

Ukraine opens criminal cases for Privatbank insolvency

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Graphic illustrating actions that are allegedly related to the bankruptcy of Ukraine's largest commercial bank, PrivatBank

KYIV, July 6, 2017 - Ukraine's prosecutor general's office has opened criminal cases to investigate Privatbank (PRBANK) being driven to insolvency, Concorde Capital informed clients today based on a July 4 statement by the bank's CEO Oleksandr Shlapak. Law enforcement agencies are investigating the bank's issuance in fall 2016 of UAH 133 bln in loans to 36 companies that used the funds to repay the loans taken by other borrowers before. The new borrowers were empty shell companies, Shlapak said. These loans were a part of a total of UAH 198 bln of the bank's loan portfolio to related parties, he said. A day before, Ukraine's Prime Minister Volodymyr Groysman commented on a TV show that the former owners of Privatbank took obligations to return some of the borrowed money to the bank by July 1. "If the obligations are not fulfilled, and the National Bank confirms that, then comes the criminal responsibility," he said. Recall, Privatbank was recognized insolvent on Dec. 18, and was nationalized on Dec. 21. On Dec. 16, the key owners of the bank, Igor Kolomoisky and Gennadiy Bogolyubov, signed a letter to the prime minister asking to nationalize the bank and promising to ensure the restructuring of related party loans by July 1, 2017. Concorde analyst Alexander Paraschiy added: "We found no legislation that allows anybody to avoid criminal charges for driving a bank to insolvency on the condition that they return any of the money to the bank. Indeed, any reasonable standards of rule of law would not make criminal prosecution conditional on the amount of money that the former Privatbank shareholders may or may not return. In other words, the government's behavior looks like blackmail, and a weak attempt at that. Such disturbing politics make sense when taking into account the amount of money that the government alleges was stolen (UAH 198 bln, or USD 7.3 bln), as well the chance for the partial return of such funds. But given the weak history of rule of law in Ukraine, particularly when it comes to the oligarchs, we do not believe in the return of any significant portion of the funds, and we do not believe the government will prosecute anybody in this story. That's largely because the state bodies have already made a lot of legal and procedural mistakes in this process that preclude any successful legal action.

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