

# Russia's MTS to pay \$850 mn in US graft case as Islam Karimov's daughter charged

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The case shed light on massive corruption in Uzbekistan under the late president Islam Karimov

US prosecutors Thursday reached an \$850 million settlement with Russia's leading telecoms firm over huge bribes paid to the family of

Uzbekistan's former president—and charged the late leader's daughter in related proceedings.

The case shed light on massive corruption in Uzbekistan under former president Islam Karimov, who ruled the ex-Soviet republic from 1990 until his death in 2016.

MTS, based in Moscow and listed on the New York Stock Exchange, said the settlement had been agreed with the US Justice Department and the US Securities and Exchange Commission (SEC).

The deals "mark the closure of the investigations into the company's acquisition and operation of its former subsidiary in Uzbekistan," MTS said in a statement.

In agreeing to the fine "MTS affirmed its commitment" to complying with anti-corruption legislation, it said.

Charges were also filed against the late president's daughter Gulnara Karimov in connection with a decade-long scheme to pay her more than \$865 million in bribes, one of the largest cases ever brought under the Foreign Corrupt Practices Act, prosecutors said in a statement.

Karimova, former Uzbek ambassador to the United Nations, is charged with one count of conspiracy to commit money laundering, along with Bekhzod Akhmedov, 44, former general director of Uzdunrobita, an Uzbek subsidiary of MTS.

Akhmedov, who lives in Russia, allegedly helped orchestrate the graft scheme on behalf of MTS and two other telecom firms, VimpelCom Ltd of Russia and Sweden's Telia Company AB, and their Uzbek subsidiaries.

"Between approximately 2001 and 2012, Karimova and Akhmedov agreed that Akhmedov would solicit and obtain corrupt bribes for Karimova from telecommunications companies," the US Attorney's Office for the Southern District of New York said in a statement.

## **Long running dispute**

MTS was in a long-running dispute with the Uzbek authorities, which seized the company's local subsidiary in 2012 after cancelling its operating licenses for alleged tax evasion.

The Uzbek subsidiary, which had 9.5 million subscribers by the end of 2011, filed for bankruptcy in 2013.

The SEC said that MTS had "bribed an Uzbek official" related to Karimov to obtain and retain business operations in Uzbekistan, a Central Asian nation of more than 32 million people.

"The company engaged in egregious misconduct for nearly a decade, secretly funneling hundreds of millions of dollars to a corrupt official," the SEC said in a statement.

An investigation by the Organized Crime and Corruption Reporting Project previously said that the subsidiary, which was known as Uzdunrobita before it was acquired by MTS, had paid hundreds of millions of dollars to companies owned by Gulnara.

The OCCRP, an NGO that works with investigative reporters mainly in Eastern Europe, alleged that MTS made payments in 2004 and 2007 to purchase stakes in the company.

MTS was not the only telecoms company involved. "Karimova squeezed more than \$1 billion worth of payments... out of international telecom-

related companies," OCCRP said.

Some commentators in Russia expressed dismay that the US was fining Russian companies for operations in third countries.

"What concern does the US have about the far away Uzbekistan and Russian operators?" said a journalist on BFM business radio, pointing out that "the money will go to the American budget, not the Uzbek one."

Uzbekistan is led by Karimov's former prime minister Shavkat Mirziyoyev, who has moved to end the country's economic isolation and removed visa restrictions for travelers from European Union countries and the United States.

Gulnara Karimova, once a high-profile diplomat and pop singer, was being held under house arrest after being convicted on fraud and money laundering charges in 2017 and sentenced to five years.

Uzbek authorities this week said she had violated the terms of her house arrest and had been sent to prison where she would remain until the end of her sentence.

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