

MICHAEL CHERNEY, OLEG DERIPASKA AND THEIR CONNECTIONS TO ORGANIZED CRIME.

Michael Cherney and Oleg Deripaska are directly related to the Russian organized crime group Izmailovskaya where Mr Cherney is an absolute leader of the economic section. Mr Deripaska built his first fortunes, firstly, through one or more controlled companies that were used to meet certain criminal purposes of the organization, and secondly, designing dirty money laundering schemes.

Primary aluminum production is considered to be the third largest sources of foreign exchange revenues and the GDP in Russia, a country that, together with Kazakhstan and Ukraine, represents almost all global primary aluminum production. This fact was the reason why the metal industry in general has converted into one of the main goals of the criminal groups from the former Soviet Union. The Izmailovskaya gang currently controls a good part of the aluminum industry.

In a historical context, links of Michael Cherney and Oleg Deripaska to this gang date back to the privatization during the Soviet Union in the early 1990s. At that time both of them, in a close collaboration with Izmailovskaya and taking advantages of the organization's capacities, extortion or murder among them, gained control over a large part of Russia's aluminum production and other strategic metals. Thus, they assumed control of a big part of the sector, made a huge fortune, gained prominence for economic and political influence, both in the Russian Federation and beyond.

It is known that at that time the financial architecture of the criminal organization's money laundering system was led by a group of people. The group consisted of, at least, Iskander Makhmudov, Oleg Deripaska, Vladimir Lisin and Djalol Heydarov. They were operating under the umbrella of a company/parent business entities of a higher level of importance controlled by the brothers Lev and Michael Cherney. Although they are no longer working together, the Cherney brothers are still collaborating with Izmailovskaya.

The relationship between Michael Cherney and Oleg Deripaska dates back to the beginning of the 90s. Mr Cherney was supported by Mr Deripaska and, in a way, used as his trusted person. This professional relationship was progressively growing, probably due to Cherney's intention to extend his areas of influence to be able to control other sectors and companies without being associated personally

with them. It should be considered that he was related to organized crime and accused of crimes such as murder¹.

Thus, Oleg Deripaska was acquiring a sharp power in the intricate financial schemes of the criminal organization, while Cherney was involved in numerous legal proceedings in various countries, namely:

- In 1994, Michael and his brother Lev Cherney were prosecuted in Russia for numerous crimes, including fraud and membership in a criminal gang. Michael was also accused of stealing more than 100 million dollars from the Russian Central Bank, that forced him to leave the country.
- In 1995 he was arrested in the United Kingdom when tried to enter with a false passport.
- In 1996 he was arrested in Switzerland for his alleged ties to terrorism.
- With regard to Bulgaria, Cherney has several pending cases in that country, among them:
 - o In 2000, he was expelled for a period of 10 years, accused of «being a national threat» and belonging to an armed gang. Likewise, he was forced to sell 95% of his shares of the Mobitel telephone company.
 - o He is suspected of killing in 2005 a bank Roseximbank AD owner, the Bulgarian citizen Emil Kyulev.
- He was under investigation in Lithuania for trying to bribe the prime minister during the operation of selling Mazeiku refinery to Baltic Holding AG.
- He was convicted in Israel for carrying out various fraudulent activities with shares of the Israeli IT-company Bezeq.
- He is refused a visa entry to the United States, Switzerland and Poland.

Due to the multiple Cherney's violations of law as well as his disagreement with the Russian Administration, have led to the current situation where Deripaska -one of the most influential businessmen in Russia and ranked among the 10 richest men in the world- would have chosen to disassociate himself completely from Cherney and work independently. The current confrontation between both oligarchs is reflected in the judicial procedure in the London court, that essentially deals with an asset transfer operation.

Likewise, Deripaska and his dealings with the most famous oligarchs. He was closely linked to transnational organized crime and this fact is widely recognized. For example, this is the case of the Russian citizen of Uzbek descent Alisher Usmanov, who would be investing Deripaska' funds in the European market.

¹This is the case of the so-called "Krasnoyarsk murders" with whom Cherney was involved. Vadim Yafyasov, who represented a company that opposed the absorption by a Cherney's company, and Felix Lvov who represented a Cherney's competitor, North American Corporation (Alcoa). The company participated in the investigation of Cherney's activities' and concluded that he was a criminal. Yafyasov and Lvov were killed in 1994.

However, Deripaska is currently making a special effort to dissociate himself entirely from the criminal circles with which he collaborated previously. And as indicated above, this is the case of Cherney and Izmailovskaya. To be exact, the main purpose of this attitude is to achieve a relevant role in the group of oligarchs closest to the Russian administration. For that he tries to play the same role as the oligarch Roman Abramovich who is attributed the role to manage the private economic interests of Vladimir Putin.

Regarding the criminal group structure, it is known that Izmailovskaya has two "branches" of similar importance. One of them focuses on carrying out and control of illegal activities (controlled by Antón Malevski until his death²). Another one focuses on money-laundering and investment of the funds obtained both from their legal and illegal activities (controlled by Michael Cherney).

Both are equally important and coexist in harmony, although it can not be said that the "branch" led by Cherney and other oligarchs belongs to the criminal group, depends on it or is subordinated to it. It is rather a parallel structure directly related to Izmailovskaya.

However, both "branches" - the criminal and the business – are working together, but at the same time in a separate way, that allows every member to have its own business. However, in case of any problem, especially with other organizations, the criminal part comes in and solves it, supporting the business "branch" of the organization.

Besides, Cherney controls the "common cash" ("Obschak") of Izmailovskaya, that currently contains huge sums of money. The wealth is hidden in the offshore banking system. They use their offshore accounts, for example, to pay different loans, and even realize payment in favour of the Russian Government.

According to these sources, the government is tied with this gang, Izmailovskaya paid to contribute to Putin being elected president of the Russian Federation. The decision about the President Eltsin's successor was adopted by a group of representatives from different Russian sectors. Izmailovskaya was represented by Oleg Deripaska who attended the meeting where this key decision was taken. The elected person had to accept various conditions, for example, not to change certain key ministers and senior officials of the Administration within a period of eight years. There was another set of conditions that Putin accepted completely.

Actually, the sources believe that ties between organized crime in general - and *Izmailovskaya* in particular - with the Russian administration is undoubted. One of

² Other information sites that the organization is currently being controlled by Serguei Lalakin, leader of the *Podolskaya* criminal group.

the proofs is the fact that criminal leaders have spent years controlling some of the most profitable businesses in the country. On the other hand officials of the Administration have placed themselves at the forefront of various companies, mainly in the energy sector and raw materials, both report huge profits. A high standing in the economic sphere that enjoy the both sides has obliged them to review existing relationships and establish a normal operating procedure. Also, the Russian Administration is directly tied with virtually all the leaders of criminal organizations. These ties are especially visible in transactions related to the hydrocarbons, real estate and construction sectors.

The macro-project of construction that is intended to be carried out in the city of Sochi is a clear example of the close link between the Russian Administration and organized crime. This city was chosen for the completion of the Winter Olympics in 2014. This project will invest capital from the unofficial profits of the FSB and the Administration, as well as certain oligarchs and leaders of organized crime. The person chosen to be responsible for executing this plan is Oleg Deripaska, who will channel all the funds, estimated at four trillion dollars, a mission in which criminal leaders contribute, who already have infrastructures and interests in the area.

By virtue of the foregoing, it can be concluded that both Oleg Deripaska and Michael Cherny constitute a significant part of *Izmailovskaya's* business network, contributing with their activities and through their complex corporate networks to the laundering of the capital obtained by it. Likewise, and despite the distancing that is being felt between both oligarchs and the efforts of both to maintain an international image that differentiates them from *Izmailovskaya*, both continue to maintain an important link with the criminal group.