

Cherney, Deripaska Face Off in London Court Over RusAl

By [The Moscow Times](#)

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RusAl CEO Oleg Deripaska **Denis Grishkin**

LONDON — A battle over a \$1 billion stake in United Company RusAl, the world's top aluminum producer, comes to London next week, as two billionaire magnates go head to head in one of the largest ever commercial disputes to be fought in a British court.

The trial begins in the High Court on Monday, offering a window into the chaotic, sometimes lawless and frequently violent privatization and consolidation of Russia's aluminum sector after the collapse of the Soviet Union, a period known as the "aluminum wars."

The case has been brought by businessman Michael Cherney, who first filed the claim in 2006, against Oleg Deripaska, RusAl's chief executive and its largest shareholder.

Cherney alleges that he and Deripaska were business partners, after he met a young Deripaska in the early 1990s, spotted his acumen and later entrusted him with business interests.

He says Deripaska owes him 13.2 percent of the now-listed RusAl, arguing that the two signed a document and made a verbal agreement when they met in a London hotel in 2001. Deripaska denies a partnership with Cherney.

Cherney will give evidence in this months-long trial via video link from his home in Israel because of an outstanding arrest warrant related to a money-laundering investigation in Spain, where he is wanted for questioning. Deripaska has been questioned as part of the same probe.

Deripaska, who hit British headlines in 2008 for entertaining Lord Mandelson and George Osborne, then EU trade commissioner and shadow finance minister, on his £70 million (\$109 million) yacht, will seek to prove he was a victim of a protection racket, known in Russian as a krysha, or roof.

The Russian magnate does not dispute making a \$250 million payment to Cherney at the Lanesborough Hotel in London 11 years ago. But he says he was paying Cherney off to end a complex krysha arrangement that also included Anton Malevsky, a veteran of the Soviet war in Afghanistan who has been named in court papers as the head of a criminal network.

Cherney was born in Ukraine and grew up in Uzbekistan, according to court documents. The businessman, who delegated day-to-day management of his interests to trusted partners after he emigrated to Israel in 1994, denies links with organized crime. Malevsky died in a parachuting accident in 2001.

The case harkens back to Deripaska's early days as a general manager of the Sayansk aluminium plant in Siberia, an asset that became a starting block for his aluminum empire. Cherney said he helped Deripaska obtain the position and provided financing for investment in the plant, something Deripaska denies.

The trial is the latest in a spate of high-profile disputes brought by billionaires from Russia and the former Soviet republics fighting over agreements and often informal deals struck in the murky period of 1990s privatizations — cases that are creating a batch of millionaires among British lawyers.

However, disputes such as the \$6.5 billion battle between exiled Russian oligarch Boris Berezovsky and Chelsea football club owner Roman Abramovich, and the \$5 billion fraud dispute between Kazakh banker Mukhtar Ablyazov and his former bank BTA, are also often labyrinthine and long-running.

The court case of Cherney against Deripaska will begin with opening statements next week but will then be adjourned until September to allow the judge time to read through piles of documentation accumulated since the claim was filed in 2006.

At the time of a ruling in 2008 that allowed the case to proceed out of jurisdiction, the evidence was estimated to require more than two days of reading.

The case could last well into 2013, and more than 70 witnesses are due to be called, as well as expert witnesses. Some may be heard behind closed doors for their own safety.

The case will be closely watched in Russia, as it will prove a rare opportunity to re-examine

the turbulent first wave of Russian privatizations.

“It is ironic that it takes a multimillion-dollar English court case for the kind of legitimate questions the Russian people have about the asset-stripping of their industries to be raised and aired in public,” said Hugh Barnes, a consultant and specialist on Russia.

Damages and any sum being sought by Cherney are not being determined in the current case but will be the subject of a separate case should the judge decide in Cherney’s favor.

RusAl’s listing prospectus, published ahead of its 2010 market debut, said the company was not a party to the dispute, but it listed the case among potential risks, given possible implications for Deripaska’s stake in the producer.

RusAl’s shares have fallen almost 70 percent since touching a high in April last year, hit by the tumbling aluminum price and debt worries among other factors. That has dramatically reduced the value of the disputed stake to about \$1.2 billion.

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