DECEPTION IN HIGH PLACES:
The Corrupt Angola-Russia Debt Deal
Deception in High Places: The Corrupt Angola–Russia Debt Deal
DECEPTION IN HIGH PLACES: The Corrupt Angola–Russia Debt Deal
“Quand on est banquier, il faut savoir avoir des oeillères. Et savoir se concentrer sur ce qui concerne la banque”

“When you’re a banker, you have to know how to have blinkers on. And know how to focus on what concerns the bank.”

Jean-Didier Maille
former bank official, Paribas Bank,
testimony in the French Angolagate proceeding 1
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Executive Summary

This report provides a detailed account of the Debt Deal between Russia and Angola in 1996, in which an unnecessary middleman, Abalone Investments (a company formed by Arcadi Gaydamak and Pierre Falcone), made hundreds of millions of dollars in profit from the transaction despite offering no discernible services or value, at the expense of the Russian and Angolan treasuries. A number of Russian and Angolan individuals, including Vitaly Malkin, formerly the richest member of Russia’s Duma prior to his resignation in 2013, benefited from the Deal, and Swiss Bank Corporation (SBS), which through merger later became UBS, facilitated it.

As a consequence of this Deal, in which the Angolan government sought to pay off its debt to Russia incurred during the Angolan civil war, at least $386 million in profits was paid to the “middlemen” and at least five known Angolan beneficiaries. The maths, in its most simplified form, is shocking: Angola owed Russia $5 billion; they agreed, after negotiation, to pay $1.5 billion. They paid $1.39 billion of that amount via the middleman Abalone Investments, and private individuals including Gaydamak, Falcone and others, earned over $386 million—at least 27 per cent of the amount paid through Abalone—for doing almost nothing. More than $400 million—30.37 per cent of the funds paid to Abalone—went to suspected insiders or still unknown beneficiaries.

Table 1  ■ Incomplete list of known or estimated receipts from the Debt Deal to various participants

<table>
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<th>Name</th>
<th>Role in the Debt Deal Transaction</th>
<th>Amount US$</th>
</tr>
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<tbody>
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<td>Arcadi GAYDAMAK</td>
<td>37½% owner of Abalone Investments; architect of the Debt Deal</td>
<td>138,037,303$³</td>
</tr>
<tr>
<td>Pierre FALCONE</td>
<td>37½% owner of Abalone Investments; architect of the Debt Deal</td>
<td>124,963,680$³</td>
</tr>
<tr>
<td>Vitaly MALKIN</td>
<td>25% owner of Abalone Investments</td>
<td>48,834,000$⁴</td>
</tr>
<tr>
<td>José Eduardo dos SANTOS</td>
<td>President of Angola</td>
<td>36,250,000$³</td>
</tr>
<tr>
<td>Elísio de FIGUEIREDO</td>
<td>Angolan Ambassador without portfolio to France</td>
<td>17,557,000$⁴</td>
</tr>
<tr>
<td>Joaquim Duarte da Costa DAVID</td>
<td>Director General of Sonangol until 1998; thereafter Minister of Industry</td>
<td>13,250,000$⁷</td>
</tr>
<tr>
<td>José PAIVA da COSTA CASTRO</td>
<td>Director General of Sonangol UK</td>
<td>4,465,000$⁸</td>
</tr>
<tr>
<td>José LEITÃO da COSTA e SILVA</td>
<td>Minister in the Office of the Angolan Presidency</td>
<td>3,358,000$³</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$386,714,983</td>
</tr>
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In 1996, Angola owed Russia $5 billion for various loans granted by the USSR to the Angolan government, led by the ruling MPLA party. This was a crippling amount: in that year, Angola’s Gross Domestic Product was just over $7.5 billion, making the debt equal to two thirds of Angola’s entire annual economic output.

In April 1996, the Angolan government authorised Arcadi Gaydamak and Pierre Falcone to re-negotiate the terms of this debt on its behalf. Gaydamak and Falcone were close to Angolan officials, having played key roles in securing weaponry for the MPLA from Russia via France. Both Falcone and Gaydamak were later convicted on various charges in France for their roles in the weapons transaction, commonly known as the “Angolagate” scandal, before being acquitted on some of the charges in an April 2011 appeal judgment.

By May 1996, Gaydamak and Falcone had helped negotiate the outlines of a debt renegotiation plan. Under its terms, Angola’s debt to Russia would be reduced from $5 billion to $1.5 billion. Angola would receive a five-year grace period, after which it would have 15 years to re-pay the debt and accrued interest in 31 instalments. The transaction would be facilitated by the issuance of Promissory Notes by the Angolan Central Bank. The deal would be formalised in November 1996.

The government of the Russian Federation issued a decree on 30 October 1996 permitting the Ministry of Finance to sell the Promissory Notes on the open market. Less than two weeks later, in November 1996, Gaydamak and Falcone formed Abalone Investments in the Isle of Man. **Abalone Investments, a shell company with no material assets whatsoever, was formed solely to become a party to the debt repayment arrangement.** This timing strongly suggests that Abalone’s involvement in the future debt transaction was anticipated prior to any formal agreement being signed, and that all parties, including the Russian and Angolan governments, were collusive in this course of action.

On 20 November 1996, the Russian First Vice-Minister for Finance, Andrey P. Vavilov, signed an agreement providing that Angola’s debt to Russia would be reduced by 70 per cent from $5 billion to $1.5 billion. After a five-year grace period, Angola would pay back the amount in 31 instalments. Angola would also be liable for interest totalling $1.39 billion ($457,160,000 accrued through to June 2001 and $939,437,000 from June 2001 to June 2016). In light of the weak financial condition of both Russia and Angola at the time, such a steep reduction in the amount of the debt to be paid may well have been reasonable for both parties. Angola, at least, could have perceived the restructuring arrangement as a very good deal for itself.

The mechanics of the Deal were straightforward. Angola’s central bank would issue 31 Promissory Notes, each in the amount of $48,387,096.77, to the bearer. Russia, in turn, would issue 31 Repayment Certificates corresponding to the 31 Promissory Notes. Angola gave the Promissory Notes to Russia. Every time Angola paid $48,387,096.77, Russia would provide it with Angola’s originally issued Promissory Note as well as the corresponding Repayment Certificate. Over the course of 15 years of repayments, Angola would thus pay $1.5 billion, a highly discounted pay-off for its original $5 billion in debt.

On 5 March 1997, Abalone Investments signed an agreement with the Russian government to purchase the Promissory Notes in six separate “tranches” (with each “tranche” bundling five or six Notes together). The plan was for Abalone to buy one tranche at a time on 30

Critically, Abalone agreed to purchase the Notes at half their face value. Abalone would thus pay $750 million to purchase $1.5 billion in Promissory Notes and corresponding Repayment Certificates. (If Abalone purchased 70 per cent of the Notes by 31 December 2004, the remainder of the payments could be deferred to December 2006.) Abalone was granted this right to purchase at half the Notes’ face value despite undertaking zero commercial risk and incurring no obligations—they were not ‘forced’ to purchase the Notes. Abalone merely had the right of ‘first refusal’ (or an option) to purchase the Notes. The only cost to Abalone was a $4.5 million payment to the Russian Treasury—a fraction of what Abalone would earn from the first Note purchased in the Deal. Abalone was granted such favourable returns while offering nothing of substantial value.

Abalone’s profitability was assured when they signed an agreement with Sonangol, Angola’s state oil producer, on 30 May 1997. (Recall that Abalone was created solely for the purpose of serving as the middleman in this deal.) Sonangol committed to purchasing all the Promissory Notes from Abalone by December 2006 at their full face value, even though Abalone would have purchased the Notes from Russia at half their face value. With these two agreements in place, Abalone was due to make a total “profit” of just under $750 million on the transactions despite offering little, if anything, in return. As a mirror image of its arrangement with Russia, Abalone’s arrangement with Sonangol accorded the company the right to require Sonangol to purchase any Notes Abalone presented to Sonangol at any time, and Sonangol would simply have to pay up; but Abalone had no corresponding obligation to offer any Notes at all to Sonangol, even if Sonangol desired to purchase. Sonangol could not require Abalone to sell Notes to it.

The entire agreement was to be facilitated by means of complementary Escrow Agreements that Abalone signed with Russia and Angola respectively. The Escrow Agreements stipulated the Swiss Bank Corporation (SBS) as the Escrow Bank, which later became, via merger, Union Bank Suisse (UBS), the largest bank in Switzerland. Using SBS as escrow ensured that each party would pay up before any monies or Promissory Notes were distributed.

Documents show that Glencore, the controversial oil trading company, introduced SBS to the parties. Glencore had a “pre-financing” agreement with Sonangol that used prospective oil deliveries as collateral so that Sonangol could borrow the funds needed to transfer onwards to Abalone, in order to redeem the Notes. Glencore also appears to be connected to another company that received payments from Abalone, Loke Trade SA. Bank records also indicate that Glencore’s UK affiliate, Glencore International London, paid the bank charges levied against Abalone for establishing the Escrow agreement in 1997 ($75,000) and its annual bank charge in late 1997 ($20,000). Abalone did not even pay the original bank charges on the Deal, again pointing to how little value it brought to the transaction. For reasons that are not clear, Glencore’s Swiss parent also made a payment to Abalone in May 1998 in the amount of $577,352.15.

SBS, and later UBS, executed the transfers out of the Abalone account held at the bank in Geneva. It does not appear that these transfers were subject to substantial internal review, or reported to the authorities, despite the obvious criminal risks attached. From the documents
available, it appears that UBS legal advisor Alain Zbinden, the Abalone account manager Yves Lehur, and a Mr. Fleury, who approved many or all of the payments from the Abalone account, were the UBS personnel most familiar with the Abalone transactions. **UBS should be further investigated for their involvement in these transactions.**

Between October 1997 and July 2000, Sonangol transferred $774,193,548.32 to Abalone's UBS account in Geneva. This amount covered the purchase of 16 Notes from Abalone. Abalone used the “profits” from this transaction to transfer funds to (or at the instruction of) the principal members of the Deal, Gaydamak, Falcone and Malkin, and to senior Angolan officials, as detailed in Table 1.

Investigations by French and Swiss authorities reveal that **significant sums of money were transferred to five powerful Angolan politicians** who, in their official functions, would have either overseen or otherwise influenced the Debt Deal. The most prominent recipient of funds was the **Angolan President José Eduardo dos Santos.** In total, dos Santos received **$36.25 million** from Abalone via front companies. The second largest transfer of funds—about **$17,557,000**—was transferred, via front companies, to **Elísio de Figueiredo,** a powerful Angolan politician who acted as the Angolan Ambassador without Portfolio in France. Two prominent officials within Sonangol also received funds. **Joaquim David,** who served as **Director General of Sonangol** until 1998 and is now **Minister of Industry,** received **$13.25 million,** while **José Paiva da Costa Castro,** the **Director General of SonangolUK** for the duration of the Debt Deal, received **$4.465 million** from the Debt Deal. Finally, **José Leitão da Costa,** **Minister in the Office of the Angolan Presidency,** received **$3.558 million**. Three million dollars of the funds to José Leitão da Costa were paid from Abalone’s UBS account directly into a Swiss bank account bearing his name, raising the question of why UBS did not flag or report this obviously suspicious payment.

Although the mechanics of the transaction were straightforward, it encountered a number of obstacles and was amended on numerous occasions between 1997 and 2000. Importantly, these amendments made the Deal **progressively more lucrative for Abalone.** According to an amendment in August 1999, Abalone would cease to transfer funds directly to the Russian Ministry of Finance to pay for the Promissory Notes. Instead, **Abalone would transfer Russian debt instruments (known by their acronyms as PRINs and IANs) to the Russian Ministry of Finance to pay for the Notes.** They were to be exchanged on a $1:$1 basis, as reflected in the face values of the instruments; that is, Abalone would pay for a $48 million Promissory Note by transferring Russian debt instruments to the same nominal or face value as the Promissory Note.

However, the PRINs and IANs were trading for a fraction of their face value on the open market. On 23 August 1999 (the date the amendment was signed), for example, $100 worth of PRINs was trading at a paltry $10.54 on the open market; IANs were trading at $14.42 for $100. Because of market fluctuations, **it is possible that Abalone could have purchased $48 million face value of PRINs/IANs for as little as $5 million if they got the best deal, giving them a massive $43 million profit on each $48 million Promissory Note bought from Russia and sold to Angola.** (At the other end, based on the market prices, it is difficult to see how Abalone could have paid more than $17 million for each $48 million Promissory Note.) It is unclear why Russia agreed to accept PRINs/IANs from Abalone, probably knowing that it would cost Abalone a fraction of their original commitment, and given the further prejudice to the Russian fiscus as a result.
In October 1999, Russia opted to terminate its Escrow Agreement with UBS, and wrote a letter asking UBS to return the Notes in its possession to Russia. This, it appears, was never done. Instead of using UBS as the Escrow Bank, Abalone was directed to transfer the PRINs/IANs to Russia’s nominated bank, Sberinvest Moscow. UBS, however, despite the notice that it should no longer serve as escrow for the Notes, continued to receive payments from Sonangol, make payments from the Abalone account, and release Promissory Notes and Repayment Certificates to Sonangol, until July 2000.

Roughly at this time, Vitaly Malkin became a partner in the enterprise. On 20 December 1999, Malkin purchased 25 per cent of Abalone directly from Arcadi Gaydamak for $60 million. Malkin thus became involved in the company at the very time it was likely to reap its largest profits. In one of the purchase agreements between Malkin and Gaydamak, Malkin was referred to as a “representative of R K Bank,” which presumably refers to Rossiyskiy Kredit Bank. Malkin was the co-owner of Rossiyskiy Kredit Bank with his fellow oligarch, Boris Ivanishvilli (now Prime Minister of Georgia).

In late 2000 and early 2001, the Deal faced its largest obstacle. Gaydamak and Falcone were being investigated in France for their roles in the Angolagate scandal, leading to France issuing warrants for their arrest. Switzerland was running its own parallel investigation and, in February 2001, accounts relating to the Deal were frozen in Geneva. The Abalone account was only unfrozen in 2004 on the order of the Geneva courts.

For the Deal to continue, the principals needed to change jurisdiction. In 2001, Gaydamak opened a new account in the name of Sberinvest at the Russian Commercial Bank, in Cyprus. The choice of name was interesting: Sberinvest Moscow was Russia’s banking agent for the Deal. Later evidence suggests that Gaydamak opted to call the Cyprus account Sberinvest to fool the Angolan government into believing that funds transferred to the account were actually going directly to Sberinvest Bank (Russia’s appointed agent for the transaction), instead of into Gaydamak’s pocket.

Remakably, Gaydamak undertook this ruse without the knowledge of either Falcone or Malkin. Both Falcone and Malkin would later sue Gaydamak, claiming that he had effectively cut them out of the Deal from this point onwards, allegedly relying on a dubious Abalone Power of Attorney document signed by Gaydamak’s principal financial administrator, Joelle Mamane.

Between March and August 2001, Sonangol transferred $618,235,483.25 to the Sberinvest Cyprus Account. Together with their earlier transfer of funds to the Abalone Geneva account, this should have entirely extinguished Angola’s debts. However, unbeknownst to Angola, Gaydamak transferred debt instruments to Russia only sufficient to purchase a portion of the Promissory Notes and Repayment Certificates from Russia.

Gaydamak actively promoted the ruse that the debt had been paid. In 2004, he wrote to Angola that all the necessary funds had been received from Angola, and that the debt to Russia had thus been settled. However, in reality, Russia had failed to receive payment for the final eight Promissory Notes still in its possession.

This swindle was only fully uncovered, belatedly, in 2005 during a meeting between Angolan and Russian officials. When Angolan officials stated that they had completely settled the
debt, Russia claimed to still be owed for the eight Promissory Notes and accrued interest. The matter was resolved, finally, in November 2005 when Angola agreed to pay the full face value of the remaining eight Notes (worth $387 million) to Russia. Gaydamak, meanwhile, was to pay back $206 million he had received from Angola but failed to pay to Russia.

It is unclear if Gaydamak ever paid the $206 million back to Angola. If he did not, then Angola would have paid $1.779 billion to settle a debt of only $1.5 billion. If he did, Angola still paid a net amount of $1.573 billion—$73 million more than had been stipulated in Angola’s 1997 agreement with Abalone.

In either event, the Deal still made little sense for either country. If Angola had paid the funds directly to Russia on the same terms as Abalone was able to buy the Notes from Angola, it would have saved at least $823 million, and maybe even as much as $1.029 billion: more than 13 per cent of the country’s entire GDP in 1996.

Similarly, if Russia had dealt with Angola and directly received all the funds that were paid by Angola to Abalone, it could have made an additional $750 million. In either scenario, one of the treasuries was significantly prejudiced by the insertion of Abalone Investments into the Deal.

The scandal does not end there. From the proceeds of his Cyprus adventure, an important part of which was swindled out of Angola, Gaydamak made himself a billionaire. Using his profits from the Cyprus phase of the Deal, Gaydamak invested in a series of investment funds to the value of as much as $325 million. By 2005, these investments were reportedly worth $1.25 billion. Pierre Falcone and Malkin both litigated against Gaydamak in the Israeli courts in 2008, claiming that they were due their fair share of this profit. They failed to win their case.

When Gaydamak tried to cash in the funds, he was hamstrung by Luxembourg and Israeli officials, who were concerned about money laundering. As a result of the Luxembourg investigation, considerable funds belonging to Gaydamak were frozen in Luxembourg. According to Luxembourg press reports, he was only able to have the funds released to his accounts in Cyprus in December 2005 after allegedly claiming that the funds belonged to a charitable trust called the Dorset Foundation.

To undertake the entire Cyprus operation, Gaydamak relied on the services of his confidante and financial administrator, Joelle Mamane and her husband Gad Boukobza. Mamane had also played a critical role the earlier phase of the Debt Deal, serving as managing director of Abalone from March 1999. Gaydamak also came to believe that Mamane and Boukobza were less than trustworthy. In September 2012, Gaydamak was reportedly litigating against Mamane and Boukobza in Luxembourg. Gaydamak claims that they used their fiduciary powers to steal €600 million of Gaydamak’s profits from his Cyprus adventure. The court is yet to reach a verdict.

The complex cast of characters and the multiple transactions related to this Deal tend to obfuscate the central point: a number of individuals made vast profits off the repayment of debt at the expense of the citizens of Angola and Russia alike. The manipulation of the financial sector enabled the rich and powerful to do little, earn much, and cause massive harm to the ordinary people of both countries.
Abalone purchases Notes 1–6 from Russia for \textdollar{}145,161,290 of face value, $145,161,290.

Abalone sells Notes 1–6 to Angola for FULL face value, $290,322,580.

Abalone purchases Notes 7 from Russia for ONE-THIRD of face value, $16,752,407.

Abalone sells Note 7 to Angola for FULL face value, $48,387,096.

Abalone purchases Note 8 from Russia for \textdollar{}102,193,547 of face value, $102,193,547∗.

Abalone sells Notes 8–16 to Angola for FULL face value, $435,483,872.

Figure 1: Abalone Investments Ltd.: Purchase and Sale of Notes 1–6 (3 October 1997)

∗Based on hypothetical estimated market values for PRINS/IANS purchases by Abalone.
Figure 2: Abalone Investments Ltd.: Purchase and Sale of Note 7 (8–15 January 1998)

Abalone purchases Note 7 from Russia for **about ONE-THIRD** of face value, **$16,752,407**

Abalone sells Note 7 to Angola for **FULL** face value, **$48,387,096**

8-15 January 1998

**UNICOMBANK**

**RUSSIAN MINISTRY OF FINANCE**

**ABALONE**

**UBS**

**SONANGOL**

**ANGOLA**

**GLENCORE**

**BANKS**

**UNION**

**CASH FLOW**

**BORROWED CASH**

**PROMISSORY NOTES**
Abalone purchases Notes 8-16 from Russia for about \textit{ONE-QUARTER} of face value, $102,193,547*

Abalone sells Notes 8-16 to Angola for \textbf{FULL} face value, $435,483,872

*Based on hypothetical estimated market values for PRIN/IAN purchases by Abalone
Angola–Russia Debt Deal Estimated Distributions

**TOTAL PAID BY ANGOLA (SONANGOL) TO ABALONE:** $1,392,428,031

**TOTAL PAID BY ABALONE TO ABALONE PRINCIPALS and ANGOLAN OFFICIALS:** $386,714,983

**INCOMPLETE ESTIMATE OF “PROFIT” DISTRIBUTIONS TO ABALONE PRINCIPALS AND ANGOLAN OFFICIALS**

**TOTAL PAID BY ANGOLA (SONANGOL) TO ABALONE:** $1,392,428,031

**TOTAL PAID BY ABALONE TO ABALONE PRINCIPALS and ANGOLAN OFFICIALS:** $386,714,983

- Arcadi Gaydamak: $138,037,303
- Pierre Falcone: $124,963,680
- Vitaly Malkin: $46,834,000
- José Eduardos dos Santos: $36,250,000
- Elídio de Figueiredo: $17,557,000
- Joaquim David: $13,250,000
- José Paiva da Costa Castro: $4,465,000
- José Leitão da Costa: $3,358,000
- José Leitão da Costa: $13,250,000

**Unknown Beneficiaries:** $558,885,871

**DISTRIBUTIONS OF PAYMENTS MADE BY SONANGOL TO ABALONE**

- **Abalone PRINCIPALS:** $311,834,983 (22.4%)
- **Angolan Officials:** $422,507,244* (30.3%)
- **Unknown Beneficiaries:** $558,885,871 (40.1%)

*Based on hypothetical estimated market values for PRIN/IAN and MIN/FIN purchases by Abalone

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Introduction

This report exposes first and foremost the unrestrained greed of those responsible for managing Angola’s resource wealth. It also illustrates how the offshore financial system can be used by dishonest politicians and businessmen to shroud in secrecy transactions built on the massive diversion of a nation’s wealth, particularly when the country is resource-rich but developmentally poor, to the great disadvantage of ordinary citizens.

The Angola-Russia Debt Deal is a shocking case of deceit and deception by senior politicians, officials and dubious businessmen, aided by international financial institutions, to rob their own citizens for personal gain. It exemplifies the depths of malfeasance to which individuals in positions of power and authority can stoop as well as the central role that global financial institutions can play—whether through negligence or active complicity—in enabling the wholesale plundering of national wealth from some of the poorest people in the world.

Angola owed Russia billions of dollars, much of it incurred by President José Eduardo dos Santos’ Movimento Popular de Libertação de Angola (MPLA) during Angola’s civil war. The sums involved—$5 billion—were huge, and the timing of the deal was critical. The deal to repay the debt was signed in 1996: the civil war was still in full flow (it did not end until 2002), and Russia’s finances were in poor shape—it was to default on its own debt two years later in 1998.

In 1996 Russia decided Angola would not be able to pay the whole $5 billion at any time soon, so voluntarily agreed to accept 30 per cent of that amount ($1.5 billion at a 6 per cent interest rate). Under the negotiated restructuring, however, Angola would not have paid off even the full $1.5 billion (plus interest) until 2016. Russia wished to be repaid on a faster time-frame. It is not an uncommon procedure in the world of debt dealing for the creditor to engage, on reasonable commercial terms, a financially reputable

Angola: Extremes of poverty and wealth

Angola ranks 148th on the United Nations’ Human Development Index: the typical Angolan will live to the age of 51 and, if lucky, will attend four years of sub-standard schooling. Life for the vast majority of Angolans is marked by poverty, deprivation and a daily struggle for survival. And yet the country sits on vast mineral resources, most notably oil, but also including rich deposits of diamonds, gold, and other resource wealth. In 2010 the country was reported to have earned $48.6 billion from the sale of roughly 2 million barrels of oil a day. Angola’s GDP has risen from under $10 billion a year in the early 1990s to a remarkable $84 billion in 2010. The obvious question is, therefore, why its citizens have seen so little benefit.

One particularly heinous reason for this is the large-scale misappropriation of public funds for private benefit. The IMF has reported vast sums simply disappearing from state coffers, which it described as “unexplained residual[s]”—an estimated “US$32 billion (25 per cent of GDP) from 2007 to 2010” (Country Report 11/346 Dec. 2011). Angola languishes at 157th place (out of 176 countries) on Transparency International’s Corruption Perception Index.
middleman or intermediary to take on the risk of the debt from a financially weak debtor. In this way the creditor can be certain of retrieving at least some of the debt, leaving the middleman to run the risk of default, and having to chase after the debt themselves.

This is what Russia did—or appears at first glance to have done. But the Angolan Debt Deal was no normal transaction, and the chosen intermediary was no ordinary financial institution. The intermediary inserted into the deal was a company by the name of Abalone Investments: an Isle of Man company with no assets and which was formed entirely to participate in the Deal. Abalone was owned by two notorious businessmen, both of whom had a history making money through shady dealings with Angola: Arcadi Gaydamak and Pierre Falcone.

Many debt intermediaries make a fortune by partaking in debt repayment plans, as did Abalone. But there was one key difference: Abalone took absolutely no risk, commercial or otherwise, and had zero assets that would allow it to mitigate the risks for either Angola or Russia. Abalone only took on each portion of the debt after they had been paid by the Angolans.

Furthermore, the Russians, instead of settling for the originally agreed 30 per cent of the value of the total debt, accepted far less than that in practice, leaving even more in the hands of the middleman. The saga takes further twists later as one of the businessmen first swindled his partners, we believe, and then lied to the Angolans about money he had failed to pay to Russia.

The superfluous insertion into the payment stream of an intermediary without assets and with no particular financial skill, allowed millions of dollars to flow into private bank accounts, including a considerable amount of money that was transferred to government officials (mostly, it appears, Angolans, but almost certainly Russians as well). If Angola had repaid its debt directly to the Russian exchequer on the same schedule as it did, it could have saved at least $823 million, almost 11 per cent of its 1996 GDP.

In Switzerland, at least, a fair amount has been published about the Debt Deal, especially the millions of dollars of Angolan oil proceeds spirited away by the masterminds of the Deal, Arcadi Gaydamak and Pierre Falcone, and their later partner, Vitaly Malkin. There has been, in particular, extensive coverage of the Geneva prosecutor’s refusal to undertake a serious investigation, despite substantial documented evidence of highly suspicious payments to the benefit of senior Angolan political leaders, including President dos Santos himself. A December 2006 dénonciation filed on behalf of six Angolan citizens and a July

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**Angolagate**

Arcadi Gaydamak and Pierre Falcone have a history of questionable deals involving Angola. In October 2009, France witnessed a remarkable trial in which a court found a raft of French politicians and international businessmen guilty of numerous offences relating to what was dubbed “Angolagate”: a $790 million arms deal involving Angola, Russia and France (undertaken at the time of a UN arms embargo in place against Angola), organised largely by Falcone and Gaydamak, that corrupted French and Angolan politics. Among the more than 40 high-profile notables caught up in Angolagate were the former Interior Minister, Charles Pasqua, and Jean-Christophe Mitterrand, the son of former President François Mitterrand. The trial ended in 36 convictions, mostly on financial crimes.

In 2011, many of the convictions were overturned by the appeals court when it found that the illicit arms trafficking—though in violation of French law—constituted sovereign acts of the Angolan government that could not be prosecuted in French courts. Two key figures, however, were still to serve sentences for related crimes, albeit of reduced length: Falcone and Gaydamak (though Gaydamak, as a fugitive from justice, has avoided imprisonment so far).
2007 supporting legal memorandum seeking to press Geneva prosecutor Daniel Zappelli to revive a moribund investigation detailed considerable evidence of malfeasance in the Deal that was available at that time, but never fully presented for judgment by a Swiss court.

The present report divulges extensive additional evidence the authors have uncovered, revealing the details of the structure and implementation of the Debt Deal, which serve to highlight the need for Swiss authorities to open an investigation. Previously unreported information includes the following:

- Evidence indicating that Abalone’s involvement in the Debt Deal was almost certainly planned from the beginning to divert as much as $750 million of Angola government debt repayments into the hands of the Abalone principals and senior Angolan officials.

- Copies of the actual agreements which make clear that Abalone—a shell company with no assets, no special access to credit and no expertise in the field of sovereign debt—did not even pretend to take on any commercial risk in the Debt Deal. These agreements also show how Abalone and Russia repeatedly changed the terms of their deal to provide even greater portions of Angola’s debt repayments to Abalone, at the expense of Russia.

- Extensive additional corroboration of the insalubrious nature of Gaydamak’s business practices, vividly demonstrated by a series of subsequent swindles he allegedly perpetrated on his business partners and lying to the Angolan government about how much had been paid to Russia, resulting in more than $70 million additional costs to Angola.

- In addition to the previously known millions of dollars of Angolan oil proceeds distributed to the intermediaries as well as to at least four Angolan officials including President dos Santos and some of his associates, we have now identified a number of additional likely beneficiaries of the Debt Deal, both individuals and companies.

- On 18 October 1999, Russia notified UBS that it should no longer serve as escrow agent for the Debt Deal, and that the Notes should be returned to Russia. UBS nonetheless continued to hold the Notes, acting as escrow until the Notes were frozen under court order in February 2001, by which time Sonangol had paid into Abalone’s account over $435 million in additional funds, almost all of which was disbursed to or at the instruction of the Abalone insiders, including millions of dollars to Angolan officials.

The report has three main sections. **The Deal Phase I: Prudent Financing or Criminal Conspiracy?** details how the Debt Deal was conceived and how it operated in its first incarnation. **The Deal Phase II: Escape to Cyprus** reveals how the Deal ran into difficulties, including multinational criminal investigations that temporarily derailed it. These investigations were, in turn, side-stepped and the Debt Deal concluded, in a manner that resulted in additional prejudice to the Angolan exchequer. The final section, **The Deal Phase III: Den of Thieves**, explains how the various partners in the Deal betrayed and crossed each other when it came to splitting the proceeds of the Deal, creating a further overlay of intrigue and scandal.
Each element of this complex transaction reinforces just how corrupt the Deal was, a racketeering scheme of global scale, benefitting middlemen and elites in Angola and almost certainly Russia, with the aid of a major Swiss bank.
The Deal Phase I: Prudent Financing or Criminal Conspiracy?

1. A Deal is Born

On 24 April 1996, the Angolan Minister of Economy and Finance, Augusto da Silva Tomás, issued a formal mandate designating Pierre Falcone and Arcadi Gaydamak as agents empowered to act on Angola’s behalf in its efforts to settle $5 billion of Soviet-era debt owed by the war-ravaged Angolan state to Russia.10

The Mandate stated:

To affirm in law and on behalf of the Government of the Republic of Angola, we establish this mandate for Messrs. Pierre J. Falcone and Arcadi Gaydamak, for assistance to Angolan Authorities in the establishment of bilateral negotiations with Russian Authorities respecting Angola’s debt to Russia and the structuring of a programme and appropriate financial mechanisms that will allow the execution of intergovernmental agreements resulting from those negotiations. Compensation of the agents for their services, within the framework of this mandate, will be agreed on later and separately. This authorisation is valid for a period of 90 (ninety) days.

Made in Luanda, 24 April 1996 Augusto DA SILVA TOMÁS, Minister of Economy and Finance 11

Within three weeks, on 14 May, the two “mandataires” worked out with the Russians the basic outlines for a fairly straightforward deal to restructure the Angolan debt: the principal would be reduced from $5 billion to $1.5 billion; Angola would receive a five-year grace period, after which it would have an extended 15-year period to re-pay principal and accrued interest in 31 instalments.12

Russian and Angolan links

Russia and Angola have had a long relationship. After Angolans threw off their Portuguese colonial rulers, the country dissolved into warring factions, two of which would contest for power late into the 2000s. The ultimate winner in these struggles was the MPLA, which has occupied the country’s capital, Luanda, since the late 1970s. The MPLA turned mainly to Russia for military and other aid in its attempt to wipe out its largest opponent, Jonas Savimbi’s União Nacional para a Independência Total de Angola (UNITA).

The prevailing MPLA had racked up a debt that was potentially crippling to Angola’s then fragile economy: by 1996, the debt amounted to at least $5 billion – a massive amount for a country plagued by decades of civil war. In that year, for example, Angola’s GDP was reported as being just over $7.5 billion. The debt to Russia was thus two thirds of Angola’s annual economic output.
On 30 October 1996, the government of the Russian Federation issued Decree No. 1287, which “instructed and authorised” the Ministry of Finance to dispose of the notes representing the Angolan debt on the secondary market. However, the notes referred to in Decree No. 1287 would not be defined and authorised until 20 November, and they would not be issued until January 1997.

Twelve days after promulgation of Decree No. 1287, Falcone and Gaydamak incorporated Abalone Investments Ltd. as an Isle of Man shell company. So far as evidenced by the documents available, Abalone’s only business would be its mediation in the Debt Deal. As if by clockwork, nine days later on 20 November 1996, the final details of the Debt Deal were hammered out and agreed on by Russia and Angola.

2. The First Agreement

The 20 November 1996 Intergovernmental Agreement appears to have been signed on the Russian side by Andrey P. Vavilov (Russia’s First Vice-Minister for Finance); the signature for the Angolan side is not legible. Due to the “historically friendly relations established between the Russian Federation and the Republic of Angola, and the complex economic situation in the Republic of Angola,” it was agreed that the debt would be reduced by 70 per cent: Angola would need to repay $1.5 billion instead of $5 billion to settle all its debts to Russia. Angola would be given a five-year grace period (perhaps agreed upon in anticipation that money would flow more freely following the conclusion of the war). No payments would be due during the grace period, but interest would accrue twice each year, at the rate of 6 per cent per annum. Accrued Interest would be added to the principal amount (“capitalised”) every six months up to June 2001, at which date the accumulated interest (coming to $457,160,000) would be added to the initial principal, resulting in a new principal amount of $1,959,160,000. From June 2001, semi-annual payments would commence for the next 15 years, with the last payment due in June 2016. (An additional 2 per cent default penalty interest would be levied on any outstanding instalment unpaid when due.)

As evidence of the repayment instalments, Angola would issue 31 US dollar-denominated Promissory Notes to the Government of Russia. The Promissory Notes provided for payment every six months of principal in the amount of $63,134,000 plus interest accrued through each payment date. By the final payment date, Angola was to have paid a total amount of $2,896,596,000 (being the sum of the initial $1.5 billion reduced debt principal, plus $457,160,000 interest accrued up to June 2001, plus $939,437,000 further interest accrued up to June 2016).

Arcadi Gaydamak, the key player in the Angola–Russia debt transaction, was born in 1952 in Moscow. At the age of 20, he emigrated to Israel, after which he relocated to France, where he initiated his first business. In 1993, Gaydamak, along with his partner, Pierre Falcone, helped to arrange a large arms deal that saw the Angolan government purchase $790 million in weaponry from Russia and France. In 2009, French courts convicted Gaydamak for various crimes related to the deal – known as Angolagate – although some convictions were overturned and his six-year sentence was reduced by half on appeal in 2011. He has never served time in jail as he refused to travel back to France, opting instead to remain in Israel.
The arrangement was to run simply. A “reliable institution,” such as a bank offering escrow services, was to be designated by both parties. Angola would make a payment to the institution, which would forward these funds onto Russia. Simultaneously, the institution would return each Promissory Note back to Angola, along with a Repayment Certificate issued by Russia that confirmed that the Promissory Note had been honoured. Importantly, each Repayment Certificate reflected an amount of $161,290,322.57. As there were 31 Promissory Notes and Repayment Certificates, the completion of the entire transaction would see Angola handed Repayment Certificates reflecting a total amount of $5 billion ($161,290,322.57 X 31), thus extinguishing its entire debt to Russia, while Angola would only need to pay Russia the reduced principal and interest discussed above. Thus, by using this simple mechanism, the debt of $5 billion Angola owed to Russia could be extinguished, and each party would have the additional safety of an independent third-party bank monitoring the transaction and releasing funds and Notes only upon fulfilment of the various terms of the Dea.18

On 17 January 1997, the Banco Nacional de Angola issued a series of 31 Promissory Notes. As a later agreement confirms, these Notes were issued “pursuant to” the November 1996 Intergovernmental Agreement. 19 The Notes provide for payment over the same schedule set out in the November 1996 Intergovernmental Agreement, with the first Note due 15 June 2001, and the last one due 15 June 2016. Curiously, however, the carefully detailed calculations of interest payments contained in the Schedule to the Intergovernmental Agreement are omitted. Also, rather than providing for each Note a stated principal amount due (“face value”) of $63,134,000 (as was contemplated by the November 1996 Intergovernmental Agreement), each of the Notes showed a stated principal amount due of only $48,387,096.77. Otherwise, the Notes were entirely consistent with the November 1996 understandings.20

Though we do not have copies of them, 31 corresponding Repayment Certificates were, apparently, issued simultaneously by the Russian Ministry of Finance, bearing the same reference numbers as the Notes. The Repayment Certificates indicated repayment of the “corresponding original indebtedness amount out of the total original aggregate amount of USD 5,000,000,000”.21 That is to say, although Angola would receive back a Repayment Certificate for each $48 million Note it repaid, each of those 31 repayment certificates would evidence “repayment” of $161,290,322.57.

It is surprising that the Notes do not mention interest obligations, as such instruments normally would. This silence may conceivably be because the documentation presupposes that unpaid interest would also be payable on each payment date along with the stated principal amount (“face value”) of the Note, as set out in the Intergovernmental Agreement.

Pierre Falcone was born in Algeria in 1954. When he was aged eight, Falcone’s parents moved to France, following Algeria’s declaration of independence. In his early twenties Falcone moved to Brazil, where he started his business life as an agricultural entrepreneur. Together with his Bolivian wife, Falcone established himself as a significant socialite in the US in the 1990s. In 2009 Falcone was convicted of various crimes relating to Angolagate, receiving a six-year sentence. He had attempted to claim diplomatic immunity as he was then the Angolan ambassador to UNESCO – a position that confirmed his closeness to the Angolan political elite. Some of his convictions were overturned and his sentence was reduced on appeal in 2011. He remains active in Angola.
However, it is more likely that the Notes were issued in January in anticipation of already formed (but not yet legally approved) plans for the subsequent transfer of the Notes to Abalone, an arrangement that would incorporate Russia’s agreement to forgive obligations regarding interest payment all together. Not only do the Notes make no mention of interest payments; they also do not reflect the “capitalised” interest payments accrued for the period up to June 2001 that the Intergovernmental Agreement had contemplated would increase each Note’s principal face amount by some $13,746,903. Thus, Notes were issued with face amounts of $48,387,096.77 each, totalling just short of the $1.5 billion restructured principal amount of the debt.22

3. Enter Abalone: “For you, half price”

The 24 April 1996 Mandate, it should be remembered, had left unsettled the arrangements for “[c]ompensation of the agents for their services within the framework of th[e] mandate.” It is easy to imagine that savvy businessmen such as Falcone and Gaydamak would have been working out their generous “compensation” (via Abalone) right along with the other details of the debt restructuring negotiations in which they were acting for the Angolan government. This suggests that Gaydamak was being too modest in an interview he later gave to the Geneva newspaper Le Temps, in which he described his contribution to the creation of the Debt Deal as merely “administrative,” insisting that the November 1996 agreement had been “negotiated by the two states, not by me or Pierre Falcone. But I played a facilitating role, because at the time Russia lacked administrative structures”.23 Nevertheless, the timing and circumstances strongly suggest that the lucrative insertion of Abalone into the transaction was built into the planning of the debt restructuring from the beginning (or shortly thereafter), and carried out with the support of elements within the Russian and Angolan governments.

In March 1997, Falcone and Gaydamak’s company, Abalone Investments, entered into an agreement with the Russian government that fundamentally revised the relatively straightforward bilateral arrangement agreed between Russia and Angola in November 1996. The 5 March 1997 Russia-Abalone Agreement established a structure that would insert Abalone as a middleman between the Russian and Angolan governments. The agreement contemplated that Abalone would purchase the Promissory Notes from Russia in six separate tranches, labelled “A” to “F.” Tranche A comprised six Notes, each with a stated “Payment Value” (as discussed above) of $48,387,096.77, for an aggregate stated Payment Value of $290,322,580.62; Tranches B to F each contained five similar Notes with aggregate stated Payment Value for each tranche of $241,935,483.85.

Each tranche would be payable on or before its respective “Transfer Date,” respectively the 30th of November of years 1997, 1998, 2000, 2002, 2003 and 2004. The total stated Payment Value represented by the 31 Notes was $1.5 billion. Abalone would pay no interest on the Notes it purchased, but would acquire with the purchased Notes all “underlying rights and indebtedness now and hereafter covered thereby (including, without any limitation, all accrued and accruing interest, the corresponding original indebtedness amount and all rights of the Government Russian Federation [sic] under the [20 November 1996 Intergovernmental Agreement].”
In layman’s terms, this meant that the interest that Russia was to charge, according to its original calculations, was no longer to be levied by Russia against Angola. In principle, Abalone would have had the right to levy this interest as the owner of Angola’s debt. In any event, Abalone did not, and Angola was not forced to pay any interest as first contemplated by the 1996 agreement between it and Russia.

Payment on each payment date was to be made simultaneously with delivery of the corresponding Notes, together with the corresponding Repayment Certificates. Two critical features of this agreement should be highlighted. Most importantly, it was agreed that Abalone would purchase the Promissory Notes from Russia at half their face value. In other words, Abalone would pay only $24 million to buy an Angolan Promissory Note with a stated face value of $48 million. Thus the entire $1.5 billion of debt (including the right to receive interest on this debt) would be available for Abalone to purchase at $750 million.

Moreover, Abalone made no binding commitment to purchase any of the Notes from Russia. The agreement merely granted to Abalone an option—“the first and exclusive right of first refusal to acquire the respective Tranches of the Documents and the underlying indebtedness and rights.” Except for a modest option fee, Abalone risked nothing. Correspondingly, Russia received no grounds for comfort that it would be able to sell the Notes on the accelerated schedule it was presumably bargaining for.

Why Russia agreed to waive substantial amounts of interest it was due in return for an agreement that did not offer a guarantee of repayment, is unclear, and, on the face of it, highly unusual. Similarly, the fact that Russia did not offer these very favourable terms directly to Angola, rather than to a recently-formed intermediary, is unexplained. This is even stranger, as we point out in more detail below, because Abalone relied entirely on payments from Angola to make these payments on an advanced schedule, again suggesting that the deal could have been offered directly to Angola rather than to an intermediary offering little by way of risk abatement, guarantees or preferential access to international financing mechanisms.

The agreement had two other noteworthy provisions. First, in consideration for the option obtained under the agreement, Abalone agreed to pay Russia a non-refundable fee equal to 0.3 per cent of the $1.5 billion principal amount of the Notes, that is $4.5 million.

Finally, if Abalone succeeded in purchasing at least 70 per cent of the aggregate Payment Values by 31 December 2004, payment for the remaining unpaid obligations could be extended over two additional years, until 31 December 2006.

4. The 30 May 1997 Abalone-Sonangol Agreement: “For you, full price”

Abalone put in place a critical third agreement on 30 May 1997. On that date, Abalone and Sonangol, the Angolan state oil producer, signed an agreement providing that up to 31 December 2006, Abalone “proposes to sell to Sonangol and Sonangol undertakes and
accepts to purchase from [Abalone] up to all of the Notes and Certificates,” such purchases to be made at the full face value of the Notes. Sonangol would be paying just over $48 million for each Note, while Abalone would only be paying the Russians half of that. Abalone would be making a total “profit” of $750 million.

While this Abalone-Sonangol purchase agreement itself is vague as to the precise timing for the purchases, an associated agreement of the same date makes clear that Sonangol must make payment on any Notes tendered by Abalone, within 21 business days of notice by Abalone of the intended delivery. That is, as a mirror image to the option agreement (right to buy) Abalone had obtained from Russia, Abalone now put into place a “put” (right to sell) with Sonangol. Abalone—but not Sonangol—could initiate a sale at any time up to the termination of the agreement in December 2006, and “if” Abalone did so, Sonangol would have to pay. Sonangol was on the hook, but Abalone could walk away free and clear at any time.

5. The Role of Glencore

To ensure that Sonangol would have funds available to purchase Notes when called upon to do so, Glencore UK Ltd. took the role of arranging pre-financing of Angolan oil purchases from commercial banks, probably through some kind of mechanism securing present cash borrowings with future oil production. Though we do not have documentation on this critical aspect of the Debt Deal, there is strong reason to suspect Glencore made substantial profits from its role serving as a major source of financing for the Deal, a profitable business in itself. (Glencore was not prosecuted in the French Angolagate case, but played a broadly similar role, with Banque Paribas, in arranging the oil-backed financing through which the French arms deal was paid.)

It was Glencore that had first “presented the transaction to UBS SA in February 1997,” just prior to the linchpin 5 March 1997 Russia-Abalone Agreement. From all appearances, Glencore seems closer to being an organiser for the Debt Deal than a mere retail financial services provider. It may well have worn more than one hat in the transactions, and we believe it merits further examination. The following internal UBS memorandum explains how Glencore introduced the parties to the Debt Deal to SBS:

[SBS/UBS’s] acceptance of [its] role as “escrow agent” was motivated by the fact that Glencore UK Ltd. is owned by Glencore International AG, and, like Sonangol, is a very important client long known by our bank…. Glencore International AG… confirmed in writing to the former SBS its full knowledge of all terms and parties to this repurchase of the Angolan obligations, of the parties and terms of the “escrow agreement,” its indirect involvement in this operation and of its financial interest. Moreover, besides the payment of the “escrow fees,” Glencore International AG guarantees to the former SBS to reimburse it all costs and fees of third parties that could be incurred by [the escrow bank] in case of litigations relating to the implementation of [the] “escrow agreement” that shall not have been previously settled by Abalone.
Gaydamak has alluded to his or Abalone’s participation in oil purchases and sales on favourable terms as a core aspect of his own interest in the Debt Deal, an area of transaction for which Glencore, with its deep experience and contacts in the brokering markets, could have provided substantial assistance. For example, when asked in 2002 what benefits he had personally taken out of the Debt Deal, Gaydamak told *Le Temps*:

> Abalone signed a contract with Angola, which allowed me to buy and sell oil paid with promissory notes. There was a profit margin, depending on oil prices, which were very high at that time, and this margin came back to me and Pierre Falcone.34

Moreover, in a December 1999 Memorandum of Understanding between Gaydamak and his soon-to-be business partner Vitaly Malkin,35 the “documents” that define the “terms of the contractual relationship” among the Abalone shareholders are identified as “the indebtedness agreement between the Russian Federation and the Republic of Angola, the agreement between the Russian Ministry of Finance and the Company, the agreement between Sonangol and the Company and the oil for Notes agreement between Sonangol and the Company.” The existence of the last item, “oil for Notes agreement” with Sonangol, suggests that Gaydamak was able to weave into the Debt Deal one or more other layers of oil-generated profits that have yet to see the light of day: and Glencore would seem likely to have been key to these arrangements.36 This surmise is further bolstered by article 4 of a certain Financial Agreement, also from December 1999, between Gaydamak and Malkin, in which the parties stipulate that a $6 million loan from Gaydamak to Malkin “will be payable after completion of the second oil contract”.37

Agreements were now in place to ensure that Russia and Angola were each barred from dealing directly with each other (or any third party other than Abalone itself), while Abalone had the choice whether to make the purchases and sales—and pocket a 100 per cent mark-up on each Note—or whether to walk away without further obligation.38

### 6. The Escrow Agreements

The Debt Deal was to be facilitated and cemented by means of two escrow agreements.

On 11 April 1997, Abalone (as “Buyer”) entered into an escrow agreement with Moscow’s Unicombank (representing the Russian Ministry of Finance), and the Swiss Bank Corporation (or Société de Banque Suisse, SBS), as “Escrow Bank.” SBS—which would later become the Swiss bank UBS SA after SBS and Union Bank of Switzerland merged in 1998—would conduct the transfers of funds and Notes. To ensure that no side was potentially let down by non-fulfilment, it was agreed that SBS/UBS would serve as escrow agent with respect to the Abalone account. Abalone would transfer the funds intended to purchase the Promissory Notes to the escrow, and the bank would then notify Unicombank that it had received the money and was holding it until the release of the Promissory Notes and the Repayment Certificates. Russia would then transfer the Notes and the Repayment Certificates to the escrow bank, where their authenticity could be inspected by bank officials, Abalone, and representatives of the Angolan government.39 (In fact, as noted below, it appears that Unicombank delivered all the Notes and Repayment Certificates to the escrow bank at or near the inception of the Debt Deal.) Two business days after authenticity had
been confirmed, the money owed to Russia would be released by the escrow bank and transferred to an account of Unicombank’s choosing.\footnote{40}

A parallel agreement was also signed between Abalone, SBS and Sonangol, completing the arrangement and—on a superficial read—locking the parties into an ironclad agreement monitored by a reputable international bank, one of the largest in the world.\footnote{41}

7. How Much Money Did Angola Pay and Russia Receive in Deal Phase I (the UBS arrangement)?

The Deal proceeded apace from October 1997. On 2 October, Sonangol made its first payment to Abalone at UBS valued at $290,322,580.62. It was the first of a total of five payments made from Sonangol to Abalone over a period of three years, totalling $774,193,548.32. That $774,198,548.32 sum represented full payment for the first 16 Promissory Notes, which were transacted in Phase I of the Deal, through the UBS escrow account in Geneva. (See Appendix 1.)

It is not as easy, unfortunately, to trace the precise value of payments that Abalone made to Russia in this first period, through July 2000. We do know that of the $774,193,548.32 paid by Sonangol, cash payments totalling $161,913,697.59 were paid by Abalone to the Russian Ministry of Finance. This was made up of two payments; a transfer of $145,161,290.31 on 3 October 1997 (the day following the first transfer into Abalone from Sonangol) and a further transfer of $16,752,407.28 on 8 January 1998 (the same day as a $48,387,096.77 transfer was received from Sonangol). (See Appendix 2.)

The first transfer of $145,161,290.31 to the Russian Ministry of Finance was sufficient for Abalone to purchase six Notes from Russia (at half their face value).

On 6 January 1998, Russia, Abalone and UBS entered into a supplemental escrow agreement. Although we are not in possession of a copy, a hearing conducted before the Geneva courts in October 2003 (discussed in more detail later in the report) confirmed that the supplemental escrow agreement stipulated that Abalone could purchase a single Promissory Note at 33 per cent of its face value. Abalone completed this purchase by transferring $16,752,407.28 to the Russian Ministry of Finance on 8 January 1998.\footnote{42} Thus, the two transfers listed in Appendix 2 were sufficient to purchase seven Promissory Notes.\footnote{43}

After August 1999, Abalone continued to purchase Notes from Russia, but paid for them by exchange of Russian debt securities called PRINs and IANs against Angolan Notes for the same face values. As explained below, this change created for Abalone the opportunity to enhance its “profits” from the Debt Deal even more, by allowing it to exchange low-value Russian bonds for substantially higher-valued Angolan Notes. Because these debt-for-debt exchanges were not transacted through the UBS account, we do not know precisely how much value Abalone was paying for the purchases of Notes 8-16, but we conservatively estimate that Abalone would not have paid more than $103 million in cash value for the purchase of the last nine Notes, an average of $11.44 million for each of the $48 million Angolan Promissory Notes.
Adding this $103 million figure to the $161.9 million cash paid for Notes 1-7, we conclude that at most, Abalone would probably have paid something in the neighbourhood of $264.9 million for the 16 Notes they sold on to Angola for $774.19 million.

8. Debt for Debt: PRINs and IANs, Abalone’s New Way of Paying Russia

Abalone’s bank documents indicate that no further direct transfers of funds were made from Abalone’s UBS account to the Russian Ministry of Finance after the 8 January 1998 payment. Initially, this was probably because of the decline in oil prices, which temporarily stopped the cash flow available for Sonangol’s payments to Abalone. Then, in August 1999, the architecture of the Deal underwent major revision, triggered in part by the bankruptcy of Unicombank, which had represented the Russian Ministry of Finance to that date.

On 23 August 1999, the Russian Ministry of Finance and Abalone signed a third supplemental agreement. This stated that Russia had decided to “revoke agency mandate conferred to Unicombank and to replace the latter with Sberinvest, Moscow, Russian Federation (Sberinvest)”.44 Not much later, Russia wrote to UBS on 18 October 1999 terminating its escrow agreement with the bank, and requesting that the remaining Promissory Notes held by UBS in escrow for the Russian Ministry of Finance be transferred to Sberinvest, Moscow. For unknown reasons, UBS failed to transfer the Notes to Sberinvest.45

A more fundamental change was also envisioned. According to the 23 August 1999 Supplemental Agreement, Abalone had indicated that it hoped to purchase all remaining 24 Notes from the Russian Ministry of Finance by October 1999. These were to be purchased in six tranches, each comprising four Notes. Most importantly, Abalone would not purchase the Notes by means of cash transfers. Instead, it would pay by delivering to the Russian Ministry of Finance Russian debt instruments at the same nominal or face value as the nominal or face value of the Angolan Promissory Notes it purchased. Abalone would acquire Russian debt instruments on the open market to the same face value of the Angolan Promissory Notes and transfer these to Russia, thus reducing Russia’s own external debt on the international market. Russia would then hand over the Angolan debt Promissory Notes to Abalone.

In simpler terms, Abalone would buy a Promissory Note from Russia at its full face value ($48 million) by transferring Russian debt instruments that also had a full face value of $48 million. By implication, if Abalone was able to buy Russian debt instruments at a much lower price than its full face value, it could make even more substantial profits than it was due according to its 1997 agreements with Russia and Angola.

Abalone was to transfer two types of Russian debt securities to the Russian Ministry of Finance in a specific proportion: 85 per cent were to be in the form of Principal Notes (PRINs) and 15 per cent were to be in the form of Interest Arrears Notes (IANs). Both of these securities were originally issued in 1997 by Vnesheconombank.46 The securities were issued following negotiations with the so-called London Club of creditors, who were holders of Soviet-era debt. The total value of the bonds was $29 billion; $22.2 billion in the form of PRINs and $6.8 billion in the form of IANs.47.
It is not clear why Russia opted to move towards the PRINs and IANs redemption method. Transferring one set of debt instruments for another at the same dollar value does make sense. It allowed Russia to pay off a portion of its debt on the international market without having to disburse any funds, instead ‘paying’ for this reduction in debt by writing off debt owed to it by Angola, for which it was only receiving half the face value anyway. But it is also possible that adoption of this system could entail significant additional prejudice to the Russian Treasury.

To determine whether such prejudice occurred, we start by examining the market values of the PRINs and IANs at the time the 23 August 1999 agreement was signed and through the period when this payment method was employed. One might expect the actual market value or worth of the PRINs and IANs to be at roughly 50 per cent of their nominal or face value. If this was the case, Abalone could purchase on the open market PRINs and IANs with a stated face value of $1.16 billion (24 remaining Notes X $48,387,096) by paying 50 per cent of that face value, i.e., $508 million. Abalone would then transfer these Russian debt instruments to the Russian Ministry of Finance in payment for the remaining 24 Promissory Notes, for which it had agreed to pay half of face value.

If this was the case, then the basic arrangement originally entered between Abalone and Russia would remain in place; namely, that the transaction would only cost Abalone $24 million per Angolan Promissory Note. If, however, Abalone was able to get a better deal on the Russian debt instruments than 50 per cent of the face value, it would make even more profit than originally envisioned by the initial 1997 agreement between Abalone and Russia. Conversely, if Russia was to get maximum value in the Deal, one would imagine that it would choose a Russian debt instrument whose market value was around 50 per cent of its face value, or ask for more Russian debt instruments per Angolan Promissory Note. If it did not, it was effectively selling the Angolan Promissory Notes to Abalone at a price that was even more discounted than before.

Examination of the actual market values of the PRINs and IANs for the period during which the PRINs/IANs mechanism operated (approximately August 1999 to 20 June 2000) reveals, however, that these instruments were valued at significantly less than the 50 per cent of face value that would preserve the position of both sides. Investors presumably did not have a great deal of faith that Russia would not default on them. What was of particular worry to investors was that the securities, issued by Vnesheconombank, were not sovereign instruments guaranteed by the Russian state. If Vnesheconombank were to declare bankruptcy, or otherwise default on the instruments, holders of PRINs and IANs could be left without remedy. Moreover, as of August 1999, when the PRINs/IANs mechanism was introduced into the Debt Deal, Russia had already defaulted on PRINs and IANs; the former in December 1998 and the latter in June 1999.

These defaults and other adverse indicators kept the market values of PRINs and IANs low, ensuring that the new payment method would be extra-profitable for Abalone. Looking at the price movements from August 1999 to June 2000, we can see that on 23 August 1999, the date the new payment scheme went into effect, the PRINs had a value of just 10.5376 per cent of face value; and then reached a low of 8.5417 on 15 October 1999, before making a gradual recovery, getting to 30.8125 on 20 June 2000. Similarly, on 23 August 1999, the IANs were trading at just 14.4138 per cent of face value. They dipped to a low of 10.5563 on 15 October 1999, and then began a slow recovery, reaching 31.2188 on 20 June 2000.
We are not in position to confirm precisely how well Abalone was able to play the PRINs/IANs market, though given Gaydamak’s knowledge and contacts, we would expect that Abalone was savvy in timing its PRINs and IANs purchases. Based on the price data for the period, Abalone could have been buying $48 million Notes for as little as $4 or 5 million worth of PRINs/IANs. In any event, it is hard to see how Abalone could have been paying any more than about $17 million (or 35 per cent of face value) for each $48 million Note. As shown on Table 2 (page 47), the authors estimate that in the period 23 August 1999 to 20 June 2000, when the PRINs/IANs mechanism was in effect, Abalone purchased nine Notes for a sum no greater than $103 million, averaging about $11.4 million for each Note, or about 23.7 per cent of face value.

If, as the authors conclude, Abalone came away from the first 16 Note purchases with a net amount in excess of half a billion dollars, then Russia’s agreement to accept PRINs/IANs cost the Russian people an additional $123 million beyond the 50 per cent haircut the Russians had already accepted when they brought Abalone into the payment stream. Once again, it is not clear why the Russian Ministry of Finance would agree to additional millions in price reduction for the cost of each Note, allowing Abalone to make even larger “profits” than the Deal had already promised. However, it does seem to fit a pattern in which Russia was willing continually to negotiate worse terms for itself. Recall that in 1998 Russia had contemplated selling what remained of the Promissory Notes for 24 per cent of their face value; a 50 per cent discount on the rate Abalone had agreed to in its 1997 agreements. Though that particular arrangement did not come to fruition, scarcely a year later Russia offered what would work out to roughly the same or probably better terms for Abalone, through the PRINs/IANs mechanism.

9. Enter Vitaly Malkin

While Abalone had agreed the adoption of the PRINs/IANs mechanism in August 1999, it was, at first, it appears, unsuccessful in purchasing additional Notes. Indeed, Abalone was only able to purchase four additional Promissory Notes in December 1999; and then, in slightly strange circumstances, as it was contingent upon selling a 25 per cent stake in Abalone to Vitaly Malkin in December 1999.

Malkin, it appears, was allowed to purchase a 25 per cent stake in Abalone (which was virtually guaranteed of making super profits) in return for providing a specific service. According to the later findings of the Geneva Public Prosecutor, Daniel Zappelli, Malkin was able to purchase a stake in the company after helping Abalone negotiate the adoption of the PRINs/IANs mechanism. As Zappelli noted, “This financing enabling Russian debt securities to be acquired was achieved through the intervention of a Russian banker, Vitaly MALKIN, who in return became a shareholder in Abalone.”

Malkin was and remains a notable figure in Russia’s economic and political life. Following the fall of communism, he made a personal fortune via his business partnership with Bidzina (Boris) Ivanishvili, the future Prime Minister of Georgia. Together, the two formed Rossiyskiy Kredit Bank, which became one of Russia’s largest banks. Malkin made a cameo appearance in the French Angolagate judgment, where his name appears on a list of banks and other enterprises seemingly linked to the Angolagate transactions that was seized...
On 20 December 1999, Vitaly Malkin and Arcadi Gaydamak entered into a Financial Agreement, a Purchase Agreement and a Memorandum of Understanding, all relating to Malkin’s purchase of shares in Abalone. According to the 20 December 1999 agreements, Gaydamak agreed to sell Malkin 25 per cent of the shares in Abalone, which were valued at $60 million. In the Memorandum of Understanding, Malkin was referred to as a “representative of R K Bank,” which presumably refers to Rossiyskiy Kredit Bank, the bank which Malkin owned with his fellow oligarch, Boris Ivanishvili (now Prime Minister of Georgia).

The share purchase arrangement was complicated, but, in effect, it appears that Gaydamak agreed to sell 25 per cent of the shares in Abalone to Vitaly Malkin in return for access to four Promissory Notes held by Malkin. How these Notes came into Malkin’s possession remains a mystery, but could be considered irregular given the existent agreements between Abalone and the Russian Ministry of Finance.

A further supplemental agreement signed between Abalone and Russia on 28 December 1999 confirmed that four additional Promissory Notes had been purchased by that date. It is likely that these were the four Notes referred to in the Gaydamak-Malkin Memorandum of Understanding. By 28 December 1999, therefore, Abalone had completed the purchase of a total of 11 Notes from the Russian Ministry of Finance.

The 28 December 1999 Abalone-Russia agreement further stipulated that Abalone would purchase the remaining 20 Promissory Notes in five tranches before 15 April 2000. To cement the deal Abalone was required to provide collateral in the form of PRINs to the face value of $22 million to the Russian Ministry of Finance. If the remaining 20 Promissory Notes were purchased by 15 April 2000, the collateral would then be deducted from the due amount. If the remaining Notes were not purchased by 15 April, the collateral would be forfeited.

Abalone was unable to complete the purchase of the remaining 20 Promissory Notes by that date. But on 11 May 2000, Russia and Abalone signed yet another supplemental agreement which confirmed that, as of the signing date, Abalone had completed the purchase of a further four Notes, bringing the total number of Notes purchased to 15. The agreement was signed by Mikhail Kasyanov, the Minister of Finance for the Russian Federation.

As a result of the failure to purchase all Notes by 15 April, Abalone forfeited the collateral it had deposited. We do not know how much it cost Abalone to acquire the $22 million face value of PRINs, but if they were purchased on 28 December 1999, when the agreement

**Vitaly Malkin**, now aged 58, was estimated to be worth around $1bn according to Forbes’ “World Billionaires” 2008 feature. His fortune could not have hurt his rise to the position of senator in the upper house of the Russian Parliament in 2004. Malkin joined forces with Boris Ivanishvili in 1990 to form a host of banks in the newly democratic Russia, at the same time purchasing an array of Russia’s newly privatised mineral assets. The extent of their business acumen was revealed in 2004–05 when they sold their combined metallurgical assets for an estimated $2.2 billion. In 2012, Malkin’s official tax returns showed that he was the richest member of the Russian upper house of Parliament, earning $33.6 million in 2011 alone. He resigned from Parliament in 2013 after allegations emerged that he unlawfully held dual Israeli and Russian citizenship and substantial assets in Canada.
was signed, they would have been selling at about 16.3438 per cent of face value,61 so that the lost collateral would have cost Abalone about $3.6 million.

Notwithstanding the loss of collateral, the next supplemental agreement, dated 11 May 2000, allowed Abalone to purchase one further Promissory Note via the PRINs/IANs mechanism by 20 June 2000.62 In hearings before the Geneva court in 2003, it was confirmed that this operation had been completed, bringing the total number of Promissory Notes purchased by Abalone, as of June 2000, to 16,63 concluding the first (Geneva/UBS) phase of the Debt Deal. Complying rigorously to its commitments, Sonangol duly purchased these 16 Notes at the full face value of $48 million each as reflected in the cumulative total of Sonangol payments into Abalone’s UBS account as of 6 July 2000: $ 774,193,548.32 (= 16 X $48,387,096.77). With regards to the remaining 15 Notes, it was agreed that both parties would continue to negotiate until 30 September 2000 to settle the terms of their purchase and transfer.64

10. The Role of UBS

The changes effected by the 23 August 1999 Supplemental Agreement between Russia and Abalone65 precipitated some soul searching at UBS. The bank’s Legal Department Assistant Director, Alain Zbinden, wrote his colleague, account manager Yves Lehur,66 a tactful but clearly troubled memo67 following Zbinden’s 1 September 1999 meeting with Gaydamak and Falcone, in which the changes resulting from the August agreement were presented and discussed. Zbinden brought important institutional memory to this lengthy discussion, having been one of the two officers of the former Swiss Bank Corporation (SBS) that had signed the original 11 April 1997 escrow agreement with Abalone and Unicombank. (From the documents available, it appears that Zbinden, Lehur and a Mr. Fleury, who approved many or all of the payments from the Abalone account, were the UBS personnel most familiar with the Abalone account.)68

Zbinden explained the main changes contemplated by Abalone and the Russian Ministry of Finance—the substitution of cash for PRINs/IANs and the substitution of Sberinvest for Unicombank. The memo also discussed the follow-on changes to the escrow arrangement that would result from the 23 August 1999 Supplemental Agreement, including necessary amendments not only to the original April 1997 escrow agreement (changes, Zbinden noted, that would require consent of all involved parties), but to the associated agreements SBS/UBS had entered into with Abalone and Sonangol, and with Abalone alone.

Zbinden listed the various authorising and authenticating documents, particularly from Sberinvest, that UBS would need to obtain, and went through other matters that would be changing, including the fact that, unlike the prior arrangement, UBS would not be receiving cash but only a declaration from Sberinvest attesting to Sberinvest’s receipt of the PRINs/IANs (whose nominal values UBS would nonetheless have to verify). He fretted...
about the rapid timetable sought for implementation of the new arrangements—a matter of days—which was simply impossible ("hallucinant"). He also noted troubling concerns regarding the 23 August 1999 Supplemental Agreement, which, he observed, bore no official seal from the Russian Ministry of Finance, whose representative’s signature had, moreover, not been notarised.

Zbinden reported that “[t]his last point caused me to look into a possible risk to reputation.” He contrasted the “fairly stable” financial and political situation in Russia in February 1997, when Glencore had first presented the transaction to the then SBS, with the subsequent financial crisis in Russia and the numerous successive changes in the government that followed, making it “more difficult to be certain that you’re dealing with the proper official Ministry of Finance representative who is expressing the government’s true wishes to enter into such a specific and complex transaction as the one relative to these Government Bonds and Repayment Certificates.” He went on to point out that “this political and financial instability has generated, or maybe the opposite, increased attention from Western legal authorities, particularly from Switzerland and Geneva, which has resulted in full-scale criminal investigations being opened…. To be sure,” he added:

The motives, structures, financing and contractual parties behind the transactions concerning these securities issued by the Banco Nacional de Angola in favour of Russia had nothing to do with the financial matters that have appeared in the news for the last several weeks…. Nevertheless, this transaction is related to two countries that have become more delicate and unstable, Russia and Angola, and any possible mention of one of the representatives of either of the parties such as Abalone, SBERINVEST or the Ministry of Finance in a news article, even if later determined to be unfounded, if not slanderous, would still initially cause a Swiss judge, and above all a Geneva judge, to take an interest in the individuals in question.69

Zbinden could have been referring to recently reported corruption allegations involving Mabetex Group and Boris Berezovsky.70 Even if not directly involving the Abalone principals, this environment of Russia-related intrigue in Switzerland should have motivated a careful review of the substance of the Abalone transactions, and not merely misgivings about its appearance. (It is possible that Zbinden was not alone in his soul-searching. Not six weeks after his memo, Russia notified UBS that it was terminating its escrow relation with the bank, and asked for the return of the Notes.)

Between March and July 2000, the Abalone account was quite active, including the receipt of three payments from Sonangol totaling $435,483,870.93 and 22 payments out. Of the latter, ten payments, totaling $96,848,633 were made within less than two weeks of the last $96,774,193 payment in from Sonangol. Eight of those payments out, totaling $62,979,200, occurred the very same day (6 July 2000) as that third Sonangol payment, and included $3 million paid directly to José Leitão da Costa e Silva, the influential minister in the Office of the Presidency of President dos Santos.71 These disbursements of funds are discussed in more detail below.

In the context of a complex transaction rife with conflicts of interest and manifestly prejudicial to two of the three parties (Angola and Russia), the multi-million-dollar transfer to Leitão da Costa, in particular—made directly to a senior Angolan “Politically Exposed
Person” in his own name, on the same date as a $96.7 million payment in from the Angolan oil parastatal, and following the disquiet articulated in the September 1999 memo, the termination of one-half of the escrow arrangement established in 1997, and the failure of the Note owner to retrieve the Notes —should surely have raised the alarm.

In May 2000, Switzerland’s Bribery of Foreign Public Officials Law had come into effect, holding culpable “[a]ny person who offers, promises or gives a member of a judicial or other authority, a public official, an officially appointed expert, translator or interpreter, an arbitrator, or a member of the armed forces who is acting for a foreign state or international organisation an advantage which is not due to him, or gives such an advantage to a third party, in order that the person carries out or fails to carry out an act in connection with his official activities which is contrary to his duties or dependent on his discretion.”

Under Switzerland’s 1990 criminal provisions against money laundering and insufficient diligence in financial transactions, the financial intermediary who executes the transfer of a bribe may also be subject to sanction for money laundering. Article 305bis of the then applicable Swiss Criminal Code holds as culpable “[a]ny person who carries out an act that is aimed at frustrating the identification of the origin, the tracing or the forfeiture of assets which he knows or must assume originate from a felony.” Moreover, “[t]he offender is also liable to the foregoing penalties [even] where the main offence was committed abroad, provided such an offence is also liable to prosecution at the place of commission.”

The 1990 provisions also sanction “[a]ny person who as part of his profession accepts, holds on deposit, or assists in investing or transferring outside assets and fails to ascertain the identity of the beneficial owner of the assets with the care that is required in the circumstances.”

Indeed, the Swiss Federal Banking Commission had two years earlier issued its CFB Circular 98/1 on Money Laundering, in which the Commission warned banks and other “financial intermediaries” in detail regarding the special risks of dealing with senior foreign government officials:

Financial intermediaries should not accept money which they know or must assume comes from corruption or misappropriation of public funds. They therefore need to scrutinise with special attention if they want to enter into business relationships, accept and retain assets owned, directly or indirectly by persons exercising important public functions for a foreign state or individuals and companies, recognisably close to them.

Circular 98/1 further specified that:

If, after clarification, the financial intermediary knows or assumes, based on well-founded suspicions, that the assets have a criminal origin…he must inform without delay the Money Laundering Reporting Office [of Switzerland], pursuant to the instructions of that body respecting the form and content of the communication.…

At the very minimum, the circumstances of the payment to José Leitão da Costa e Silva should have caused UBS to re-consider the entire transaction and to file one or more
suspicious activities reports to the Money Laundering Reporting Office of Switzerland (MROS), pursuant to Circular 98/1. If UBS failed to raise an alarm to the authorities, that failure speaks deafeningly loud about the relative priorities at the bank between basic anti-money laundering precautions and business as usual. We do not know for certain whether UBS ever filed such a report, but it is very probable it did not. It appears that the first official reporting from any bank under these regulations regarding Falcone's financial dealings may not have happened until five months after the July 2000 payments from Abalone, and only in the wake of press reports about Angolagate in France, as a Geneva court finding (discussed in more detail below) attested:

In December 2000 and January 2001, the Federal Justice Official … informed the Geneva Court that he was notified by local banks that there were allegations of money laundering….The [Federal Justice Official] indicated that, according to some articles published in the international press, a person named Falcone and the company Brenco were the subject of a criminal investigation in France.\(^{78}\)

The term “local banks,” as used in the Swiss context, suggests that these reports did not come from a huge international institution such as UBS, but rather from smaller nationally operating banks. If UBS had in fact filed a report to the MROS, it seems hard to believe that the Geneva criminal court opinion quoted above would have omitted to mention it.

Gaydamak apparently chose his host bank well. UBS was there when needed to give the show of “guarant[ee]ng the legal validity of the agreement and the legality of the transaction, and it was paid for doing this”.\(^{79}\) Had the French investigation not stirred up the waters, no one might ever have known about the Angola/Russia dealings at UBS.

11. The Distribution of “Profits” in Phase I of the Deal

Arcadi Gaydamak

The “profits” earned by Abalone during the first phase of the Debt Deal were distributed widely. According to a record of Abalone’s UBS bank activity,\(^{80}\) **Arcadi Gaydamak** received a total of $60.5 million in four payments to accounts in his name starting in October 1997 and ending in 1998. (See Appendix 3.)

Pierre Falcone

Pierre Falcone, too, was predictably a major beneficiary of monies flowing from Abalone Investments. About $57.6 million was transferred from Abalone in five payments to accounts bearing Falcone’s name between 1997 and 2000. (See Appendix 4.)

This does not seem to be the only money that Falcone earned from Abalone’s dealings up until the end of 2000, however. Three further payments—totalling just over $30 million—were transferred to accounts in the name of Brenco Trading Ltd. and an apparent affiliate, Brenco Group. (See Appendix 5.) Falcone has long been acknowledged to be the head
of Brenco Trading, which featured prominently during the original French Angolagate scandal.\textsuperscript{81} Adding in the payments to Brenco brings Falcone’s receipts to $87.9 million.

And then there is one further payment that apparently benefited Pierre Falcone; and it was a substantial one. Abalone’s bank activity shows a $47 million transfer on 12 April 2000 to an account bearing the reference “Real Trade Ltd. Discount Bank & Trust Co Geneva Acc. 45,865.” Real Trade appears in the French Angolagate judgment delivered in 2009, which found that Real Trade Ltd. was beneficially owned by Falcone.\textsuperscript{82} As discussed below, $10 million of this last transfer probably went on to someone else, leaving Falcone with an apparent net total just short of $125 million.

Vitaly Malkin

Another substantial beneficiary was Abalone’s third principal, Vitaly Malkin. As a result of purchasing 25 per cent of Abalone’s shares in December 1999, Malkin received two payments totalling almost $49 million in March and April 2000. (See Appendix 6.)

Loke Trade SA (Apparent Glencore Affiliate)

Just under $40 million, meanwhile, seems to have been paid out to two petroleum and oil traders in 1997 and 1998. It is unknown what services these traders provided, and little is known about two of them, AB Petroleum SA. The other trading company, however, Loke Trade SA, appears to be a possible affiliate of the giant trading company Glencore. According to the company filings of Loke Trade SA, the company’s main activity was “international trade in raw materials of all kinds, as well as other property, whether for its own account and for third parties”.\textsuperscript{83} It appears to have been closely connected to Glencore. Two of the directors of Loke Trade were Werner Metz and Christian Monney, who were also directors of a company by the name of Chavanne Trade SA, registered in Baar, Switzerland, in February 1998. Chavanne Trade was registered to the same address (Baaremattstrasse 3, 6340 Baar) as a number of Glencore companies, including Glencore (Far East) AG; Glencore International plc, St Helier, Baar Branch; and Glencore Holding AG.\textsuperscript{84} Chavanne Trade even shared its business telephone number with Glencore Holding AG.\textsuperscript{85} Loke Trade received $24,992,285 from Abalone in three payments that were, strangely, all made the same day, 3 October 1997.

Some money also flowed from Glencore into Abalone. Three payments totalling $672,352 were made to Abalone by Glencore International London or Glencore International in 1997 and 1998. As discussed above, Glencore had agreed to cover the cost of escrow fees for the Debt Deal, and it appears that some or all of these payments were related to that commitment.\textsuperscript{86} Assuming that Loke Trade was a Glencore affiliate, and netting the payments by Glencore to Abalone, we see a net payment by Abalone to Glencore and affiliate of $24,319,933. (See Appendix 7.)
Payments to Angolan Officials

José Leitão da Costa e Silva

To whatever extent some rationalisations might be marshalled to try to justify the foregoing payments, the highly suspicious nature of the Debt Deal is thrown into sharpest relief by the considerable amount of money—almost $75 million—that was paid out to Angolan officials who can have had no legitimate claim on the funds. As discussed above, one of these payments was remarkably straightforward. On 6 July 2000, a payment of $3 million was made from Abalone’s accounts directly into the Swiss HSBC Guyerzeller account of José Leitão da Costa e Silva.87 He had served as Minister in the Angolan Presidency since 1992 (and would continue there until 2004)—during virtually the entire life of the Debt Deal.

This payment stands out not because it was made to an official so close to the Presidency, but because of its transparency. Numerous other senior Angolan officials also profited from the Debt Deal, including Elísio de Figueiredo, a close confidant of dos Santos and the former Angolan ambassador to France; and no less than the President himself, José Eduardo dos Santos.

The payments to these individuals were far more circuitous than the payment to Leitão da Costa. But even he, it seems, may have covered his payment trail to some extent through the use of shell companies and intermediary bank accounts.

In November 2005, Switzerland and Angola concluded an agreement (“Accord”) respecting the disposition of $21,216,450 that had been held in Swiss bank accounts belonging to Angolan officials, and had been seized in connection with investigation P/16972/2000 into the Debt Deal—and, it would appear, had been paid out via the Abalone account or otherwise in connection with the Deal.88 (The Accord set out guidelines for repatriation of these funds and their application to humanitarian purposes in Angola.) The annex to the Accord reveals details of the four specific affected accounts and their beneficial owners: José Leitão da Costa e Silva, Joaquim David, Elísio de Figueiredo, and José Paiva. The Accord annex reveals that José Leitão da Costa’s account at HSBC Guyerzeller had $3,358,000 as of 30 September 2004, suggesting that he may have received an additional $358,000 beyond the July 2000 direct payment from Abalone, perhaps via a bank transfer to an intermediary shell company.

Only two of the four accounts listed in the Accord annex show up on the schedule of Abalone account activity (and even they have greater balances than the direct payments from Abalone would account for), which suggests the possible use of intermediary bank transfers through shell companies to cover the trail of some or all of the payments they received. In the cases of José Eduardo dos Santos and Elísio de Figueiredo, the French Angolagate investigation exposed the highly sophisticated manner in which such intermediary transfers were used to shield those individuals’ payments from discovery.
José Eduardo dos Santos and Elísio de Figueiredo

The payments to dos Santos and de Figueiredo were made in a considerably more convoluted manner than those made to José Leitão Da Costa e Silva, and were only unravelled by the French Financial Crimes Unit in November 2003. According to the French investigators working on the Angolagate matter, considerable funds were paid out to dos Santos and de Figueiredo in October 1997—the very month in which the first funds were paid to Abalone from Angola’s oil producer, Sonangol. Investigators concluded that roughly $48 million was transferred from the Abalone account to an account held under the name Enirep at the Banque de Gestion Edmond De Rothschild in Luxembourg. Pierre Falcone was the beneficial owner of the Enirep account. In October and November 1997, money was transferred from the Enirep accounts to two further accounts, namely, Intersul ($36.25 million) and Bracewell Management ($7.38 million). French investigators concluded that dos Santos was the beneficial owner of Intersul, while de Figueiredo was found to be the beneficial owner of Bracewell Management.

It appears that substantial ingenuity was applied to shrouding the course of these payments. On October 3, 1997—one day after the first payment from Sonangol—Abalone transferred $34 million from its UBS account to an account at Banque Indosuez Luxembourg, for benefit of “Pekey Réf. Lisbonne” (Lisbon). As French investigators concluded after examining the accounts at the Banque Crédit Agricole Indosuez in Luxembourg:

The account “PEKEY” was a transit account in the name of the BANQUE PRIVÉE EDMOND DE ROTHSCHILD opened at the Banque CRÉDIT AGRICOLE INDOSUEZ for purposes of receiving from other banks funds ultimately intended for clients of Banque ROTHSCHILD…. The account opened at the BANQUE PRIVÉE EDMOND DE ROTHSCHILD in Luxembourg, under no. 8749 “ENIREP” had been opened in the name of a company called BRENGCO TRADING Ltd. in August 1997….It was represented vis-à-vis the BANQUE DE GESTION EDMOND DE ROTHSCHILD by Mr. Falcone, sole signatory and beneficial owner. The main account, opened under no. 8749, functioned under the pseudonym “ENIREP.” Examination of the account statements and other documents confirmed that the transfers which supplied this account passed through the CRÉDIT AGRICOLE INDOSUEZ in Luxembourg, with references to “PEKEY” and “LISBONNE.”

Born in 1942, José Eduardo dos Santos has served as the President of Angola since 1979. At the time the country was still split by a civil war between dos Santos’ MPLA and the opposition rebel group, UNITA. MPLA controlled Luanda and was widely regarded as the de facto Angolan government. Only Jonas Savimbi’s death in 2002, however, effectively ended the war. During his time as President of Angola, dos Santos and his family have amassed a substantial personal fortune. His daughter, Isabel, used her father’s influence to jump-start her business career at age 24, according to Forbes magazine, which put her at the top of its list of ”Africa’s Richest Women” in 2011 and in 2013 dubbed her ”Africa’s First Woman Billionaire,” highlighting her substantial business interests in Portugal, including major holdings in two Portuguese banks, Banco Espírito Santo and Banco Português de Investimento.
Abalone made two further transfers in January 1998 to the same “Pekey Réf. Lisbonne” account at Banque Indosuez Luxembourg: $6,000,016.99 on 8 January and $1,892,017.03 on 15 January. It seems reasonable to suppose many of these funds would also have found their way to dos Santos, Figuereido and/or Falcone.

In March 1998, funds in the Intersul and Bracewell Management accounts had to be relocated in a panic. On 4 March, for unknown reasons, the Banque de Geston De Rothschild demanded that Falcone close his Enirep banking instruments held at the bank (including the Intersul and Bracewell Management accounts that fell within Enirep’s account structure). Falcone responded by instructing another bank—the Banque Internationale à Luxembourg (BIL)—to form three companies in Panama with the names of Dramal, Camparal and T utoral.96 French investigators concluded that Camparal was beneficially owned by dos Santos, while Tutoral belonged to de Figuereido, and Dramal belonged to Falcone.97 (Dos Santos’ ownership of Camparal was confirmed by BIL in 1998.98) At the same time, Falcone instructed the Banque de Gestion de Rothschild to transfer all the funds in the Enirep account group (which included Intersul and Bracewell) into an account called Citibank N.A. at BIL. From this Citibank N.A. account at BIL, Falcone redistributed the funds back to dos Santos and de Figueiredo. Thus, on 14 April, an amount of $37,112,567.46 was transferred into the account of Camparal held at BIL (beneficially owned by dos Santos), while a further $7,331,199.53 was transferred into the account of Tutoral, also held at BIL (and beneficially owned by Elísio de Figueiredo).99

These payments were effected through several of the same banking vehicles that featured in the Angolagate deal. According to French investigators, the Enirep account belonging to Falcone at the Banque de Gestion Edmond de Rothschild had also received a notable payment from another source: $42 million in November 1997 from the account of ZTS-Osos held at the Paribas Bank in France. ZTS-Osos was the Slovakian company that had signed many of the weapons deals with Angola that formed the broader Angolagate deal.100 French prosecutors believed that at least a portion of the funds used to pay de Figueiredo’s Tutoral had actually been drawn from this $42 million payment from ZTS-Osos, rather than originating entirely from the Abalone account.101 Either way, the use of Enirep to receive and transfer funds stemming from both the Debt Deal and the Angolagate deal confirms the close interlinking of the two deals.

Other payments uncovered by investigators appear to have found their way from the Debt Deal to Elísio de Figueiredo. As noted above, the 2009 Angolagate judgment confirms that the company Real Trade Ltd. was beneficially owned by Pierre Falcone. On 12 April 2000, Real Trade received a payment of $47 million directly from Abalone. The very next day—according to the Angolagate judgment—$10 million was transferred from Real Trade Ltd. to a company named Sol Investment.102 The Parisian court further specified that an investigation by Tracfin—the anti-money laundering “financial intelligence unit” within the French Ministry of Finance—had determined that de Figueiredo was the beneficial owner of Sol Investment.103

Elísio de Figueiredo is an Angolan diplomatic stalwart. In 1976 he was appointed independent Angola’s first ever ambassador to the United Nations, a position he held until 1988. Thereafter, he served in a number of diplomatic postings. During the early 1990s – the period in which Angolagate and the Debt Deal were conceived and executed – de Figueiredo served as Angola’s Ambassador without portfolio in Paris. During the now notorious Angolagate deal, de Figueiredo was allegedly appointed by José Eduardo dos Santos as Angola’s envoy to key contacts in France.
Finally, the 2005 Switzerland-Angola Accord shows that de Figueiredo had yet another Debt Deal-linked account, at Union Bancaire Privée, which, it appears, had received €143,450, presumably via an unknown intermediary account.104

Joaquim Duarte da Costa David

Another Angolan beneficiary who received funds from Abalone was Joaquim David (now Angola’s Minister of Industry), who had served as the Director General of Sonangol from 1989 to 1998—the latter period overlapping with the Debt Deal. According to the Switzerland-Angola Accord annex, Joaquim David was the beneficial owner of a company named Penworth Ltd.105 The company’s bank account, number 709 006, held at Bank Leumi le-Israel in Geneva, was the same account that received payments of $5 million and $3 million from Abalone on 12 April and 6 July 2000. (See Appendix 8.) The Accord annex shows that the Penworth account had, by 30 September 2004, grown to $13.25 million, suggesting that David received an additional $5.25 million indirectly, on top of the $8 million direct payment from Abalone.

José Carlos de Castro Paiva

Yet another senior Angolan official who appears to have received funds from Abalone is José Carlos de Castro Paiva. In the same Accord annex that revealed the accounts of Leitão da Costa, de Figueiredo and David, we also find an entry for account No. 92956 at Lombard, Odier, Darier & Hentsch in Geneva, with a 30 September 2004 balance of $4.465 million.106 The account was held in the name of Midas. The Accord annex identifies the real economic beneficiary of the Midas account as José Carlos de Castro Paiva, who, since 1987, has served as the Director General of Sonangol UK.

It is entirely possible that additional funds beyond those described were corruptly directed towards insider beneficiaries, including senior officials from Angola or Russia. Indeed, from 1997 to December 2000 just over $290 million was transferred from Abalone’s account at UBS-SA to accounts whose beneficiaries remain uncertain. (Se Appendix 9.)

Joaquim Duarte da Costa David was born in 1951 and has long been considered a political ally of the Angolan President, José Eduardo dos Santos. David began his career as an oil engineer in the late 1970s, working for Petrangol and Texaco. In 1982 he was appointed a divisional chief of Angola’s state oil producer, Sonangol. He was promoted to the position of director general of Sonangol in 1989, a position he held until 1998. David was thus director general of Sonangol during the earliest phases of the Angola-Russia Debt Deal. After resigning from Sonangol, David served as Minister of Finance until 2000, after which he served as the Minister of Industry. In 2010, David’s Ministry was expanded to include Geology and Mines—a position he still holds.

José Carlos de Castro Paiva remains an influential force in Angolan politics. In 1975 de Castro Paiva began his career in banking. A year later, he joined the Ministry of Petroleum and Energy, rising to the head of its marketing department. In 1987, de Paiva Castro was appointed to the position of Director General of Sonangol UK Ltd., a position he still holds. He also serves as chair of the board of Banco Angolano de Investimentos (BAI), which was formed in 1996 as Angola’s first private bank. The largest shareholder of BAI is the state oil producer Sonangol.
The Swiss and French investigations into the payments from the Abalone accounts focussed largely on the Angolan recipients, mostly because their payment network was based in Switzerland and thus easier to trace. No similar attempt was made to probe any payments to Russian beneficiaries (and their potentially more complicated financial structures in Russia, Eastern Europe and Cyprus). Therefore, it remains unclear whether Russian individuals in addition to Gaydamak and Malkin received funds. Based on our sources, we believe it highly likely that there were also Russian officials who benefitted inappropriately through arrangements similar to those in place for the Angolan beneficiaries.

12. Was the Deal a Good Deal? The Geneva Freeze

In 2000, Swiss authorities launched an investigation into the Debt Deal (P/16972/2000). It was focussed on suspicions of money laundering and other crimes related to the Deal. One of the key actions undertaken was to seize the assets related to the transaction, thus “freezing” 15 Promissory Notes that UBS still had in its possession (and which Abalone was yet to pay for). Recall that, at the very beginning of the Deal, Russia handed over all Promissory Notes and Repayment Certificates to UBS, presumably for safekeeping. While Russia demanded that the Notes be transferred to Sberinvest in 1999, this does not seem to have happened.

To unfreeze the Notes, Russia petitioned the Swiss courts, arguing that it had suffered no prejudice and that debt deals such as this were typical of international finance. Angola did not intervene in the proceedings with the court implying that had Angola considered itself injured, it would have told the court. Thus, in October 2003, the Swiss court, in a ruling in respect of investigation P/16972/2000, upheld the rectitude of the Debt Deal and ordered the Notes to be unfrozen.107 (For reasons that remain unclear, the P/16972/2000 investigation would remain open, though largely inactive, until 29 November 2010.108)

In 2004, a second, closely related Swiss investigation (P/171//2002, which was also examining the Debt Deal), was terminated, largely following from the decision of the Swiss court in 2003, and the 26 April 2004 testimony of Dr. Enrique Cosio-Pascal, an expert in public finances who argued in favour of the Deal before the investigating Judge.109

Cosio-Pascal is a public finance management expert focusing on areas of development funding and debt. He worked for over 20 years at the UN, where he served as the Chief of the Debt and Development Finance Branch.110 Subsequent to that he consulted to bodies including the World Bank, IMF and Asian Development Bank.111

Cosio-Pascal was instructed by lawyers for Vitaly Malkin, who was a witness in the investigations.112

As summarised by Geneva Public Prosecutor Daniel Zappelli, Cosio-Pascal considered that the insertion of Abalone into the restructuring arrangements

had the effect, firstly, of enabling the Russian Federation to collect 50 per cent of the restructured amount of the debt before the due date, while its market value was of 30 per cent, and secondly, of enabling Angola to be given the chance of repurchasing its debt free of the current accrued interest for which it was liable. Mr.
Cosio-Pascal thus concluded that the solution offered by Abalone’s intervention was advantageous both to the Russian Federation and to Angola, with the sole entity taking a real commercial risk being Abalone.\textsuperscript{113}

We disagree with this analysis. Based on the documentation we have obtained, Abalone never advanced any funds of its own to purchase Notes from Russia. Abalone could only afford to pay the Russian Ministry of Finance if and when it received payments from Angola. Abalone, with assistance of Glencore’s pre-financing mechanism, created a contractual structure to ensure that payments from Angola would be in hand when needed to pay Russia. As originally intended and expressed in the UBS escrow arrangement, Abalone organized matters so that the full face value of each tranche of Notes purchased would be received simultaneously with Abalone’s payment to Russia for the same Notes. This became unworkable, it appears, when the price of oil declined severely in 1998–1999, making the oil-backed Glencore financing uneconomic. Thus from January 1998 until March 2000, Sonangol made no payments to Abalone.

The possibility of this kind of oil price-driven temporary halt to the Deal cannot, however, in any normal sense be considered a “commercial risk.” If the Deal had simply ended on October 3, 1997, after Sonangol’s first payment, Abalone would have walked away with no obligation to any party, and an accumulated earning of more than $145 million—with its sole investment having been the $4.5 million option fee paid pursuant to its 5 March 1997 agreement with Russia. (Abalone didn’t even pay the escrow fees to UBS, which were covered by Glencore!)

And for the same reason, the actual break in the Deal’s operation that occurred in 1998–1999 cannot be considered a “commercial loss” for Abalone, which by January 1998 had already accumulated a “profit” of $176 million from Sonangol’s payments. With such a lush initial cushion from its 100 per cent mark-up on the Notes, Abalone would never be in a position where it would have to advance funds to purchase Notes from Russia without having first received substantially more than needed from Sonangol.

In fact, a reasonable, conservative estimate of the cash flows to and from Abalone in the initial (Geneva/UBS) phase of the Deal (comprising the purchase of 16 of the 31 Notes) suggests that cash received by Abalone from Sonangol was never less than $144 million in excess of any amounts it needed to pay Russia for the Notes. (See Table 2.) Only in the distorted world of Russian oligarchs, international arms traders and presidents-for-life could the prospect of recouping “only” $176 million without any meaningful investment be characterized as a “commercial risk.”

Abalone thus relied entirely on Angolan funds to see its side of the deal through. Indeed, by July 2000, Sonangol had transferred $774 million into Abalone’s account. If Abalone was to repay Russia early, this was only because Angola had paid Abalone early, and generously. Logic suggests that if Russia was so concerned about receiving the funds promptly, Angola should merely have paid the $774 million it paid to Abalone directly to the Russian Ministry of Finance, thus settling the debt and concluding the deal years ahead of schedule.

As explained above, the 5 March 1997 Russia-Abalone Agreement was merely an option, by which Abalone obtained a “right”—but incurred no obligation—to purchase the tranches of debt. The only money Abalone had at risk was the $4.5 million option fee (in the context, a
truly nominal expense that would be recouped five times over upon redemption of the first Note). The agreement’s termination clause is clear that (aside from the $4.5 million option fee) non-performance entailed no liability whatsoever on the part of Abalone:

If the Buyer does not pay any amount due hereunder within twenty days after the Transfer Date or by the date specified in Section 2.3 [relating to the $4.5 million fee], as the case may be [sic]. In such event, neither party shall have any liability to the other, and [the Russian Ministry of Finance] shall be entitled to retain all the [Debt] documents concerned.114

Table 2 ■ Timeline of Phase I of the Debt Deal (Geneva/UBS): Angola Promissory Note purchases and sales by Abalone Investments Ltd. (2 October 1997 to 6 July 2000)

<table>
<thead>
<tr>
<th>Date</th>
<th>Notes Purchased</th>
<th>Payment by Sonangol to Abalone (US$)</th>
<th>Payment by Abalone to Russia (US$)</th>
<th>Abalone’s Cumulative &quot;Profit&quot; (US$)</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>8–15 Jan 1998</td>
<td># 7</td>
<td>48,387,096</td>
<td>(16,752,407)</td>
<td>76,795,979</td>
<td>Cash payments by Sonangol and by Abalone.</td>
</tr>
<tr>
<td>23 Aug 1999</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>ADOPTION OF PRINS/IANS PAYMENT MECHANISM</strong></td>
</tr>
<tr>
<td>Some time between 23 Aug and 28 Dec 1999</td>
<td># 8–11</td>
<td>(32,322,580)</td>
<td>144,473,399</td>
<td></td>
<td>Abalone gives Russia PRINs/IANs with face value of $193,548,387 for equal face value of Promissory Notes. We apply the 30 Dec 1999 IAN price of 16.7%. Cash payment by Abalone per Note: 16.7% X $48,387,096 = $8,080,645. Total cash cost to Abalone: $32,322,580.</td>
</tr>
<tr>
<td>18 Oct 2000</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td><strong>TERMINATION OF UBS ESCROW BY RUSSIA</strong></td>
</tr>
<tr>
<td>9 Mar 2000</td>
<td># 8–9</td>
<td>96,774,193</td>
<td>241,247,592</td>
<td></td>
<td>Cash payment by Sonangol.</td>
</tr>
<tr>
<td>Some time between 12 Apr and 11 May 2000</td>
<td># 12–15</td>
<td>(54,774,193)</td>
<td>428,408,882</td>
<td></td>
<td>Abalone gives Russia PRINs/IANs with face value of $193,548,387 for equal face value of Promissory Notes. We apply the 12 Apr 2000 IAN price of 28.3%. Cash payment by Abalone per Note: 28.3% X $48,387,096 = $13,693,548. Total cash cost to Abalone: $54,774,193.</td>
</tr>
<tr>
<td>Some time between 11 May and 20 June 2000</td>
<td># 16</td>
<td>(15,096,774)</td>
<td>413,312,108</td>
<td></td>
<td>Abalone gives Russia PRINs/IANs with face value of $48,387,096 for equal face value of Promissory Notes. We apply the 20 June 2000 IAN price of 31.2%. Cash payment by Abalone per Note: 31.2% X $48,387,096 = $15,096,774. Total cash cost to Abalone is the same.</td>
</tr>
<tr>
<td>TOTALS</td>
<td># 1–16</td>
<td>774,193,548</td>
<td>264,107,244</td>
<td>510,086,302</td>
<td></td>
</tr>
</tbody>
</table>

Note: In the above timeline, to get a rough sense of how much Abalone may have paid on the market for PRINs and IANs that it exchanged with Russia for Promissory Notes, we estimate the dollar values paid by Abalone conservatively, by assuming Abalone purchased the instruments at the highest daily market price for the date or period when the Angola Promissory Note(s) were purchased. The PRINs and IANs were volatile and traded at different prices, but generally the IANs were priced somewhat higher than the PRINs. For mathematical simplicity we value the PRINs/IANs purchases by assuming that both instruments were purchased at the same higher IAN price, at the highest price the IAN traded in the relevant period. In fact, Abalone was almost certainly able to obtain these instruments at prices far lower.
In any case, even if Russia or Angola had had occasion to seek to recover damages from Abalone, the latter was little more than an Isle of Man shell that could boast no trading history and no assets. It is difficult to believe that both Angola and Russia were unaware of this inconvenient fact—and, if they were not, it suggests they failed to conduct a most basic compliance exercise.

As painstakingly constructed by Gaydamak and Falcone, the documentation of the Debt Deal had all the trappings of a sophisticated commercial arrangement, negotiated at arm’s length for mutual benefit by knowledgeable independent parties. And in creating this image of uprightness, Gaydamak employed UBS’s involvement to cast an ethical sheen upon their dealings. Gaydamak was quick to stress his view as to the cleansing, almost alchemical, power of UBS’s involvement:

UBS acted as legalarbiter in all these transactions. This bank studied the transaction for four months; it approved the deal, and received a commission on each promissory note. The Russian Ministry of Finance deposited the notes with UBS because the bank guaranteed the legal validity of the agreement and the legality of the transaction, and it was paid for doing this. UBS sent the money to Russia and it paid Abalone. It’s amazing that a Swiss judge today can say that this transaction is improper!115

But the Deal was ultimately very simple: Abalone would be earning an easy $750 million for being little more than a note stamper.

The fundamental question is: if Angola was willing to agree to accelerate payments of the Notes to Russia, why shouldn’t it have made the same deal with Russia that Abalone did? Russia received no better protection of payment by having Abalone in the middle. Russia would have done twice as well in the deal by omitting Abalone from the payments. Alternatively, Angola and Russia might have been able to reach some mutually beneficial accord to share the additional $750 million being diverted to Abalone, benefitting the people of both countries.

A follow-on question might be precisely what did the Angolans know about all this? If the Angolan senior leadership from President dos Santos on down was unaware of the 50 per cent premium Angola was paying to Abalone, this suggests at best a shocking lack of care and attention to the use of hundreds of millions of dollars of Angolan oil wealth. However there is good reason to believe that senior officials did know, or chose not to know. President dos Santos and others received millions of dollars from the Abalone account—an account through which, so far as the documents reveal, no other income was received except from transactions relating to the Debt Deal. If the officials were unaware of the source and reasons for the payments they were receiving, it is hard to imagine they would not inquire.

Angolans obviously knew that Russia was selling the Notes to Abalone. It would be surprising if they were uninterested in the price Abalone was paying Russia. Angola/Sonangol had no obligation to enter into the 30 May 1997 agreement with Abalone, by which they committed to pay full face value for Notes sold to Sonangol by Abalone, at Abalone’s preferred timing; surely, if the transactions had any arm’s length distance, Angola had substantial leverage to insist upon full disclosure by Abalone, and likely to press for a break in Angola’s purchase price.116 But, of course, this was anything but an arm’s length
deal; it was a sweetheart arrangement engineered for their own benefit by Angola’s designated representatives, Gaydamak and Falcone, individuals who had undertaken duties of loyalty to Angola in agreeing to negotiate on Angola’s behalf a resolution of the Russian debt, on terms—the Angolans had every right to expect—as favourable as practicable to Angola.

Interestingly, according to Daniel Zappelli, a key assertion of Cosio-Pascal in his Geneva court testimony is that the restructured Angolan debt to Russia had a “market value…of 30 per cent [of face value].” On that basis Angola could, it seems—as easily as Cosio-Pascal—have ascertained the true value of its debt obligations and used that information to reach its own commercial judgment about whether it needed to pay 100 per cent of face value to Abalone, or whether a lower figure would be more appropriate.

Similarly, Russian officials can only have presumed that Abalone would be making some profit from the Deal. It is, again, hard to imagine that the Russian representatives, if operating in good faith on behalf of their country, and with minimum competence, would not have inquired into the details of the Angolan side of the Deal. The Angolans and the Russians would have had every incentive to communicate with each other directly in regard to these matters. Significantly, when Russia and Angola did find out in 2005 that Gaydamak had received hundreds of millions of dollars from Angola that had never found their way to Russia, and that Gaydamak had fraudulently represented to the Angolans that he had “sold” them eight Notes that he turned out never to have owned, the Angolans and the Russians complained about that last swindle, but apparently made no inquiry about the basic terms of the underlying Deal, with its 100 per cent price mark-up on each Note sold to Angola.
The Deal Phase II: Escape to Cyprus

The various dealings of Pierre Falcone and Arcadi Gaydamak in France, Russia and Angola started to attract attention from at least the late 1990s onwards. As discussed above, by the 2000s their activities had come under the full glare of international criminal investigators who were, at the time, probing the Angolagate deal that led to Falcone’s and Gaydamak’s convictions in France in 2009. Tracing the various money flows that made up the men’s dealings led the investigators to examine the accounts of Abalone Investments and the Debt Deal as a whole.

By the beginning of 2001 many of the people and instruments involved in the Deal were rendered immobile. On 11 December 2000, Pierre Falcone was arrested by French police following their investigation into the Angolagate scandal. One month later—on 11 January 2001—France issued an international arrest warrant for Arcadi Gaydamak. Unlike Falcone, however, Gaydamak refused to acquiesce and avoided France, splitting his time instead between Russia and what would become his future homeland, Israel.

Soon Abalone Investments felt the effects of these cold winds of change. In the same month that France issued its arrest warrant for Gaydamak, legal authorities in Geneva initiated an investigation into suspected money laundering by Gaydamak and Falcone in Switzerland.119 On 5 February 2001, Swiss police descended upon Abalone’s bank of choice, UBS SA, seizing the 15 Promissory Notes then still belonging to Russia that had been stored in the bank’s vaults.120 Just over a month later Swiss examining magistrates ordered the seizure of all assets and banking documents belonging to Pierre Falcone at UBS and the Discount Bank and Trust.121

The various investigations and seizures—particularly the freezing of the Notes—made continuing the Debt Deal in its original incarnation inconceivable. All of Russia’s Promissory Notes were frozen, meaning that it could not sell them to Abalone even if it wanted to. Abalone’s accounts, meanwhile, were also shut down and could not be used while the various freezes were placed on the assets of Falcone and others.
1. Gaydamak’s Personal Sberinvest Account

To continue the Deal, other channels were needed. Gaydamak chose Cyprus and audaciously set in motion a new chain of events. According to litigation later filed against him by both Malkin and Falcone, Gaydamak instructed Angolan officials that the Deal would continue, but that they would now be making payment directly to Sberinvest, the banking agent chosen by Russia for the Debt Deal in 1999, as discussed above. But Gaydamak was working with a different “Sberinvest” from that nominated by the Russian Ministry of Finance. The account stipulated by Gaydamak had the name of Sberinvest, but was located in Cyprus, at the Russian Commercial Bank. The Russian Ministry of Finance’s Sberinvest, however, was registered in Moscow. According to reliable sources, Gaydamak did not even form a company—he simply opened an account in Cyprus under this name, for which he was the beneficial owner.

Furthermore, Gaydamak omitted to inform Angola that this Sberinvest account was a different and separate entity to Sberinvest Moscow. Nor did he advise Malkin or Falcone of the decision to have the funds sent to the Cypriot Sberinvest. Most importantly, at least for Falcone and Malkin, Gaydamak would keep his partners in the dark about the fact that Angola, over a number of years, would be transferring just over $618 million to Gaydamak’s Cypriot shell.

This led Malkin and Falcone to file a lawsuit in March 2009 in Israel, in which, sources say, they claimed that any payments to and from the Sberinvest Cyprus account violated the agreements among the Abalone shareholders as well as the agreements among Abalone, Russia and Angola. As the Israeli paper Haaretz later reported, Malkin and Falcone alleged that:

Gaydamak redeemed 15 of the notes with help from investors. In order to redeem the remainder, claims the suit, Gaydamak asked Angola’s president to transfer $618 million to a Cypriot bank account. The president did so, but Gaydamak then redeemed only eight more notes, and kept half the money instead, says the suit.

Malkin and Falcone claimed that Gaydamak cleaned out Abalone’s assets, leaving its shares valueless and denying them their share from the transaction.123

(The authors of this report conclude, based on documentation available to them, that this assertion has the numbers slightly wrong: Gaydamak redeemed 16 Promissory Notes in the first phase of the Deal, and then redeemed seven additional Promissory Notes, as described below.)

Banking documents in our possession—including those of Sonangol’s accounts at Lloyds Bank—confirm that just over $618 million was transferred into the Sberinvest Cyprus account by Angola’s state oil producer. (See Appendix 10.) This would have provided Gaydamak with ample funds to settle whatever remained of Angola’s debt to Russia. However, only a fraction of the value of these payments appeared to have reached the Russian Ministry of Finance—the exact amount transferred is unclear.
2. The Second Debt-for-Debt Mechanism: MinFins

On 6 April 2001, Joelle Mamane, a director of Abalone Investments and key confidante of Gaydamak, addressed a letter to Vladimir Chernukhin (or Chernoukhin), then the Deputy Minister of Finance for the Russian Federation. According to the letter Abalone intended to transfer Russian debt securities with a face value of $241,936,000 to Vnesheconombank of Moscow—Vnesheconombank was the bank that held the PRINs and IANs that Abalone had used to pay the Russian Ministry of Finance under the 23 August 1999 Russia-Abalone agreement. The new assets were Russian debt obligations called MinFin 5 (of which Abalone would be providing a face value of $131,966,000) and MinFin 7 (with a face value of $109,970,000). The total face value of $241,936,000 would be sufficient to acquire five more Angolan Notes (5 X $48,387,096). “The delivery will be effected on Monday 9 April, 2001 from the account No. 1140 of Interprom Bank, Moscow,” the letter concluded.124

As with the PRINs/IANs mechanism, it is likely that Gaydamak paid substantially less than face value to purchase the MinFin 5 and MinFin 7 securities. Price information available suggests that Gaydamak probably did better with the PRINs/IANs than with the MinFins, however.125

Sberinvest’s bank activity shows that funds totalling $131.5 million were transferred to a beneficiary at Interprombank, in the period 26 March 2001 to 29 August 2001. (See Appendix 11.) Of that sum, a total of $111,500,320 was transferred in the period prior to 6 April (three transfers on 26 March, 2 April and 5 April 2001).

If Gaydamak used the $111,500,320 to purchase the securities promised in the letter to Chernukhin, and the purchase was made on 6 April 2001, the MinFin 5s could have been available at a price of 44.7876 per cent of face value, and the MinFin 7s could have been available at 43.9 per cent. (Purchases earlier than 6 April would have gained Gaydamak even lower prices.) On these assumptions, Gaydamak would have paid $59,104,404 for the MinFin 5s and $48,276,830 for the MinFin 7s, with a total cash outlay of $107,381,234.

In the earlier phase of the Deal, Abalone would have paid 50 per cent of face value for the five Angolan Promissory Notes, that is $120,967,741. Using the MinFins, however, in this hypothetical but plausible example, Gaydamak might have saved an additional $13,586,766 on the purchase from Russia of the five Notes.
Two more Note purchases would be concluded in this Cyprus phase of the Deal. According to a letter sent by Abalone (the author is unclear as only an illegible signature was appended) to Vladimir Chernukhin on 14 December 2001, Abalone had, by that date, fulfilled its obligations regarding the transfer of debt instruments sufficient for the purchase of seven Promissory Notes in this second phase: the five Notes which were the subject of the 6 April 2001 letter to Chernukhin, plus two additional Notes purchased prior to the 14 December 2001 letter. Thus, by December 2001, Abalone had, in all, completed purchase of 23 Notes.

If we round conservatively and assume that Gaydamak paid approximately $110 million cash equivalent (in MinFins) for the first five Notes in the Cyprus phase of the Deal, and then conservatively assume that he paid cash equivalent (in MinFins) equal to a full 50 per cent of face value for the sixth and seventh Notes (approximately $48.4 million for the two), that would suggest he paid a total for the seven Notes purchased in the Cyprus phase of the Deal of no more than about $158.4 million in the period April-December 2001—Notes worth $338,709,677 when sold to Sonangol.

3. Gaydamak Games Angola

Remarkably, considering the favourable terms he was already receiving, Gaydamak attempted to secure an even larger chunk of the funds flowing from Sonangol into his account. He did this by failing to pay Russia for the last eight Promissory Notes outstanding, meanwhile informing the Angolan government that he had done so and that, as a result, the Debt Deal had been successfully concluded.

That Gaydamak was wilfully misleading the Angolan government was confirmed in two remarkable documents composed on Abalone Investment stationery and signed by Gaydamak on 20 July 2004. The first, entitled “Declaration of Remittance,” “confirm[ed]” that Abalone had, over the course of the entire Debt Deal, received $1.391 billion from Angola and that Angola’s debt to Russia had thereby been settled in full:

Abalone Investments Limited confirms that it has received from the Government of the Republic of Angola, through Sonangol, the amount of 1.391.000.000,00 US Dollars (this amount results from clause 2.b.4 of the Agreement dated 28th May 1997 and clause 2.b.2 of the Supplemental Agreement No. 1 dated 26th May 2000, which provided that the early payment of the Government of the Republic of Angola, i.e. which provided that the early payment of the Government of the Republic of Angola, i.e. before May 30th of at least 80% of the total Payment Value, should result in a discount of about 7.3% of the agreed debt repayment value of USD 1.5 billion), concerning the acquisition, by the Government of the Republic of Angola, of the 31 Promissory Notes and the Relevant Repayment Certificates, related to the settlement of Angolan debt to the Russian Federation based on the Intergovernmental Agreement dated 20th November 1996 between the Government of the Russian Federation and the Government of the Republic of Angola on the Restructuring of the Debt of the Republic of Angola to the Russian Federation, resulting from the State and Commercial Credits guaranteed by former USSR to the Republic of Angola.
The process for the conclusion of all the related documentation is being prepared and will be delivery [sic] to the Government of Angola in due course.129

The second document, entitled “Debit [sic] Release Declaration,” reconfirmed that the money had been received from Sonangol and that the debt had thus been paid in full and extinguished, leaving Abalone with “no right to claim any [further] payment in respect of the Angolan released debt.”130

The documents were fraudulent. The Debit Release document “cleared” Angola of a debt a substantial portion of which—eight Notes, or a principal value of $387,096,774—Abalone fully knew had not been repaid to Russia.

It does not reflect well on either the Russian or Angolan finance ministries that these lies were only fully discovered a year after Gaydamak had signed the two misleading documents. The Angolan and Russian ministries only discussed the facts in late July 2005 during a meeting between Russian and Angolan officials when, apparently, the Russians were told that the Angolans had paid a total of $1.391 billion to Abalone to re-purchase and redeem all Notes—while the Russians, for their part, were still holding eight unredeemed Notes. Gaydamak had, it turned out, pocketed the $387 million that Sonangol had sent him to purchase the last eight Notes.

It took two further months for matters to move slowly towards a resolution. On 30 September 2005 a meeting took place in Moscow between Alexei Kudrin (Russian Minister of Finance), José Pedro de Morais Jr. (Angolan Minister of Finance) and Arcadi Gaydamak. The minutes clearly recount how both the Russian and Angolan sides had been persistently misled by Gaydamak, with the result that Angola was now liable for a wide range of interest and ancillary fees over and above the original debt amount:

The Russian Party informed that the Russian Federation remains the owner of 8 promissory notes each for a nominal value of $48.39 millions of US dollars issued by the National Bank of Angola in accordance with the Agreement of November 20, 1996. These promissory notes are due from December 2005 to June 2009 together with the related amounts of capitalized interest and with the amounts of interest and late interest accruing in accordance with the terms of the Agreement of November 20, 1996. That makes the total outstanding indebtedness of the Republic of Angola under the agreement of November 20, 1996 equal to $641 million of US dollars (excluding late interest) as at September 30, 2005, out of which 136 million of US dollars of interest already in arrears.131

Angola, meanwhile, restated that it was under the impression that it had already settled all of its outstanding debt to Russia:

Born in 1960, Alexei Kudrin is a powerhouse of Russian politics. In 1996 he was made Deputy Chief of Boris Yeltsin’s presidential administration. In 2000 he was appointed Finance Minister, a position he held until September 2011, making him the longest-serving post-Communist Russian Finance Minister. Kudrin has been credited with driving the policy of settling the majority of the country’s foreign debts. Kudrin resigned in 2011 after a public falling-out with Vladimir Putin and Dmitry Medvedev. Kudrin was reported to be disinterested in a return to politics “in the nearest future”, instead focusing on creating a group to support civic initiatives.

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The Angolan Party reiterated that as of July 2001 the Republic of Angola has fulfilled its obligations under the Agreement of November 20, 1996 by effecting payments in favour of Abalone totalling 1,397 billions of US dollars for purchasing all the 31 promissory notes issued by the National Bank of Angola in accordance with the Agreement of November 20, 1996. The Angolan Party informed that it received an official confirmation from Abalone that the latter had acquired all the rights of ownership of these notes from the Government of Russian Federation as of May 2000 in accordance with the Supplemental Agreement No. 4 signed between Abalone and the Ministry of Finance of the Russian Federation on May 15, 2000.132

Considering that Angola and Russia had just discovered that one or both of them had been defrauded out of hundreds of millions of dollars and both certainly misled, their response to Gaydamak was remarkably cordial. In fact, despite Gaydamak’s persistent deceptions regarding the deal, it was concluded that “the Parties have agreed that the Russian Federation and Abalone will extend their best efforts to come to a new agreement regarding the purchase by Abalone of the remaining 8 promissory notes. The representative of Abalone acknowledged this decision and commits to negotiate with the Russian Party and purchase the remaining promissory notes until October 30, 2005.”133

Finally, on 9 November 2005, Abalone and the Angolan government came to a new agreement: an understanding that, at long last, concluded the Debt Deal. According to the agreement, signed by Gaydamak and Manuel Hector Vieria Dias Jr (on behalf of Angola), Abalone was released from any obligations arising from the Deal. In particular, it was agreed that Abalone would not be liable for the settlement of any of the outstanding debt between Russia and Angola (stipulated at $387 million, suggesting that Russia had agreed with Angola under separate cover to waive claims for interest). Angola agreed to settle the outstanding amount with Russia. However, Abalone was required to pay back $206 million to Angola, which was said to cover the last eight Promissory Notes that Abalone had stated they had purchased but over which Russia still claimed ownership. Angola made one last generous concession, promising that Abalone would not be held responsible for any remaining commitments arising from the company’s previous involvement in the Debt Deal:

Government of the Republic of Angola shall take the responsibility for the acquisition, from the Minister of Finance of the Russian Federation, of the 8 remaining Promissory Notes and relevant Repayment Certificates having the total nominal amount of 387.096.774,16 US Dollars, or shall transfer this responsibility to the Sociedade Nacional de Combustiveis de Angola (“SONANGOL”) or to another entity to be designated to act on its behalf;

Abalone Investments Limited must return to the Government of the Republic of Angola, the total nominal amount concerning the remaining 8 Promissory Notes and relevant Repayment Certificates that was not delivered per agreement on this matter, sending back immediately the amount of USD 206.000.000,00....

Born in December 1955, José Pedro de Morais Jr has held positions within the Angolan administration since dos Santos’ presidential inauguration in the 1970s. He has served as a director within the Ministries of Industry and External Relations. Most notably, he served as Minister of Finance between 2002 and 2008. He has also made a name for himself in the world of international finance, serving as Angola’s alternate Executive Director at the International Monetary Fund.
Abalone Investments Limited will be exempted from all commitments and all possible responsibility based upon its previous involvement in the relations between the Russian Federation and the Republic of Angola concerning the settlement of the Debt of the Republic of Angola to the Russian Federation.\textsuperscript{134}

But even this agreement included one final further prejudice suffered by the Angolan government. Gaydamak was required to pay back only $206 million, to cover the total cost of eight Promissory Notes, when Angola had paid him $387 million. Thus, although Gaydamak had misled all the parties involved, he was still left to make a profit of $181 million on the last 8 Promissory Notes: hardly a good deal for the Government or citizens of Angola. It is not known whether Angola ever received the promised $206 million from Gaydamak: Falcone and Malkin, at any rate, did not believe that he did, claiming that Gaydamak “has created the charge, but kept the money”.\textsuperscript{135}

The conclusion of the Debt Deal in a manner that still managed to accrue a profit to Gaydamak only serves to confirm the dubious nature of the entire Deal and, in particular, the major costs suffered by the Angolan state and its people. In total Angola had overseen the transfer of $1,779,525,805\textsuperscript{136} to Abalone and the Russian Ministry of Finance in order to settle a debt of $1.5 billion. If we accept that Gaydamak did pay the $206 million promised in the 9 November 2005 agreement, Angola paid a net amount of $1,573,525,805 to pay off the debt, $73,525,805 more than it had contracted to pay.

Most importantly, this was done despite the fact that Russia was, in reality, willing to accept only $750 million to settle the entire debt. Angola, by this calculation, paid \textit{at least} $823 million—and perhaps as much as $1.029 billion—more than it would have if it had settled the debt directly with Russia.

To put it simply: the Angolan public purse was swindled out of what amounted to at least 10.98 per cent—and perhaps as much as 13.7 per cent—of Angola’s entire GDP in 1996,\textsuperscript{137} the year the Debt Deal was struck. And the real beneficiaries, many of whom were supposed to be working for the good of the Angolan people, are clear: Arcadi Gaydamak, Pierre Falcone, Vitaly Malkin, José Eduardo dos Santos, Elísio de Figueiredo, José Leitão da Costa e Silva, José Paiva, Joaquim David, UBS, Glencore, other financial institutions in a number of jurisdictions and a raft of beneficiaries whose identities are yet to be uncovered.

\section*{4. Payout Time Again}

With the favourable terms granted by the use of MinFins, and his failure to pay for the last eight Promissory Notes, there were substantial funds to disburse out of the Sberinvest Cyprus account. And, much like the original incarnation of the Debt Deal, the funds were transferred to a range of beneficiaries, including more than $105 million to beneficiaries whose identities remain unknown. (See Appendix 12.)

One intriguing payment made on 27 April 2001 was a transfer of $2,760,160 to the Artesia Bank Luxembourg account of Diffusion Financial Group. Although the reason for this transfer and the ultimate beneficiary of the transaction remain uncertain, the directors of Diffusion make for interesting reading. Corporate documentation indicates that Diffusion’s two directors were Vladimir Vinogradov and Mikhail Goldberg.\textsuperscript{138} Vinogradov was
considered one of Russia’s first oligarchs as he had founded the country’s first private bank, Inkombank. He was ranked Russia’s 12th richest person in 1996, although he suffered major losses following Russia’s financial crisis in the late 1990s. Interestingly, Vinogradov appears to have had prior business links to Vitaly Malkin. Chris Hutchins, in his biography of Vladimir Putin, reports that, in December 1995, Malkin, Vinogradov and Mikhail Fridman attempted to purchase Yukos in a joint bid—a bid that failed.

5. Payments to Arcadi Gaydamak and Interests Close to Him

The bulk of the money paid out of the “Sberinvest” account—$441,917,640—can be identified as being transferred to known Gaydamak vehicles or to interests believed closely allied to him. (It should be noted that the account also appears to have included $63,165,627 in addition to the Sonangol payments.) (See Appendix 13.)

On 15 May 2001, Sberinvest transferred $5,000,160 to Belinvest Finance SA. Incorporated in November 1999 in Luxembourg, with an address at 23 rue Aldringen, L-1118, the company’s secretaries included Joelle Mamane, who was also a 1 per cent shareholder. As we will see below, it was Joelle Mamane who helped Gaydamak establish his worldwide network of companies and shells, and even acted as a signatory for Abalone itself. The other 99 per cent share in Belinvest Finance was held by a company registered in the British Virgin Islands by the name of Lenwald Tortola. In the 2009 Angolagate judgment in France, the court found that Lenwald was one of a number of companies utilised by Gaydamak and his lawyer friend Allain Roger Guilloux to undertake certain money laundering schemes.

On 4 April 2001, Sberinvest transferred $5,400,160 to “Zichroni, (Bank Discount Israel).” This is almost certainly Gaydamak’s Israeli lawyer, Amnon Zichroni, who, sources say, used the money to purchase a house in upmarket Herzliya, near Tel Aviv, in Israel.

More than $431 million was transferred from the Sberinvest Cyprus account in four payments in March, June and August 2001, for investment vehicles beneficially owned by Gaydamak, investments that allegedly grew to more than $1 billion. (See Appendix 17.)
Arcadi Gaydamak seems to have a remarkable ability to turn his one-time collaborators into enemies. This was made clear by two legal attacks filed against him in 2005 and 2009. The first, filed in 2005, was initiated by one Pierre Grotz, the manager of numerous investment funds that Gaydamak invested in with the proceeds of the Debt Deal. The second, filed in 2009 in Israel, was initiated by the two other main owners of Abalone Investments, Vitaly Malkin and Pierre Falcone. Together the two suits wove yet another tale of intrigue and deception fowing from the Debt Deal.

If Malkin and Falcone are to be believed, the trouble began on 10 May 2000. On that day Joelle Mamane, the managing director of Abalone and confidante of Arcadi Gaydamak, signed a document that granted Gaydamak power of attorney to represent the company “in matters concerning the acquisition by Abalone Investments Limited from Ministry of Finance of the Russian Federation of certain promissory notes issued by Banco Nacional de Angola on behalf of the Republic of Angola.” This, sources say, Malkin and Falcone claimed was done fraudulently as neither of them was made aware of the decision. With this power of attorney Gaydamak entered into a new supplemental agreement with Russia in May 2000, which, however, did little to change the major substance of the Debt Deal. A second power of attorney issued on 1 May 2001, once again signed by Mamane, gave even more powers to Gaydamak, in particular (or so it was apparently construed), including the power to disburse funds from Abalone’s banking instruments. A final power, issued on 22 November 2005, closed the loop on the swindles, authorising Gaydamak to take necessary measures to implement the November 2005 agreement with Angola.

Gaydamak used these powers of attorney to impressive effect. As we noted in the section above, numerous beneficiaries were paid out of the Sberinvest Cyprus shell that Gaydamak had formed—fraudulently—to receive funds from Angola and to continue the Debt Deal. By far the largest sums were transferred to three main beneficiaries: Global Alpha Star...
Ltd. at the Alcor Bank in Luxembourg ($90 million paid on 21 March 2001), Mensanat Trading at the Commercial Bank in Cyprus ($247 million paid on 1 June 2001) and the Doxa Global Fund at the Investment Bank in Luxembourg ($94 million paid on 8 August 2001).\textsuperscript{151} Of the money paid to Mensanat Trading, sources state $180 or perhaps $190 million was transferred to an investment vehicle named Premium Fund Ltd. in Luxembourg in September 2001.\textsuperscript{152}

The person who managed these funds and possibly others, too, on behalf of Gaydamak was Pierre Grotz. Appointed by Gaydamak in 2001, Grotz was handsomely remunerated for this, receiving (at least for a while) annual payments equal to 1 per cent of the value of all the assets in the funds plus 20 per cent of all profits;\textsuperscript{153} and Grotz was, it seems, worth it: he reportedly increased the $360 million under his control to $1.25 billion or more by 2005.\textsuperscript{154} Gaydamak was earning a fortune from funds he had fraudulently acquired from Angola, all the while keeping his erstwhile partners, Falcone and Malkin, completely out of the loop about his financial success.

1. From Luxembourg to Israel

In early 2004 Gaydamak allegedly decided to close down some or all of his Luxembourg funds and transfer the assets to Poalim Trust Services Ltd., a wholly owned subsidiary of the Hapoalim Bank in Israel. Thus, on 5 February 2004 one Avi Dagan wrote to the Investment Bank Luxembourg (IBL) to request that all the investments contained in the Global Alpha Star Ltd. fund be sold and the proceeds transferred to the Tel Aviv branch of Hapoalim Bank.\textsuperscript{155}

On the same day that Dagan requested that the assets of Global Alpha Star be transferred to Hapoalim Bank, one Zeev Zakharin sent two further letters: one, writing as director of Doxa Fund II Ltd., to the Investment Bank Luxembourg, this time requesting the redemption of the assets in the Doxa Fund II;\textsuperscript{156} and the second letter, largely similar in content and form to the other two, this time writing as director of Premium Fund Ltd., to Banco di San Marino SpA, San Marino, through which the Premium Fund was held, requesting redemption of the Premium Fund assets. (The assets were actually held, however, at IBL.) Like the Avi Dagan request respecting Global Alpha Star, these letters asked for the assets to be transferred to the same account of Poalim Trust Services Ltd., at Hapoalim Bank.\textsuperscript{157}

All three letters were accompanied by letters from two officers of Poalim Trust Services Ltd., Ch. Shamir and M. Friedman, in which Poalim Trust Services identified itself as “the shareholder of the companies, which have subscribed shares in” the respective fund.

Getting the funds out of Luxembourg turned out to be a difficult task. Pursuant to its anti-money laundering obligations, IBL wrote back to Zakharin’s agents at Poalim Trust, insisting that the identification of the “shareholders” was not sufficient. (A shareholder

Zeev Zakharin, a non-commissioned Israeli reserve officer, had, like Dagan, acted as a signatory to many of Gaydamak’s financial instruments. He had served as an Army Commander for the Israeli Defence Force. In the 1990s he had trained the presidential guard for Zaire’s dictator, Mobutu Sese Seko. He subsequently linked up with Gaydamak, and then later broke relations with Gaydamak. Zakharin now reportedly runs farms in Angola.
might be just a nominee, a straw man put in place to hide the identity of the actual or “beneficial” owner of the funds. The “beneficial owner” is the real party in interest.) In this case, shielding the identity of Gaydamak seems to have been precisely the intent. As the Luxembourg newspaper *D’Lëtzebuerger Land* concluded some years later, “This arrangement was used to hide [Gaydamak’s] identity when he was struggling with the French court in the course of the investigation on arms sales to Angola.”

When IBL replied, on 18 February 2004, to the Doxa Fund II redemption request, asking that Poalim Trust Services “kindly confirm that Poalim Trust Services Ltd … is the beneficial owner of the shares in the relevant companies and via these companies of Doxa Fund II Ltd.,” it apparently got no satisfactory response.

On 27 July 2004, IBL again demanded that the ultimate beneficial owners of the three funds be disclosed to the Bank. IBL wrote:

[I]n relation to the beneficial ownership identification requirement, we are not aware of the client having ever given proper confirmation to IBL of the real beneficial ownership of the 3 Funds.

Therefore, in order to process the instruction to redeem shares of the 3 Funds and to transfer the net redemption proceeds, we regret to insist on receiving appropriate identification documents on the ultimate beneficial owners of the companies which are said to be the shareholders of Doxa Fund II Limited, Global Alpha Star Ltd., Premium Fund Ltd.

This presented a major problem for Gaydamak. Indeed, to hide his original investment in the funds he had relied on his financial assistant, Joelle Mamane, to create a total of 27 offshore companies—all, in the end, beneficially belonging to Gaydamak—that would act as the subscribers in the three funds.

That Gaydamak was the real owner of the 27 companies was confirmed on 18 February 2004 when he submitted details of his financial holdings to Poalim Trust Services. The document was signed by Gaydamak under his new Israeli name, Arie Bar Lev. Included in his disclosure was an appendix in which he acknowledged that he was “the rightful owner of Twenty Seven (27) BVI companies,” all of which, sources indicate, had been created by Joelle Mamane and which had subscribed in the Doxa, Global Alpha Star and Premium Funds.

Additional obstacles were created by Israeli criminal investigations, partially relating to the Debt Deal. The Israeli investigators were conducting an investigation of Gaydamak in connection with suspected money laundering at Poalim Trust, in Israel, and in the course of that inquiry Israeli investigators were alerted to a Luxembourg investigation into various suspicious activities at IBL, which was under suspicion of being used as a money-laundering centre for a European drug cartel. The Luxembourg authorities happened upon three of Gaydamak’s investment funds, each holding a substantial amount of money, and in 2004 the Israelis, hearing of this, requested further information from Luxembourg. To stop any further criminal activity, Luxembourg authorities froze the accounts of the three funds at IBL, stating that they would unfreeze the accounts only if the real beneficial owners presented themselves.
According to Israeli investigators, Gaydamak tried a rather transparent ruse in an attempt to have the funds transferred to Israel. On 20 October 2004 a Luxembourg attorney by the name of Gaston Vogel appeared at the office of the Luxembourg Attorney General and declared that an entity called the “Dorset Foundation” was behind the three funds. Vogel, however, was quickly rebuffed, according to the Israelis. “[T]he Luxembourg prosecutor responded to Vogel that the authorities were aware that the funds in fact belonged to Gaydamak rather than the Dorset Foundation.” Vogel quickly departed, only to return shortly thereafter bearing another letter “denying any connection between the Dorset Foundation and Gaydamak.”

Intriguingly, Israeli police reported that they had, by virtue of a wire-tap on Gaydamak’s phone, recorded a conversation he had had with an unidentified source in March 2004 in which he discussed “the possibility of using a charitable foundation to help solve a ‘problem’ of Gaydamak’s.” Israeli investigators stated that “Israel Police suspect that Gaydamak sought to concoct a fraudulent charitable entity as a front through which he could seek to withdraw the funds from the IBL accounts.”

However, the effectiveness of anti-money laundering diligence procedures in Luxembourg apparently did not last. Exactly how it was achieved remains unclear, but at the end of December 2005 the funds were reportedly transferred out of Luxembourg into a new set of accounts at the Russian Commercial Bank (RCB) in Limassol, Cyprus. “In July 2005, after court battles,” according to Haaretz reporter Yossi Melman, “Gaydamak, his lawyers, and his advisers, in particular Joelle Mamane and Gad Boukobza, managed to convince a judge in Luxembourg to lift the freeze.” It appears that Gaydamak and his Luxembourg cohorts had persuaded the authorities that the Dorset Foundation was indeed a religious charitable organisation and the true beneficial owner.

The total value of the funds and assets transferred to Cyprus was astonishing. From Sella Bank in Luxembourg (the successor to Investment Bank Luxembourg) securities to the value of $345 million, in addition to $12.1 million in liquid funds, were transferred to an account under the name of Iksan at the RCB. Simultaneously, $7.5 million in liquid assets was transferred to an account under the name of Castrol, of which $7.1 million were eventually forwarded to the same Iksan account that received the $345 million in securities. From Alcor Bank, also in Luxembourg, $273 million was transferred to an account by the name of Dresben, in addition to $10.2 million in cash. All of these companies were beneficially owned by Gaydamak, as he certified in his 2004 declaration to Poalim Trust Services in Israel. By 2007, after a series of inter-account transfers, an iteration of the Iksan account, now housed in a new holding company called Aton, was said to be in possession of assets of over $700 million. It is unclear what happened to the funds subsequent to that date.

Meanwhile, in what is by now a familiar pattern, Gaydamak apparently cheated his high-performing investment manager Pierre Grotz, failing to pay a significant portion of the earned investment management fees. Grotz took legal action in 2005, suing Gaydamak and his companies in Luxembourg, Cyprus, and Israel. He maintained that the money in the Luxembourg accounts was “taken away, smuggled, and concealed” and moved to Cyprus. A Luxembourg court found that he was owed approximately $49 million earned for one fund alone, but he has reportedly had little success collecting it.
In the litigation brought against Gaydamak by Pierre Falcone and Vitaly Malkin in Israel in 2009, the two plaintiffs demanded substantial financial remuneration. Rather than attack Gaydamak for transferring funds out of Sberinvest Cyprus to his investment funds, Malkin and Falcone claimed that they were each due a fair share of the profits that Gaydamak had made from investing in the Premium, Global Alpha Star and Doxa funds. Considering that Malkin was a 25 per cent shareholder and Falcone a 37.5 per cent shareholder in Abalone, each believed he was entitled to the respective percentage of the profit made by Gaydamak.

According to the most recent media reports, Malkin and Falcone have not had much success in pursuing their litigation. While Grotz at least won his case in the Luxembourg courts in 2008, it was reported in October 2011 that Malkin and Falcone’s case had been thrown out by the Jerusalem Magistrates Court.175 The court dismissed the application on technical grounds, without ruling on the factual accuracy or legal merits of Malkin’s and Falcone’s case.176 Intriguingly, the Israeli newspaper *Haaretz* also noted that by this time Malkin had already removed his name from the case. It is unclear why he had agreed to do so. In any event, Gaydamak was out of scrutiny, yet again.

2. The Swindler Swindled?

In perhaps the strangest chapter so far in this serial swindle, the last laugh may turn out to be not for Gaydamak, but for his “confidante,” Joelle Mamane.

In 2006 and 2007, a total of $249 million in securities was transferred from Gaydamak’s Dresben shell to the Matanel Foundation, another company based at the RCB. A number of transactions were concluded on the account, including transfers to unknown beneficiaries located at other banks. But, as of the mid-2000s, the Matanel company accounts were found to be in possession of securities and stock worth $173.4 million and cash to the value of $9.6 million.177 Sources have suggested that these transfers to the Matanel Foundation were done without Gaydamak’s say-so and without benefiting Gaydamak himself. It was claimed that the transfer of securities to Matanel was part of a scheme to defraud Gaydamak of more than $200 million in assets. If this is the case, it would indicate that Gaydamak had fallen out with his former collaborators and fixers, Joelle Mamane and Gad Boukobza. Indeed, company records relating to Matanel show no connection to Gaydamak. According to its filings in the Panamanian company registers, the two founding members and prominent directors are Gad Boukobza and Joelle Aflalo—an alternative name used by Joelle Mamane. This is confirmed by the Matanel Foundation website, which lists both as founders.179

The website provides the following effusive text as an explanation of the Foundation’s essence:

> By giving we renew ourselves. We put our energy helping the grief-stricken in financial straits, mending lives strained by loss and need, clearing up darkened horizons, easing tensions pressuring daily lives. By giving we give of ourselves, and by giving of ourselves we encourage others. We walk with them hand in hand on a stretch of the road. For too short a while, unfortunately. Together with all those who join us to redistribute what was given. Perhaps by chance; for sure to share.
With the hope that today's recipients will be tomorrow's donors and will pass on the value of giving…and if they don’t, their descendants will. The Matanel Foundation shares in this beautiful tradition that has more in common with distributive justice than with almsgiving.180

The Matanel Foundation has, since its formation, been active in the (largely Orthodox) Jewish community in Israel and Europe. According to its website, the Foundation has become involved (presumably via funding) in dozens of community and outreach programmes, largely located in Israel but also in Belgium, Morocco, Bangladesh, France, Panama, Argentina, Congo and Austria.181 Its public image has also been boosted by the inclusion on its board of directors of Rabbi Adin Even Yisrael Steinsaltz, one of six recipients of Israel’s first President’s Prize in 2012. Other recipients included Henry Kissinger and the Rashi Foundation, the latter an outreach organisation focused on underprivileged youth.182 Matanel is listed as a partner of the Rashi Foundation, as is the Dorset Foundation.183

(See above.)

In a court proceeding in Luxembourg filed in September 2012, Gaydamak is seeking to re-gain control of some €600 million he claims has been taken from him by Mamane and Gad Boukobza. According to D’Lëtzebuerger Land,

The funds were identified in Luxembourg in the early 2000s. At first frozen on the instruction of the economic crimes prosecution office in Luxembourg, the funds were released thanks to a scheme involving the intervention of a Luxembourg fiduciary, Gestman, and two of its responsible staff, the married couple Joelle Mamane and Guy Boukobza, confidants of Gaydamak in Luxembourg. The origin of the funds, they affirmed, was a religious foundation. Half snookered by this theory, the prosecution unblocked the funds, which then went toward Cyprus and travelled, in part, to the murky Dorset Foundation, which in turn moved the moneys to the Matanel Foundation in Luxembourg. Through a game of signatures and proxies set up to hide his identity, Gaydamak now claims to have been eventually dispossessed of his funds, and he accuses the couple Boukobza/Mamane of stealing the money from him—which they categorically deny.184

Gaydamak reportedly blames Mamane and Boukobza as well as the banks that held the funds, IBL and Alcor (both of which have since been liquidated). It would appear that Mamane and Boukobza did such a good job in hiding Gaydamak’s links to the funds that he cannot now prove he is their “actual” (beneficial) owner. To do so, he needs access to financial and other documentation from the respondents, but he appears for the moment stymied by the strict Luxembourg bank secrecy laws, which do not allow him access to the evidence he seeks. As of December 2012, Gaydamak’s latest quest seems to be unsuccessful.185
Conclusion

When confronted with a scandal on the scale of the Angolan Debt Deal, it may be difficult to see beyond the more outrageous elements: the double-dealing, the unapologetic lying, the ubiquity of the greed. However, these features are a double-edged sword. They undoubtedly make for a good story, but they may distract from both the systematic nature of the fraud that has been perpetrated against the Angolan and Russian people and the ease with which this was done with the facilitation of financial institutions. Therefore, we conclude by emphasising some of the systemic features of the Deal and their global impact.

The first of the interlinked features is that the Debt Deal formed a constituent part of a broader pattern that has undermined Angolan politics and development: the gross abuse of public funds for private ends. This is clear in the Deal inasmuch as key Angolan officials, including President José Eduardo dos Santos, were recipients of payments flowing from it—payments that could only be made if the Deal was structured in such a way that Abalone Investments could earn a healthy profit to the prejudice of the Angolan Treasury. For at least the last decade, Angola's economic growth has been phenomenal, its GDP growing by roughly 800 per cent. But the kleptocratic politics of the dos Santos government has meant that only a fraction of this economic windfall has ever found its way to those in real need: Angola’s impoverished citizens. Without a commitment to clean governance and accountability the Angolan leadership will continue to oversee a needless humanitarian tragedy—a country with substantial resources and a tiny, extraordinarily wealthy clique of politicians and their bedfellows who cannot be bothered to improve the daily life of the majority of their citizens.

In this regard, we note that in October 2011 Manuel David Mendes, a member of the opposition Partido Popular, laid charges in Angola flowing from the Debt Deal, alleging corruption on the part of dos Santos and other parties. In 2011, the Attorney General informed David Mendes that there were insufficient grounds to proceed with an investigation.

The second feature of the Debt Deal is the role of the international banking community in facilitating the transaction and, it seems, at key points, closing its eyes to the risk of criminal diversion of funds. That UBS, for example, was acting as an escrow agent can in no way excuse its failure to scrutinise critically the recipients of funds from the account and indeed to question the logic of the underlying transactions. Particularly as regards senior Angolan government officials or entities controlled by them, the bank had a duty to report such transactions to appropriate regulatory authorities unless completely satisfied as to the legality of the payments. Most revealing of the UBS bankers’ laxness was their apparent
failure to file a report to Swiss authorities regarding the 6 July 2000 $3 million payment to José Leitão da Costa e Silva, then Minister in the Office of the Presidency—a payment sent to an account in Leitão’s own name at HSBC Guyerzeller Bank Geneva, a red flag that should have been impossible to ignore.

UBS was not alone, however. Other banks in various jurisdictions also apparently failed in their legal and fiduciary duties by failing to report the various and numerous suspicious transactions that flowed from the Angolan Debt Deal; transactions that, with only the most limited investigation, would be found to provide substantial grounds for suspicion of money laundering, fraud or other crimes. Beyond the specific payments, however, the Deal itself, professionally papered by the best lawyers and bankers, was a crime seemingly hidden in plain sight. As explained in this report, the contracts themselves showed that Abalone provided no value to Angola or to Russia—quite the contrary—and if bankers and lawyers failed to see this, it was only for lack of will. So the Debt Deal raises serious questions about the witting or unwitting complicity of banks in seemingly criminal conduct and about the inadequacy of internal controls and external regulation of banks.

The Debt Deal, in all its various phases, took place across a broad range of what are known as “secrecy jurisdictions”: countries that require very limited disclosure from banks, individuals and companies as to the beneficial owners of accounts and companies and raise formidable obstacles to the release of such information, even if the accounts and companies are beneficially owned by currently serving high-level public figures. This secrecy fertilises the ground of international corruption, money laundering and other financial crimes.

The secrecy jurisdictions used in the Debt Deal include not only Switzerland, but also Luxembourg, Cyprus, Israel, Holland, the British Virgin Islands, the Isle of Man, and Panama. Possibly the UK may also have been utilised. These and other similar locations are crucial to the operation of international criminality on a grand scale.

Reforms to the financial system to make these jurisdictions more transparent would have a major impact in the struggle against corruption. In particular, it is untenable and undesirable to allow public officials from any country to construct personal banking arrangements that are not transparent to the broader citizenry or, at the very least, investigative and prosecutorial authorities.

The final element of the Debt Deal that requires acknowledgment is the reality that none of the principals or any of the professionals who assisted them has faced proper sanction for their role in facilitating and/or profiting from the Deal. One of the key reasons for this seeming impunity is that investigative bodies dealing with international crimes that cross multiple jurisdictions are at an immediate disadvantage, having to contend with a warren of bureaucracy and legal instruments in a multitude of different countries. The lack of a coherent, implemented international framework for the sharing of information and the investigation of major financial crimes is a massive disadvantage that is continually exploited. Often countries whose own leaders have been involved in malfeasance block any attempt to investigate these actions: Angola—and possibly Russia—is a relevant example to this case. Such a situation has to be addressed by international agreements coupled with strong political will to follow through by strict enforcement of anti-money laundering and other anti-corruption laws in national jurisdictions. The Angolan Debt Deal is just one indicative illustration of the malfeasance that the status quo enables, to the cost of citizens
who can ill afford the misuse of public resources that they desperately require to live a decent life.

Gaydamak and others like him have repeatedly got away with some of the most brazen swindles of our time, involving hundreds of millions if not billions of dollars, mostly stolen from some of the poorest people on earth. Only Falcone has been imprisoned, and then only in connection with the French Angolagate transactions. And the international bankers, lawyers, accountants and other middlemen and facilitators who make this all possible continue plying their trade as if nothing at all noteworthy had happened.

In 2010, Luxembourg journalist Véronique Poujol wrote, with respect to the transfer of the Gaydamak money from Luxembourg to Cyprus:

> Five years after the facts, this case continues to make us wonder about the reasons that have prevented the justice system in Luxembourg from opening a proper domestic money laundering inquiry, one that could have had the immediate effect of preventing such a rapid removal from Luxembourg of money from the Angolan debt and the arms sales, and on a longer term could have led to a “real trial” of the illicit money and not just a court battle with the only thing at stake being matters of big business. In Switzerland, where the dubious money flows had [first] been identified, the case was also buried.¹⁸⁷

In 2013, we know more … yet we continue to wonder.
Recommendations

Potentially culpable acts closely related to the Debt Deal transactions occurred in numerous jurisdictions, including not only Switzerland, but also at least Russia, Angola, Luxembourg, Cyprus, Israel, Holland, the British Virgin Islands, the Isle of Man, Panama, and possibly the UK. Authorities in all those jurisdictions should, without delay, initiate investigations into the alleged wrongdoing within their jurisdictions and cooperate with other jurisdictions via mutual legal assistance and otherwise to ensure full prosecution of offenses.

Moreover, other measures are called for in response to the serious issues of money laundering and corruption raised by the findings of this report.

1. For Angola:

a) The Attorney General should initiate criminal investigations against identified Angolan public officials, and any others who may have unlawfully benefitted personally from corrupt payments related to the French Angolagate arms purchases, the Angola-Russia Debt Deal, and other major corruption scandals involving senior Angolan officials who have to date not been held accountable, and proceed with criminal prosecutions where warranted.

b) Judicial and police authorities should, in accordance with applicable law, without delay, freeze assets of those under investigation, and be prepared to confiscate permanently and liquidate assets to fulfill judgments rendered.

c) The Parliament should constitute an independent commission of inquiry to investigate the French Angolagate arms purchases, the Angola-Russia Debt Deal and other notorious corruption cases, to identify any gaps in law, enforcement and/or administrative mismanagement that allowed the corruption to occur, and to make its findings publicly available.

d) All government officials who have been found by a court of law to have participated in transactions involving a serious abuse of public office for private gain should be removed from serving in public office.

e) Non-Angolan citizens should also be subject to asset freezing, in accordance with applicable law, and, where it is not possible to adjudicate their cases domestically, judicial authorities should cooperate with relevant jurisdictions to pursue full investigation and, where possible, prosecution.
f) The government should cooperate fully with national and international investigations into the French Angolagate arms purchases, the Angola-Russia Debt Deal and other major corruption scandals by making the accounts of the Ministry of Finance, Sonangol and the Banco Nacional de Angola open and fully accessible.

g) The government should ensure that Swiss-confiscated repatriated funds are used on development projects led by Angola, and form a multi-stakeholder committee to manage the process composed of Parliamentary representatives, judicial authorities, and independent civil society representatives.

h) Civil society should: (i) utilize national public probity laws to hold public officials to account for abuse of public office for private gain; (ii) press Angolan judicial and police authorities and foreign and international law enforcement organizations to ensure that those involved in this case are held accountable; (iii) participate in the process of repatriating Angolan funds with the government.

2. For Switzerland:

i) Federal prosecutors should investigate fully the Angola-Russia Debt Deal, and initiate investigation into the conduct of identified persons involved in the transaction, as well as any others who may have unlawfully benefitted personally from the transactions or assisted others in perpetration of the crimes. Where warranted, such persons should be prosecuted.

j) To the extent proceeds of the transactions are found within Swiss jurisdiction, assets should be frozen pending outcomes of investigations and prosecutions. Illicit assets should be seized in accordance with applicable law and repatriated to Angola. The repatriation must be transparent and supervised by the Angolan Parliament and judicial authorities with active participation of independent Angolan and Swiss civil society members.

k) Prosecuting authorities should assist foreign jurisdictions in initiating investigations to the extent proceeds are no longer within Swiss jurisdiction, or relevant criminal offenses were committed outside of Switzerland.

l) The Swiss financial regulator should sanction the financial intermediaries who, after appropriate investigation, are found to have violated or disregarded their due diligence responsibilities; the sanctions should be made public.

m) Parliament should pass legislation requiring public disclosure of payments to governments made by resource extraction companies and commodity trading companies (including subsidiaries and other entities under their control), to be included in an annual report, on a project-by-project basis. Such legislation should provide, at a minimum, a transparency standard akin to disclosure regulations adopted or to be adopted by the US and the EU. Given Switzerland’s outstanding market position in commodity trading, particularly oil trading, trading activities must be covered by such transparency requirements.

n) Parliament should pass legislation to detect and prevent illicit financial flows executed and facilitated by Swiss extraction and trading companies. Whereas Swiss criminal law prohibits laundering of illicit assets of any type, special due diligence provisions set out
in the Swiss anti-money-laundering directive currently only apply to a limited class of financial intermediaries and associated financial flows. These provisions must be amended to make such duties also applicable to extraction and trading companies.

o) Parliament should pass legislation that obliges Swiss extraction and trading companies to publically disclose their structure and beneficial ownership. The government should exercise its own due diligence process regarding the beneficial ownership of every corporate entity it conducts business with and ensure that all government agencies comply with general anti-money laundering rules.

3. For the European Union and Member States:

p) The EU should ensure that the Fourth Anti-Money Laundering Directive has strong controls, that (i) require national level registration of all beneficial owners of companies and trusts, with such information to be publicly available; (ii) make tax crime a serious crime/automatic predicate offence for money laundering crimes, regardless of minimum and maximum sentencing guidelines; and (iii) secure mandatory minimum sanctions for companies and professionals who fail to implement the rules, in particular ensuring that fines are related to profits or loss avoided and are thereby a credible deterrent, and that sanctions are enforced and made public. Further, an early transposition deadline and member state commitment towards quick transposition and enforcement should be prioritized.

q) The EU should seal its political agreement on the Capital Requirements Directive IV and ensure that the disclosure requirements for banks, including profits, tax payments, subsidies, turnover and staff in each country in which they operate, are fully implemented by 2015.

r) The EU’s Accounting Directive, that will require country-by-country reporting of payment to governments in the extractives and forestry sectors, should be extended to include the banking sector. If banking and other sectors (telecommunications and construction) are kept out of the final legislation, then their inclusion through the review process should be explored.

s) Member states should independently pass legislation and/or otherwise appropriately operationalize EU directives to the same effect. They should also explore how to further strengthen their national legislation, where EU laws do not apply, to support a stronger EU-level approach to due diligence and tax havens.

t) Judicial authorities in member states, particularly including Luxembourg and Cyprus, should take all measures to initiate investigations, freeze assets and make inquiries, as necessary, with Swiss and other foreign authorities for cooperation, necessary to prosecute and remedy money laundering within their jurisdictions.

u) Member states should cooperate, in accordance with international norms, to restrict movement of indicted defendants in all such investigations.
4. For Financial Sector Companies:

v) Cooperate fully, pro-actively and in good faith with criminal investigations initiated in relation to criminal activities in which they or any of their employees or directors or other affiliates or agents may reasonably be suspected of involvement.

w) Ensure full, diligent implementation of anti-money laundering laws and “know your client/customer” requirements to avoid facilitating illicit transactions, especially where red flags, such as large transaction amounts, previous offenders, jurisdictions known for inadequate anti-money laundering enforcement, and/or “politically exposed persons” (senior government officials and known family members or associates) are involved. Such implementation should include development of adequately resourced internal policies, procedures, staffing and training.
Appendices

Appendix 1

Payments made from Sonangol to Abalone Investments at UBS Bank

<table>
<thead>
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<th>Reference Reflecting in Abalone Account</th>
<th>Amount (US$)</th>
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### Appendix 2

Payments made from Abalone Investments (UBS-SA) to the Russian Ministry of Finance

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Appendix 3

Payments from Abalone Investments (UBS-SA) to Arcadi Gaydamak^190

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## Appendix 4

Payments from Abalone Investments (UBS-SA) to Pierre Falcone

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<td>Pierre Joseph Falcone Banque Ferrier Lullin &amp; Cie Geneva Acc 1038915</td>
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Appendix 5

Payments from Abalone Investments (UBS-SA) to Brenco International\textsuperscript{192}

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## Appendix 6

Payments from Abalone Investments (UBS-SA) to Vitaly Malkin\(^\text{193}\)

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## Appendix 7

Payments between Abalone Investments (UBS-SA) and petroleum traders Glencore and Loke Trade

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<td>03/10/1997</td>
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<td>8,709,677.42 (paid to Loke Trade from Abalone)</td>
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<td>14/05/1998</td>
<td>Glencore International AG Baar</td>
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Payments from Abalone Investments (UBS-SA) to Joaquim David (Penworth Ltd.)

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### Appendix 9

Payments from Abalone Investments (UBS-SA) to Unknown Beneficiaries with the references they were given in the Abalone account\(^{195}\)

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<td><strong>Antalia</strong></td>
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## Appendix 10

**Payments from Sonangol to Sberinvest, Cyprus**[^196]

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Appendix 11

Payments from Sberinvest Cyprus to Interprombank¹⁹⁷

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference Reflecting in Abalone Account</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>26/03/2001</td>
<td>Interprombank</td>
<td>50,000,160</td>
</tr>
<tr>
<td>02/04/2001</td>
<td>Interprombank</td>
<td>50,000,160</td>
</tr>
<tr>
<td>05/04/2001</td>
<td>Interprombank</td>
<td>11,500,000</td>
</tr>
<tr>
<td>08/08/2001</td>
<td>Interprombank</td>
<td>10,000,160</td>
</tr>
<tr>
<td>29/08/2001</td>
<td>Interprombank</td>
<td>10,000,160</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>131,500,640</strong></td>
</tr>
</tbody>
</table>
### Appendix 12

Payments from Sberinvest Cyprus to Unknown Beneficiaries

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference Reflecting in Abalone Account</th>
<th>Amount (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>15/03/2001</td>
<td>Rosbank</td>
<td>3,000,160</td>
</tr>
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<td>20/03/2001</td>
<td>Rosbank (PN)</td>
<td>2,500,160</td>
</tr>
<tr>
<td>23/03/2001</td>
<td>Yomil Securities SA</td>
<td>31,700,160</td>
</tr>
<tr>
<td>10/04/2001</td>
<td>Spade Business Ltd. (Bank of Cyprus) Boats for Angola</td>
<td>5,500,160</td>
</tr>
<tr>
<td>12/04/2001</td>
<td>Cliff Associates (Portugal) Securities</td>
<td>2,000,160</td>
</tr>
<tr>
<td>27/04/2001</td>
<td>Mizuho International</td>
<td>2,000,160</td>
</tr>
<tr>
<td>27/04/2001</td>
<td>Sumatra Ltd. (Man-Financial) London</td>
<td>10,000,160</td>
</tr>
<tr>
<td>10/05/2001</td>
<td>Cliff</td>
<td>2,000,160</td>
</tr>
<tr>
<td>25/05/2001</td>
<td>No Description</td>
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<tr>
<td>14/06/2001</td>
<td>41412L UEB (Geneve)</td>
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<td>18/06/2001</td>
<td>Amestrios Trading (RCB)</td>
<td>1,050,000</td>
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<td>26/06/2001</td>
<td>United European Bank (Geneve)</td>
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<tr>
<td>17/07/2001</td>
<td>A/C41412L UEB (Geneve)</td>
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<td>414212L UEB (Geneve)</td>
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<td>Mizuho</td>
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<td>23/08/2001</td>
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</tr>
<tr>
<td>24/08/2001</td>
<td>Volfi d Finance Ltd.</td>
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<td>27/08/2001</td>
<td>Cliff Associates (Portugal) Securities</td>
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<td>29/08/2001</td>
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<td>04/09/2001</td>
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<td>Saranties and Single Trading</td>
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<td>No Description</td>
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</tr>
<tr>
<td>13/09/2001</td>
<td>Mizuho International</td>
<td>2,000,160</td>
</tr>
<tr>
<td>19/12/2001</td>
<td>SNP Boat Service –Payments for Boat</td>
<td>300,160</td>
</tr>
<tr>
<td>27/12/2001</td>
<td>Mizuho International</td>
<td>2,100,160</td>
</tr>
<tr>
<td><strong>Sub-Totals</strong></td>
<td>Amestrios Trading (RCB)</td>
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<td>Cliff</td>
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<td></td>
<td>Cliff Associates (Portugal) Securities™</td>
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<tr>
<td>Date</td>
<td>Reference Reflecting in Abalone Account</td>
<td>Amount (US$)</td>
</tr>
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<td>------------</td>
<td>-------------------------------------------------------------------------------</td>
<td>--------------</td>
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<td></td>
<td><strong>Sub-Totals (continued)</strong></td>
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<td></td>
<td>SNP Boat Service –Payments for Boat</td>
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<td>Spade Business Ltd. (Bank of Cyprus) Boats for Angola</td>
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<tr>
<td></td>
<td>Sumatra Ltd. (Man-Financial) London</td>
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</tr>
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<td></td>
<td>Volfid Finance Ltd.</td>
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<td></td>
<td>Yomil Securities SA</td>
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<tr>
<td></td>
<td>A/C41412L UEB (Geneve)</td>
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<td></td>
<td>United European Bank (Geneve)\textsuperscript{200}</td>
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<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>105,222,671</strong></td>
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Appendix 13

Payments from Sberinvest, Cyprus to Gaydamak’s Investment Funds, to Belinvest Finance SA, and to Gaydamak’s Israeli lawyer A. Zichroni

<table>
<thead>
<tr>
<th>Date</th>
<th>Reference Reflecting in Abalone Account</th>
<th>Amount (US$)</th>
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</thead>
<tbody>
<tr>
<td>21/03/2001</td>
<td>Global Alpha Star Fund</td>
<td>90,000,160</td>
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<td>04/05/2001</td>
<td>Zichroni, (Bank Discount Israel)</td>
<td>5,400,160</td>
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<tr>
<td>15/05/2001</td>
<td>Belinvest Finance SA (Republic Bank Moscow)</td>
<td>5,000,160</td>
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<td>01/06/2001</td>
<td>Mensanat Trading (RCB) [For benefit of Premium Fund]</td>
<td>247,000,000</td>
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<td>18/06/2001</td>
<td>Mensanat Trading (RCB) [For benefit of Premium Fund]</td>
<td>517,000</td>
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<tr>
<td>08/08/2001</td>
<td>Doxa Global Fund (Subscription in Fund)</td>
<td>94,000,160</td>
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<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>441,917,640</strong></td>
</tr>
</tbody>
</table>
Exhibits
Exhibit 4
Russia–Abalone Agreement 5 March 1997

THIS AGREEMENT is made the 5th day of March 1997.

BETWEEN:

(1) THE GOVERNMENT OF THE RUSSIAN FEDERATION, acting through the Ministry of Finance (the "MOF"); and

(2) ABALONE INVESTMENTS LIMITED (the "Buyer").

INTRODUCTION


(B) Pursuant to the Government Protocol, 31 promissory notes, each dated 17th day of January 1997 have been issued by Banco Nacional de Angola on behalf of the Republic of Angola (the "Notes"), as follows:

<table>
<thead>
<tr>
<th>Promissory Note Reference No</th>
<th>Amount (aggregating USD 1,500,000,000 (US Dollars One Point Five Billion))</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. HC7819/FGA/01</td>
<td>USD 48,387,096.77</td>
<td>15/06/2001</td>
</tr>
<tr>
<td>2. HC7821/FGA/02</td>
<td>USD 48,387,096.77</td>
<td>15/12/2001</td>
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<tr>
<td>3. HC7822/FGA/03</td>
<td>USD 48,387,096.77</td>
<td>15/06/2002</td>
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<tr>
<td>4. HC7823/FGA/04</td>
<td>USD 48,387,096.77</td>
<td>15/12/2002</td>
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<tr>
<td>5. HC7824/FGA/05</td>
<td>USD 48,387,096.77</td>
<td>15/06/2003</td>
</tr>
<tr>
<td>6. HC7825/FGA/06</td>
<td>USD 48,387,096.77</td>
<td>15/12/2003</td>
</tr>
<tr>
<td>7. HC7826/FGA/07</td>
<td>USD 48,387,096.77</td>
<td>15/06/2004</td>
</tr>
<tr>
<td>8. HC7827/FGA/08</td>
<td>USD 48,387,096.77</td>
<td>15/12/2004</td>
</tr>
<tr>
<td>9. HC7828/FGA/09</td>
<td>USD 48,387,096.77</td>
<td>15/06/2005</td>
</tr>
<tr>
<td>10. HC7829/FGA/10</td>
<td>USD 48,387,096.77</td>
<td>15/12/2005</td>
</tr>
<tr>
<td>11. HC7830/FGA/11</td>
<td>USD 48,387,096.77</td>
<td>15/06/2006</td>
</tr>
</tbody>
</table>
Exhibit 4 (continued)

Russia–Abalone Agreement 5 March 1997

<table>
<thead>
<tr>
<th>Certificate Reference No</th>
<th>Related Note</th>
<th>USD</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>HC7831/FGA/12</td>
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<td>48,387,096.77</td>
<td>15/12/2006</td>
</tr>
<tr>
<td>HC7832/FGA/13</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2007</td>
</tr>
<tr>
<td>HC7833/FGA/14</td>
<td></td>
<td>48,387,096.77</td>
<td>15/12/2007</td>
</tr>
<tr>
<td>HC7834/FGA/15</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2008</td>
</tr>
<tr>
<td>HC7835/FGA/16</td>
<td></td>
<td>48,387,096.77</td>
<td>15/12/2008</td>
</tr>
<tr>
<td>HC7836/FGA/17</td>
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<td>48,387,096.77</td>
<td>15/06/2009</td>
</tr>
<tr>
<td>HC7837/FGA/18</td>
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<td>48,387,096.77</td>
<td>15/12/2009</td>
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<tr>
<td>HC7838/FGA/19</td>
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<td>48,387,096.77</td>
<td>15/06/20:0</td>
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<td>48,387,096.77</td>
<td>15/12/20:10</td>
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<td>HC7840/FGA/21</td>
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<td>48,387,096.77</td>
<td>15/06/2011</td>
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<td>HC7841/FGA/22</td>
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<td>48,387,096.77</td>
<td>15/12/2011</td>
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<tr>
<td>HC7842/FGA/23</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2012</td>
</tr>
<tr>
<td>HC7843/FGA/24</td>
<td></td>
<td>48,387,096.77</td>
<td>15/12/2012</td>
</tr>
<tr>
<td>HC7844/FGA/25</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2013</td>
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<td>HC7845/FGA/26</td>
<td></td>
<td>48,387,096.77</td>
<td>15/12/2013</td>
</tr>
<tr>
<td>HC7846/FGA/27</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2014</td>
</tr>
<tr>
<td>HC7847/FGA/28</td>
<td></td>
<td>48,387,096.77</td>
<td>15/12/2014</td>
</tr>
<tr>
<td>HC7848/FGA/29</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2015</td>
</tr>
<tr>
<td>HC7849/FGA/30</td>
<td></td>
<td>48,387,096.77</td>
<td>15/12/2015</td>
</tr>
<tr>
<td>HC7850/FGA/31</td>
<td></td>
<td>48,387,096.77</td>
<td>15/06/2016</td>
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</tbody>
</table>

Also for the purposes of the implementation of the Government Protocol, MOF has signed the like number of repayment certificates, as required under the Government Protocol (the "Certificates") as follows:-

<table>
<thead>
<tr>
<th>Certificate Reference No</th>
<th>Related Note</th>
<th>Corresponding original Indebtedness Amount out of the total original aggregate amount of USD 5,000,000,000 (US Dollars Five Billion)</th>
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<tbody>
<tr>
<td>HC7819/FGA/01</td>
<td>HC7819/FGA/01</td>
<td>USD 161,290,322.57</td>
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<td>HC7821/FGA/02</td>
<td>HC7821/FGA/02</td>
<td>USD 161,290,322.57</td>
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<td>HC7822/FGA/03</td>
<td>HC7822/FGA/03</td>
<td>USD 161,290,322.57</td>
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<td>HC7823/FGA/04</td>
<td>HC7823/FGA/04</td>
<td>USD 161,290,322.57</td>
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<td>HC7824/FGA/05</td>
<td>HC7824/FGA/05</td>
<td>USD 161,290,322.57</td>
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<td>HC7825/FGA/06</td>
<td>HC7825/FGA/06</td>
<td>USD 161,290,322.57</td>
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<tr>
<td>HC7826/FGA/07</td>
<td>HC7826/FGA/07</td>
<td>USD 161,290,322.57</td>
</tr>
<tr>
<td>HC7827/FGA/08</td>
<td>HC7827/FGA/08</td>
<td>USD 161,290,322.57</td>
</tr>
</tbody>
</table>
(C) Pursuant to a Decree of the Government of The Russian Federation No 1287 dated 30 October 1996, MOF was instructed and authorised to deal with the disposal of the Notes in the secondary market.

(E) The parties hereto have agreed to the following procedures and arrangements.

IT IS AGREED as follows:-

1. For the purposes of this Agreement, the Notes and the Certificates (the "Documents") will be divided into various Tranches as follows:-

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Documents Covered</th>
<th>Payment Value (aggregating 750,000,000 US Dollars Seven Hundred and Fifty Million)</th>
<th>Transfer Date</th>
</tr>
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<tbody>
<tr>
<td>9.</td>
<td>HC7828/FGA/09</td>
<td>USD 161,290,322.57</td>
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<td>10.</td>
<td>HC7829/FGA/10</td>
<td>USD 161,290,322.57</td>
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<tr>
<td>11.</td>
<td>HC7830/FGA/11</td>
<td>USD 161,290,322.57</td>
<td></td>
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<tr>
<td>12.</td>
<td>HC7831/FGA/12</td>
<td>USD 161,290,322.57</td>
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<tr>
<td>13.</td>
<td>HC7832/FGA/13</td>
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<td>14.</td>
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<td>USD 161,290,322.57</td>
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<td>15.</td>
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<td>USD 161,290,322.57</td>
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<td>16.</td>
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<td>17.</td>
<td>HC7836/FGA/17</td>
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<td>18.</td>
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<td>19.</td>
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<tr>
<td>22.</td>
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<td>USD 161,290,322.57</td>
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</tr>
<tr>
<td>23.</td>
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</tr>
<tr>
<td>24.</td>
<td>HC7843/FGA/24</td>
<td>USD 161,290,322.57</td>
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</tr>
<tr>
<td>25.</td>
<td>HC7844/FGA/25</td>
<td>USD 161,290,322.57</td>
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<tr>
<td>26.</td>
<td>HC7845/FGA/26</td>
<td>USD 161,290,322.57</td>
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<td>27.</td>
<td>HC7846/FGA/27</td>
<td>USD 161,290,322.57</td>
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</tr>
<tr>
<td>28.</td>
<td>HC7847/FGA/28</td>
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</tr>
<tr>
<td>29.</td>
<td>HC7848/FGA/29</td>
<td>USD 161,290,322.57</td>
<td></td>
</tr>
<tr>
<td>30.</td>
<td>HC7849/FGA/30</td>
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</tr>
<tr>
<td>31.</td>
<td>HC7850/FGA/31</td>
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</tr>
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</table>

\[\text{Signature}\]

\[\text{Witness}\]

\[\text{Witness}\]
### Exhibit 4 (continued)

Russia–Abalone Agreement 5 March 1997

<table>
<thead>
<tr>
<th>Tranche</th>
<th>Notes Description</th>
<th>Amount (USD)</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>the Notes bearing refs HC7819/FGA/01 and HC7821/FGA/02 - HC7825/FGA/06 (both</td>
<td>145,161,290.31</td>
<td>30 November 1997</td>
</tr>
<tr>
<td></td>
<td>inclusive) with an aggregate face value of USD 290,322,580.62 together with the</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>related Certificates bearing the same references as such Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B</td>
<td>the Notes bearing refs HC7826/FGA/07 - HC7830/FGA/11 (both inclusive) with an</td>
<td>120,967,741.93</td>
<td>30 November 1998</td>
</tr>
<tr>
<td></td>
<td>aggregate face value of USD 241,935,483.85 together with the related Certificates</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>bearing the same references as such Notes</td>
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</tr>
<tr>
<td>C</td>
<td>the Notes bearing refs HC7831/FGA/12 - HC7835/FGA/16 (both inclusive) with an</td>
<td>120,967,741.93</td>
<td>30 November 2000</td>
</tr>
<tr>
<td></td>
<td>aggregate face value of USD 241,935,483.85 together with the related Certificates</td>
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</tr>
<tr>
<td></td>
<td>bearing the same references as such Notes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D</td>
<td>the Notes bearing refs HC7836/FGA/17 - HC7840/FGA/21 (both inclusive) with an</td>
<td>120,967,741.93</td>
<td>30 November 2002</td>
</tr>
<tr>
<td></td>
<td>aggregate face value of USD 241,935,483.85 together with the related Certificates</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>bearing the same references as such Notes</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Exhibit 4 (continued)
Russia–Abalone Agreement 5 March 1997

<table>
<thead>
<tr>
<th>Tranche</th>
<th>the Notes bearing refs HC7841/FGA/22 - HC7845/FGA/26 (both inclusive) with an aggregate face value of USD 241,935,483.85 together with the related Certificates bearing the same references as such Notes</th>
<th>USD120,967,741.93 (United States Dollars One Hundred and Twenty Million Nine Hundred and Sixty Seven Thousand Seven Hundred and Forty One and 93 cents)</th>
<th>30 November 2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tranche</td>
<td>the Notes bearing refs HC7846/FGA/27 - HC7850/FGA/31 (both inclusive) with an aggregate face value of USD 241,935,483.85 together with the related Certificates bearing the same references as such Notes</td>
<td>USD120,967,741.93 (United States Dollars One Hundred and Twenty Million Nine Hundred and Sixty Seven Thousand Seven Hundred and Forty One and 93 cents)</td>
<td>31 December 2004</td>
</tr>
</tbody>
</table>

2. The following arrangements shall apply on a Tranche by Tranche basis:-

2.1 Upon payment by the Buyer to MOF of the Payment Value for a Tranche on or before the Transfer date for such Tranche (each date of payment being a “Payment Date”) for such Tranche as specified below through the Escrow Agreement referred to in Clause 9.1, MOF transfers and assigns to the Buyer the right, the title and ownership in and of all the Notes and the Certificates comprising such Tranche and the underlying rights and indebtedness now and hereafter covered thereby (including, without any limitation, all accrued and accruing interest, the corresponding original indebtedness amount and all rights of the Government Russian Federation under the Government Protocol and with full power to complete such Documents), provided that if the Buyer elects to pay the Payment Value for any Tranche prior to the relevant Transfer Date, the Buyer shall so notify MOF not later than then (10) Business Days prior to the proposed Payment Date. Each such transfer and assignment shall be free and clear of all claims, rights, liens, mortgages, charges, security interests, burdens, encumbrances or other restrictions of limitations of any nature whatsoever including, but without limitation, those
created by or as a result of any action taken by or for the Government. As used herein, “Business Day” means a day on which commercial banks in Moscow, London and New York are open for business. Each Transfer Date is subject always to Clause 2.5.

2.2 On each Payment Date, the Payment Value for the relevant Tranche paid by the Buyer shall be paid to MOF and the Documents comprised in such Tranche shall be simultaneously and unconditionally delivered to the Buyer (or as the Buyer directs) by the Escrow Bank in accordance with the terms of the Escrow Agreement between MOF, the Buyer and the Escrow Bank contemplated in Clause 9.1 hereof.

2.3 No later than sixty (60) days after this Agreement comes into force, the Buyer shall pay MOF a non-refundable fee of 0.3% of the principal amount of the notes (ie, US$ 4,500,000) and shall thereby have throughout the first and exclusive right of first refusal to acquire the respective Tranches of the Documents and the underlying indebtedness and rights. If payment is made after the fifteenth day after this Agreement comes into force, the Buyer shall also pay to MOF interest on such fee from (and including) such fifteenth day until the date such fee is paid at an annual rate of LIBOR plus 3.45%. As used herein, “LIBOR” shall mean the London Inter-Bank Offered Rate applicable to one month deposits in US Dollars a quoted by National Westminster Bank plc on the Reuters Screen, LIBO page, at approximately 11:00 am London time on the second London banking day prior to such fifteenth day. A “London banking day” means a day on which dealings in Eurodollar deposits are conducted by prime banks in the London Inter-Bank market.

2.4 This Agreement shall automatically terminate (subject to Clause 2.5) if the Buyer does not pay any amount due hereunder within twenty days after the Transfer Date or by the date specified in Section 2.3, as the case may be. In such event, neither party shall have any liability to the other, and MOF shall be entitled to retain all the Documents concerned.

2.5 If the Buyer shall, by 31st December 2004, have paid to MOF at least 70% of the aggregate Payment Values, then the Transfer Date for each outstanding Tranche not yet paid for by the Buyer shall, in the light of such settlement by the Buyer and at the request of the Buyer by notice to MOF made by no later than within 90 days of such first mentioned date, be extended until 31st December 2006. In such case
the outstanding amount(s) of the Payment Values, remaining unpaid from time to
time, shall carry interest at the rate specified in Clause 2.3 above from 31st
December 2004 until payment.

3. To assist the Buyer in connection with its payment arrangements, MOF shall ensure
throughout that all the Documents not already delivered to the Buyer are available
for inspection and provide photocopies of such documents to the Buyer.

4. MOF also certifies to the Buyer that:

(a) it has full power and authority to enter into this Agreement and to implement
the transactions contemplated hereby for itself and for the Government;

(b) all necessary action to authorise the entry into and the performance of this
Agreement and the transactions contemplated hereby has been taken;

(c) all authorisations, approvals, consents, licenses and notarisations and other
matters official or otherwise, required to be made or obtained in connection
with the entry into, performance, validity and/or enforceability of this
Agreement and the transactions contemplated hereby including, but not
limited to, the assignment and transfer of the Documents and rights to the
Buyer as contemplated herein, have been made or obtained and are and
shall remain in full force and effect;

(d) this Agreement constitutes a legal, valid and binding obligation of MOF, the
Government enforceable in accordance with its terms and is in the proper
form for enforcement in the courts of Russia and entry into and performance
of this Agreement and the transactions contemplated herein do not and will
not conflict with (i) any law or regulation or any official or judicial order in
Russia, (ii) the constitution of The Russian Federation or (iii) any agreement
or document to which MOF is a party or which is binding on it or any of its
assets;

(e) no stamp or registration duty or similar taxes or charges ad no value added
tax or sales tax or similar tax is or will be payable in The Russian Federation
at any time in respect of this Agreement and/or the transactions contemplated hereby,

5. MOF shall not be concerned by or have any interest in any transaction or negotiation by the Buyer relating to the Documents to be acquired by it (and the underlying indebtedness).

6. The Parties shall use their best efforts to take or cause to be taken all actions necessary, proper or advisable under applicable laws to implement and perfect the transactions contemplated hereby.

7. Any notice or communication under or in connection with this Agreement shall be in writing and may be delivered personally or by post, telex, facsimile or cable to the below-mentioned addressee or at such other address as the recipient shall have notified to the other in writing. Any such notice will be effective as follows:

(a) if delivered personally, when delivered;

(b) if by telex when dispatched, but only if, at the time of transmission, the correct answerback appears at the start and end of the sender's copy of the notice;

(c) if by facsimile, cable or post, when received.

Addresses and other details

1. MOF

Address: Ministry of Finance of the Russian Federation,
9 Ulitsa Ilyinka, Moscow, Russian Federation
Telex No:
Facsimile No:

2. THE BUYER

Address: Atlantic House
8.1 Neither the Government nor MOF nor the Buyer may assign or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other party hereto.

9.1 This Agreement become effective upon the signature of the parties. The Escrow Agreement referred to in Clause 2.2. above by MOF, the Buyer and the first class international Bank acceptable to the parties to act as Escrow Bank in terms acceptable to all three parties will be signed later.

9.2 Within ten Business Days of payment by the Buyer under Clause 2.3 above, MOF shall deliver all the Documents (with all the Notes endorsed by MOF in blank on behalf of The Russian Federation) to the Escrow Bank for retention and release by the Escrow Bank in accordance with the terms of such Escrow Agreement.

THIS AGREEMENT has been signed by and for the Parties on the 5th day of March 1997 in manner hindling upon them

THE MINISTRY OF FINANCE OF, AND ON BEHALF OF THE GOVERNMENT OF THE RUSSIAN FEDERATION

[Signature]

THE BUYER

[Signature]

PHOTOCOPIE CERTIFIED
CONFORME À L'ORIGINAL
Geneve, le 23 Dec. 1999

EXHIBITS
Exhibit 5
Angola Promissory Notes 1–2
THIS AGREEMENT is made between:

SOCIEDADE NACIONAL DE COMBUSTIVEIS DE ANGOLA U.E.E. (« Sonangol »),

and

ABALONE INVESTMENTS LIMITED (the « Transferor »).

Whereas:


(B) Pursuant to the Government Protocol, 31 promissory notes (the « Notes »), each dated 17th of January 1997, have been issued by Banco Nacional de Angola (« BNA ») on behalf of the Republic of Angola, as follows:

<table>
<thead>
<tr>
<th>No.</th>
<th>Promissory Note Reference No</th>
<th>Face Amount (aggregating USD 1,500,000,000)</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>HC7819/FGA/01</td>
<td>USD 48,387,967.77</td>
<td>15/06/2001</td>
</tr>
<tr>
<td>2.</td>
<td>HC7821/FGA/02</td>
<td>USD 48,387,967.77</td>
<td>15/12/2001</td>
</tr>
<tr>
<td>3.</td>
<td>HC7822/FGA/03</td>
<td>USD 48,387,967.77</td>
<td>15/06/2002</td>
</tr>
<tr>
<td>4.</td>
<td>HC7823/FGA/04</td>
<td>USD 48,387,967.77</td>
<td>15/12/2002</td>
</tr>
<tr>
<td>5.</td>
<td>HC7824/FGA/05</td>
<td>USD 48,387,967.77</td>
<td>15/06/2003</td>
</tr>
<tr>
<td>6.</td>
<td>HC7825/FGA/06</td>
<td>USD 48,387,967.77</td>
<td>15/12/2003</td>
</tr>
<tr>
<td>7.</td>
<td>HC7826/FGA/07</td>
<td>USD 48,387,967.77</td>
<td>15/06/2004</td>
</tr>
<tr>
<td>8.</td>
<td>HC7827/FGA/08</td>
<td>USD 48,387,967.77</td>
<td>15/12/2004</td>
</tr>
<tr>
<td>9.</td>
<td>HC7828/FGA/09</td>
<td>USD 48,387,967.77</td>
<td>15/06/2005</td>
</tr>
<tr>
<td>10.</td>
<td>HC7829/FGA/10</td>
<td>USD 48,387,967.77</td>
<td>15/12/2005</td>
</tr>
<tr>
<td>11.</td>
<td>HC7830/FGA/11</td>
<td>USD 48,387,967.77</td>
<td>15/06/2006</td>
</tr>
<tr>
<td>12.</td>
<td>HC7831/FGA/12</td>
<td>USD 48,387,967.77</td>
<td>15/12/2006</td>
</tr>
<tr>
<td>13.</td>
<td>HC7832/FGA/13</td>
<td>USD 48,387,967.77</td>
<td>15/06/2007</td>
</tr>
<tr>
<td>14.</td>
<td>HC7833/FGA/14</td>
<td>USD 48,387,967.77</td>
<td>15/12/2007</td>
</tr>
<tr>
<td>15.</td>
<td>HC7834/FGA/15</td>
<td>USD 48,387,967.77</td>
<td>15/06/2008</td>
</tr>
<tr>
<td>16.</td>
<td>HC7835/FGA/16</td>
<td>USD 48,387,967.77</td>
<td>15/12/2008</td>
</tr>
<tr>
<td>17.</td>
<td>HC7836/FGA/17</td>
<td>USD 48,387,967.77</td>
<td>15/06/2009</td>
</tr>
<tr>
<td>18.</td>
<td>HC7837/FGA/18</td>
<td>USD 48,387,967.77</td>
<td>15/12/2009</td>
</tr>
<tr>
<td>19.</td>
<td>HC7838/FGA/19</td>
<td>USD 48,387,967.77</td>
<td>15/06/2010</td>
</tr>
<tr>
<td>20.</td>
<td>HC7839/FGA/20</td>
<td>USD 48,387,967.77</td>
<td>15/12/2010</td>
</tr>
<tr>
<td>21.</td>
<td>HC7840/FGA/21</td>
<td>USD 48,387,967.77</td>
<td>15/06/2011</td>
</tr>
<tr>
<td>22.</td>
<td>HC7841/FGA/22</td>
<td>USD 48,387,967.77</td>
<td>15/12/2011</td>
</tr>
<tr>
<td>23.</td>
<td>HC7842/FGA/23</td>
<td>USD 48,387,967.77</td>
<td>15/06/2012</td>
</tr>
<tr>
<td>24.</td>
<td>HC7843/FGA/24</td>
<td>USD 48,387,967.77</td>
<td>15/12/2012</td>
</tr>
<tr>
<td>25.</td>
<td>HC7844/FGA/25</td>
<td>USD 48,387,967.77</td>
<td>15/06/2013</td>
</tr>
<tr>
<td>26.</td>
<td>HC7845/FGA/26</td>
<td>USD 48,387,967.77</td>
<td>15/12/2013</td>
</tr>
<tr>
<td>27.</td>
<td>HC7846/FGA/27</td>
<td>USD 48,387,967.77</td>
<td>15/06/2014</td>
</tr>
<tr>
<td>28.</td>
<td>HC7847/FGA/28</td>
<td>USD 48,387,967.77</td>
<td>15/12/2014</td>
</tr>
<tr>
<td>29.</td>
<td>HC7848/FGA/29</td>
<td>USD 48,387,967.77</td>
<td>15/06/2015</td>
</tr>
<tr>
<td>30.</td>
<td>HC7849/FGA/30</td>
<td>USD 48,387,967.77</td>
<td>15/12/2015</td>
</tr>
<tr>
<td>31.</td>
<td>HC7850/FGA/31</td>
<td>USD 48,387,967.77</td>
<td>15/06/2016</td>
</tr>
</tbody>
</table>
(C) All such Notes have been issued on behalf of the Angolan Government to the Russian Government.

(D) Also for the purposes of the implementation of the Government Protocol, the Ministry of Finance of the Russian Federation has signed the like number of repayment certificates (each a «Certificate») as follows:

<table>
<thead>
<tr>
<th>Certificate Reference No</th>
<th>Related Note</th>
<th>Corresponding original Indebtedness/Amount out of the total original aggregate amount of USD 5,000,000,000 (US Dollars Five Billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HC7819/FGA/01</td>
<td>HC7819/FGA/01</td>
<td>USD 161,390,322.57</td>
</tr>
<tr>
<td>HC7821/FGA/02</td>
<td>HC7821/FGA/02</td>
<td>USD 161,390,322.57</td>
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<tr>
<td>HC7822/FGA/03</td>
<td>HC7822/FGA/03</td>
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<td>HC7824/FGA/05</td>
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<td>USD 161,390,322.57</td>
</tr>
<tr>
<td>HC7825/FGA/06</td>
<td>HC7825/FGA/06</td>
<td>USD 161,390,322.57</td>
</tr>
<tr>
<td>HC7826/FGA/07</td>
<td>HC7826/FGA/07</td>
<td>USD 161,390,322.57</td>
</tr>
<tr>
<td>HC7827/FGA/08</td>
<td>HC7827/FGA/08</td>
<td>USD 161,390,322.57</td>
</tr>
<tr>
<td>HC7828/FGA/09</td>
<td>HC7828/FGA/09</td>
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<td>HC7829/FGA/10</td>
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<td>USD 161,390,322.57</td>
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</tr>
<tr>
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</tr>
<tr>
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<td>HC7844/FGA/25</td>
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<td>HC7846/FGA/27</td>
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<td>USD 161,390,322.57</td>
</tr>
<tr>
<td>HC7850/FGA/31</td>
<td>HC7850/FGA/31</td>
<td>USD 161,390,322.57</td>
</tr>
</tbody>
</table>

(E) The Transferor has entered into an agreement with the Russian Government providing for the acquisition by the Transferor of the Notes and the Certificates (the «Acquisition Agreement»).

(F) The Angolan Government has instructed Sonangol to purchase the Notes and the Certificates on its behalf and has appointed Sonangol to act as its representatives to establish and/or arrange for all necessary agreements with a view to effecting the purchase of the Notes and Certificates.

(G) The parties hereto have agreed to the following arrangements.
IT IS AGREED as follows:

1. The Transferor proposes to sell to Sonangol and Sonangol undertakes and accepts to purchase from the Transferor up to all of the Notes and Certificates.

2. A Note shall only be eligible for sale and purchase under this Agreement provided it is offered for transfer (i) finally endorsed and (ii) together with its related Certificate (each set comprising at least one Note and its related Certificate being hereafter referred to as a « Set of Documents »).

3. The payment value for each Set of Documents shall be equal to the aggregate face amount of the Note or Notes comprised in such Set of Documents (the « Payment Value »). Each payment shall be made in US Dollars (in immediately available, transferable and unencumbered funds) without any deduction or withholding whatsoever.

4. Upon transfer by or on behalf of Sonangol and receipt by the Transferor of the Payment Value for a Set of Documents throughout and pursuant to the provisions of the escrow agreement referred to in clause 5 hereunder, the Transferor assigns and transfers to Sonangol (the right, the title and ownership in and of all the Note(s) and the Certificate(s) comprised in such Set of Documents and the underlying rights and indebtedness now and hereafter covered thereby (including, without limitation, all accrued and accruing interest and the corresponding original indebtedness amount), free and clear of all claims, liens, mortgages, charges, security interests, burdens, encumbrances or other restrictions of limitations of any nature whatsoever, as acquired by the Transferor pursuant to the Acquisition Agreement.

5. For the purposes of implementing the sale and purchase of each Set of Documents, an escrow agreement (the « Escrow Agreement ») shall be entered into between (i) the Transferor, (ii) Sonangol and (iii) an international bank of prime repute to be selected by the Transferor and through which the transfer of the Payment Value and the release of the Set of Documents concerned shall be made.

6. This Agreement shall come into force on the signature hereof and will expire on the 31st December 2006 or if earlier, on the release by the Escrow Bank, under the Escrow Agreement, of all Payment Values and all the Notes and Certificates, provided always that this Agreement shall continue in relation to any then accrued or outstanding matter until the completion thereof.

7. Sonangol hereby certifies to the Transferor as follows:

(a) it has full power and authority to represent the Government of Angola, to enter into this Agreement and to implement the transactions contemplated hereby;

(b) all necessary action to authorise its entry into and performance of this Agreement and the transactions contemplated hereby has been taken;

(c) all authorisations, approvals, consents, licenses and notarisations and other matters official or otherwise, required to be made or obtained by it in connection with the entry into, performance, validity and/or enforceability of this Agreement and the transactions contemplated hereby have been made or obtained and are and shall remain in full force and effect until the termination of this Agreement;

And

Exhibit 8 (continued)
Sonangol–Abalone Agreement 30 May 1997
7.2 The Transferor hereby certifies to Sonangol as follows:

(a) it has full power and authority to enter into this Agreement and to implement the transactions contemplated hereby;

(b) all necessary action outside Angola to authorise its entry into and performance of this Agreement and the transactions contemplated hereby has been taken;

(c) all authorisations, approvals, consents, licenses and notarisations and other matters official or otherwise, required to be made or obtained by it outside Angola in connection with the entry into, performance, validity and/or enforceability of this Agreement and the transactions contemplated hereby have been made or obtained and are and shall remain in full force and effect until the termination of this Agreement.

8. Any notice or communication under or in connection with this Agreement shall be in writing and may be delivered personally or by post, telex, facsimile or cable to the undermentioned addressee or at such other address as the recipient shall have notified to the other in writing. Any such notice will be delivered to be given as follows:

(a) if delivered personally, when delivered;

(b) if by telex when dispatched, but only if, at the time of transmission, the correct answerback appears at the start and end of the sender’s copy of the notice;

(c) if by facsimile, when received.

Addresses

1. **Sonangol**
   
   Sociedade Nacional de Combustíveis de Angola U.B.E.
   
   Rua do 1º Congresso do MPLA 8 - 16
   
   C.P. 1316
   
   Luanda, Republic of Angola

   Telex n°: Angola 3079, 3148, 3260 SONANGAN
   
   Facsimile n°: +244 2 391782 / 335423 / 331995
   
   Attention: Director General
2. The Transferor
Abalone Investments Limited
Atlantic House
4 - 8 Circular Road
Isle of Man IM99 1RZ
Facsimile no: ++ 44 1624 612 624.
Attention: Mr. Charles Malet de Cirteret

9. This Agreement shall be governed by English law.

Any dispute arising between the parties as to the interpretation, application or
performance of this Escrow Agreement (including its existence, validity or termination)
shall finally be settled in Geneva, Switzerland by one or more arbitrators exclusively in
accordance with the Rules of the Swiss «Concordat sur l’arbitrage», excluding the
application of the provisions of chapter 12 «International Arbitration» of the Swiss
Private International Law.

This Agreement has been signed for the parties hereto in a manner binding upon them.

Signed by JOSEPH DAVID
On 30th May 1997

Signed by CC MALET DE CIINTERET
On 30th May 1997

Duly authorised for and on behalf of
SOCIEDADE NACIONAL DE
COMBUSTIVEIS DE ANGOLA U.E.E.

Duly authorised for and on behalf of
ABALONE INVESTMENTS LIMITED
Exhibit 10
Banque Internationale à Luxembourg Declaration of Beneficial Ownership 6 April 1998

This is to declare that the beneficial owner of the Panamanian Company “Camparal Inc.” with account numbers 275748 and 275903 is

Mr. Jose Eduardo dos Santos – Luanda, Angola.

Signed on April 6, 1998.

A. ROELANTS  J. RIETER  J. BODONI
Memorandum

Genève, 22 juin 1999

pour Andreas Kaegi, Conseiller Juridique, Service Juridique, C363, Tæstrasse, Zurich

de Alain Zbinden, Service Juridique & Compliance, CGXK, Les Cygnes, Genève

concerne "Risikobehaftete Fälle"

Cher Monsieur,

Je fais suite à votre e-mail du 10 juin 1999. Tenant compte des critères qui y sont mentionnés, je vous communique l'existence du dossier suivant ouvert et suivi sous la responsabilité du service Structured Trade and Commodity Finance (STCF) à Genève, division Warburg Dillon Read jusqu'au 30 juin 1999, à la demande duquel notre Service Juridique, et principalement le sousigné, ont été sollicités sur le plan juridique (examen des contrats et assistance pour la due diligence).

Après plusieurs mois de négociations, le STCF à l’ex-SBS Genève accepta le 11 avril 1997 d’intervenir comme "escrow agent" à la demande de Glencore UK Ltd, dans le cadre d’une opération de rachat par l’Angola, de trente et une obligations d’État, et certificats de remboursement correspondants, émis par la Banco Nacional de Angola en faveur de la Russie.

Les parties à cet "escrow agreement" sont l’ex-SBS ("escrow agent"), Unicombank à Moscou (vendeur) agissant à son nom mais pour le compte du Ministère des Finances de Russie, et Abalone Investments Ltd (acheteur). Cet "escrow agreement" principal est complété par deux "side agreements" entre d’une part Abalone Investments Ltd, SBS et Sonangol et d’autre part SBS et Abaline Investments Ltd.

L’arrière plan économique et le fonctionnement de cet "escrow agreement" sont les suivants.

Glencore UK Ltd obtient des préfinancements d’achats de pétrole angolais auprès de grandes banques commerciales connues et de premier ordre. Le produit de ces préfinancements est viré par Glencore UK Ltd dans nos livres à disposition de Sonangol, la société d’état exportatrice de pétrole angolais, afin de lui permettre de financer le rachat de ces obligations. Sonangol vide ensuite auprès de notre banque à l’acheteur, Abaline Investements Ltd, sa rémunération pour son rôle d’intermédiaire déterminant dans cette opération de rachat de la dette angolaise, et le prix fixé par le Ministère des Finances de Russie pour ce rachat d’obligations. Ensuite, l’UBS transfère la somme correspondant au prix de ces obligations à Unicombank. En contrepartie simultanée, Abaline Investments Ltd reçoit de l’UBS les obligations rachetées, et leurs certificats de remboursement, et les remet à Sonangol pour le compte de l’Angola qui peut les annuler et effacer ainsi progressivement sa dette vis-à-vis de la Russie.

L’acceptation par le STCF de ce rôle "d’escrow agent" a été motivée par le fait que Glencore UK Ltd appartient à Glencore International AG, et comme Sonangol, est cliente très importante et connue de longue date de notre banque. Quant à Abaline Investements Ltd, ses ayant-droit économiques, très bien connus du groupe Glencore, ont été également identifiés par l’ex-SBS. Enfin, en ce qui concerne Unicombank, c’est une banque connue de SBC Warburg Londres avec laquelle elle a travaillé dans le cadre de financements syndiqués de rachat de dettes de la Russie.
Par ailleurs, le Ministère des Finances de Russie a confirmé par écrit à l'ex-SBS, le 11 avril 1997, son accord quant aux termes de cet "escrow agreement" et de sa pleine représentation par Unicombank comme vendeur, partie à cet "escrow agreement", les trente et une obligations d'État angolais ayant été endossées en faveur d'Unicombank par le Ministère des Finances de Russie.

Glencore International AG, à la même date, confirmait par écrit à l'ex-SBS avoir pleine connaissance de la totalité des modalités et parties à ce rachat, par utilisation de ses préfinancements, d'obligations de l'Angola, des parties et termes de "l'escrow agreement", son implication indirecte dans cette opération et de son intérêt financier. De plus, outre le paiement des "escrows fees", Glencore International AG garantit l'ex-SBS de lui rembourser tous frais et honoraires de tiers, qui n’auraient pas été préalablement acquittés par Abalone Investments Ltd, comme elle s'y est obligée dans un engagement écrit à première demande daté lui aussi du 11 avril 1997, qui pourraient être déboursés par notre banque en cas de litiges liés à l'exécution de cet "escrow agreement".

Le risque financier en terme de crédit n'existe pas pour notre banque dans sa fonction "d'escrow agent".

L'UBS SA, dans son seul rôle "d'escrow agent", doit veiller à une exécution précise et méticuleuse de son obligation principale consistant, comme en matière de crédit documentaire, en la remise à l'acheteur des obligations d'État angolais, et leurs certificats de remboursement, qu'elle détiennent en sécurité sous son seul contrôle, que contre réception simultanée auprès d'elle des fonds correspondant à la valeur exacte du prix d'achat fixé pour ces obligations, rachetables une par une ou par tranches au nombre de six, composées de cinq obligations chacune, sauf la première qui en comptait six, référencées de A à F.

Chacune de ces tranches porte une échéance de paiement en fin d'année, allant pour la première du 30 novembre 1997 et pour la dernière au 31 décembre 2004. Le prix de rachat de chaque tranche de cinq obligations est de USD 120'967'741,93 (soit USD 24'193'548,39 par obligation et son certificat de remboursement).

Il faut relever que la totalité de la Tranche A et la première obligation, et son certificat de remboursement, de la Tranche B ont déjà été rachetés, en stricte conformité des modalités prévues par cet "escrow agreement", respectivement début octobre et fin décembre 1997, par Abalone Investments Ltd au moyen des préfinancements obtenus par Glencore UK Ltd, comme décrit ci-dessus, et à la satisfaction de toutes les parties.

La prochaine échéance à venir, pour le rachat des quatre obligations restantes, et leurs certificats de remboursement, de la tranche B est prévue au 30 novembre 1999.

Mr Yves Lehar, directeur du STCF, a une connaissance et contrôle complets de ce dossier et étant donné les parties impliquées bien connues de la banque, leur importance et compétences professionnelles, le STCF estime les risques minimums et maîtrisés.

Tant Mr Yves Lehar, que moi-même, restons volontiers à disposition pour toute information complémentaire, en cas de besoin.

UBS SA
Service Juridique

Alain Zbinden
Sous-Directeur
UBS

Memorandum

Geneva, 22 June 1999

to: Andreas Kaegi, Legal Advisor, Legal Department, C363, Talstrasse, Zurich

from: Alain Zbinden, Legal Department & Compliance, CGXK, Les Cygnes, Geneva

re: “Risky Cases”

Dear Sir,

I refer to your e-mail dated 10 June 1999. Taking into account the criteria specified therein, I am communicating to you the existence of the following file opened and remaining under the responsibility of the Structured Trade and Commodity Finance (STCF) service in Geneva, the division of Warburg Dillon Read up to 30 June 30 1999, at whose request our Legal Department, and primarily the undersigned, have been sought out with respect to legal matters (contract review and assistance for due diligence).

After several months of negotiations, the STCF at the former SBS Geneva accepted, on 11 April 1997, to act as "escrow agent" at the request of Glencore UK Ltd, as part of a repurchase transaction by Angola of thirty-one government obligations [bonds], and corresponding repayment certificates, issued by the Banco Nacional de Angola in Russia’s favor.

The parties to this "escrow agreement" are the former SBS ("escrow agent"), Unicombank in Moscow (seller) acting in its own name but on behalf of the Russian Ministry of Finance, and Abalone Investments Ltd (purchaser). This principal "escrow agreement" is supplemented by two "side agreements" between, on the one hand, Abalone Investments Ltd., SBS and Sonangol and, on the other hand, SBS and Abalone Investments Ltd.

The economic background and the operation of this "escrow agreement" are as follows.

Glencore UK Ltd obtains pre-financing of Angolan oil purchases from large, known first-rank commercial banks. The proceeds of such pre-financing are transferred by Glencore UK Ltd on our books available to Sonangol, the state-owned oil exporter of Angola, to enable it to fund the repurchase of the obligations. Sonangol then transfers to the buyer, Abalone Investments Ltd., at our bank, [the buyer’s] remuneration for its role as intermediary in the Angolan debt repurchase transaction, and the price set by the Russian Ministry of Finance for the debt repurchase. Then UBS transfers to Unicombank the sum corresponding to the price of the obligations. In return, simultaneously, Abalone Investments Ltd. Receives from UBS the repurchased obligations, and their repayment certificates, and delivers them to Sonangol for account of Angola, which can in this manner gradually annul and erase its debt toward Russia.
STCF’s acceptance of this role as "escrow agent" was motivated by the fact that Glencore UK Ltd. is owned by Glencore International AG, and, like Sonangol, is a very important client long known by our bank. As for Abalone Investments Ltd, its economic principals [ayant-droit économiques], well-known to the Glencore group, were also identified by the former SBS. Finally, with regard to Unicombank, it is a bank known to SBC Warburg London with which [SBC Warburg London] has worked in the area of syndicated financings of Russian debt repurchases.

Moreover, the Russian Ministry of Finance has confirmed in writing to the former SBS, on 11 April 1997, its agreement to the terms of this "escrow agreement" and its representation by Unicombank as vendor, party to this "escrow agreement", the thirty-one Angolan state obligations having been endorsed over to Unicombank by the Russian Ministry of Finance.

Glencore International AG, on the same date, confirmed in writing to the former SBS its full knowledge of all terms and parties to this repurchase of the Angolan obligations, of the parties and terms of the "escrow agreement", its indirect involvement in this operation and of its financial interest. Moreover, besides the payment of the "escrows fees", Glencore International AG guarantees to the former SBS to reimburse all costs and fees of third parties that could be incurred by our bank in case of litigations relating to the implementation of this "escrow agreement", that shall not have been previously settled by Abalone Investments Ltd, as [Abalone] has bound itself in a written commitment upon first request, also dated 11 April 1997.

Financial risk in terms of credit does not exist for our bank in its function as "escrow agent".

UBS AG, in its sole capacity as “escrow agent”, must ensure an accurate and meticulous execution of its principal obligation, consisting, as in matters of documentary credits, in the surrender to the buyer of the Angolan state obligations, and their certificates of repayment, that it holds in safety under its sole control, against simultaneous receipt by itself of the funds corresponding to the exact value of the purchase price fixed for such obligations, redeemable individually or in tranches of six, each comprising five bonds, except that the first had six, marked A to F.

Each installment bears a scheduled payment at year end, starting for the first 30 November 1997 and for the last 31 December 2004.

The redemption price for each tranche of five bonds is USD 120'967'741,93 (or USD 24 '193 '548,39 per bond and certificate of repayment).

It should be noted that all of Tranche A, and the first bond, and certificate of repayment, of Tranche B, have already been re-purchased, in strict accordance with conditions laid down by this "escrow agreement", respectively in early October and late December 1997, by Abalone Investments Ltd. by means of pre-financings obtained by Glencore UK Ltd, as described above, and to the satisfaction of all parties.

The next deadline to come, for the redemption of the four remaining obligations of Tranche B, and their certificates of repayment, is scheduled for 30 November 1999.
Mr Yves Lehur, director of STCF, has a complete knowledge and control of this file, and, given the parties involved are well known to the bank, their importance and professional skills, the STCF estimates the risks as minimum and controlled.

Both Mr Yves Lehur and I myself remain at your disposition for any further information you may need.

UBS SA
Legal Department
Alain Zbinden,
Assistant Director
Fälle
Exhibit 13

UBS Memo 6 September 1999

Memorandum

Genève, 6 septembre 1999

pour Yves Lehur - WRG9 CTF, Acacias

de Alain Zbinden - CGXK, Les Cygnes (3ème)

concerne Abalone Investments Ltd

Je fais suite à la réunion qui s’est tenue au CAA le 1er septembre avec Messieurs Gedamak et Falcone au cours de laquelle ils nous ont exposé les modifications voulues par le MOF et Abalone quant aux modalités qui régissent actuellement le rachat de la dette de l’Angola vis-à-vis de la Russie et leurs effets sur les Escrow Agreements dont l’UBS SA est partie depuis le printemps 1997.

La modification principale consiste en ce que les Obligations d’État et Certificats de Remboursement émis par la Banco Nacional de Angola en faveur de la Russie ne seraient plus rachetés, et donc annulés, par le transfert d’une somme d’argent en US$ correspondant au prix convenus, mais par la remise au MOF de titres matérialisant la dette de la Russie à l’égard de ses créanciers du Club de Londres (PRNs/IANs), titres dont la valeur est cotée en Bourse.

L’autre changement, non volontaire, est que Unicombank, agissant pour le compte du MOF, s’est vue retirer sa licence d’exploitation bancaire et se trouve sous tutelle, du fait des difficultés qu’elle a connues, à l’instar d’autres banques russes.

D’après Messieurs Falcone et Gedamak, les modifications précitées modifieraient considérablement les conventions signées en 1997 et nécessiteraient l’établissement de nouvelles conventions, notamment d’Escrow avec l’UBS SA, Abalone et la nouvelle banque représentant indirectement le MOF, la SBERINVEST à Moscou.

Dès lors il a été demandé à notre Banque de savoir si elle était prête à accepter ces nouvelles modalités de rachat de la dette angolaise vis-à-vis de la Russie, et de jouer le rôle de l’Escrow Bank dans l’échange des titres sus-décrits.


Une modification de cet Escrow Agreement nécessiterait l’accord de toutes ses parties

La résiliation anticipée de l’Escrow Agreement du 11 avril 1997 est régie par son article 8.2 qui prévoit qu’une annulation peut avoir lieu d’entente par écrit, soit entre Abalone et Unicombank, soit par le MOF et Abalone, la troisième possibilité étant laissée à la seule Unicombank dans le cas
où l’UBS SA ne reçoit pas toute la Valeur de Paiement pour une Tranche à la date de Transfert et que ce défaut n’est pas remédié dans un certain délai.

Si cet Escrow Agreement est résilié dans l’un ou l’autre de ces cas, l’UBS SA doit maintenir les Obligations d’État et Certificats de Repaiesment non encore payés par Abalone à la disposition d’Unicombank et les lui remettre selon les instructions de cette banque russe.

Or dans la mesure où la SBERINVEST se subsisterait à Unicombank pour le compte du MOF, ce devrait d’abord dans le cadre de l’accord encore en vigueur, soit l’Escrow Agreement du 11 avril 1997, notamment pour résilier cet accord et recevoir les Obligations d’État et Certificats de Repaiesment, et ensuite seulement pour signer un nouvel accord d’escrow avec l’UBS SA et Abalone.

En conséquence, il faudrait obtenir les documents suivants quant à cette substitution de la banque du MOF:

- Documents récents concernant SBERINVEST et les organes (et leurs signatures) habilités à l’engager.


- Lettre de SBERINVEST à l’UBS SA confirmant avoir été désignée par le MOF pour se substituer pleinement dans tous les droits et obligations d’Unicombank dans le cadre de l’Escrow Agreement du 11 avril 1997.

- Lettre du MOF à l’UBS SA confirmant qu’Unicombank n’est plus autorisée à agir pour le compte du MOF dans le cadre de l’Escrow Agreement du 11 avril 1997 et que SBERINVEST la remplace dans tous ses droits et obligations pris en rapport avec cet Escrow Agreement.

- Dans l’hypothèse où l’UBS SA accepterait d’entrer en matière, voire de conclure un nouvel Escrow Agreement avec Abalone et la SBERINVEST, lettre du MOF à l’UBS SA confirmant que SBERINVEST est pleinement autorisée à agir pour le compte du MOF dans le cadre de ce nouvel Escrow Agreement.

- Confirmation de la signature du représentant du MOF.

Quant à ces nouvelles modalités de reponse de la dette angolaise contre des titres émis par l’état russe, elles appellent les commentaires suivants:

Tout d’abord il importe que l’UBS SA analyse la nouvelle transaction proposée quant à sa structure, son financement et la possibilité de maîtriser parfaitement l’exécution des obligations qu’elle prendrait comme Escrow Bank.

Ensuite sur les clauses contractuelles du Supplemental Agreement je remarque ce qui suit:

ad 2: L’équivalence de la valeur nominale des Obligations d’État et des IANS/PRINs doit être vérifiée ainsi que ces proportions de 85% et 15%.

ad 3: La période d’exercice pour Abalone fixée au 20 octobre 1999 pour acheter les six blocs de titres ne semble bien proche tenant compte, du temps nécessaire pour analyser cette transaction, formuler un nouveau Escrow Agreement, effectuer une due diligence, obtenir une confirmation et garantie de Glencore/Abalone, identiques à celles émises en avril 1997, quant à cette nouvelle transaction et ses parties, pour l’UBS SA, et de trouver les fonds pour
accueillir ces IANS/PRINs et négocier leur prix de vente par leurs détenteurs actuels pour Abalone.

Les Obligations d’État et Certificats de Remboursement sont effectivement ceux qui restent sous notre contrôle. Par contre en ce qui concerne ces IANS/PRINs, si j’ai bien compris, au contraire du mécanisme actuel où nous devions recevoir le montant en US$ correspondant au prix de la Tranche, ou d’une Obligation d’État correspondante, l’UBS SA devra uniquement recevoir une Déclaration de Remise de SBERINVEST attestant avoir reçu d’Abalone les IANS/PRINs équivalent, pour libérer en faveur d’Abalone les Obligations d’État et Certificats de Remboursement. L’UBS SA n’a donc plus à contrôler que le prix pour ces Obligations d’État et Certificats de Remboursement a été acquitté préalablement par Abalone puisque cette vérification entre dans le cadre d’accords entre Abalone et SBERINVEST auxquels l’UBS SA n’est pas partie.

ad 5: Prévoir que le Supplemental Escrow Agreement puisse entrer en force le 6 septembre 1999 est hallucinant, sachant que la réunion lors de laquelle ces nouvelles modalités nous ont été exposées a eu lieu le 1er septembre 1999!

ad 6: Il est prévu notamment que l’Escrow Agreement du 11 avril 1999 reste en vigueur pour tous les Obligations d’État et Certificats de Remboursement non couverts par ce Supplemental Agreement. C’est curieux et contradictoire dans la mesure où ce Supplemental Agreement couvre tous les titres restants. Est-ce que cela signifie, qu’à défaut pour Abalone d’acquérir les vingt-quatre Obligations d’État et Certificats de Remboursement restant selon ces nouvelles modalités, dans la limite fixée au 20 octobre ou 15 novembre 1999, ce seront les anciennes conventions qui reprendront vigueur?

ad 8: C’est le point le plus délicat. En effet dans le cadre des accords existant, et notamment l’Escrow Agreement du 11 avril 1997, la question très importante de prix accepté par le MOF pour vendre à Abalone les Obligations d’État et Certificats de Remboursement avait été réglée par la présentation à l’UBS, d’une part par Glencore de documents signés par le MOF avec Abalone, et d’autre part de documents officiels par les représentants successifs du MOF lui-même. Or dans le cas présent, il est simplement dit que le MOF accepte une vente des ces titres contre des IANS/PRINs sans autre confirmation officielle émanant du MOF et du Gouvernement russe l’autorisant à entrer dans cette nouvelle transaction pour ce “prix” là. Enfin, je note que ce Supplemental Agreement ne porte aucun sceau officiel du MOF et que la signature de son représentant n’est pas certifiée.

Ce dernier point m’amène à aborder la question du risque de réputation.

Quand l’opération a été présentée par Glencore à l’UBS SA en février 1997, la situation financière et politique de la Russie était synonyme d’une certaine stabilité, et la communauté financière internationale était engagée dans bon nombre de transactions avec les institutions privées et publiques de ce pays.

Néanmoins, depuis la crise financière qui a secoué la Russie et les multiples et rapprochés changements de gouvernements qui s’en sont suivis, il est plus difficile d’avoir la certitude de s’adresser au bon représentant officiel du MOF exprimant la volonté d’un gouvernement d’entrer dans une transaction d’un type aussi spécifique et complexe que celle relative à ces Obligations d’État et Certificats de Remboursement.
Enfin, cette instabilité politico-financière a généré, ou peut-être l'inverse, une attention accrue des autorités judiciaires pénales occidentales, dont notamment suisses et genevoises, qui a débouché sur l'ouverture d'enquêtes pénales tout azimut.

Certes, la transaction sur ces titres émis par la Banco Nacional de Angola en faveur de la Russie, quant à ses motifs, structures, financements et parties contractantes, n'a rien à voir avec le genre des affaires financières qui défrayent depuis plusieurs semaines les journaux.

Néanmoins, cette transaction est en relation avec deux pays devenus plus sensibles et instables, la Russie et l'Angola, et toute mention éventuelle d'un des représentants de l'une ou l'autre parties comme Abalone, SBERINVEST ou du MOF dans un article de journal, même à posteriori jugée comme infondée, voire calomnieuse, n'empêcherait pas, dans un premier temps, un juge suisse et surtout genevois de vouloir s'intéresser aux personnes mentionnées.

Dès lors, si à l'occasion des modifications importantes voulues par le MOF et Abalone quant à cette opération, l'UBS SA peut avoir la possibilité de sortir définitivement de son rôle d'Escrow Agent repris par une autre banque, hypothèse qu'ont eux-mêmes évoquée Messieurs Gedamak et Falcone, et qu'elle le veuille tenant compte des points sus-évoqués, il y aura lieu de bien examiner les avantages et inconvénients de la position à prendre.

Quoiqu'il en soit de la position de l'UBS SA, ces nouvelles modalités présentées par Abalone doivent être impérativement soumises à Mr Bernard Verdier pour examen et décision sur le plan transactionnel et commercial.

Sur les risques de réputation, à part soulever les points précités, le Service Juridique et Compliance Romandie n'a pas la compétence pour trancher la question de savoir si l'UBS SA accepte de les prendre.

Avec mes meilleures salutations.

UBS SA
Service Juridique

Alain Zbinden
Sous-Directeur
UBS

Memorandum

Geneva, September 6, 1999

to Yves Lehur – WRG9 CTF, Acacias

from Alain Zbinden - CGXK, Les Cygnes, (3rd)

regarding Abalone Investments Ltd.

This message is pursuant to the meeting held at the CAA on September 1 with Mr. Gedamak and Mr. Falcone during which they presented the changes desired by the Ministry of Finance and Abalone regarding the terms currently governing the redemption of the Angolan debt vis-à-vis Russia and their effect on the Escrow Agreements to which UBS SA has been party since the spring of 1997.

The primary change is that the Government Bonds and Repayment Certificates issued by Banco Nacional de Angola in favor of Russia would no longer be redeemed, and thus nullified, by the transfer of an amount of money in USD equivalent to the agreed-upon price, but by the return to the Ministry of Finance of securities materializing the Russian debt in regards to its creditors from the London Club (PRINs/IANs), securities whose values are registered on the stock exchange.

The other, non-voluntary, change is that Unicombank, acting on behalf of the Ministry of Finance, had its banking license revoked due to the difficulties it had encountered and was placed under court-ordered administration, following the example of other Russian banks.

According to Mr. Falcone and Mr. Gedamak, the above-mentioned changes would considerably alter the agreements signed in 1997 and would require the signing of new agreements, in particular the Escrow Agreement with UBS SA, Abalone and the new bank indirectly representing the Ministry of Finance, SBERINVEST in Moscow.

Consequently, our Bank was asked if it was ready to agree to these new terms for the redemption of the Angolan debt vis-à-vis Russia, and to serve as the Escrow Bank for the exchange of the aforementioned securities.

Whether UBS accepts or refuses, in either case the Escrow Agreement signed with Abalone and Unicombank on April 11, 1997, and consequently the side agreements with Abalone and Sonangol and with Abalone alone would moreover be amended, if not terminated early, since the new terms would be too different than those from 1997.

An amendment to this Escrow Agreement would require the consent of all the parties involved.

The prior termination of the Escrow Agreement of April 11, 1997 is governed by its Article 8.2, which provides that an annulment can take place with written agreement, either between Abalone and Unicombank, or between the Ministry of Finance and Abalone, or in a third case with Unicombank acting alone in the event that UBS SA does not receive the entire Payment
Value for a Batch on the Transfer Date and that this failure is not remedied within a defined period.

If this Escrow Agreement is terminated under any of the above scenarios, UBS SA must make the Government Bonds and Repayment Certificates that Abalone has not yet purchased available to Unicombank and must return them to it according to the instructions from said Russian bank.

Therefore, to the extent that SBERINVEST replaces Unicombank to act on behalf of the Ministry of Finance, it would first be within the framework of the current agreement, i.e. the Escrow Agreement of April 11, 1997, particularly to terminate this agreement and the receive the Government Bonds and Repayment Certificates, and only then for signing a new escrow agreement with UBS SA and Abalone.

Consequently, the following documents must be obtained as concerns this substitution of the Ministry of Finance's bank:

- Recent documents concerning SBERINVEST, and the bodies (and their signatures) authorized to bind it.
- Letter from Unicombank to UBS SA confirming the revocation of its banking license and its inability to continue as party to the Escrow Agreement of April 11, 1997.
- Letter from SBERINVEST to UBS SA confirming having been designated by the Ministry of Finance to fully replace Unicombank in all of its privileges and responsibilities within the context of the Escrow Agreement of 11 April 1997.
- Letter from the Ministry of Finance to UBS SA confirming that Unicombank is no longer authorized to act on behalf of the Ministry of Finance in the framework of the Escrow Agreement of April 11, 1997 and that SBERINVEST has replaced it in all of their rights and obligations undertaken with respect to the Escrow Agreement.
- Should UBS SA agree to enter into a new Escrow Agreement with Abalone and SBERINVEST, letter from the Ministry of Finance to UBS SA confirming that SBERINVEST is fully authorized to act on behalf of the Ministry of Finance in the framework of this new Escrow Agreement.
- Confirmation of the signature of the representative of the Ministry of Finance.

As for these new terms and conditions for the repayment of the Angolan debt in return for securities issued by the Russian government, the following comments must be made:

First, UBS SA must analyze the new transaction proposed with regards to its structure, financing and the opportunity to perfectly master the execution of the obligations it would assume as the Escrow Bank.

Next, as concerns the contractual clauses of the Supplemental Agreement, I would note the following:

ad 2: The equivalence of the nominal value of the Government Bonds and the IANs/PRINs is to be verified, as well as the proportions of 85% and 15%.

ad 3: The exercise period for Abalone set for October 20, 1999 to purchase the six blocks of shares seems to be quite close, taking into account the time required to analyze this transaction, prepare a new Escrow Agreement, conduct due diligence, obtain confirmation and a guarantee from Glencore/Abalone, identical to those issued in April 1997, as for this
new transaction and its parties, for UBS SA, and to find the funds to acquire the IANs/PRINs and negotiate a sales price with their current holders for Abalone.

The Government Bonds and Repayment Certificates are effectively those that remain under our control. However, regarding the IANs/PRINs, if I have understood correctly, unlike the current mechanism through which we should receive the amount in USD corresponding to the price of the Batch or a corresponding Government Bond, UBS SA should only receive a Declaration of Remittance from SBERINVEST attesting to their receipt of the equivalent IANs/PRINs from Abalone, to release the Government Bonds and Repayment Certificates in favor of Abalone. UBS SA then only has to ensure that the price for these Government Bonds and Repayment Certificates has been previously paid by Abalone, since this verification falls within the framework of the agreements between Abalone and SBERINVEST to which UBS SA is not a party).

ad 5: It is impossible that the Supplemental Escrow Agreement could take effect September 6, 1999, knowing that the meeting during which these new modalities were presented took place on September 1, 1999!

ad 6: In particular, it is expected that the Escrow Agreement of April 11, 1999 shall remain in effect for all of the Government Bonds and Repayment Certificates not covered under this Supplemental Agreement. This is strange and contradictory in the sense that the Supplemental Agreement covers all of the remaining securities!

Does this mean that unless Abalone acquires the remaining twenty four Government Bonds and Repayment Certificates according to these new terms and conditions within the period from October 20 to November 15, 1999, then the former agreements would once again take effect?

ad 8: This is the most delicate issue.

In fact, in the context of the existing agreements, and in particular the Escrow Agreement of April 11, 1997, the very important question of the price that the Ministry of Finance accepted to sell the Government Bonds and Repayment Certificates to Abalone was settled when Glencore, on the one hand, presented UBS with the documents signed by the Ministry of Finance with Abalone, and, on the other hand, with official documents from the successive representatives of the Ministry of Finance itself.

Moreover, in this case, it is simply stated that the Ministry of Finance accepts the sale of these securities in return for IANs/PRINs without any other official confirmation issued by the Ministry of Finance and the Russian government authorizing the new transaction at that “price.”

Finally, it should be noted that the Supplemental Agreement bears no official seal from the Ministry of Finance and that the representative’s signature is not notarized.

This last point caused me to look into a possible risk to reputation.

When Glencore presented the transaction to UBS SA in February 1997, Russia’s financial and political situation was fairly stable and the international financial community was involved in a good number of transactions with this country’s private and public organizations.

However, since the financial crisis that shook Russia and the numerous successive changes in the government that followed, it is more difficult to be certain that you’re dealing with the proper official Ministry of Finance representative who is expressing the government’s true wishes to enter into such a specific and complex transaction as the one relative to these Government Bonds and Repayment Certificates.
Ultimately, this political and financial instability has generated, or maybe the opposite, increased attention from Western legal authorities, particularly from Switzerland and Geneva, which has resulted in full scale criminal investigations being opened.

To be sure, the motives, structures, financing and contractual parties behind the transactions concerning these securities issued by the Banco Nacional de Angola in favor of Russia had nothing to do with the financial matters that have appeared in the news for the last several weeks.

Nevertheless, this transaction is related to two countries that have become more delicate and unstable, Russia and Angola, and any possible mention of one of the representatives of either of the parties such as Abalone, SBERINVEST or the Ministry of Finance in a news article, even if later determined to be unfounded, if not slanderous, would still initially cause a Swiss judge, and above all a Geneva judge, to take an interest in the individuals in question.

Since then, if at the time of the significant changes to the transaction requested by the Ministry of Finance and Abalone, UBS SA could have the opportunity to definitively terminate its role as the Escrow Agent, which would be turned over to another bank, a hypothetical situation that Mr. Gedamak and Mr. Falcone themselves brought up, and that is so wishes in light of the above, there would be good reason to examine the advantages and disadvantages of the decision to be made.

Regardless of the position taken by UBS SA, these new terms presented by Abalone must be submitted to Mr. Bernard Verdier to review and make a decision in terms of its transactional and commercial nature.

In terms of the risks to reputation, apart from reiterating the issues mentioned above, the Romandie Legal and Compliance Department does not have the authority to determine if UBS SA assumes these risks.

Sincerely,

Alain Zbinden
Assistant Director
MEMORANDUM OF UNDERSTANDING

concluded between

Mr Arcadi Gaydamak

and

Mr Vitaly Malkin

hereinafter jointly referred to as the “Parties”

Whereas Mr Gaydamak is the beneficial owner of 50% of the shares of Abalone Investments Limited, hereafter referred to as the “Company”, a company registered under the laws of Isle of Man;

Whereas Mrs Joëlle Mamane is the Managing Director of the Company and therefore its rightful representative;

Whereas Mr Malkin is the fully authorised representative of R.K. Bank;

Whereas the Government of the Russian Federation and the Government of the Republic of Angola have entered into an agreement dated November 20, 1996 concerning the indebtedness of the Republic of Angola towards the Russian Federation;

Whereas pursuant to this latter agreement, 31 promissory notes, hereafter the “Notes”, each dated January 17, 1997, have been issued by Banco Nacional de Angola on behalf of the Republic of Angola to the Russian Government;

Whereas the Ministry of Finance of the Russian Federation has signed the repayment certificates, hereafter the “Certificates”, related to the hereabove mentioned notes;

Whereas the Company has entered into an agreement with the Russian Government providing for the acquisition by the Company of the Notes and the Certificates;

Whereas the Government of the Republic of Angola has mandated Sonangol, the Angolan national oil company, hereinafter “Sonangol”, to purchase the Notes and the Certificates on its behalf and has appointed Sonangol to act as its representative in the purchase of the Notes and Certificates;
Whereas the Company has entered into an agreement dated May 30, 1997, with Senagol in order to sell the Notes and Certificates to this latter company, hereinafter the “Transaction”;

Whereas the Parties to this Agreement are willing to cooperate in order to facilitate the Transaction.

Therefore, the Parties agree as follows:

Article 1
The Parties shall cooperate between them in order to have the Transaction duly executed.
For that purpose, each party shall inform without delay the other of any information regarding the Transaction and the legal status of their entity.

Article 2
To ensure a good cooperation, Mr Gaydamak shall sell to Mr Malkin, who accepts, the number of shares corresponding to a participation of 25% in the Company.

Article 3
Mr Gaydamak warrants that he has the absolute right and power to sell the hereabove mentioned shares and that these are free of any liens, mortgages, charges, pledges or encumbrances whatsoever and that he may freely dispose thereof.

Article 4
The price of purchase is of US$ 60 millions.

Articles 5
The terms of the execution of the sale of the shares will be regulated in a shares’ sale agreement to be concluded by the Parties.
Parties already agree that Mr Malkin will pay US$ 42 millions to Mr Gaydamak on the bank account that will be indicated to him. Mr Malkin will assume an obligation of Mr Gaydamak for US$ 6 millions.
For the remaining amount of US$ 12 millions, Mr Gaydamak will grant a loan to Mr Malkin. This loan will be payable for a half after completion of the reimbursement mentioned in the article 7 here under. The second half will be payable after completion of the second oil contract.
Parties already agree that instead of reimbursement of the loan, Mr Malkin can, at his choice, return to Mr Gaydamak the shares in the Company acquired in application of the article 2 here above. In this case, the loan will be considered as fully reimbursed.

Article 6

Mr Gaydamak agrees that during the time between the signature of the shares’ sale agreement and the time of repayment, as defined in article 7 hereunder, the documents will be placed under the control of an escrow agent.

Mr Gaydamak already undertakes to take all necessary measures in order to enable the transfer of the Notes and Certificates, that will be available during the time between the signature of the shares’ sale agreement and the time of repayment, under the control of the escrow agent.

Parties will conclude the corresponding escrow agreement.

Between the time of signature of this Agreement and the time of signature of the shares’ sale agreement, the Notes and Certificates will be kept in a safe of a reputed bank located in Geneva. Parties will jointly conclude with the bank a deposit agreement providing that the bank shall not make any disposition of the Notes and Certificates without the joint prior written approval of both parties.

In that regard, the parties already agree to release any lien in order to execute the Transaction.

Article 7

As soon as the Transaction has been executed for the first four Notes and Certificates, Mr Gaydamak will reimburse US$ 60 millions to Mr Malkin.

After this payment Mr Malkin will release the Notes and Certificates under his control.

From this time, the Parties will act jointly as regards the Transaction.

Article 8

As per time of signature of the shares’ sale agreement, Mr Gaydamak undertakes to take all the necessary measures to have Mr Malkin authorised to act on behalf of the Company with a joint signature of Mr Gaydamak or Mrs Mainane.

Mr Gaydamak undertakes to instruct the Company not to act without the prior approval of Mr Malkin.

Mr Gaydamak certifies that the only bank account of the Company is UBS Genève, C0–101,436.0 and undertakes not to open or to let open any other account in name of the Company.
Article 9

The Parties agree to jointly conclude with a well-reputed bank located in Geneva an escrow agreement related the documents regarding the terms of the contractual relationship.

These documents are the following: the indebtedness agreement between the Russian Federation and the Republic of Angola, the agreement between the Russian Ministry of Finance and the Company, the agreement between Sonangol and the Company and the oil for notes agreement between Sonangol and the Company.

The Parties are aware that these documents are strictly confidential between them.

They undertake not to disclose their terms and contents to any third party. They agree to jointly instruct the bank accordingly.

Each party shall instruct the other of the procedure to be taken in case of death of the instructor or in case of major political change in the Republic of Angola or in the Russian Federation.

Article 10

Mr Gaydamak hereby undertakes to disclose to Mr Malkin or to any of its representatives duty appointed any such document as may be required and in particular:

- All legal and statutory documentation in relation to the Company
- All information related to the existing bank accounts of the Company
- All information related to the accounts of the Company
- All the signed agreements, contracts, power of attorneys issued in the name of the Company
- All the documentation related to the Notes, in particular the indebtedness agreement between the Russian Federation and the Republic of Angola, the agreement between the Russian Ministry of Finance and the Company, the agreement between Sonangol and the Company, oil for notes agreement between Sonangol and the Company, and any other agreement that is related to the execution of the Transaction.

Article 11

Parties agree that all necessary documentation has to be finished till Tuesday December 21, 1999. In case of non-accomplishment of this condition, Mr. Gaydamak will reimburse Mr. Malkin of any payment made and Mr. Malkin will release the documents under his control, the Agreement will be considered as cancelled.

[Signature]

[Handwritten Notes]
Article 12
The Parties shall maintain strictly confidential the terms of this Agreement and not disclose its content to any third party without the prior written approval of the other party except where the applicable laws and regulations provide for a duty to disclose of the parties.

Article 13
Any amendment to the present agreement shall not be valid unless made in writing with the consent of both Parties.

Article 14
This Memorandum of Understanding replaces the one concluded on December 14, 1999 between the Parties and any agreement related to it.

Article 15
Any dispute arising out or in connection with the existence or non-existence, interpretation, execution or inexecution of this Agreement shall be for lack of amicable understanding, settled in accordance with the Rules of the Swiss “Concordat sur l’Arbitrage”, the place of arbitration shall be Lausanne.

The present Agreement is governed by Swiss law.

Executed and signed in two originals, each party taking one copy.

London, December 20, 1999

Arcadi Gaydamak

Vitaly Malkin
Exhibit 21

Abalone Investments Ltd. Schedule of UBS Bank Activity
23 May 1997–31 December 2000

[Image of the schedule with columns for Date, Text, Credit, and Debit in USD]
<table>
<thead>
<tr>
<th>Date</th>
<th>Amount</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>01.06.01</td>
<td>247 000 000</td>
<td>Mensa Trading (RCB)</td>
</tr>
<tr>
<td>02.04.01</td>
<td>50 000 160</td>
<td>Interprombank</td>
</tr>
<tr>
<td>04.05.01</td>
<td>5 400 160</td>
<td>Zichron, (Bank Discount Israel)</td>
</tr>
<tr>
<td>04.09.01</td>
<td>1 500 160</td>
<td>Rose City Limited</td>
</tr>
<tr>
<td>04.09.01</td>
<td>500 160</td>
<td>Srits and Single Trading</td>
</tr>
<tr>
<td>05.04.01</td>
<td>11 500 000</td>
<td>Interprombank</td>
</tr>
<tr>
<td>07.09.01</td>
<td>2 000 000</td>
<td></td>
</tr>
<tr>
<td>07.09.01</td>
<td>500 000</td>
<td></td>
</tr>
<tr>
<td>08.08.01</td>
<td>94 000 160</td>
<td>Doha Global Fund (Subscription in Fund)</td>
</tr>
<tr>
<td>08.08.01</td>
<td>10 000 160</td>
<td>Interprombank</td>
</tr>
<tr>
<td>10.04.01</td>
<td>5 500 160</td>
<td>Spade Business LTD (Bank of Cyprus) Fishing Ships</td>
</tr>
<tr>
<td>10.05.01</td>
<td>2 000 160</td>
<td>Cliff</td>
</tr>
<tr>
<td>12.04.01</td>
<td>2 000 160</td>
<td>Cliff Associates (Portugal) Securities</td>
</tr>
<tr>
<td>13.09.01</td>
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<td>Mizuho International</td>
</tr>
<tr>
<td>14.06.01</td>
<td>458 160</td>
<td>41412L UEB (Geneve)</td>
</tr>
<tr>
<td>14.08.01</td>
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<td>Mizuho</td>
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<tr>
<td>15.03.01</td>
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</tr>
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<td>Mensana Trading (RCB)</td>
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<td>SNP Boat Service – Payments for Boat</td>
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</tr>
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<td>United European Bank (Geneve)</td>
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<td>2 579 533</td>
<td>41412L UEB (Geneve)</td>
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<td>Sumatra LTD (Man – Financial) London</td>
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<td>Mizuho International</td>
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<td>27.04.01</td>
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<td>Diffusion Financial Group (Artesia Bank Luxembourg)</td>
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<td>980 160</td>
<td>Cliff Associates (Portugal) Securities</td>
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<tr>
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<td>2 700 160</td>
<td>Mizuho International</td>
</tr>
<tr>
<td>29.08.01</td>
<td>3 500 000</td>
<td></td>
</tr>
<tr>
<td>29.08.01</td>
<td>3 500 000</td>
<td></td>
</tr>
<tr>
<td>29.08.01</td>
<td>10 000 160</td>
<td>Interprombank</td>
</tr>
</tbody>
</table>

Total: 681 401 116,78
Exhibit 28
Sberinvest Flow Chart
L’an deux mille trois

Le douze novembre

Yves Marie L’HELIAS
Commandant de Police

En fonction à la Brigade Financière de la Préfecture de Police de Paris,
Poursuivant l’exécution des commissions rogoistres,

Procérons à l’examen des pièces communiquées par les autorités
judiciaires du Grand Duché du Luxembourg et placées sous secclé No 661,
662 et 663 correspondant pour l’essentiel aux relevés et pièces des comptes
des sociétés panaméennes DRAMAL, CAMPARAL et TUTORAL, ouverts
à la DEXIA BIL.

Au vu des pièces d’ouverture de compte jointes aux relevés, on peut
indiquer comme suit l’identité des bénéficiaires économiques de ces
sociétés :

DRAMAL : Pierre Joseph FALCONE
TUTORAL : Elissio de FIGUEIREDO
CAMPARAL : José Eduardo DOS SANTOS avec pour représentant
M. Elissio de FIGUEIREDO

Ces trois sociétés ont été constituées à la même date, le 30 mars 1998,
par le biais de la banque Luxembourgaisée DEXIA BIL ( à l’époque des faits
BANQUE INTERNATIONALE A Luxembourg ) et comptent parmi leurs
interlocuteurs au sein de la banque M. Joost RIEPER et M. Roland
SUELEAU.

Ces trois comptes ont enregistré pour première écriture, des
bonifications comptabilisées le 10 avril 1998 ( valeur au 14 avril ), toutes
dépourvues d’indications sur l’origine sauf la mention « un client » , et dont
les montants suivent :

CAMPARAL (M. DOS SANTOS) : 37,112,567,46 USD
TUTORAL (M. DE FIGUEIREDO) : 7,331,199,53 USD
DRAMAL (M. FALCONE) ..........1,814,973,53 USD

Pour ces trois opérations , qui constituent la provision initiale de
chaque un de ces trois comptes, la contrepartie débitée dans les livres de la BIL
est un compte au nom de la CITIBANK N.A.

Les emplois faits de cette trésorerie feront l’objet de constatations
distinctes, l’objet des présentes étant de déterminer la provenance des
sommes ci-dessus.

Un nouvel examen des pièces communiquées par le Parquet Général du
Grand Duché du Luxembourg, figurant sous secclé No 679 permet de
préciser selon quelle chronologie ont été dédouanés les comptes « ENIREP »
au nom de BRENSCO TRADING LIMITED et plusieurs autres comptes d’
« amis » de M. FALCONE.

A cette occasion, il était apparu à l’examen des emplois de ces quelques 98 M USD que la BANQUE DE GESTION EDMOND DE ROTHCHILD avait tenu plusieurs autres comptes au nom d’entités dont les bénéficiaires économiques étaient M. FALCONE ou certains de ses amis selon les termes employés dans les mémos internes de ce établissement. Il s’agissait des comptes suivants :

N° 8749, 87490, 8780 et 8781 correspondant à B.T.L et M FALCONE
N° 8793, 87930 correspondant à une société « BRACEWELL MANAGEMENT »
N° 8798 et 87980 correspondant à la société « INTERSUL »

Ces mêmes constatations permettaient de relever la précision fournie par Olivier d’AURIOL, alors titulaire d’un mandat de gestion, selon laquelle une des deux entités « BRACEWELL MANAGEMENT » ou « INTERSUL » correspondant à « M. F., de nationalité angolaise », un des amis de M. FALCONE.

Les constatations sur les comptes « ENIREP » à BANQUE DE GESTION EDMOND DE ROTHCHILD Luxembourg avaient permis de relever que les comptes des « amis » de M. FALCONE avaient été crédités de fonds provenant d’ENIREP, à savoir :

Comptes « BRACEWELL MANAGEMENT » : 7, 38 M USD en octobre et novembre 1997,

La documentation bancaire de la BANQUE DE GESTION EDMOND DE ROTHCHILD sous scellé 679 montre que pour des raisons non précisées par écrit, le Comité de Direction de la banque a informé le 4 mars 1998 par téléphone et courrier le titulaire des comptes « ENIREP » de la volonté de l’établissement de clôturer ces comptes, accordant un délai au 31 mars pour la désignation de l’établissement devant recevoir les fonds.


Nous avons vu au début du présent que par ailleurs, le 30 mars 1998 les sociétés DRAMAL, TUTORAL et COMPARAL étaient constituées par la BANQUE INTERNATIONALE à Luxembourg.

Le 6 avril 1998, M. FALCONE fournit à la BANQUE DE GESTION EDMOND DE ROTHSCHILD les coordonnées bancaires devant servir à destination aux fonds avant la clôture des comptes, à savoir un compte au nom de la CITIBANK N.A. ouvert à la BANQUE INTERNATIONALE à Luxembourg à l’attention de M. SULEAU.

Les dernières pièces de débit sous scellé 679, montrent que le transfert a été ordonné par la BANQUE DE GESTION EDMOND DE ROTHSCHILD le 9 avril 1998, et qu’il est fait référence à une valeur au 1er avril.

On peut résumer ce qui précède en soulignant que :

- La clôture des comptes « ENIREP », ainsi que « BRACEWELL MANAGEMENT » et « INTERSUL » à la BANQUE DE GESTION EDMOND DE ROTHSCHILD coïncide exactement avec l’ouverture des comptes DRAMAL, TUTORAL et COMPARAL.
- Les sommes provenant de la BANQUE ROTHSCHILD étaient destinées à la CITIBANK NA chez B.I.L à l’attention de M. SULEAU, un des interlocuteurs des sociétés DRAMAL, TUTORAL et COMPARAL. Or dans la comptabilité B.I.L., la contrepartie des crédits passés en faveurs de DRAMAL, TUTORAL et COMPARAL est la CITIBANK N.A.

Tout indique donc que le compte « COMPARAL », bénéficiant à M. José Eduardo DOS SANTOS faisait suite et correspondait au même intérêt que le compte « INTERSUL ».

De même, le compte « TUTORAL » ayant pour bénéficiaire M. FIGUEIREDO, faisait assurément suite au compte « BRACEWELL MANAGEMENT ».

Dans ces conditions, et compte tenu de l’origine des sommes parvenues sur les comptes « INTERSUL » et « BRACEWELL MANAGEMENT », déterminée dans nos précédentes constatations sur le compte « ENIREP », il apparaît :

- Que les avoirs transférés du compte « INTERSUL » vers le compte « COMPARAL » provenaient de la provision constituée sur le compte « ENIREP » en octobre 1997 par les 48 M. USD.
provenant du compte « ABALONE » à l’UBS Genève, donc relation apparente avec la renégociation de la dette anglaise à vis de la Russie.

- Que les avoirs transférés du compte « BRACEWE MANAGEMENT » vers le compte « TUTORIAL » provenant dans leur majorité des 4,8 M. USD provenant également des M. USD reçus par « ENIREP » du compte « ABALONE »

Dont procès verbal.

Le Commandant de Poli
The year two thousand three [illegible] D6622/1

The twelfth of November

Yves Marie L’Helias
Police Chief

On duty at the Financial Crime Unit of the Paris Police Prefecture,
Executing the letters rogatory,

Have examined the documents provided by the judicial authorities of the Grand Duchy of Luxembourg and placed under seal No. 661, 662 and 663 corresponding for the most part to the statements and documents related to the accounts of the Panama companies Dramal, Camparal and Tutural, opened at Dexia BIL.

In light of the documents used to open the accounts, attached to the statements, the identities of the account beneficiaries of these companies are as follows:

Dramal: Pierre Joseph Falcone
Tutural: Elisio de Figueiredo
Camparal: José Eduardo Dos Santos with Mr. Elisio De Figueiredo as representative

These three companies were incorporated on the same date, March 30, 1998, via the Luxembourg bank Dexia BIL (at the relevant time, Banque Internationale in Luxembourg) and include among their contacts within the bank Mr. Jo ost Rieter and Mr. Roland Suleau.

These three accounts first recorded payments on April 10, 1998 (value date April 14). None of them include information on the origin except for the note “a client,” with the following amounts:

Camparal (Mr. Dos Santos): USD 37,112,576.46
Tutural (Mr. De Figueiredo): USD 7,331,199.53
Dramal (Mr. Falcone)..................USD 1,814,973.53

For these three transactions, which make up the initial deposit for each of the three accounts, the counterpart debited in the books of BIL is an account in the name of Citibank N.A.

The use of these funds shall be described in separate findings as the purpose of this document is to determine the origin of the aforementioned amounts.

A new examination of the documents provided by the Grand Duchy of Luxembourg Prosecutor’s Office under seal No. 679 provides details about the chronology of the closing of the “ENREP” accounts in the name of Brenco Trading Limited and several other accounts of Mr. Falcone’s “friends”.
We refer to our prior findings regarding the “ENIREP” account at Banque de Gestion Edmond De Rothschild in Luxembourg which concerned the use by B.T.L of excessive amounts such as USD 11.6 M from Bank Leumi Geneva, USD 45 M from the account “Abalone” at UBS Geneva and USD 42 M from ZTS OSOS at the Bank Paribas, transactions recorded between the months of August and November 1997.

At that time, an examination of the uses of the USD 98 M revealed that Banque de Gestion Edmond De Rothschild held several other accounts in the names of entities whose account beneficiaries were Mr. Falcone or certain of his “friends” according the terms employed in the internal memos of this bank. This related to the following accounts:

No. 8749, 87490 and 8781 corresponding to B.T.L and Mr. Falcone
No. 8793, 87930 corresponding to the company “Bracewell Management”
No. 8798 and 87980 corresponding to the company “Intersul”.

These same findings showed the information provided by Olivier d’Auriol, who had a power of attorney at the time, according to which one of the two entities “Bracewell Management” or “Intersul” corresponded to “M. Fl, of Angolan nationality”, a friend of Mr. Falcone.

The findings relating to the accounts “ENIREP” at Banque de Gestion Edmond De Rothschild showed that the accounts of Mr. Falcone’s “friends” had been credited with the funds from ENIREP, as follows:

“Intersul” accounts………………..USD 36.25 M in October 1997.

The banking documents of Banque de Gestion Edmond De Rothschild under seal 679 showed that for reasons not put in writing, the Bank’s executive board, on March 4, 1998, by phone and in a letter, notified the holder of the “ENIREP” accounts that the bank would close out the accounts, giving him until March 31 to provide the name of the new establishment to transfer the funds.

After a reminder from the bank, “Mr. F” as Falcone, representing the company ENIREP, told the establishment on March 18, 1998, that he had taken steps to permanently close the “accounts of Group F within 15 days”.

Pursuant to this notice, on March 25, 1998, the bank proceeded to close the accounts of “Group F” including accounts nos. 8749, 87490, 8781, 87810, 8793, 87930 (also including the two “Bracwell Management” accounts), 9798 879[illegible]0 (the two “Intersul” accounts) and 8786.
As noted at the beginning of this document, on March 30, 1998, the companies Dramal, Tutoral and Camparal had been created by Banque Internationale in Luxembourg.

On April 6, 1998, Mr. Falcone provided Banque de Gestion Edmond De Rothschild the banking information of the receiving bank prior to closing the accounts, that is, for an account in the name of Citibank N.A. opened with the Banque Internationale in Luxembourg, to the attention of Mr. Suleau.

The last documents relating to withdrawals under seal 679 show that the transfer was ordered by the Banque de Gestion Edmond De Rothschild on April 9, 1998 and they refer to an amount as of 1[illegible] April.

The aforementioned can be summarized, highlighting the following:

- “Closing of the “Enirep” accounts but also “Bracewell Management” and “Intersul” at Banque de Gestion Edmond De Rothschild coincides exactly with the opening of the “Dramal”, “Tutoral” and “Camparal” accounts at the Banque Internationale in Luxembourg. April 14, 19[illegible] corresponds on the one hand to the value date of the closing entries and on the other hand to the initial credits.
- “The amounts transferred from the Banque Rothschild were intended for Citibank NA at B I L to the attention of Mr. Suleau, one of the contacts at Dramal, Tutoral and Camparal. However, in the accounting records of B.I.L. the offset recorded in the books benefiting Dramal, Tutoral and Camparal is Citibank N.A.
- The amount credited to Camparal of USD 37.11 M on [illegible] April 1998 is very close to USD 36.25M received by Intersul in October 1997. With regard to the USD 7.38 M received by Bracewell Management in 1997, it is also very close to the USD 7.33 M credited to Tutoral in April 1998.

Everything shows that the “Camparal” account benefitting Mr. José Eduardo Dos Santos followed and corresponded to the same interest [appearing] as the “Intersul” account.

Similarly, the “Tutoral” account benefitting Mr. Figueiredo was obviously the successor to the “Bracewell Management” account.

Under these conditions and given the origin of the amounts deposited in the “Intersul” and “Bracewell Management” accounts, determined in our prior findings on [illegible] “Enirep” account, it appears:
- that the assets transferred from the “Intersul” account to the 
  “Camparal” account originated from the deposit used to open the “Enirep” 
  account in October 1997 with the USD 48 M originating in the “Abalone” 
  account at UBS Geneva, thus apparently related to the renegotiation of the 
  Angola debt to Russia.

- That the assets transferred from the “Bracewell Management” 
  account to the “Tutoral” account originated for the most part from the USD 
  4.8 M also originating from the USD [illegible] M received by “Enirep” from 
  the “Abalone” account. The other origin of the assets in the “Tutoral” 
  account corresponds to the USD 2.5 M paid by “Enirep” [illegible] 
  “Bracewell Management” from the USD 42 M originating in the ZTS OSOS 
  account at Paribas Bank in November 1997.

In witness whereof.

The Police Chief

/signature/

/seal/

Police Prefecture
No. 613
Judicial Police Headquarters
Exhibit 38
Declaration of Remittance and Debit Release Declaration
20 July 2004

ABALONE INVESTMENTS LIMITED
Champion House, Tromode Business Park, Douglas, Isle of Man IM99 1DD

Annex No. 2 to the
Supplement Agreement No. 2

DECLARATION OF REMITTANCE

20th July 2004

In accordance with the execution of the Agreement dated 28th May 1997, the Agreement dated 30th May 1997, the Supplemental Agreement No. 1 dated 26th May 2000, and the Supplemental Agreement No. 2 dated 14th June 2002, signed between the Government of the Republic of Angola and Abalone Investments Limited, we herewith state the following:

1. Abalone Investments Limited confirms that it has received from the Government of the Republic of Angola, through Sonangol, the amount of 1,391,000,000.00 US Dollars (this amount results from Clause 2.B.4) of the Agreement dated 28th May 1997 and clause 2. b. 2 of the Supplemental Agreement No. 1 dated 26th May 2000, which provided that the early payment, by the Government of the Republic of Angola, I.E., before May 30th at least 80% of the total Payment Value, should result in a discount of about 7.3% of the agreed debt repayment value of USD 1.5 billion, concerning the acquisition, by Government of the Republic of Angola, of the 31 Promissory Notes and the Relevant Payment Certificates, related to the settlement of the Angolan debt to the Russian Federation based on the Intergovernmental Agreement dated 20th November 1996 between the Government of the Russian Federation and the Government of the Republic of Angola on the Restructuring of the Debt of the Republic of Angola to the Russian Federation, resulting from the State and Commercial Credits guaranteed by former URSS to the Republic of Angola.

2. The process for the conclusion of all the related remaining documentation is being prepared and will be delivery to the Government of the Republic of Angola in due course.

For The
ABALONE INVESTMENTS LIMITED

ARCADY GAYDAMAK
Duly authorised
for and on behalf of Abalone Investments Limited
ABALONE INVESTMENTS LIMITED
Champion House, Tromode Business Park, Douglas, Isle of Man IM99 1DD

Annex №.3 to the
Supplement Agreement №.2

DEBIT RELEASE DECLARATION

20th July 2004

We the undersigned Abalone Investments Limited, hereby confirm that we have released the Government of the Republic of Angola, from its obligation specified below:

1. Specification of debt:

(a) Debtor:
   - Government of the Republic of Angola

(b) Instrument of debt settlement:
   - Agreements dated 5th March and 11th April 1997, Supplemental Agreement dated 23rd August 1999, Supplemental Agreement №.1 dated 18th 1999, Supplemental Agreement №.2 dated 28th December 1999, Supplemental Agreement №.3 dated 11th May 2000 and Supplemental Agreement №. 4 dated 15th May 2000, related to the arrangements between the Ministry of Finance of the Russian Federation and the Abalone Investments Limited concerning the process of the acquisition, against according Payment Value, by Abalone Investments Limited from Ministry of Finance of the Russian Federation, the Promissory Notes (Issued by Banco Nacional de Angola on behalf of the Republic of Angola) and the Corresponding Repayment Certificates;
   - Agreement dated 28th May 1997, Agreement dated 30th May, Supplemental Agreement №.1 dated 26th May 2000 and Supplemental
Agreement Nº.2 dated 14th June 2002, related to the arrangements between the Government of the Republic of Angola and Abalone Investments Limited concerning the process of acquisition, by the Government of the Republic of Angola from Abalone Investments Limited, of the Promissory Notes and the corresponding Repayment Certificates.

2. Nominal value of the released debt:

(a) The nominal value of the released debt was the amount of 1,391,000,000.00 US Dollars.

(b) The undersigned hereby confirms that the amount pay by the Government of the Republic of Angola in favour of the Abalone Investments Limited, through the Swiss Bank Corporation/UBS as Escrow Bank in accordance with the Escrow Agreement (entered into between the Government of the Republic of Angola, represented by Sonangol, the Abalone Investments Limited and the Agent of Ministry of Finance of the Russian Federation), and through the Russian Trade Bank in accordance of the Understanding (between the Government of the Republic of Angola, represented by Sonangol, the Abalone Investments Limited and Agent of the Ministry of Finance of the Russian Federation).

(c) The amount paid mentioned above represent the full payment to the Abalone Investments Limited, concerning the acquisition, by Government of the Republic of Angola, of the 31 Promissory Notes and the Relevant Repayment Certificates, related to the settlement of the Debt of the Republic of Angola to the Russian Federation based on the Intergovernmental Agreement dated 20th November 1996, and Abalone Investments Limited has no right to claim any amount in respect of the Angolan released debt.

For the
ABALONE INVESTMENTS LIMITED
ARCADY GAYDAMAK
Duly authorised
for and on behalf of Abalone Investments Limited
MINUTES of MEETINGS
between the delegation of the Russian Federation and the
delegation of the Republic of Angola

The representatives of the Russian Federation and the
representatives of the Republic of Angola, hereinafter referred to as
Parties, met in Moscow on September 30, 2005 to exchange views on the
implementation of the Agreement between the Government of the
Russian Federation and the Government of the Republic of Angola on
restructuring of state and commercial credits previously granted by the
former USSR dated November 20, 1996 (“Agreement of November 20,
1996”). A representative of the company “Abalone Investments Limited”
(“Abalone”) also attended this meeting.
The list of the delegations is attached hereto.

1. The Russian Party informed that the Russian Federation remains
the owner of 8 promissory notes each for a nominal amount of 48,39
millions of US dollars issued by the National Bank of Angola in
accordance with the Agreement of November 20, 1996. These promissory
notes are due from December 2005 to June 2009 together with the related
amounts of capitalized interest and with the amounts of interest and late
interest accruing in accordance with the terms of the Agreement of
November 20, 1996. That makes the total outstanding indebtedness of the
Republic of Angola under the Agreement of November 20, 1996 equal to
641 million of US dollars (excluding late interest) as at
September 30, 2005, out of which 136 million of US dollars of interest
already in arrears.
The remaining 23 promissory notes issued by the National Bank of
Angola in accordance with the Agreement of November 20, 1996 were
sold by the Russian Federation to Abalone and the Russian Federation
has received due compensation for these promissory notes.

2. The Angolan Party reiterated that as of July 2001 the Republic
of Angola has fulfilled its obligations under the Agreement of
November 20, 1996 by effecting payments in favor of Abalone totaling to
1,397 billions of US dollars for purchasing all the 31 promissory notes
issued by the National Bank of Angola in accordance with the Agreement
of November 20, 1996. The Angolan Party informed that it received an 
official confirmation from Abalone that the latter had acquired all the
rights of ownership of these notes from the Government of the Russian
Federation as of May 2000 in accordance with Supplemental
Agreement № 4 signed between Abalone and the Ministry of Finance of

3. The Parties have agreed that the Russian Federation and Abalone
will extend their best efforts to come to a new agreement regarding the
purchase by Abalone of the remaining 8 promissory notes. The
representative of Abalone acknowledged this decision and commits to
negotiate with the Russian Party and purchase the remaining promissory
notes until October 30, 2006.

4. If by October 30, 2006 Abalone and the Russian Party fail to
reach a new agreement, the Parties agreed to meet immediately in order to
discuss an acceptable solution.

5. In any case nothing in these Minutes affects the positions stated
by the Parties in paragraphs 1 and 2.

The Parties have agreed to keep close contact in order to inform
each other about the progress on the above mentioned matter.

For the Russian delegation
Alexey L. Kudrin
Minister of Finance

For the Angolan delegation
José Pedro de Morais Jr.
Minister of Finance

Seen and acknowledged
Arcady Gaydamak (For Abalone Investments Limited)
Exhibit 42
Switzerland–Angola Accord 1 November 2005

ACCORD

entre

LA CONFÉDÉRATION SUISSE

et

LA RÉPUBLIQUE D’ANGOLA

CONCERNANT L’AFFECTATION DES FONDS PROVENANT DE LA RÉPUBLIQUE D’ANGOLA
ET ACTUELLEMENT BLOQUÉS EN SUISSE

La Confédération Suisse et la République d’Angola, ci-après désignées les “Parties”,

CONSIDÉRANT la commune volonté de la République d’Angola et de la Confédération Suisse
d’accomplir les fonds actuellement bloqués en Suisse à des projets de nature humanitaire en
République d’Angola,

SOUHAITANT affirmer leurs liens d’amitié et contribuer à une assistance efficace pour la
population vulnérable en République d’Angola,

RECONNAISSANT que cette assistance humanitaire est propre à contribuer à une amélioration
des conditions de vie de la population dans le période d’après conflit.

Sont convenues de ce qui suit:
Article 1 Objectif


3. Le présent Accord vise à établir un ensemble de règles et de procédures en vue de la mise en œuvre de ce Programme.

Article 2 Entités

Les entités en charge du présent Accord sont:

b) du côté angolais, le secrétaire du Conseil des Ministres de la République d’Angola et le conseiller diplomatique du Président de la République d’Angola;

c) du côté suisse, la Direction du développement et de la coopération (DDC) du Département fédéral des affaires étrangères, à Berne, et son Bureau de coordination à Luanda.

Article 3 Priorités et formes

1. Le respect des droits de l’Homme, du droit humanitaire et des principes démocratiques forme la base de la coopération entre les Parties et constitue un élément essentiel du présent Accord au même titre que les objectifs de celui-ci.

2. Les Projets de nature sociale et humanitaire sont destinés aux personnes les plus vulnérables de la société angolaise.

3. La sélection et la réalisation des Projets prendront en considération les priorités suivantes:

a) reconstruction, construction et équipement des infrastructures hospitalières, de formation professionnelle de base et de fourniture d’eau;

b) promotion des capacités locales, notamment la réinsertion sociale des populations déplacées.

Article 4 Modalités d’exécution

1. La Partie angolaise désignera, 10 jours après la mise en vigueur du présent Accord, une partie des projets envisagés. Ils seront approuvés par les Représentants des Parties conformément à l’article 5 du présent Accord. Les Projets feront l’objet d’accords particuliers entre la Partie
angolaïse et les partenaires choisis. Ils seront contresignés par la DDC conformément à l'article 5.3 ci-dessous.

2. La comptabilité du Programme est suivie par la DDC et approuvée par les Représentants. Elle prendra en considération la totalité des dépenses du Programme.

3. La DDC fournira les rapports ci-après, établis conformément à ses procédures internes applicables à la comptabilité et aux rapports:
   a) rapports opérationnels et financiers consolidés semestriels donnant des informations sur les activités et dépenses encourues pendant la période précédente;
   b) rapport final opérationnel et financier consolidé dans les six mois suivant la date d'achèvement du Programme ou à la date à laquelle il y aura été mis fin.

4. La DDC exécute le présent Accord en application de ses règles internes d'administration et de gestion opérationnelles et financières. Sa responsabilité est limitée au soin et à la diligence qu'elle apporte à l'administration et à la gestion de ses propres affaires.

Article 5 Organisation

1. Pour assurer l'exécution du présent Accord, chaque Partie désignera un Représentant ("les Représentants"). Aux fins de l'exécution du Programme, un Secrétariat Exécutif ("le Secrétariat") sera créé.

2. Les Représentants assument la coordination et la supervision générale du Programme.
   a) Les Représentants pourront être accompagnés par les personnes qu'ils jugent nécessaires pour le bon accomplissement de leur mission.
   b) Les Représentants se réuniront aussi souvent que les affaires l'exigent, sur demande de l'une des Parties, mais au minimum une fois par an. Les décisions seront prises par consensus. Un procès-verbal des décisions sera établi et signé par les Représentants. Les Représentants seront secondés par le Secrétariat pour la préparation et la tenue de leurs séances.
   c) Les attributions des Représentants sont les suivantes:
      - évaluer la conformité des Projets présentés par la Partie angolaïse avec les principes établis par cet Accord;
      - décider du retrait des Fonds auprès de la Banque Nationale Suisse conformément à l'article 6 alinéa 1;
      - approuver les accords partielle passés pour chaque Projet;
      - orienter et suivre la réalisation du Programme;
      - faciliter la réalisation des Projets, ainsi que leur coordination entre les divers réalisateurs partenaires;
      - fournir une solution et un appui à la recherche de solutions lors de problèmes importants liés à la mise en œuvre des actions prévues;
approuver les budgets globaux ainsi que les rapports opérationnels et financiers semestriels et annuels;
prendre les mesures nécessaires pour la mise en œuvre et le bon déroulement des missions d'évaluation et de suivi prévues;
approver le rapport d'audit externe;
approver les rapports d'activité du Secrétariat;
requérir du Secrétariat exécutif l'évaluation des Projets envisagés;
approver la nomination du Secrétariat Exécutif.

3. Le Secrétariat est désigné et pourvu par la DDC. Il est dirigé par un Secrétariat Exécutif qui nomme et instute le personnel nécessaire à l'exécution des ses tâches. Le Secrétariat est chargé du suivi administratif et financier du Programme. A cet effet, il est responsable pour:
débourser les Fonds en fonction de l'avancement des Projets et conformément aux accords de Projets particuliers;
participer à l'élaboration et à la négociation des accords de Projets particuliers;
contresigner les accords de Projets particuliers;
assurer le suivi et le monitoring des Projets;
attribuer les mandats d'évaluation et assurer leur suivi;
establir la comptabilité comme instrument de base pour la gestion du Programme;
recevoir copie des rapports des réalisateurs et sur cette base établir les rapports opérationnels et financiers consolidés mentionnés à l'article 4 alinéa 4;
establir et attribuer le mandat pour l'audit externe, qui comprendra des examens sur la régularité de la comptabilité;
organiser les séances des Représentants;
sur requête des Représentants, procéder à l'évaluation des Projets envisagés;
présenter des rapports d'activité semestriels aux Représentants.

Article 6 Débourssements

1. Dès la signature du présent Accord, les Fonds seront débloqués par le Procureur Général du Canton de Genève et virés dans leur intégralité et sur la base des instructions des titulaires des comptes mentionnées à l'annexe du présent Accord sur le compte No 1530510033 ouvert auprès de la Banque Nationale Suisse, au nom du Programme « DDC, Programme social et humanitaire », indiquant la République d'Angola en qualité d'ayant droit économique pour être exclusivement utilisée pour l'exécution des projets définis dans le cadre du présent accord, Copie de la documentation bancaire d'ouverture du Compte sera remise à la Partie angolaise.

2. La DDC sera autorisée à tirer sur le Compte pour financer les montants dus et imputables aux Projets approuvés. Les débourssements en faveur des Projets seront effectués par le Secrétariat Exécutif ou son représentant, par tanches, sur la base des dispositions des accords particuliers passés pour chaque Projet et conformément à celles-ci.
3. Les Fonds seront versés uniquement pour couvrir les coûts des Projets, tels qu'ils seront indiqués dans les budgets des Projets, à l'exclusion des coûts des services, du personnel et de la gestion fournis par la DDC, qui seront pris en charge par la DDC, et à l'exclusion de toutes taxes ou autres charges similaires de l'une ou l'autre des Parties.

4. Tout intérêt ou autre revenu résultant du Compte seront crédités et utilisés aux fins du présent Accord.

5. Les extraits bancaires annuels seront joints aux rapports financiers.

**Article 7 Engagements des Parties.**

1. La Partie suisse, par la DDC, s'engage à:
   a) exécuter ses fonctions au sens du présent Accord avec la soin et la diligence qu'elle apporte à l'administration et à la gestion de ses propres affaires;
   b) prendre à sa charge l'entier des coûts de la gestion, des services et du personnel qu'elle met à disposition en Suisse et en Angola pour l'exécution du présent Accord;
   c) assurer le respect, par ses représentants, ses experts et son personnel étranger qui seraient délégués sur place pour assurer le suivi du Programme, des lois et règlements de la République d'Angola et à ne pas s'immiscer dans les affaires intérieures du pays.

2. La Partie angolaise, s'engage à:
   a) assumer le paiement de tous impôts, frais de douane, droits et autres taxes;
   b) exempter les représentants de la DDC, les experts et le personnel étrangers qui seraient délégués sur place aux fins du présent Accord, de tous impôts sur le revenu et la fortune, ainsi que de toutes taxes, frais de douane, droits et autres coûts imposés sur leurs biens personnels et assurer leur sécurité;
   c) faciliter l'attribution de visas à entrées multiples et autres autorisations nécessaires pour les représentants de la DDC, les experts et le personnel étranger envoyés pour le Programme;
   d) assumer les frais des personnes qu'elle met à disposition pour l'exécution du présent Accord.

**Article 8 Suivi et évaluation**

1. Les Parties coopéreront étroitement en vue d'assurer la réalisation des objectifs du Programme. A cet effet, elles se fourniront mutuellement toute information qu'elles pourraient raisonnablement demander pour garantir une coordination efficace.

2. Le Secrétariat assurera un suivi permanent des Projets et fournira trimestriellement les rapports y relatifs. En cas de besoin, des évaluations externes comprenant des experts nationaux et/ou internationaux seront décidées par le Secrétariat.

3. Les Parties peuvent visiter en tout temps les Projets, moyennant information préalable.
Article 9 Transparence et bonne gestion

Les Parties partagent un commun intérêt à la bonne gestion et à la transparence des affaires publiques ainsi qu'à une utilisation appropriée des ressources destinées au Programme et s'obligeant à promouvoir une concurrence transparente et ouverte sur la base des prix et de la qualité. Elles déclarent en conséquence leur effort pour garantir qu'aucun acte illicite ou moins transparent n'a été ou ne sera commis et qu'aucun avantage d'aucune sorte n'a été ou ne sera accordé à qui que ce soit, directement ou indirectement, en vue ou en contrepartie de l'attribution ou de l'exécution du présent Accord. Toute violation de la règle établie dans cet article constitue un motif suffisant pour justifier la résiliation du présent Accord conformément à l'article 11 alinéa 1 ou pour prendre toute mesure corrective qui s'imposera selon la loi applicable.

Article 10 Modification et litiges

1. Toute modification du présent Accord requiert l'approbation écrite des deux Parties.

2. Tout différend découlant du présent Accord sera réglé par voie diplomatique.

Article 11 Entrée en vigueur et durée

1. L'entrée en vigueur du présent Accord est subordonnée au versement de la totalité des Fonds conformément à l'Article 6 du présent Accord. Le présent Accord reste valable jusqu'à ce que les deux Parties aient rempli toutes leurs obligations contractuelles. Il couvre la période allant de la date de son entrée en vigueur jusqu'à l'épuisement des Fonds prévus, soit en principe une durée de deux ans. Cette durée peut être inférieure à deux ans si les Fonds sont épuisés auparavant, ou supérieure à deux ans s'il s'avère que ce temps n'est pas suffisant pour épuiser les Fonds. Cas échéant, les Parties prolongeront le présent Accord au plus tard six mois, avant l'expiration des deux ans, conformément à l'article 10 alinéa 1.

2. En cas de non-respect des éléments essentiels du présent Accord, chacune des Parties est habilitée à prendre les mesures qui lui semblent appropriées. Auparavant, elle doit, sauf en cas d'urgence spéciale, fournir à l'autre Partie tous les éléments d'information nécessaires à un examen approfondi de la situation. Le choix doit porter par priorité sur les mesures qui perturbent le moins le fonctionnement du présent Accord. Ces mesures sont notifiées immédiatement à l'autre Partie. Les Parties conviennent aux fins de l'interprétation correcte et de l'application pratique du présent Accord qu'il y a urgence spéciale si l'une des Parties commet une violation grave des éléments essentiels mentionnés à l'article 3 alinéa 1.

3. En cas de faute de l'une des Parties ou d'inexécution, le présent Accord peut être résilié moyennant un préavis écrit donné deux mois à l'avance. Nonobstant la résiliation du présent Accord, la DDC conservera le solde inutilisé des Fonds pour régler tous les engagements pris ainsi que toutes les activités nécessaires à la réalisation des Projets, selon les modalités qui auront été convenues entre les Parties. Le solde éventuel des Fonds qui n'aurait pas été dépensé sera utilisé par la DDC en Angola après consultation de la Partie angolaise.
Ainsi fait en deux exemplaires originaux en langue française, le 1er novembre 2005.

Au nom de la Confédération Suisse
Direction du Développement
et de la Coopération

Walter Fust

Au nom de la République d'Angola
Secrétaire du Conseil de Ministres

Joaquim Antonio Carlos dos Reis Júnior
Annexe à l’Accord entre la Confédération Suisse et la République d’Angola concernant l’affectation des fonds en provenance de la République d’Angola et actuellement bloqués en Suisse (ci-après l’Accord)

En conformité à l’Article 1 de l’Accord, les fonds en provenance d’Angola, libérés pour affectation suivant l’Accord, visent les comptes suivants :

Compte 33 04 (précédemment 4’500) auprès de la HSBC GUYERZELLER, Genève, au nom de José Leito Da Costa Silva, (USD 3’358’000, - , valeur au 30 septembre 2004)

Compte 708006 auprès de la banque LEUMI-LE ISRAEL (SUISSE), Genève, dont l’ayant droit économique est M. Joaquim David et le titulaire Penworth, (USD 13’250’000, - , valeur au 30 septembre 2004)

Compte 162490 auprès de l’UNION BANCAIRE PRIVEE, Genève, dont le titulaire est M. Elisio De Figueiredo, (Euros 143’460, - , valeur au 30 septembre 2004)

Compte 82965 auprès de LOMBARD, ODIER, DARIER & HENTSCH, Genève, dont l’ayant droit économique est José Paiva USD, et le titulaire Midas, (USD 4’465’000, - , valeur au 30 septembre 2004)

dont les titulaires et ayant droit économiques au bénéfice d’une signature individuelle ont confirmé leur consentement, pleins pouvoirs et instructions de virement à leur banque respective aux fins d’utilisation et affectation conformément aux termes de l’Accord précité, par lettre de leur conseil du 14 octobre 2005.
Exhibit 43
Angola–Abalone Agreement 9 November 2005

AGREEMENT

"9th" of November 2005

This Agreement is made between:

1) The Government of the Republic of Angola; and
2) The Abalone Investments Limited;

INTRODUCTION


(B) For the purpose to payment the Debt of the Republic of Angola to the Russian Federation, in spirit of the Intergovernmental Agreement dated 20th November 1996, was signed several documents as follows:

- The Minister of Finance of the Russian Federation (MOF) and Abalone Investments Limited (Buyer) have entered into the Agreement dated 5th of March, the Supplemental Agreement dated 11th April 1997, the Supplemental Agreement dated No. 1 dated 23rd August 1999, the Supplemental Agreement No. 2 dated 28th December 1999, the Supplemental Agreement No. 3 dated 11th May 2000 and the Supplemental Agreement No. 4 dated 15th May 2000, related to arrangements between MOF and Buyer for the acquisition, by the Buyer from MOF, of the Promissory Notes and the relevant Repayment Certificates against transfer by the Buyer to MOF of the Russian debt obligations;

- The Government of the Republic of Angola and Abalone Investments Limited have entered into the Agreement dated 28th May 1997, the Agreement dated 30th May 1997, the Supplemental Agreement No. 1 dated 26th May 2000, and the Supplemental Agreement No. 2 dated 14th June 2002, relates to arrangements between parties for acquisition, by the Government of the Republic of Angola, through Abalone Investments Limited, from the Minister of Finance of the Russian Federation, the 31 Promissory Notes and the relevant Repayment Certificates, against transfer by the Abalone Investments Limited to Minister of Finance of the Russian Federation of the Russian debt obligations.
(C) Taking in consideration that the situation as follows:

- Under the terms of Agreement dated 5th March, the Supplemental Agreement dated 11th April 1997, the Supplemental Agreement No. 1 dated 23rd August 1999, the Supplemental Agreement No. 2 dated 28th December 1999, the Supplemental Agreement No. 3 dated 11th May 2000 and the Supplemental Agreement No. 4 dated 15th May 2000, Abalone Investments Limited has acquired from Ministère of the Russian Federation, 23 Promissory Notes for the nominal value of 1.112.903.225, 71 US Dollars and the relevant Repayment Certificates having the following reference numbers:
  
  HC7819/FGA/01, HC7821/FGA/02, HC7822/FGA/03, HC7823/FGA/05,  
  HC7825/FGA/06, HC7826/FGA/07, HC7827/FGA/08, HC7828/FGA/09,  
  HC7837/FGA/18, HC7838/FGA/19, HC7839/FGA/20, HC7840/FGA/21,  
  HC7841/FGA/22, HC7842/FGA/23, HC7843/FGA/24, HC7844/FGA/25,  
  HC7845/FGA/26, HC7846/FGA/27, HC7847/FGA/28, HC7848/FGA/29,  
  HC7849/FGA/30, HC7850/FGA/31;

- Due to the internal questions of the Abalone Investments Limited (related to “blockage of the Promissory Notes and Relevant Repayment Certificates in UBS, Geneve”), situation the acquisition of the remaining 8 Promissory Notes, having the total nominal amount of 387.096.774,16 US Dollars and the relevant Repayment Certificates having the following reference numbers: HC7829/FGA/10, HC7830/FGA/11, HC7831/FGA/12, HC7832/FGA/13, HC7833/FGA/14, HC7834/FGA/15, HC7835/FGA/16, HC7836/FGA/17, was suspend;

- Under the terms of the Agreement dated 28th May 1997, the Agreement dated 30th May 1997, the Supplemental Agreement No. 1 dated 26th May 2000, and the Supplemental Agreement No. 2 dated 14th June 2002, the Government of the Republic of Angola has fulfilled all its commitments;

- Due to the internal questions of the abalone Investments Limited, situation the settlement of the Debt of the Republic of Angola to the Russian Federation is not conclude, under the terms of Agreement dated 5th March, the Supplemental Agreement dated 11th April 1997, the Supplemental Agreement No. 1 dated 23rd August 1999, the Supplemental Agreement No. 2 dated 28th December 1999, the Supplemental Agreement No. 3 dated 11th May 2000 and the Supplemental Agreement No. 4 dated 15th May 2000, and in spirit of the Intergovernmental Agreement between the Government of the Russian Federation and the Government of the Republic of Angola dated 20th November 1996 and under the terms of Agreement dated 5th March, the Supplemental Agreement dated 11th April 1997, the Supplemental Agreement No. 1 dated 23rd August 1999, the Supplemental Agreement No. 2 dated 28th December 1999, the Supplemental Agreement No. 3 dated 11th May 2000 and the Supplemental Agreement No. 4 dated 15th May 2000, is not concluded in spirit of the Intergovernmental Agreement between the


(E) The Government of the Republic of Angola and Abalone Investments Limited hereto have agreed to the following procedures and arrangements.

IT IS AGREED AS FOLLOWS:


2. The parties agreed that Abalone Investments Limited is released from all the formal responsibilities to receive the 7 Promissory Notes and relevant Repayment Certificates (already paid by Abalone Investments Limited) and for acquisition the remaining 8 Promissory Notes and relevant Repayment Certificates having the total nominal amount of 387,096,774,16 US Dollars against delivery of the assets in debt obligations of the Russian Federation in the nominal value 387,096,774,16 (previous under the terms of Agreement dated 5th March, the Supplemental Agreement dated 11th April 1997, the Supplemental Agreement No. 1 dated 23d August 1999, the Supplemental Agreement No. 2 dated 28th December 1999, the Supplemental Agreement No. 3 dated 11th May 2000 and the Supplemental Agreement No. 4 dated 15th May 2000, between Minister of Finance of the Russian Federation and Abalone Investments Limited), and that this responsibilities have transferred to the Government of the Republic of Angola.

3. The parties agreed that in the spirit of the mentioned in clause 2 and clause 3 to be necessary to proceed as follows:

- Government of the Republic of Angola shall take the responsibility for the acquisition, from the Minister of Finance of the Russian Federation, of the 8 remaining Promissory Notes and relevant Repayment Certificates having the total nominal amount of 387,096,774,16 US Dollars, or shall transfer this responsibility to the Sociedade Nacional de Combustíveis de Angola (“SONANGOL”) or to another entity to be designated to act on its behalf;

- Abalone Investments Limited must return to the Government of the Republic of
Angola, the total nominal amount concerning the remaining 8 Promissory Notes and relevant Repayment Certificates that was not delivered per agreement on this matter, sending back immediately the amount of USD 206,000,000,00;

Concerning the remaining amount the Government of the Republic of Angola and Abalone Investments Limited should adopt an understanding to confirm such undertaking.

- Abalone Investment Limited will be exempted from all commitments and all possible responsibility based upon its previous involvement in the relations between the Russian Federation and the Republic of Angola concerning the settlement of the Debt of the Republic of Angola to the Russian Federation;

- Government f the Republic of Angola accepts that amount concerning the remaining 8 Promissory Notes and once the relevant Repayment Certificates is returned, Abalone Investments Limited will be exempted from all commitments to deliver to any Angolan governmental body any securities or documents (such as a promissory note, certificate for redemption, etc.) and/or any other commitments to pay in cash;

4. This Agreement shall come into force immediately after its signature.

IN WITNESS WHEREOF the parties hereto executed this Agreement in two original in the English language, one for each parties.

The
GOVERNMENT OF THE REPUBLIC OF ANGOLA

MANUEL H. VIEIRA DIAS JR
Duly authorized
for and on behalf of
Government of Republic of Angola

ABALONE INVESTMENTS LIMITED

ARCADI GAYDAMAK
Duly authorized
for and on behalf of
Abalone Investments Limited
Notes

1. JUGEMENT. N° : 0019292016. RÉPUBLIQUE FRANÇAISE TRIBUNAL DE GRANDE INSTANCE DE PARIS 11ème chambre—3ème section (27 octobre 2009), page 345, available at http://prdchroniques.blog.lemonde.fr/files/2009/11/angolate_.1258044908.pdf (authors’ translation). Mr. Maille was convicted of participation in the Angolagate transactions and given a suspended prison sentence of two years and assessed a fine of €375,000. Ibid. at page 493. (There was no appeal against the judgment.)

2. The Gaydamak figure includes four payments from Abalone totalling $60,519,663 to an account in name of Arcadi Gaydamak; and six payments totalling $441,917,640 from Sberinvest Cyprus to Global Alpha Star Fund, Gaydamak’s lawyer Zichroni, Belinvest Finance SA, Mensanat Trading and Doxa Global Fund. The figure subtracts from Gaydamak’s estimated gross earning an assumed payment by him of an estimated $158.4 million for MinFin 5s and MinFin 7s for delivery to Russia, as well as a payment of $206 million reimbursement to Angola, which may not have occurred. Note that Gaydamak’s investment manager, Pierre Groz, alleges that Gaydamak recouped approximately $360 million from the Debt Deal. See Véronique Poujol, “L’incroyable destin de l’argent de l’Angolagate,” D’Letzebuerger Land (16 September 2010), available at http://www.land.lu/2010/09/16/lincroyable-destin-de-largent-de-langolagate/ ($360 million grew to $1.4 billion according to the investment managers); and Nurit Roth, “Suit claims Gaydamak defrauded Angolans of $365 million,” Haaretz (13 April 2008), available at http://www.haaretz.com/print-edition/business/suit-claims-gaydamak-defrauded-angolans-of-365-million-1.243850.

3. The Falcone figure includes five payments totalling $57,673,664 made from Abalone to an account in name of Pierre Joseph Falcone; three payments totalling $30,290,016 to Brenco Trading Ltd. and Brenco Group; and one payment of $47,000,000 distributed to Real Trade Ltd., less $10 million onward-sent to Sol Investment Group, believed owned by Elísio de Figueiredo.

4. The Malkin figure includes two payments made from Abalone to an account in name of Vitaly Malkin.

5. The dos Santos figure represents $36,250,000 received through Banque Indosuez Luxembourg.

6. The de Figueiredo figure includes $7,380,000 received through Banque Indosuez Luxembourg; also includes one $10,000,000 payment received by Sol Investment through Real Trade Ltd., and €143,450 believed to be linked to the Debt Deal and that appears in the annex to the November 2005 Switzerland-Angola Accord (converted to $177,000, based on 30 September 2004 rate of $1.23305/€). See EXHIBIT 42: Switzerland-Angola Accord 1 November 2005 (Annex).

7. The David figure includes two payments totalling $8,000,000 paid to Penworth Ltd., plus an additional $5,250,000 in the same account, as appears in the annex to the November 2005 Switzerland-Angola Accord.

8. The Paiva figure appears in an account in the name of Midas, identified as beneficially owned by José Carlos de Castro Paiva in the annex to the November 2005 Switzerland-Angola Accord.

9. The Leitão da Costa figure includes one payment of $3 million paid to an account in name of José Leitão da Costa e Silva; and $358,000 believed to be linked to the Debt Deal and that appears in the annex to the November 2005 Switzerland-Angola Accord.

10. The “Mandate” first came to light when it was uncovered at the Paris office of Pierre Falcone’s Société Brenc France by French investigators seeking evidence regarding the Angolagate deal.

12. EXHIBIT 1: Russia–Angola DRAFT Intergovernmental Agreement 14 May 1996. (The 14 May 1996 document, though containing Russian and Angolan signatures, was only a draft of what would be the final agreement, dated 20 November 1996 (EXHIBIT 3: Russia–Angola Intergovernmental Agreement 20 November 1996).

13. We do not have a copy of Decree No. 1287, but it is described in EXHIBIT 4: Russia–Abalone Agreement 5 March 1997, paragraph (D) of the “Introduction.”


15. We can identify Vavilov’s signature because it is so labeled in EXHIBIT 1, the 14 May 1996 “Preliminary English Version,” which was signed even though apparently not intended as operative. The 14 May 1996 “Preliminary English Version” is also signed by Augusto da Silva Tomás (Minister of Economy and Finance) for the Angolan side, but the Angolan signature on the 20 November 1996 final Intergovernmental Agreement appears different, and not legible.

16. EXHIBIT 3: Russia–Angola Intergovernmental Agreement 20 November 1996, article 2 (Portuguese original with authors’ English translation).

17. EXHIBIT 3: Russia–Angola Intergovernmental Agreement 20 November 1996, articles 2 and 3.


20. Each Note stated that it was transferable, upon prior notice to and with approval by, the Banco Nacional de Angola. Copies of the Notes are at EXHIBIT 5.


22. See also EXHIBIT 40: Daniel Zappelli letter 21 December 2004 (citing the opinion of the public finance expert Enrique Cosio-Pascal that the involvement of Abalone in the deal “enable[d] Angola to be given the chance of repurchasing its debt free of the current accrued interest for which it was liable”).


25. Ibid.

26. EXHIBIT 4: Russia–Abalone Agreement 5 March 1997, section 2.3 (emphasis added).

27. Ibid.

28. EXHIBIT 4: Russia–Abalone Agreement 5 March 1997, section 2.5. Unpaid principal would begin to accrue interest on that date at a rate of LIBOR plus 3.45 per cent. (LIBOR—the London Interbank Offered Rate—is a widely used inter-bank lending rate benchmark.) A Supplemental Agreement between Russia and Abalone, dated 11 April 1997, changed the Tranche B Transfer Date from 30 November 1998 to 30 November 1999, and relieved Abalone from having to purchase complete Tranches together, allowing for purchase of one or more Notes and Certificates, with pro rata adjustments of payment terms. The April 1997 Supplemental Agreement also confirmed that Unicombank, Moscow, would act on behalf of the Russian Ministry of Finance. EXHIBIT 6: Russia-Abalone Supplemental Agreement 11 April 1997.

29. EXHIBIT 8: Sonangol–Abalone Agreement 30 May 1997, sections 1 and 3.


31. EXHIBIT 13: UBS Memo 6 September 1999 (authors’ translation).

32. Perhaps coincidentally, José Filomeno de Sousa dos Santos (Zenú), a son of President dos Santos and often seen as potential successor, spent time working for Glencore in London, early in his stellar business career. The 34-year-old Zenú was recently appointed as one of three board members in Angola’s first formal sovereign wealth fund, the $5 billion Fundo Soberano de Angola. Louise Redvers, “Angola: Who’s who in the palace?” Mail & Guardian (2 November 2012), available at http://mg.co.za/print/2012-11-02-00-angola-whos-who-in-the-palace.

34. Sylvain Besson, “Enquête sur l’«Angolagate»: un intermédiaire impliqué défend la régularité de l’opération,” *Le Temps* (1 June 2002), available at http://www.letemps.ch/Page/Uuid/a30f770-b0d0-11dd-b87c-1c3f7e55d5c9/Enquête_sur_lAngolagate_un_intermédiaire_impliqué_défend_la_régularité_de_lopération (authors’ translation). Throughout the Debt Deal, as described below, Gaydamak would make something of a specialty in devising mechanisms to profit from the gap between stated face value and reduced market value of debt securities. The specifics of whatever arrangement Gaydamak and/or Falcone may have had for “buy[ing] and sell[ing] oil paid with promissory notes” cannot be gleaned from the documents in possession of the authors of this report.


36. The authors believe they have identified and obtained copies of the first three (but not the fourth) of these “agreements,” as referred to in the MOU: namely (i) EXHIBIT 3: Russia–Angola Intergovernmental Agreement 20 November 1996; (ii) EXHIBIT 4: Russia-Abalone Agreement 5 March 1997 plus EXHIBIT 6: Russia–Abalone Supplemental Agreement 11 April 1997 plus EXHIBIT 12: Russia–Abalone Supplemental Agreement 23 August 1999; and (iii) EXHIBIT 8: Sonangol-Abalone Agreement 30 May 1997.


38. Sonangol would be purchasing the debt for the full face-value of each Note alone, but without payment of accrued interest (as Abalone would be purchasing the Notes from Russia, also without interest payment obligation). EXHIBIT 8: Sonangol-Abalone Agreement 30 May 1997, section 4.

39. EXHIBIT 7: Unicombank–Abalone-SBS Escrow Agreement 11 April 1997, section 4.4. Somewhat surprisingly, this right of representatives of the government of Angola to review the debt documents is contained in the Unicombank/Abalone escrow agreement, but is not re-stated in the Sonangol/Abalone escrow agreement.


42. EXHIBIT 30: Geneva Chambre d’Accusation Ruling 29 October 2003, pages 2–4 (authors’ translation). The $16,752,407.28 actually represents about 34.6 per cent of the face value of one Promissory Note. It is not clear why this apparent excess payment was made. The supplemental escrow agreement also reportedly allowed for the purchase of the remaining 24 Promissory Notes from the Russian Ministry of Finance at 24 per cent of their face value, should payments be made before 30 June 1998. While this did not happen, it is striking that the Russian Ministry of Finance would contemplate a deal that would reduce even further the proceeds it would receive from the Angolan debt.

43. EXHIBIT 12: Russia–Abalone Supplemental Agreement 23 August 1999.

44. *Ibid.*, paragraph D.

45. We do not have a copy of this letter but the letter and the subsequent failure of delivery of the Notes are described in EXHIBIT 30: Geneva Chambre d’Accusation Ruling 29 October 2003, pages 2–4.


48. Prices as quoted by the Bloomberg historical trading database.


51. Under the original 5 March 1997 Russia-Abalone Agreement, Russia should have received 50 per cent of the $774,193,548 paid by Sonangol for the first 16 Notes, or $387,096,774. In fact, if the authors’ calculations are correct, Russia would have received approximately $264,107,000, in cash plus PRINs/IANs, leaving the Russians $122.9 million short.


Malkin’s name appears on the list as “manager” next to Rossiyskiy Kredit Bank, which was one of the principal banks used by the Angolagate arms vendor, ZTS-OSOS. JUGEMENT: N°: 0019292016. RÉPUBLIQUE FRANÇAISE TRIBUNAL DE GRANDE INSTANCE DE PARIS 11ème chambre—3ème section (27 octobre 2009), pages 148 and 243, available at http://prdchroniques.blog.lemonde.fr/files/2009/11/angolate_1258044908.pdf. No allegations of wrongdoing were raised in the Angolagate judgment against Malkin or the bank.


56. EXHIBIT 15: Gaydamak-Malkin MOU 20 December 1999. Article 7 says, “As soon as the Transaction has been executed for the first four Notes and Certificates, Mr Gaydamak will reimburse US $60 millions to Mr Malkin. After this payment, Mr Malkin will release the Notes and Certificates under his control.”

57. EXHIBIT 17: Russia–Abalone Supplemental Agreement 28 December 1999.

58. Ibid.
59. Ibid.

60. EXHIBIT 20: Russia–Abalone Supplemental Agreement 11 May 2000.
61. Price as quoted by the Bloomberg historical trading database.


64. EXHIBIT 20: Russia–Abalone Supplemental Agreement 11 May 2000.


67. EXHIBIT 13: UBS Memo 6 September 1999 (authors’ translation).


69. EXHIBIT 13: UBS Memo 6 September 1999 (authors’ translation).


72. “Politically Exposed Person” (PEP) is the generally used term to identify a senior foreign public official or a close family member or associate of such official. Because of the risk that PEPs could be involved in corruption, financial intermediaries are generally required to exercise a heightened due diligence in dealing with them.

73. Swiss Criminal Code, article 322 septies, available at http://www.admin.ch/ch/e/rs/311_0/a322septies.html.

74. Swiss Criminal Code, article 305bis, available at http://www.admin.ch/ch/e/rs/311_0/a305bis.html (Swiss Confederation translation; emphasis added). The Criminal Code also punishes “[a]ny person who wilfully assists another to commit a felony or a misdemeanor” under article 25, available at http://www.admin.ch/ch/e/rs/311_0/a25.html.

75. Swiss Criminal Code, article 305ter, available at http://www.admin.ch/ch/e/rs/311_0/a305ter.html.

76. Circulaire-CFB 98/1 Blanchiment de capitaux (26 March 1998), paragraph 9 (authors’ translation; emphasis added).

77. Circulaire-CFB 98/1 Blanchiment de capitaux (26 March 1998), paragraph 26 (authors’ translation). Paragraph 24 requires that financial intermediaries who see indicia of money laundering or other indicia raising suspicions as to possible criminal origin of the assets must
obtain information the plausibility of which they must verify, that can allow them sufficient appreciation of the economic background of the transactions….To this end, the financial intermediaries require from their counter-parties a written declaration or they draft a memorandum in which they record the declarations of the client. According to the circumstances of the case, indications on the following points must in principle be obtained:

a) the purpose and nature of the particular transaction;
b) the financial situation of the counter-party, or as applicable the beneficial owner;
c) the commercial or professional activity of the counter-party, or as applicable, the beneficial owner;
d) the source of the funds deposited or invested.


83. According to information provided by the Swiss company registry, Fribourg.

84. Ibid. The full list of companies registered to this address is: Restaurant Fontana; Biopetrol Industries AG; Laurido Trading; Zarifa Holding AG; Glencore (Far East) AG; Glencore International plc, St Helier; Baar Branch; Glencore Holding AG; ST Shipping and Transport; Leyo Holding AG; Calino Holding AG; Bratras Commercial AG; Chavanne Trade SA; MTS Mining & Technical Services AG; Sasira AG; Mineralux SA; Talvo Commercial SA; Selimare Holding AG; Piraja Holding AG; Sella Corporation AG; Lion Invest AG; Atlantic Oils & Metals (A.O.M) SA; Lineaestone AG.


86. EXHIBIT 11: UBS Memo 22 June 1999. One other oil trader, AB Petroleum, received three payments totaling $15,452,546, on 3 October 1997 and 8 January 1998. We do not know whether AB Petroleum was similarly affiliated with Glencore.


88. EXHIBIT 42: Switzerland–Angola Accord 1 November 2005, article 1.

89. EXHIBIT 31: Police Report Allain Guilloux and Others 12 November 2003 (authors’ translation).

90. Two Edmund de Rothschild Group banks operated in Luxembourg at this time, apparently working closely in tandem. See the web page of the Banque Privée Edmond de Rothschild Europe: “Until May 31, 1999 the Banque Privée Edmond de Rothschild Group was operated in Luxembourg through two banks, i.e. a branch and a subsidiary of Banque Privée Edmond de Rothschild SA Geneva. On June 1, 1999 the Group merged the activities of Banque Privée Edmond de Rothschild SA, Luxembourg Branch, and Banque de Gestion Edmond de Rothschild Luxembourg into one entity named Banque Privée Edmond de Rothschild Luxembourg.” Available, at http://www.edmond-de-rothschild.eu/discover-us/our-bank/locations-and-history.aspx.


92. Ibid.

93. Ibid.


The French conclusion that $48 million was transferred in October 1997 to Enirep via Banque Indosuez Luxembourg, if correct, seems to imply that some $14 million of that $48 million would have been passed through at least one other intermediary account. The Abalone UBS account bank information shows only one transfer, of $34 million, made in October 1997 to Banque Indosuez. EXHIBIT 21: Abalone Investments Ltd. Schedule of UBS Bank Activity 23 May 1997–31 December 2000.


98. EXHIBIT 10: Banque International à Luxembourg Declaration of Beneficial Ownership 6 April 1998. The latter document, apparently signed by three bank officials, states that “the beneficial owner of the Panamanian Company ‘Camparal Inc.’ with account numbers 275748 and 275903 is Mr. José Eduardo dos Santos—Luanda, Angola.”


100. See generally All The President’s Men: Director’s Cut, Global Witness (March 2002). www.globalwitness.org/sites/default/files/import/atpm.txt.


103. Ibid.


105. Ibid.

106. Ibid.


108. Information from the Geneva prosecutor’s office.


111. Ibid.


114. EXHIBIT 4: Russia-Abalone Agreement 5 March 1997, section 2.4


116. Indeed, as was stated on each of the Notes, transfers to third parties were subject to prior notice to and approval by the Banco Nacional de Angola. EXHIBIT 5: Angola Promissory Notes.


118. EXHIBIT 41: Russia–Angola Meeting Minutes 30 September 2005.


120. Ibid.
121. Ibid.

122. EXHIBIT 28: Sberinvest Flow Chart.


125. In the period between the first and last Interprombank transfers from the Sberinvest account (26 March 2001 to 29 August 2001), MinFin 5s ranged from a low of 39.9375 per cent of face value (27 March) up to a high of 52.1875 per cent (14 June); and MinFin 7s ranged from a low of 38.969 per cent (15 August 2001) to a high of 46.737 per cent (14 June). With such volatile prices, careful timing would have reaped ample reward even on the MinFins.


127. Knowledgeable sources have asserted that some $66 million additional may have been sent indirectly from Sberinvest to Interprombank as part of a $247 million payment to a Gaydamak vehicle discussed below, Mensanat Trading. Some of these funds may have been applied to purchases of MinFins for redemption of the sixth and seventh Notes. That portion may have covered the gap between a total of $131,500,640 paid from Sberinvest directly to Interprombank (presumably for purchase of MinFins) and our estimated total purchase price for seven Notes of $158.4 million.

128. The authors do not have copies of these agreements.


130. Ibid.

131. EXHIBIT 41: Russia–Angola Meeting Minutes 30 September 2005, paragraph 1.

132. EXHIBIT 41: Russia–Angola Meeting Minutes 30 September 2005, paragraph 2.

133. EXHIBIT 41: Russia–Angola Meeting Minutes 30 September 2005, paragraph 3.


136. $774,193,548 paid to UBS + 618,235,483 paid to Sberinvest + $387,096,774 paid directly to Russia = $1,779,525,805.


138. According to information provided by the Luxembourg company registry.


141. Our documentation shows the payments made from the Sberinvest account between March and December 2001 totaling $681,401,110.78, or some $63 million more than Sonangol paid in. See EXHIBIT 24: Sberinvest Cyprus Account Schedule of Payments April–August 2001.

142. According to information provided by the Luxembourg company registry.

143. Ibid.


EXHIBIT 24: Sberinvest Cyprus Account Schedule of Payments April–August 2001. The precise amount that was cleared after expenses cannot be determined, though it easily appears to have been in the hundreds of millions of dollars. See Nurit Roth, “Suit claims Gaydamak defrauded Angolans of $365 million,” Haaretz (13 April 2008), available at http://www.haaretz.com/print-edition/business/suit-claims-gaydamak-defrauded-angolans-of-365-million-1.243850 (lawsuit by Gaydamak’s former investment fund managers, suing for unpaid fees, who assert that Gaydamak’s investments grew from $365 million to $1.25 billion in four years).


EXHIBIT 19: Abalone Investments Power of Attorney 10 May 2000 (signed by Joelle Mamane as Director).

EXHIBIT 23: Abalone Investments Power of Attorney 1 May 2001 (power “to duly represent our company, in matters concerning the acquisition…of certain promissory notes issued by the Banco Nacional de Angola…[including] to collect on behalf of Abalone Investments Limited the above mentioned promissory notes”).

EXHIBIT 44: Abalone Investments Power of Attorney 22 November 2005 (power “to duly represent our company in matters, concerning the release [of] Abalone Investments Limited from all the formal responsibilities (and transfer these responsibilities to the Government of the Republic of Angola) to receive the 7 promissory notes and relevant Repayment Certificates (already paid by Abalone Investments Limited) and to conclude the acquisition of the remaining promissory notes”).

EXHIBIT 24: Sberinvest Cyprus Account Schedule of Payments April–August 2001, Note that there were apparently a number of Gaydamak-linked funds at the Luxembourg banks, some of which possibly contained French Angolagate proceeds as well as Debt Deal proceeds. The apparent existence of a Doxa Global Fund and a Doxa Fund II, in particular, make it difficult to keep the funds straight, based on the documentation we have. See EXHIBIT 29: Israel Ministry of Justice Request for Assistance (no date), paragraph 21. See also Véronique Poujol, “L’incroyable destin de l’argent de l’Angolagate,” D’Lëtzebuerger Land (16 September 2010), available at http://www.land.lu/2010/09/16/lincroyable-destin-de-largent-de-langolagate/.

The figure may have been closer to $180 million, if it is true that some $66 million was sent to Interprombank for the purchase of MinFin securities, as indicated above. This seems possibly corroborated by EXHIBIT 28: Sberinvest Flow Chart, which shows a September 2001 payment from Sberinvest to “PREMIUM FUND Ltd. +/- USD 180 Mio in Bonds.” If so, some of the funds transferred may have been used to purchase MinFins that were used for purposes other than the Debt Deal.

Yossi Melman, “Gaydamak’s banker—Pierre Grotz: I do not know where the money came from—but I know where it was transferred,” Haaretz (26 December 2008), available at http://www.haaretz.co.il/misc/1.1360918 (authors’ translation).


We do not have a copy of the 5 February 2004 redemption letter from Dagan, but other correspondence from the same period confirms its existence and that it was Dagan who signed. EXHIBIT 34: Correspondence with Investment Bank Luxembourg re Global Alpha Star Ltd. February 2004.

The Doxa Fund II seems to be a different Gaydamak-linked fund from the Doxa Global Fund.

EXHIBIT 32: Correspondence with Investment Bank Luxembourg re Premium Fund Ltd. February 2004.


EXHIBIT 35: Correspondence with Investment Bank Luxembourg re Doxa Fund II Ltd. February 2004.


Ibid.

EXHIBIT 29: Israel Ministry of Justice Request for Assistance (no date), paragraphs 30–33.

EXHIBIT 29: Israel Ministry of Justice Request for Assistance (no date), paragraph 32.

EXHIBIT 29: Israel Ministry of Justice Request for Assistance (no date), paragraph 33.

EXHIBIT 29: Israel Ministry of Justice Request for Assistance (no date), paragraph 35.

EXHIBIT 29: Israel Ministry of Justice Request for Assistance (no date), Paragraph 36.


Yossi Melman, “Gaydamak’s banker—Pierre Grotz: I do not know where the money came from—but I know where it was transferred,” Haaretz (26 December 2008), available at http://www.haaretz.co.il/misc/1.1369918 (authors’ translation).

Véronique Poujol, “L’incroyable destin de l’argent de l’Angolagate,” D’Letzeburger Land (16 September 2010), available at http://www.land.lu/2010/09/16/lincroyable-destin-de-largent-de-langolagate/ (“[T]he investigation so far has shown that [Dorset] foundation was a sham intended to deceive the court about the supposedly orthodox origin of its money. In fact, Arcadi Gaydamak pulled the strings, and the money, once out of Luxembourg, contributed little to charitable works (except for Matanel Foundation). It went largely to Gaydamak’s bank account in Cyprus, as a former Sella Bank manager testified in the judicial investigation.”) (authors’ translation).

See note 176.


Documentation sourced by the authors suggests the following transactions took place between June 2006 and May 2007. On 6 June 2006, Dresben transferred bonds valued at a total of $1m under the acronyms GMKN, RTKM, GAZP, SNGS, EESR and ARG35 to Iksan. On 13 September 2006, Castrol transferred bonds valued at a total of $7.1m under the acronyms GMKN, EESR and SNGS to Iksan. On the same day, Dresben transferred bonds valued at $241.3m under the acronyms GMKN, GAZP, SINGGS, EESR, PLZL, ROSN and ARG35 to Matanel. In October 2006, Dresben transferred bonds to Matanel worth $6.8m under the acronyms GDR, PLZL, EIB07, IAB07 and TOTAL07. On 22 February 2007, Dresben transferred yet another set of bonds to Matanel worth a total of $1.2m under the acronyms ESP08, GER10, DBH11, CAN08, SIEMEN08 and VODAFONE08. In the first half of 2007, meanwhile, Matanel transferred bonds under the acronym of GAZP to accounts in Switzerland. In January 2007, GAZP bonds to the value of $6,665,225 were transferred from Matanel to an account at EFG Bank in Geneva, followed by a transfer of $5,947,500 worth of GAZP bonds in May 2007 to an account at Banque Diamantaire in Switzerland. See EXHIBIT 27: Gaydamak entities transactions—source and date unknown.

Yossi Melman, “Gaydamak’s banker—Pierre Grotz: I do not know where the money came from—but I know where it was transferred,” Haaretz (26 December 2008), available at http://www.haaretz.co.il/misc/1.1369918 (authors’ translation). See also Yossi Melman, “The Secret Trial of Arcadi Gaydamak,” Haaretz (27 May 2010), available at http://www.haaretz.com/misc/article-print-page/the-secret-trial-of-arcadi-gaydamak-1.292469?trailingPath=2.169%2C2.225%2C2.239%2C (“Gaydamak can relax a bit in Cyprus. The court there is planning to soon lift the freeze it imposed on assets he deposited in the Russian Commerce Bank there. The order froze $47 million held by the Matanel Foundation and was issued at the request of Luxembourg banker Pierre Grotz.”).


Ibid.

EXHIBIT 27: Gaydamak entities transactions—source and date unknown.

Matanel Foundation, Company Number (Numero de Fiche) 19012, Registered 22 June 2006, Panamanian Company Registers.

Matanel Foundation website, www.matanel.org/content/governance.

“About Matanel,” www.matanel.org/content/matanel-foundation.

“List of Past and Present Programs,” www.matanel.org/past-present-programs.


189. Ibid.

190. Ibid.

191. Ibid.

192. Ibid.

193. Ibid.

194. Ibid.

195. Ibid.


198. Possibly the same account as the preceding one.

199. Possibly the same account as the preceding one.

200. Possibly the same account as the preceding one.


202. The transferee on this payment is not identified on EXHIBIT 24, but it appears to be the “USD 90 Mio” transfer shown with a date of “5/2001” on EXHIBIT 28: Sberinvest Flow Chart. The transfer may have gone through an intermediary account before reaching Global Alpha Star Fund.
Associação Mãos Livres (ML)

Associação Mãos Livres (ML) is a human rights organization comprised of lawyers, created in 2000. The organization is based in Luanda, Angola, with offices in Cabinda and Huambo. ML offers legal advice; trains legal advisors (paralegals); contributes to conflict resolution; and disseminates educational materials about human rights. The organisation also litigates important cases in Angolan court relating to human rights violations and corruption.

Corruption Watch UK

Corruption Watch is a London-based anti-corruption NGO founded in 2009. Corruption Watch details and exposes the impact of bribery and corruption on democracy, governance and development, by tracking and monitoring major bribery and corruption cases, pushing for effective enforcement of global and national anti-corruption regulation, and building an international network of anti-corruption partners and activists. The NGO also assists prosecutors, law enforcement agencies, NGOs, journalists, activists and legislators in their efforts to fight corruption.
This report provides a detailed account of a controversial Debt Deal between Russia and Angola which started in 1996, in which two men with significant involvement in the arms trade – Arcadi Gaydamak and Pierre Falcone – diverted for their own benefit hundreds of millions of dollars by inserting an unnecessary middleman (a shell company named Abalone Investments) into Angola’s debt repayment to Russia, despite offering no discernible value. Powerful Angolan and Russian figures, including Angolan President José Eduardo dos Santos, and Vitaly Malkin, formerly the richest member of Russia’s Duma prior to his resignation in 2013, benefited from the Deal, which Swiss Bank Corporation (SBS) (later UBS, through merger) facilitated. Of the $1.39 billion paid by Angola to settle its debt to Russia, the middlemen and senior Angolan officials siphoned off over $386 million, at the expense of the Angolan and Russian people. More than $550 million went to suspected insiders or still unknown beneficiaries.

The Angola-Russia Debt Deal is a shocking case of deceit and deception by senior politicians, officials and dubious businesspeople, aided by international financial institutions, to rob their own citizens for personal gain. It exemplifies the depths of malfeasance to which individuals in positions of power and authority can stoop, as well as the central role that global financial institutions can play – whether through negligence or active complicity – in enabling the wholesale plundering of national wealth from some of the poorest people in the world.