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# UK fund boss warned Germany about Russian money in Cyprus

Wed Mar 27, 2013 1:32pm EDT

\* Browder says Cyprus took years to open probe

\* Germany says meeting with Browder was interesting

By Dmitry Zhdannikov and Axel Threlfall

LONDON, March 27 (Reuters) - UK fund manager Bill Browder, one of the Kremlin's harshest critics, briefed German officials on Russian money laundering in Cyprus just before the European Union set tough terms for the island's bailout.

He said at least \$31 million was laundered through Cyprus bank accounts, funds that were part of a \$230 million fraud his lawyer Sergei Magnitsky discovered before his death in a Moscow prison in 2009.

Browder said the Mediterranean island, one of the most important conduits for Russian money transfers, opened an investigation in December into the allegations the businessman first made in 2008.

Once the largest fund manager in Russia through his \$4 billion Hermitage fund, Britain-based Browder is currently on trial in absentia in Russia on fraud charges. He denies any wrongdoing and says the charges are politically motivated.

"When Cyprus started to ask the Europeans for a 17 billion euro bailout, it seemed to me absurd that we should be bailing out Cyprus if they are unwilling to investigate the most well documented money laundering cases," Browder said.

Browder spoke with Levin Holle, director general of financial markets policy at Germany's ministry of finance, at a meeting last month confirmed by the ministry.

"There was a German team of people at a fairly senior level that were involved in structuring the Cyprus bailout. And they were very interested in what we had to say about this," Browder said.

"Policymakers always like to see specifics not just generalizations. If you have specifics and you have evidence-backed specifics, it is very helpful making decisions," he said.

A finance ministry spokesman said the talks were "interesting and contributed new information regarding the state of the fight against money laundering."

"These elements will allow the review of anti-money-laundering practices, which is part of the assistance programme to Cyprus, to be conducted in a

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more precise manner," he said.

A German government source said February's talks had no impact on Berlin's final position on the Cyprus bailout.

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## PROBE STARTS

Cyprus clinched a last-ditch deal with international lenders on Monday for a 10 billion euro bailout that will shut down its second largest bank and inflict heavy losses on uninsured depositors.

Cyprus launched the probe last December through its anti-money-laundering office but was reluctant to give details.

"There are EU and non-EU European countries involved but again we cannot give any information on possible actions. As you can understand any possible inquiries or investigation by authorities of any country are confidential," the office said.

Hermitage lawyers Brown Rudnick wrote to Cypriot officials in July detailing what they said were transfers via Cypriot banks of \$31 million stolen in Russia.

The letter, a copy of which was seen by Reuters, was sent to Cyprus' attorney general Petros Clerides and the central bank governor Panicos Demetriades.

Clerides replied in October that he wanted information from the Russian authorities before launching his own inquiry, as the offences had been committed in Russia.

Money-laundering was a key issue at the heart of tensions between Russia and the United States over the death of Magnitsky, who died in a Moscow prison in 2009 during pre-trial custody on tax evasion charges.

The United States imposed sanctions on dozens of Russians suspected of a role in his death and money-laundering. Russia riposted by banning the adoption of Russian children by Americans.

Browder says Magnitsky was killed because he was investigating the theft of \$230 million state funds by interior ministry and tax officials. Russian authorities say the lawyer died of natural causes and blame criminals for the loss of the funds.

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