in an effort to assist both in meeting their respective obligations under Swiss law and to counter a criminal conspiracy that appears to have used Credit Suisse to launder substantial sums. We note that the information we have uncovered has potential implications for Credit Suisse under its June 2008 Code of Conduct in connection with its commitment to maintain an exemplary control and compliance environment in relation to these and any related accounts. The information may also trigger regulatory or other legal obligations. It is for this reason that we will be sending this letter to Credit Suisse's principal compliance officer for Private Banking on this initial communication, as well as the CEO of the private banking department. In the event that the particular accounts involved relate to the jurisdiction of others at Credit Suisse, such as compliance officers at other departments, we would be grateful if this letter could be forward to them on an urgent basis.

## II. Background

As Hermitage set out in numerous formal complaints made to the Russian authorities, which are available at <http://russian-untouchables.com>, following an extortion effort undertaken against Hermitage by a Russian police official, Lt. Colonel Artem Kuznetsov ("Mr Kuznetsov") of Russia's Ministry of the Interior, Moscow Interior Ministry officers raided Hermitage's Moscow offices and the offices of Firestone Duncan, Hermitage's legal and audit advisors. The officers, as our clients have subsequently discovered, acting under cover of their official positions, and for the purpose of carrying out a criminal conspiracy to defraud the Russian government and Hermitage, illicitly seized certificates of registration, company records, corporate seals and tax certificates of the three of the Fund's Russian subsidiaries. The seized documents were then used to carry out a series of sham transactions that led to the theft of 5.4 billion roubles (US \$230 million) from the Russian state budget, attributable to "refunds" of taxes previously paid by the Fund to the Russian government.<sup>2</sup> In fact, the amounts were not refunded to the Fund, but stolen by the criminal group that used the corporate documents taken by the Moscow Interior Ministry officers from Hermitage illicitly to secure the funds for themselves.

<sup>1</sup> Wall Street Journal. Murder by Natural Causes. NOVEMBER 18, 2009 (<http://online.wsj.com/article/SB10001424052748704204304574543422988504600.html>)

<sup>2</sup> The details of the theft are set forth in the letter of Neil Micklewaite of Brown Rudnick (London) to Yuri Chalka, Prosecutor General of the Russian Federation, from the firm of Brown Rudnick, Neil Micklewaite, 12 October 2009, and attached here as Exhibit 1 Pages 1-29.



Our clients' investigation has shown that the members of the criminal group included, *inter alia*, Vladlen Stepanov ("Mr Stepanov") and his wife, Olga Stepanova ("Mrs Stepanova"), who appear to be the beneficiaries of the illicit wealth accumulated on these accounts specified in this letter. Our clients have discovered that Mr and Mrs Stepanov played direct roles in securing the stolen funds.

In the period from January 2007 to January 2008 Mr Stepanov incorporated various companies, which included Aikate Properties Inc ("Aikate"), a company registered in the British Virgin Islands, and Arivust Holdings Limited ("Arivust"), a company registered in Cyprus. Mr Stepanov then opened various bank accounts at Credit Suisse on behalf of these companies, registering himself as the beneficial owner.<sup>3</sup> (Confirmation that Mr Stepanov is the beneficial owner of Aikate is shown in a letter signed by the sole director of the company in the British Virgin Islands, where the company is registered.)<sup>4</sup>

At the time, Mrs Stepanova was, and still is, the Head of the Bureau of the Moscow Tax Authority through which \$155 million of the \$230 million of tax "refunds" were processed. She was responsible for authorizing these "refunds" requested by those that used them to carry out one of the largest tax frauds in the history of the Russian Federation.<sup>5</sup> Notably, the refund of an enormous amount by any standards,<sup>6</sup> was approved on the same day as the application for a refund was made, 24 December 2007.

On 28 April 2009, Tverskoi District Court of City of Moscow of the Russian Federation, found that the tax refund requests and the related transactions were criminal, in a decision that addressed the culpability of only one member of the criminal organization, a saw mill employee V.A. Markelov, who was involved in the illicit use of the Hermitage corporate documents to steal the \$230 million. The ruling then merely stated that he was assisted by "unidentified members" of a criminal group.<sup>7</sup>

### III. Evidence That Mr Stepanov and Mrs Stepanova Have Not Obtained Their Assets Legitimately

As the Russian government official, Mrs Stepanova is required to declare her income, as well as that of her husband, Mr Stepanov, under anticorruption regulations approved by the President of Russian Federation<sup>8</sup>. Together, their gross income over a ten year period amounts to less than US\$500,000 total, or an average of less than \$50,000 per year. Although the year 2005 is missing from the records that our clients have found, it is notable that neither Mr nor Mrs Stepanov had substantial income for most of the ten year period and their average annual declared income between 2006 and 2009 was \$38,381.<sup>9</sup> Mr and Mrs Stepanov have no legitimate source of income that can support the transactions that have moved through the accounts controlled by Mr Stepanov. To the contrary, a close review of the accounts, provided below, led our clients to believe that these transactions can only be explained by the existence of money laundering.

### IV. Aikate's and Arivust's Accounts

The limited information available to our clients regarding the activity on Aikate's and Arivust's Credit Suisse accounts indicates extensive money laundering and includes a number of "red flags" for activity that is of high money laundering risk. The examples of these "red flags" are:

1. Aikate was established as a shell company in the British Virgin Islands on 29 January 2007. BVI is a jurisdiction that is considered to be of high-risk for money laundering due to its minimal due diligence requirements in connection with corporate registration. Notably, under the BVI Business

<sup>3</sup> See Letter of August 6, 2009 from Vladlen Stepanov to Koureon Management Limited re. Arivust Holdings Limited accounts, and attached here as Exhibit 1 Pages 30-33.

<sup>4</sup> See Letter of June 28, 2008 from Hon. Andrew Moray Stuart, director of Aikate Properties, Inc, on Aikate Properties, Inc. stationery, and attached here as Exhibit 1 Pages 34-35.

<sup>5</sup> See Decision for tax rebates of Parfenlon and Makhaon signed by Olga Stepanova, and attached here as Exhibit 1 Pages 36-40.

<sup>6</sup> See Financial Times, September 12, 2010. RZB probed for possible links to Russia tax fraud. <http://www.ft.com/cms/s/0/8daee41a-ba98-11df-a755-00144feab49a.html#ixzz17M91wn6d>

<sup>7</sup> A copy of the verdict against Markelov, and attached here as Exhibit 1 Pages 41-47.

<sup>8</sup> Anticorruption regulations regarding the officials of Russian tax authorities ([http://www.r77.nalog.ru/index.php?topic=umns77\\_2\\_1](http://www.r77.nalog.ru/index.php?topic=umns77_2_1))

<sup>9</sup> A copy of the Stepanov/Stepanova income declaration for the ten year period, 1999-2009, with 2005 missing, and attached here as Exhibit 1 Pages 48-57.



Companies Act, companies are not required to file information on directors and shareholders. (However, as stated above, our clients' investigation has shown that Mr Stepanov is the beneficial owner of Aikate and it also appears that Aikate opened an account 0835-1488763-52 with Credit Suisse.)

2. Arivust was registered in Cyprus on 26 January 2008, a month after the illegal refund of the \$230 million took place.<sup>10</sup> Cyprus is another jurisdiction that is considered to be of high-risk for money laundering due to its minimal due diligence requirements in connection with corporate registration. Similarly to Aikate, Arivust opened accounts with Credit Suisse in USD 0835-1300256-72 and Euro 0835-1300256-72-1, IBAN CH38 0183 5130 0256 7200 0.
3. A further indicator of money laundering is the movement of funds through multiple accounts, indicative of structuring activity. The funds in these accounts were not directly transferred to the final destination, but the chain was broken in between, which suggests that this was done in order to hide the origin of the money. Transactions of this type appear to have taken place involving Account 980284-62-1 held in the name of Quartell Trading ("Quartell") and Account IBAN: CH68 0483 50 955976 12004 in the name of Baikonur Worldwide Limited ("Baikonur"), each of which involve payments to or from what appear to be other shell companies in high-risk jurisdictions, but, our clients have discovered that both of these accounts are controlled by the same entities.
4. The structuring activity appears to have been carried out through the following mechanisms, described in "Steps" below. Each of these steps themselves exhibit indicators that are of high risk of money laundering, as specified below.

*Step 1.*

The illicit proceeds were first transferred to Quartell accounts: a payment of €2,000,000.00 was made on January 23, 2008, from a company incorporated in New Zealand, Bristoll Export Limited Level 5 ("Bristoll"). Bristoll's registered address is C/-GT Group Limited, Level 5, 369 Queen Street, Auckland, New Zealand and it was incorporated by Michael Taylor, one of the partners and executives of GT Group Limited, which became known for its involvement in establishing and managing the company SP Trading Ltd, which was found to have engaged in illegal arm trafficking of 35 tonnes of explosives and anti-aircraft missiles from North Korea to Iran when the Ilyushin-76 plane was seized by Thai police on December 12, 2009.<sup>11</sup> The involvement of this company in other criminal activity is yet another reason for one to suspect that the transaction may involve a high risk of money laundering.

Bristoll is a company with 100 shares and its sole director is located in the high-risk jurisdiction of Vanuatu<sup>12</sup>. There is no public evidence of legitimate commercial activity of any form involving Bristoll, which was listed as a company in New Zealand on July 11, 2007, and is now defunct.<sup>13</sup> This allows one to conclude that there are two reasons for suspecting money laundering: (i) Bristoll's location of incorporation, and (ii) its defunct corporate status. Moreover, the sum involved does not correspond to an explicable commercial transaction and notably, the transaction took place just one month after the tax office headed by Mrs Stepanova approved the majority illicit tax "refund" of US\$230 million.

Subsequently, two similar payments, each of €1,999,900.00 were made on February 6, 2008 and on February 12, 2008 to the same Quartell account from another company, Nomirex Trading Limited Cornwall ("Nomirex")<sup>14</sup> and also in this case, there are factors that indicate that these transactions have high money laundering risks, particularly as they took place one and a half months after the illegal \$230 million tax refund was approved by the tax authority headed by Mrs Stepanova.

Nomirex was incorporated on 14 August 2006 as a shell company in the United Kingdom. It is owned by a Cypriot company, has a sole Cypriot director, and its authorized share capital consists of a total of two (2) ordinary shares.<sup>15</sup> Again, there is no public evidence that the

<sup>10</sup> See the Structure report provided by InfoCredit, and attached here as Exhibit 1 Pages 58-59

<sup>11</sup> <http://online.barrons.com/article/SB126228981179512403.html>

<sup>12</sup> Bank transfer records of payment from Bristoll to Quartell Credit Suisse account, attached here as Exhibit 1 Pages 75

<sup>13</sup> See corporate records, Auckland, relating to Bristoll, attached here as Exhibit 1 Pages 60-67

<sup>14</sup> Bank transfer records of payment from Nomirex to Quartell Credit Suisse account, attached here as Exhibit 1 Pages 79-80

<sup>15</sup> See corporate records of Nomirex, and attached here as Exhibit 1 Pages 68-73



company conducts any commercial activity, and it is obvious from the nature of the transactions (large amounts, unrelated to any visible commercial or business activity) that they may involve money laundering. Moreover, Companies House records show that for 2007-2009 Nomirex filed a dormant annual report with zero financial activity. This report of no activity appears to be fraudulent on its face, particularly in light of the fact that substantial funds were transferred through Nomirex accounts. This, yet again, caused our clients to suspect money laundering and criminal activity.

Both companies, Bristoll and Nomirex, have bank accounts at AS Trasta Komerbanka, Miesniekuila 9, LV-1050 Riga, Latvia, (Bristoll - LV13KBRB1111213235001, Nomirex - LV16KBRB1111212787001). Latvia is another jurisdiction that the Financial Action Task Force has classified as being highly vulnerable for the laundering of criminal proceeds and it is seen as a high risk jurisdiction.

Our clients suspect that, due to the circumstances and the individuals involved, the €6 million involved in these transfers may be part of the criminal proceeds of the fraud against Hermitage and the Russian State Budget and this suspicion is also evidenced by the material produced in the United States as a result of a successful subpoena filed by Hermitage in the District Court of Southern District of New York seeking information from various US banks on wire bank transfers relating to the fraud.

Wire transfer statistics obtained as a result of the court's ruling show that that the following payments were made to Bristoll and Nomirex immediately prior to the payments to Quartell discussed above:

- On 5 February 2008 the amount of US\$ 498,955.00 was transferred to Bristoll from Roland Management Ltd, a company incorporated in the United Kingdom,<sup>16</sup> a shell company which, according to the records available to our clients, as of June 30, 2008, had minus £102 total assets less current liabilities.
- On 5 February 2008 the amount of US\$ 491,585.58 was transferred to Bristoll from SC BUNICON-IMPEX SRL, a company registered in Moldova<sup>17</sup>, a shell company incorporated on July 4, 2007 under the name of Vladimir Bunicovschi<sup>18</sup>.
- On 5 February 2008 the amount of US\$726,000.00 was transferred to Nomirex from the same company, SC BUNICON-IMPEX SRL<sup>19</sup>.

It is these transactions that caused our clients to believe that the proceeds of the fraud moved from one shell company to another and finally to the bank accounts held by Mr and Mrs Stepanov at Credit Suisse.

#### *Step 2.*

Four months after the funds were transferred to Quartell's account, similar amounts were transferred from Baikonur's account, the account that our clients believe is controlled by the same entities as Quartell's account, to Arivust, the company controlled by Mr Stepanov. Five payments with a total value of approximately €7.1 million were made to Arivust's account at Credit Suisse (IBAN: CH68 0483 5095 5976 1200 4 ) between 26 May 2008 and 17 June 2008<sup>20</sup>:

- On 26 May 2008 Baikonur paid €1,500,000 to Arivust;
- On 2 June 2008 Baikonur paid €1,600,000 to Arivust;
- On 6 June 2008 Baikonur paid €1,700,000 to Arivust;
- On 9 June 2008 Baikonur paid €1,000,000 to Arivust; and
- On 17 June 2008 Baikonur paid €1,300,000 to Arivust.

<sup>16</sup> Wire transfer records of payment from ROLAND MANAGEMENT LTD to Bristoll, attached here as Exhibit 1 Pages 81

<sup>17</sup> Wire transfer records of payment from SC BUNICON-IMPEX to Bristoll, attached here as Exhibit 1 Pages 82

<sup>18</sup> Extract from the Ministry of Justice of Moldova on SC BUNICON-IMPEX, attached here as Exhibit 1 Pages 84

<sup>19</sup> Wire transfer records of payment from SC BUNICON-IMPEX to Nomirex, attached here as Exhibit 1 Pages 83

<sup>20</sup> Bank transfer records of payment from Acc No CH68 0483 5095 5976 1200 4 to Arivust, attached here as Exhibit 1 Pages 85-86



During 2008 and 2009, large sums were transferred to Arivust's and Aikate's accounts held at Credit Suisse on behalf of Mr Stepanov and Mrs Stepanova and there is no suggestion that these transactions involved a known commercial activity or came from a visible source of legitimate funds. Examples of these transactions are:

- Three payments of approximately €750,000 were made to Aikate's account at Credit Suisse, between June 16, 2009 and July 9, 2009.
- Two payments, each in the amount of \$300,000 (USD) totaling \$600,000 (USD) were made to Aikate's account at Credit Suisse on August 27, 2009<sup>21</sup>.

The Credit Suisse advisor for these accounts appears to be Mrs Svetlana Artho, whose telephone number is 044 333 40 84.

#### V. Further Money Laundering Activities Using the Same Accounts – Integration and Use of Funds to Purchase Real Estate

##### *i) The Purchase of Real Estate in Dubai*

It appears that Baikonur's account (Credit Suisse USD Account 955976-12; IBAN CH79 0483 5095 5976 1200 0) has repeatedly been used to make payments on behalf of the Stepanov family and the families of other tax officials of Moscow tax office 28 for the purpose of laundering the stolen money through the purchase of real-estate in Dubai.<sup>22</sup>

This activity includes the following payment orders that appear to have been made for the benefit of Mr Stepanov:

- a) 25 Apr 2007 \$252,239  
Beneficiary: **Sunny Beach Properties**  
Details of payment:  
Payment Inv. KPJR 07/082  
DD April 8, 2007. Unit No. 428 for Vladlen Stepanov
- b) 18 Oct 2007 \$277,836.69  
Beneficiary: **Sunny Beach Properties**  
Details of payment:  
Inv. KPJR 07/247  
For real estate  
Note: Most likely as a partial payment for Unit 428 for Vladlen Stepanov
- c) 16 Jan 2008, \$629,030.00  
Details of Payment:  
**Mr. Vladlen Stepanov for Unit 530**  
(A2) in KPJR, Dubai, UAE, according  
to inv. KP0237/01, dd. 07.01.08  
This is a partial payment for the purchase of a condominium at the Kempinski Palm Jumeirah

Notably, Mrs Stepanova approved the fraudulent tax refund just weeks before and our clients suspect that it is likely that the money being sent originates with these refunds.

- d) 26 Mar 2008, \$426,072.70  
Beneficiary: Emerald Palace Group Limited  
Details of payment:  
Payment for real estate of Inv. Ep/KPJR 08/015 DTD 02.03.2008  
(For Vladlen Stepanov)  
This is a partial payment for the purchase of a condominium at the Kempinski Palm Jumeirah (Most likely unit 530)

<sup>21</sup> Bank transfer records of payment to Aikate, attached here as Exhibit 1 Pages 87-89

<sup>22</sup> Bank transfer records of payment for Dubai based properties of Stepanov and Co., attached here as Exhibit 1 Pages 90-100



- e) 16 Apr 2008, \$265,779.20  
Beneficiary: **Sunny Beach Properties**  
Details of Payment:  
Payment for Real estate  
**Vladlen Stepanov, unit 428 inv.**  
SB/KPJR 08/049)
- f) 25 Jun 2008, \$426,020.00  
Details of Payment:  
Inv. Ep/KPJR 08/043, **Unit 530**  
**V. Stepanov**
- g) 17, Sep 2008 \$426,020.00  
Beneficiary: Emerald Palace Group Limited  
Details of Payment:  
Payment Inv. EP/KPJR08/076 DD  
02.09.2008, **Vladlen Stepanov,**  
**Unit 530**  
(Investment of Building)

Some of the payments appear to also have been made for the benefit Olga Tsareva, the deputy Head of Moscow Tax Office No. 28, the one who approved a major part of the illegal \$230 million tax refund on 24 December 2007. The first payment was made approximately a month after the tax refund was granted:

- h) 17 Jan 2008, \$591,300  
Details of payment:  
**Ms. Olga and Elena Tsareva for unit**  
**116 in KPJR, Dubai, UAE, Invoice**  
EP/KPJR 08/001 dd 09.01.2008
- i) 24 April 2008, \$ 29,484  
Beneficiary: Emerald Palace Group Limited  
Details of payment:  
Transfer Administration charge,  
**Unit 116, KPJR, this transaction is also seems to be done for the benefit of Ms.**  
**Olga and Elena Tsareva, because it is related to the same unit 116.**

Some payments appear to have also been made for the benefit Elena Anisimova, the First Deputy Head of Moscow Tax Office No. 28, the one who approved a major part of the illegal \$230 million tax refund on 24 December 2007. The first payment was made approximately a month after the tax refund was granted.

- j) 18 Jan 2008, \$569,000  
Beneficiary: Emerald Palace Group Limited  
Details of payment  
**Mr. Andrey and Elena Anisimova for**  
**unit G16 in KPJR, Dubai, UAD invoice**  
EP/KPJR 08/009 dd 09.01.2008
- k) 8 Jul 2008, \$283,907.8  
Beneficiary: Emerald Palace Group Limited  
Details of payment  
**EP/A No. G16 Unit G16 (Investment for buiding). Which seems to be payment for**  
**the same unit of Mr. Andrey and Elena Anisimova**

*ii) The Development of a Resort Property in Montenegro*

The banking documents that our clients have in their possession, supplemented by other records, also suggest that Mr Stepanov and Mrs Stepanova chose to use the proceeds of their criminal activity



to invest in the construction of another property in City Bar, the Republic of Montenegro, known for its impressive seaside.

According to Quartell's account statements, an omnibus account used in part to launder proceeds of the tax refund crime reported by Mr. Magnitsky<sup>23</sup>, from 01.01.2008 to 31.01.2008 and from 01.02.2008 to 29.02.2008 the following transactions were made:

- a. Payment of €100,734.32 on 4 February 2008 to developer "Montenegro Projekt" D.O.O. Podgoric;
- b. Payment of €106,413.88 on 17 January 2008 to Vladimir V. Abakumov Rusija Moskva;
- c. Payment of €204,114.32 on 4 February 2008 to Vladimir V. Abakumov Rusija Moskva;
- d. Payment of €5,293.88 on 24 January 2008 to Svetislav Predovic Bar Montenegro;
- e. Payment of €38,913.88 on 24 January 2008 to Svetislav Predovic Bar Montenegro;
- f. Payment of €6,214.32 on 1 February 2008 to Svetislav Predovic Bar Montenegro;
- g. Payment of €27,514.32 on 4 February 2008 to Svetislav Predovic Bar Montenegro;
- h. Payment of €59,014.32 on 4 February 2008 to Svetislav Predovic Bar Montenegro.

Our clients suspect that the information relating to these transactions suggests that the majority of these payments were made for the purchase of construction materials for the resort property. All of the following payments were made from this account to Montenegro for the benefit of the Stepanov family who purchased a house. It appears that these payments are likely to have been made from the proceeds of the fraud used to purchase clean real-estate.

## VI. Murder of Sergei Magnitsky

As explained above, our clients are of the view that Arivust's and Aikate's accounts held at Credit Suisse belong to a Russian tax official, her husband, and criminal associates, and that the activity on those accounts involves the laundering of the proceeds of money stolen from the Russian State Budget.

As we explained above, based on their own public filings with the government of Russia, neither Mr nor Mrs Stepanov have any source of income (other than the laundering of the proceeds of crime) to justify the activity that has been taking place in these accounts. In the event that our clients' findings are correct, the fraud proceeds used by the Russian tax officials and their families to purchase real estate in different countries have a connection to the murder of Mr Magnitsky, who was the first person to uncover and whistle blow the criminal conspiracy relating to these stolen funds placed at Credit Suisse by Mr Stepanov and Mrs Stepanova, two of the principal co-conspirators.

In the autumn of 2007, in his capacity as Hermitage's lawyer, Mr Magnitsky discovered that companies held by HSBC Guernsey, the Fund's custodian, had been stolen. The details of this theft have been set out in detail in numerous complaints filed with the Russian government in the beginning of December 2007 by the HSBC Guernsey Ltd., Trustee of the Fund and its lawyers. In the course of his investigation, Mr Magnitsky discovered that those that controlled the stolen companies applied for fraudulent tax refunds at Moscow tax offices 25 and 28, headed by Mrs Stepanova, that these refunds of 5.4 billion rubles (\$230 million US) were approved in a single working day, that no audits or questions were asked and that refunds were made to bank accounts of Universal Savings Bank Moscow, a bank owned by a convicted criminal, Dmitry Klyuev, whose legal advisor and business partner is Andrei Pavlov, involved in the frauds against our clients.

In a series of 12 formal filings made to the Russian government in 2008, Mr Magnitsky alleged that the fraud was carried out by a criminal group consisting of corrupt Russian police officers, corrupt officials from tax offices 25 and 28 and by other organized criminals. He also alleged that these two

<sup>23</sup> Bank transfer records of payment from Acc No CH68 0483 5095 5976 1200 4 to Arivust, attached here as Exhibit 1 Pages 74-80





tax offices were involved in granting systematic fraudulent refunds dating back to at least 2006.<sup>24</sup> Soon after making these allegations public, Mr Magnitsky was arrested by the same corrupt Russian police officers and held in prison without trial for a year. He was tortured in pre-trial detention and died there one year following his arrest in the age of 37.<sup>25</sup> The Russian government has since recognized the theft of \$230 million of government money, but has so far failed to bring any charges against any government officials against whom Mr Magnitsky gave evidence.

The death of Mr Magnitsky while in custody received broad global attention and has been widely condemned.<sup>26</sup> The United States Congress has introduced an initiative to ban all the Russian officials involved, including Mr and Mrs Stepanov, from traveling to the US<sup>27</sup> and to freeze all their assets and those of family members as applicable. On 16 December 2010 the Parliament of the European Union approved a resolution requesting visa bans and financial sanctions against those Russian officials involved in embezzlement of \$230 million of government funds and the torture and murder of Mr Magnitsky. World Check<sup>28</sup> has also included the Stepanov family on its list of persons that they advise to avoid dealing with.

## VII. Due Diligence and Compliance

As we mentioned above, the bank accounts that we have discussed above appear to be managed by a Credit Suisse account officer named Svetlana Artho.

Although our clients do not have access to the account opening information or to the overall books and records maintained by Credit Suisse in connection with the relevant accounts, the limited information that they managed to get hold of suggests that:

- the immediate beneficial account holder, Mr Stepanov, is a Politically Exposed Person, as he is married to a senior tax official;
- transactions on other accounts held at Credit Suisse appear to have been undertaken for the ultimate benefit of of Mr Stepanov as well;
- Mr Stepanov has no visible source of legitimate income to justify the amounts involved in the transactions relating either to accounts in which he is the immediate beneficial account holder, or relating to other accounts in which transactions have been made on his behalf;
- the businesses holding the accounts have no legitimate commercial activity to justify the amounts involved in the transactions;
- the structures involve companies incorporated in high-risk jurisdictions;
- some of the companies that maintain accounts at Credit Suisse are no longer in good standing and, as a result, have no legal status in the jurisdiction where they were incorporated;
- some of those involved in the transactions appear to have been implicated in other serious criminal activity unrelated to the scheme outlined in this letter;
- the transactions themselves bear clear indicators of money laundering; and
- the actual sources of funds are likely to be the proceeds of organized crime involving serial thefts from the Russian State through fraudulent tax refunds including the theft of some \$230 million from the Russian state by corrupt officials, including Mrs Stepanova and other tax officials.

In light of this information, the Commission and Credit Suisse may wish to determine whether Credit Suisse:

<sup>24</sup> These allegations by Mr. Magnitsky are provided here: <http://russian-untouchables.com/eng/testimonies/>

<sup>25</sup> News article on Sergei Magnitsky death. <http://russian-untouchables.com/eng/category/magnitsky-death/>

<sup>26</sup> <http://russian-untouchables.com/eng/category/international-reaction/>.

<sup>27</sup> <http://thomas.loc.gov/cgi-bin/query/z?c111:S.3881>.

<sup>28</sup> <http://www.world-check.com/articles/2010/11/29/are-you-banking-any-60-russians-eu-wants-sanction/>



- undertook the required level of due diligence when opening the relevant accounts;
- filed suspicious transaction reports with the relevant Swiss regulators, as may be appropriate;
- checked whether the extensive and documented money laundering activity in these accounts extends to other accounts at the bank managed by Ms Artho, or by any unit of which she may be part of;
- considered whether the bank's compliance policies and procedure were properly followed in regard to these accounts and transactions; and
- looked into whether an independent review of other such accounts may be appropriate in light of the many indicators of laundering activity here.

These possible failures to meet either due diligence obligations or suspicious activity reporting regarding these accounts would raise fundamental questions about the integrity, effectiveness, and implementation of the effectiveness of the underlying anti-money laundering systems, policies and procedures and the implementation of the Code of Conduct. These issues may also raise crucial issues for your consideration, which are beyond the scope of the immediate concerns that we have raised in this letter.

### VIII. Conclusion

Mr Magnitsky's death in custody provided tragic evidence of the corruption and of the extent of power that the officials that participated in the criminal conspiracy to steal the \$230 million in taxes. While the underlying scheme involved many stages, the financial elements of it boil down to three mechanisms. Firstly, the illicit funds were generated by a corrupt theft of resources from the Russian state by Russian officials, including Mrs Stepanova.. The funds were then layered through a series of transactions that involved a now-defunct bank in Russia, Universal Savings Bank, numerous shell companies, some of which held accounts at Credit Suisse to the accounts controlled by Mr Stepanov, the husband of the senior tax official who approved the illicit refund. The funds were finally placed in a series of investments, including real estate properties in Dubai, made for the ultimate benefit of the criminals that carried out the scheme, including Mr Stepanov, Mrs Stepanova, Ms Tsareva and Ms Anisimova.

Our clients have lost a dear friend and colleague and it is their goal at this point to place as much pressure as possible on this criminal group, and to deny them the fruits of their criminal activity. In pursuit of this goal, Hermitage intend to notify all the banks that they believe may have been involved in the laundering activity beyond Credit Suisse as soon as possible, but we wanted to provide you with this information, so as to ensure that our actions in Switzerland do not interfere with investigations by the Commission or by Credit Suisse. With that in mind, it is our clients' intention to provide the relevant information to the foreign correspondent banks of Credit Suisse that have handled one or more of the significant transactions involving apparently laundered illicit funds, as well as to their regulators. Further, in an effort to further counter those responsible for Mr Magnitsky's death, unless the relevant regulator asks them not to do it in an effort to ensure that nothing prevents the ongoing investigations, Hermitage intend to make correspondence with relevant regulators and financial institutions public.

We would be grateful if, once you have had a chance to consider this letter, you inform us what action you intend to take and would welcome any opportunity to discuss with you any aspects of this matter, should it be helpful to you. If you have any further questions, require any additional documents in support of the factual matters raised in this letter, or require the translations of the documents that we have provided, please direct communication in this regard to Neil Micklethwaite of this office.

Yours sincerely,

  
Neil Micklethwaite

On behalf of BROWN RUDNICK LLP