

Mystery Russian Implicated in Kiwis' Missing Millions

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When Kiwi investors placed \$45 million with New York currency trading firm Evergreen International, knew they risked losing money on the rollercoaster foreign exchange market.

What they did not know was that the money was funnelled to a Hungarian broking house and probably not traded on their behalf.

Even more bizarrely, the foreign exchange dealer in charge of their investments did not know what was going on either.

According to a lawsuit filed in New York, Mamed Mekhtiev, the currency dealer, believed he was successfully trading clients' money on foreign exchanges, but in fact the deals were not being executed. That money has now disappeared, part of a total \$US105 million (\$NZ249 million), as has the owner of Evergreen, Russian businessman Andrei Koudachev,

The mystery Russian, the unknowing currency dealer, a global hunt for missing money and client records destroyed in a terrorist action ? these are some of the astonishing ingredients in the Evergreen case, as recounted by court documents and other sources. Set against the hyper-charged backdrop of a city reeling from the September 11 World Trade Center bombing, the court documents describe how certain Evergreen executives met to cover up the missing funds in the days after the attack, as wreckage of the Twin Towers still smouldered.

Evergreen and its clear house operator, First Equities Enterprises, both had offices in the World Trade Center. Records of their client dealings were destroyed on September 11. It was in the days shortly after the attack, when First Equities failed to transfer funds to Evergreen and skittish investors clambered for their funds, that the alleged fraud emerged.

Since then an international investigation has swung into gear, headed by the US Department of Justice. Investors in New Zealand spread throughout the North and South Islands, Australia and the United States are among those to suffer heavy losses.

An Auckland investigator, Mark Van Leewarden, working on behalf of a number of New Zealand clients, returned to the country this week after a three-week hunt to track the missing funds in the United States and Europe. As of last week, \$7 million had been traced to a Swiss bank account.

Details about the alleged fraud came to light in the court papers, filed in the United States District Court of the Southern District of New York on behalf of an Australian investor. Dirk Karreman, a Queensland-based businessman involved in the earthmoving industry, claims to have invested and lost \$A3.95 million (\$NZ4.88 million) with Evergreen.

Those papers were filed by James J McGuire, a former federal prosecutor with expertise in white-collar criminal and commercial litigation. He was approached by a top Evergreen salesman, Justin Fauci, and Mr Mekhtiev, and helped them co-operate with authorities. Mr McGuire said it is correct to describe Mr Fauci as a "whistleblower" and victim in the affair.

As well as Mr Koudachev, the court papers name other defendants as Polina Sirotina, chief financial officer of Evergreen, Garry Farberov, a principal in Evergreen and First Equity and president of the latter, and Gary Gelman, a principal in Evergreen.

At a meeting at a golf driving range in Brooklyn, New York on September 22, Mr Farberov told Mr Fauci that "the client's money at Forex [the Hungarian broker] was gone", that they were no longer able to get any money out of the accounts, and that Mr Koudachev had disappeared with the money and "they were never going to see him again". According to the court papers, Mr Farberov suggested a scheme to cover up the disappearance of funds.

At a latter meeting at Evergreen's offices, Farberov and two of the other defendants outlined a plan to raise about \$US50 to \$US60 million a year, building the accounts to approximately \$US160 million, and show the clients false monthly statement to convince them their money was safe.

"When the accounts were sufficiently built up, they suggested that Evergreen should 'whack the pool' and tell the clients that Evergreen had 'lost' \$US60 million of their money in the foreign exchange market and then return the remaining \$US100 million to the clients and go out of business," the court papers said. Those present were also told that everyone at Evergreen and First Equity was "in trouble" and "was going to jail".

The lawsuit also alleges that Mr Koudachev used Mr Karreman's and other clients funds to purchase and decorate a luxury condominium and to purchase \$US100,000 in antique furniture and works of art, while Ms Sirotina spent substantial funds on furs, jewellery and clothing.

Strangely, Mr Mekhtiev's apparent success in the foreign exchange market, even though the gains were illusory and never executed by Forex, frustrated the defendants' scheme. They believed that Mr Mekhtiev would lose money, allowing them to conceal the foreign exchange ruse and pocket the purported losses for themselves as profits.

Instead, clients continued to receive documents from First Equity showing growing paper returns.

According to the New York Times, Mr Koudachev's lawyer said he is in Moscow and claims to be a victim of the situation.