

# Kotova First to Lose Immunity at EBRD

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Yelena Kotova, an official accused of corruption while representing Russia on the EBRD's board of directors, is the first board member to lose diplomatic immunity since the bank was founded in 1991.

The European Bank of Reconstruction and Development lifted diplomatic immunity for Kotova and three other officials appointed by the Economic Development Ministry on Tuesday to facilitate an investigation by Russian and British authorities. Kotova was the head of the EBRD's Russia operation in London.

A bank spokesman said he was aware of media reports that charges include accepting bribes and doling out false credits to various projects, but he declined to provide additional information.

The affair will have no effect on the bank's activities in Russia, the spokesman said, because the bank will now deal directly with the Economic Development Ministry rather than its representatives on the board.

“We are very committed to our Russian projects,” the spokesman said.

The EBRD has agreed to buy a 15 percent share in SDM Bank, according to an announcement on its web site Wednesday.

Kotova and three of her deputies, who remain unidentified, are suspected of breaching the bank’s behavior code, said a statement published on the Economic Development Ministry’s web site.

The EBRD began monitoring the officials in July 2010. The results of the bank’s investigation have been passed on to the Russian and British authorities. What triggered the probe remains unclear, but it wasn’t that they “were wearing the wrong clothes,” the bank spokesman said.

Kotova served as a vice president of VTB Bank prior to joining the Economic Development Ministry in 2005 in order to serve at the EBRD. She was dismissed by the ministry in December, and Prosecutor General Yury Chaika has ordered an investigation of the four officials, the ministry’s web site said. The Prosecutor General’s Office declined to comment, citing the open investigation.

The officials under investigation were not screened prior to starting work at the bank’s London headquarters. The EBRD does not screen officials appointed by shareholder governments to represent it, the bank spokesman said.

The Economic Development Ministry did not respond to a request for comment on its screening procedures, but industry experts say it is a common practice in Russia to use polygraph tests when hiring senior managers.

The EBRD, which does project finance in the countries of the former Soviet Union and Eastern Europe, said there have been other corruption cases at the bank, but no one of such high rank was ever accused of criminal activities before.

The bank spokesman said it is not yet clear whether or when Kotova will be replaced.

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