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This Billionaire Oligarch Is Being Investigated By A US Federal Grand Jury For Alleged Money Laundering

by

Michael Sallah

BuzzFeed News Reporter

Tanya Kozyreva

BuzzFeed Contributor

Christopher Miller

BuzzFeed News Reporter

Igor Kolomoisky is accused of funneling money from a Ukrainian bank into properties across the US.

One of Ukraine's wealthiest oligarchs, whose name emerged in the center of the Trump impeachment saga, is under investigation by a US federal grand jury for allegedly laundering hundreds of millions of dollars in US real estate, BuzzFeed News has learned.

Billionaire Igor Kolomoisky is accused by Ukraine regulators of orchestrating a scheme to siphon money from the country's largest bank and funnel it into prime properties, including landmark office towers and steel facilities across the US.

The US grand jury is examining the finances of Kolomoisky, a key supporter of President Volodymyr Zelensky, in a probe that has tracked the money from the Ukrainian bank through a maze of offshore companies to the US, according to two sources familiar with the inquiry.

The grand jury investigation in Cleveland represents a rare effort by the US justice system to target an influential oligarch and trace the millions that he and his associates allegedly sent through US correspondent banks.

Among the purchases: a 484-room, luxury hotel in Cleveland with lakefront views and a 21-story office tower just blocks away with vaulted ceilings and murals that once featured the largest bank lobby in the

world.

The action also sets in motion what could be a test for President Zelensky, who once starred in a comedy show on a TV channel owned by Kolomoisky and had a personal relationship with the billionaire, who controls an energy, media, and real estate empire.

With no existing extradition treaty between the US and Ukraine, Zelensky and the country's prosecutor general could face a difficult decision as to whether they would stand in the way in case of an indictment or allow the process to unfold.

Just last year, the relationship between the Ukrainian president and the oligarch became a source of controversy when it was revealed that two US business partners running the infamous back-channel campaign in Ukraine to dig up dirt on Joe Biden went to Kolomoisky to set up a meeting between Zelensky and Rudy Giuliani. The meeting ended abruptly when the oligarch refused.

Kolomoisky returned to his native country last year after spending two years in self-imposed exile in the wake of a government takeover of PrivatBank, which he cofounded in the 1990s.

A subsequent investigation by Ukraine regulators found a \$5.5 billion shortfall in PrivatBank's ledgers from what they called "a large-scale and coordinated fraud" that involved the bank's major shareholders, Kolomoisky and fellow Ukrainian billionaire Gennadiy Bogolyubov. To keep the bank from collapse, the government tapped into taxpayer funds to plug the hole.

In an interview with BuzzFeed News, Kolomoisky said he was not aware of a grand jury probe, and any deficits reported by banking regulators were "done intentionally in order to expropriate the bank, my private property," he said. "It was an artificially created hole by the national bank."

Kolomoisky, a former governor in Ukraine who launched a series of lawsuits to win back control of the bank, said he did not break any laws and that no one has talked to him from the Justice Department.

Bogolyubov said he never took money illegally from the bank and that any real estate purchased in the US came from legitimate funds. All the transactions were documented by his partners in the US, he said. "PrivatBank has it. American banks have it," he said, adding that he has never been contacted by any law enforcement agencies. "No one has

asked me any questions."

The scandal at PrivatBank led to criminal investigations in Ukraine that have continued to this day, placing the relationship between Zelensky and Kolomoisky at the center of a growing controversy.

The country's former prosecutor-general, who was leading one of the investigations, was fired in March by a vote in parliament that was led by members of Zelensky's party. Ruslan Riaboshapka told BuzzFeed News that he was ousted because of the investigation, while Zelensky said he supported the firing because the prosecutor was not doing enough to fight corruption.

Kolomoisky's attempt to wrest control of PrivatBank has also stirred unrest, especially among lenders like the International Monetary Fund, prompting a vote by Ukraine's parliament last week aimed at stopping Kolomoisky from taking back the bank.

With the ongoing US grand jury investigation, federal agents have traveled multiple times to Ukraine — including in February — where they met with Riaboshapka and investigators from the National Anti-Corruption Bureau of Ukraine to discuss the case against the 57-year-old oligarch and his partner, BuzzFeed News has learned. In an interview, Artem Sytnyk, director of the anti-corruption bureau, said he's cooperating with the FBI in an "ongoing investigation," but declined to give details because of a confidentiality agreement with the FBI. The Justice Department's international money laundering and kleptocracy team took part in the trip.

For more than a year, federal agents have tracked millions of dollars that were wired into the US from companies owned by Kolomoisky and Bogolyubov to snatch up properties — including four skyscrapers in downtown Cleveland — in a spending spree that began around 2008 and lasted for the next five years, according to court records and a source familiar with the investigation.

At one time, Kolomoisky and his associates were the largest commercial landlords in Cleveland, owning 2.8 million square feet. One of the properties that has drawn the FBI's attention is the Warren Steel plant in Ohio, which is owned by companies under the control of Kolomoisky and two partners, and is the focus of a bitter legal dispute over the assets.

Two federal court orders have been imposed to stop the release of critical evidence obtained after one of the partners turned up hundreds of bank

wires flowing into the United States from companies in which Kolomoisky and Bogolyubov held ownership stakes. Lawyers on both sides of the case would not comment.

A major lawsuit filed by PrivatBank in Delaware state court last year against Kolomoisky and his associates provides a sweeping description — drawn from internal bank records and emails — of how money was allegedly fleeced from the bank to buy the skyscrapers and factories in a "series of brazen fraudulent schemes."

Citing the bank records, the suit claims Kolomoisky and Bogolyubov concocted an elaborate fraud with the help of people inside the institution — “the shadow bank” — through an array of sham loans to shell companies they owned that were registered in Cyprus, the Caribbean, and elsewhere. As the loans matured, new ones would be issued by the bank to pay them off.

The lawsuit alleges the two men used PrivatBank "as their own personal piggy bank, ultimately stealing billions of dollars" and laundering a portion of the money through the US properties.

In all, \$622.8 million was funneled to the companies that were used to buy the real estate, according to the suit.

In addition to Ohio, purchases include a sprawling Motorola factory in Illinois that was shuttered, a 31-story skyscraper in downtown Louisville, and an iconic office complex in Dallas that was once the headquarters of Mary Kay Cosmetics.

Money also went to buy at least a dozen steel and ferroalloys plants across the country — including facilities in Ohio, Kentucky, West Virginia, Illinois, and Michigan — that collectively became major suppliers to the North American steel industry.

The lawsuit claims that many of the purchases were carried out with the help of three Miami investors described as "trusted lieutenants": Mordechai Korf and Uriel Laber, who held ownership stakes in the real estate, and Korf's brother-in-law, Chaim Schochet, an executive who ran the properties. At least two of the Cleveland skyscrapers have since been sold, records show.

In a forensic audit done for Ukraine's top regulatory agency, analysts found 95% of the bank's corporate lending had been to "parties related to former shareholders and their affiliates."

Marc Kasowitz, a New York attorney for the Miami investors, said the

accusations in the lawsuit "will be shown to be complete fabrications when the evidence in this case comes out." Kasowitz represented President Trump in the Justice Department's probe into Russian interference in the 2016 election. "Our clients have earned a well-deserved reputation for honesty and high integrity over the past 20+ years and this lawsuit is nothing more than a fictional orchestrated political attack on an investor in our clients' businesses."

Valeria Gontareva, former chair of the National Bank of Ukraine, the nation's chief regulator, said the level of fraud on the institution was larger than any crime ever perpetrated on a Ukrainian bank. "We called it an expanding universe," said Gontareva, now a senior policy fellow at the London School of Economics.

Kateryna Rozhkova, first deputy governor of the nation's regulatory agency, told BuzzFeed News that when the losses were first discovered, "we were simply freaked out and didn't know what we should do about it."

The government ordered a sweeping audit of the bank's finances by Kroll Inc., the New York–based corporate investigative firm, which alleged the scheme was set up to "disguise the origin and destination of loan funds" with the help of employees in the bank, regulators said.

The larger issue looming in Ukraine is whether Zelensky will allow the National Anti-Corruption Bureau to work with the FBI and carry out its own inquiry and whether the country will extradite Kolomoisky if he is indicted in the US, according to Roman Groysman, a former Florida prosecutor who once lived in Ukraine.

"Is [President Zelensky] going to pressure the National Anti-Corruption Bureau and the prosecutor general to thwart the possibility of extradition — that's the question," said Groysman. "Or is he going to remain neutral and let them do their jobs? That's the best thing he could do."

He said NABU was set up at the request of the IMF with the help of the US and European Union to investigate corruption in Ukraine. It's supposed to be impervious to political pressure.

"If it's finally allowed to operate as an independent investigative agency and do what it was supposed to do without undue political interference, then maybe that's a signal. If not, then it's going to be the same thing we have always seen."