



The accusations follow separate tax evasion charges brought against Hermitage Capital Management Ltd. Chief Executive Officer William Browder, a British citizen whose London-based fund was once the largest foreign portfolio investor in Russia. Photographer: Chris Ratcliffe/Bloomberg

### Bloomberg News

## Russia Opens Case Into Browder's Hermitage Buying Gazprom Stock

By Anna Shiryayevskaya on March 05, 2013 | [Twitter](#) [Facebook](#) [LinkedIn](#) [Google+](#) [Comments](#)

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fraud charges.

Hermitage head William Browder is accused of illegally buying about 131.6 million Gazprom shares for about 2.1 billion rubles (\$70 million) at a time when foreign ownership of the world's biggest natural-gas producer was restricted, Mikhail Alexandrov, head of the Interior ministry's investigative directorate for organized crime and corruption, said today on state television.

"Buying Gazprom shares through derivative structures was entirely legal," Browder said by phone today, adding that neither he nor Hermitage has been notified of the case.

The accusations follow separate tax evasion charges brought against Browder, a British citizen whose London-based fund was once the largest foreign portfolio investor in Russia. Browder, who has been barred from entering Russia since 2005 as a security threat to the state, is being tried in absentia on the same accusations made against Sergei Magnitsky, a Hermitage tax and legal adviser who died in a Moscow prison in 2009. Magnitsky's family has said the posthumous trial is "politically motivated."

Browder attempted to use share ownership to exert influence on the company, Alexandrov said. He estimated the damage to the government at no less than 3 billion rubles.

Buying and trading shares of Gazprom by foreigners was restricted before the state raised its ownership in the gas producer to more than 50 percent in 2005. Russia had banned foreigners from holding more than 20 percent of the stock and restricted them to American depository receipts.

'Ring Fence'

The restrictions, the so-called ring fence, were put in

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place in late 1990s when the company was undervalued, creating two markets for trading the company stock -- ordinary shares on the Russian market and ADRs limited to 4.4 percent of the nominal capital. Gazprom's ADRs traded at about double the price of the local shares in 2004.

Hermitage's purchases of Gazprom shares relate to the period from 2001 to 2004, Alexandrov said. After criminal charges are brought against Browder, Russia may issue an international arrest warrant for him, he said. Russia will cooperate with the U.K., U.S. and European Union authorities in the investigation, he said.

Hermitage's investment in Gazprom shares had the acceptance of Russian authorities and the company at the time, according to Browder.

#### Hermitage 'Blessed'

"Our ownership in Gazprom shares was blessed by the federal securities commission in 2004, and by Gazprom itself on a continuous basis," Browder said.

Alexandrov said Browder also attempted to influence Gazprom by putting forward his candidacy for the board and pushing for changes in the company's dividend and information policies and the order of deals approval by the board.

In a separate case, the Prosecutor General's Office said in November that Browder and Magnitsky are accused of evading taxes of 522 million rubles. Browder has denied any wrongdoing by either of them.

Prime Minister Dmitry Medvedev, who as president between 2008 and 2012 made the fight against corruption a priority, defended Magnitsky's prosecution for tax evasion.

Magnitsky was “not a truth-seeker,” Medvedev said in an interview with Bloomberg Television on Jan. 23 in Davos, Switzerland. “He was a corporate lawyer or accountant, and defended the interests of the people who hired him,” he said.

### Visa, Assets

The U.S. Congress in December imposed a visa ban and asset freeze on Russian officials allegedly linked to the death of 37-year-old Magnitsky and other human-rights abuses. Lawmakers in Moscow responded by barring U.S. adoptions of Russian children. President Vladimir Putin signed the ban into law on Dec. 28.

“To come out and call what I did illegal directly after the Magnitsky act was passed is clearly a political move,” Browder said today. “The Russian Interior Ministry is running roughshod over the law. They are retroactively declaring something illegal that has been legal for 15 years, purely for political purposes.”

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