

UPDATE: Russia Seeks To Settle \$22.5 Billion BoNY Suit Out Of Court

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MOSCOW -(Dow Jones)- Two years after suing the Bank of New York Mellon Corp. (BK) for \$22.5 billion in damages, Russia's customs service has asked to settle its money-laundering claim away from the Moscow courtroom.

"We are encouraged to have received a letter directly from the Federal Customs Service suggesting that we meet to discuss a potential settlement of the case," the U.S.-based bank said in a statement.

Bank of New York didn't say how much the customs service might accept as a settlement, but Russian daily Kommersant reported earlier Tuesday that the figure is around \$800 million and that the customs service's decision is in response to an order from Russia's Prime Minister Vladimir Putin.

When the Federal Customs Service filed the lawsuit in May 2007, it charged that the Bank of New York had helped deprive Russia of billions of dollars in tax revenue in the late 1990s. During that period, about \$7 billion was allegedly siphoned out of Russia into Bank of New York accounts by exporters who avoided paying customs duties.

"We're won't comment on the legal process," a spokesman for the customs service told Dow Jones Newswires.

The bank said that it is "open to reasonable discussions with the Federal Customs Service" but described the claims against it as "meritless".

Steven Marks, a Miami-based lawyer who is representing the customs Service, said that Bank of New York's statement was "a closer step than ever before," but that it was worded "belligerently and insultingly."

He said Kommersant's suggestion of an \$800 million settlement is "much less than we estimate".

Before filing the suit against the Bank of New York in May 2007, the Federal Custom Service's legal team approached the bank to try and negotiate an out-of- court settlement for \$600 million. The bank dismissed that offer.

Asked whether the bank and the customs service are now negotiating a settlement, Marks said that it would be "inappropriate" to comment.

Although the lawsuit is being heard in Russia, the customs service has been trying to sue the bank under the Racketeer Influenced and Corrupt Organizations Act, a U.S. civil statute.

Some lawyers have suggested that even if the Moscow court does rule in favor of the Russian customs service, the judgment may not stand up in a US court.

The U.S. justice department investigated Russian money laundering transfers through Bank of New York accounts in late 2000 and found a former Moscow-based vice president guilty of fraud. The bank later agreed to pay \$14 million in fines and close future liabilities associated with the case.

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