

Magnitsky as whistleblower? No it was Rimma Starova **By Lucy Komisar**

William Browder's oft repeated tall tale is that Sergei Magnitsky, who he falsely claimed was his lawyer, discovered that corrupt Russian government officials and tax police had stolen a \$230mil tax payment made by Browder's Hermitage Fund. It was called the tax refund fraud.

It was a scam that some crooked Russian and Western entrepreneurs had been operating for a few years. There were some "professionals" who specialized in it. They would set up "fake" shell companies that would sue real companies (shells or others). Then they would file collusive lawsuits claiming the real companies had cheated them and they were owed multi-millions of dollars. The colluding companies would say, "Yes, you are right. We will pay."

That happened with Browder's Hermitage shell companies. His companies paid out the entirety of their 2006 profits and then claimed a full tax refund. He claims that the companies were stolen from him by the Russian tax police who in June 2007 searched his office and that of his accountant, Firestone Duncan, and stole documents and seals used to reregister the companies.

That is not possible, since the only way to change ownership of Russian companies is for the designated authority to go in person to the registry or to file the change through an owner's power of attorney. The latter was done by Browder's Cyprus shell. More about that separately. Of course, Magnitsky as the Hermitage accountant would have known that. And that no documents or seals can reregister anything.

Browder claims he hired "the lawyer" Magnitsky in 2007 after the search and that Magnitsky was arrested because he "blew the whistle" on the fraud, accusing tax investigators of using documents to steal the companies. That is a lie not only on the "hiring" but on the whistle-blowing.

First, Magnitsky was first interrogated in October 2006, over a year before the offices were searched. About Hermitage tax evasion.

Second, if Magnitsky discovered anything before his November 2008 arrest, there is no record that he wrote it down or told anybody. In his [testimonies](#) of June and October 2008, after the 2007 fraud, he accused no government officials or anybody else. (Browder lies about that and has forged the claimed accusations via the url's of documents on his website.)

In fact, **the whistleblower was Rimma Starova**, a pensioner living in Kazan, capital of the Republic of Tatarstan in southwest Russia, who saw a *Kommersant* article about an investigation into Hermitage shell companies. She was the "hired name" sham director of the three Browder shell companies which by then were owned by *Boily Systems*, a British Virgin Islands shell.

The companies had been re-registered by a Russian shell, *Pluton*, set up by Viktor *Markelov*, used in the tax refund scheme, and then transferred to *Boily*. (Shell

companies, of course, being legal structures in tax havens set up to carry out myriad nefarious activities.)

Starova was concerned the trail would lead to her, and to put herself in the clear, she went to the local police. She told them about the fake re-registration of the companies and false certificates of debt in the amount of 13.5 million rubles (that would be equivalent to the companies' profits) that were key elements of the tax refund fraud. *Starova* doesn't talk about a theft of companies by outsiders and certainly not by government officials, but links the scam to *Glendora and Kone*, Browder's Cyprus shells. Her *April* 9th complaint; English *translation*.

She made a second complaint in *July*. English *translation*.

A Hermitage *press release* dated September 16, 2008, later removed from the web but saved by the *Wayback Machine*, claimed that *Starova* in April had filed a complaint with the Russian Interior Ministry in Kazan "falsely accusing representatives of HSBC's companies of the theft of state funds." Browder's shell companies were legally "owned" by HSBC as the Hermitage trustee. *Starova* was accusing Browder of the scam.

Russia" and from "permitting the said liquidation proceedings to reduce the value of... the [Hermitage vehicles]."

"We are pleased by the decisive action taken by the BVI High Court in recognizing the massive fraud underway in Russia and refusing to tolerate the use of BVI-registered vehicles by Russian criminal groups," said William Browder, CEO of Hermitage Capital Management. "By venturing into jurisdictions outside Russia, the perpetrators of this fraud have exposed themselves to the full investigative and enforcement powers of foreign courts. As the fraud investigation continues, the perpetrators will find themselves in a more and more tenuous position both in Russia and around the world."

Timeline of Events:

21 August 2007: Boily is formed and registered in the BVI, with Mr Stephen John Kelly, a British citizen, as director. The beneficiary and authorized representative of Boily is listed as Mr Alexander Smetanin, a Russian citizen resident in the city of Novocherkassk, Russia.

September 2007: Rilend, Parfenion and Mahaon, the three Russian investment vehicles owned by HSBC on behalf of the Hermitage Fund, are fraudulently re-registered in the name of Pluton, a company registered in Kazan, and 100%-owned by Viktor Markelov, a Russian citizen with a criminal record. The theft of the vehicles was only possible using the vehicles' original corporate documents seized by the Moscow Interior Ministry in its raid on Hermitage's law firm in Moscow on 4 June 2007.

December 2007: After a series of sham arbitration judgments, in December 2007 the perpetrators use the three stolen vehicles to defraud the Russian Government of US\$230 million in taxes that had been paid by the Hermitage Fund vehicles in 2006.

5 February 2008: The Investigative Committee of the Russian General Prosecutor's Office opens a criminal case to investigate the fraud committed by Markelov and other individuals in response to complaints filed by HSBC on 3 December 2007.

8 February 2008: The three stolen vehicles are purchased by Boily from Pluton for US\$750. Ms Rimma Starova, a 70 year-old resident of Novocherkassk, Russia, is appointed the General Director of each of the three stolen vehicles.

24 March 2008: Mr Smetanin issues a decision to liquidate the three stolen vehicles.

24 March 2008: Mr Smetanin, acting as Boily's authorized representative, appoints the liquidator for the three stolen vehicles, Mr. Shcherbakov.

April 2008: Ms. Starova files a criminal complaint with the Russian Interior Ministry in Kazan falsely accusing representatives of HSBC's companies of the theft of state funds.

Wayback Machine about Rimma Starova, see last item.

After her second testimony to police, the truth already known, Browder gave the story to the [New York Times](#) and [Vedemosti](#).

Not till October did the alleged "whistleblower" Magnitsky mention this in testimony he was summoned (not volunteered) to give. Though even then, he accused no one.

If there is organized crime here, Browder was smack in the middle of it.