

Russia's banks, politics, and organized crime

by Roman Bessonov

The banking system in St. Petersburg is getting more and more criminalized, according to officials of the Internal Affairs bureau, the Federal Counterintelligence Service, tax inspectors, and the chief prosecutor's office. They released a statement to this effect after an audit concluded during the second week in February, with the participation of the Russian Central Bank's representative in St. Petersburg, Viktor Khalansky.

What these officials have in mind is not only gross violation of banking laws, but also the fact that some banks are under the direct management of criminal elements. The prosecutor's office possesses evidence that illegal loans were given to some St. Petersburg companies, some of them exceeding \$100 million. One branch of a Moscow bank has been functioning in St. Petersburg since 1990 without being registered with the tax department, and has not been paying any taxes at all to the federal and local governments.

Delays in loan repayments are not the exception but the rule in Russian banking practice these days. Another common violation is to delay in transferring budgeted money to state-protected enterprises. This is most characteristic of Promstroibank, the bank that was found to be the most reliable by the European Bank of Reconstruction and Development. Some banks are constantly registering a false (diminished) cash balance. This was discovered in the audit of Baltiyskiy Bank, another prominent St. Petersburg institution. The "champion" in tax avoidance is Astrobank. Four other banks are occasionally mentioned in the report of the official audit for having committed violations, but they are not as significant in scale as these three.

The report on the audit was partly published only in the *St. Petersburg Business Review* newspaper, No. 2 (46). The liberal mass media "didn't notice" it, while the only publication that did, described the official report as "a campaign against all the commercial banks," especially the Baltiyskiy Bank.

Political connections

The peculiar thing about these three banks is the degree of their involvement in political life.

Astrobank is known as a sponsor of former President Mikhail Gorbachov's Green Cross "ecological" organiza-



Yegor Gaidar: His party holds its meetings at St. Petersburg's Astrobank.

tion, busy with real estate speculation and supporting the formation of a "green" youth movement of a pagan variety. The bank is also sponsoring former prime minister and radical free-market advocate Yegor Gaidar's party, to the extent that *all* its meetings and conferences in St. Petersburg take place at the bank's offices at 48 Nevsky Prospekt. The bank also owns the liberal newspaper *Smena*, which was previously also the St. Petersburg branch of Gennady Burbulis's "Strategy" analytical center.

According to unofficial but well-informed sources, some of the **Promstroibank** leadership, as well as that of the **Baltiyskiy Bank**, are sponsors of the St. Petersburg Foundation for Promotion of Democratic Reforms, originally instituted by St. Petersburg Mayor Anatoly Sobchak, and later taken over by former chairman of the St. Petersburg City Council and member of the Federation Council Aleksandr Belyayev. Officials of both banks took part in the election campaign for the city Duma (Assembly) as members of the liberal Democratic Alliance of St. Petersburg, which was run by Belyayev.

In December 1993, a brokerage company called Lenstroimaterialy started buying up a large number of the shares of the St. Petersburg Bank. A bank official interviewed in the local press explained it by saying this was part of the activity of the "Promstroibank mafia." Mayor Sobchak tried to give another explanation, hinting at anonymous "aggressive banks from Moscow." But one well-informed banking analyst is sure that Promstroibank had direct permission from Sobchak to buy a controlling chunk of the St. Petersburg bank's shares.

As for the report of the Federal Counterintelligence Service group that conducted the audit, neither it nor the name of its chief was published. Probably for the same reason, the criminal groups that are suspected to be managing these banks are not mentioned. Still, St. Petersburg enterprises' directors unofficially refer to the "Promstroibank mafia" as they do to the "Chechen mafia" (since early spring 1994, when the leadership of the bank changed). Similar rumors have been circulating for a long time about the Baltiyskiy Bank.