

UPDATE 2-Bank of NY, Russia to grapple over settlement

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By Simon Shuster

MOSCOW, March 10 (Reuters) - A Moscow court has adjourned the Russian government's \$22.5 billion lawsuit against the Bank of New York Mellon (BK.N: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) while the two sides discuss a possible settlement, a court judge said on Tuesday.

Negotiations over the size of the settlement, however, are likely to be difficult, as the two sides voiced radically different ideas about how much it should cost to end the case.

The bank's lead outside council said \$1.4 million could be a reasonable starting place for the talks.

For nearly two years, the Russian government has been seeking compensation from the U.S. bank after a former vice-president helped transfer \$7 billion out of Russia in the late 1990s through Bank of New York accounts.

Last week, hemmed in by a looming budget deficit and the need to raise money for combating the financial crisis, the government offered to discuss a settlement. The bank accepted.

"Now we are discussing the details of the meeting or meetings that can take place this week," Ivan Marisin, the bank's lead council, told the court.

A source close to the case said the first meeting would take place on Wednesday, while Marisin's co-council, Jonathan Schiller, said he hoped for a resolution by week's end.

Judge Lyudmila Pulova scheduled the next hearing for April 14. "Probably this will be the last hearing of the case," she said.

U.S. TAXPAYER LOSS

A settlement offer of \$800 million was reported last week by Russian business daily Kommersant, which cited a source close to the government of Prime Minister Vladimir Putin. [ID:nL3125516]

A payout of this size would mean a loss of about \$0.47 per share to the bank's shareholders, including U.S. taxpayers, who have given \$3 billion in bailout money to the bank.

Schiller, the bank's lead outside council, told Reuters that an offer of \$800 million was "nonsense".

The bank already rejected an offer to settle for \$600 million before the case was filed in May 2007.

A more reasonable place to start would be \$1.4 million, Schiller said, in line with the amount earned on money transfers out of Russia made by its rogue vice president, Lucy Edwards.

"If there was any number you could look at, it is the number that the bank earned on the misconduct of what Edwards did without its knowledge," Schiller said.

But Steven Marks, the plaintiff's lawyer, said even the \$800 million reported in the media would not suffice -- "They would be lucky to get off that easy," he said by telephone.

'WON'T BE QUICK'

A major sticking point for the talks will be the animosity between the bank officials and the Russian government's Florida-based legal team, which designed and filed the case in Moscow, said veteran banking analyst Richard Bove.

Those feelings were clear outside the courtroom on Tuesday, when lawyers for both sides yelled at one another and heatedly argued their points in front of reporters.

Marks, of the Miami-based firm Podhurst Orsek, called the bank's conduct after the hearing "a big disappointment," and Schiller said the suggestion of \$800 million could "raise expectations and lead to a failed effort in settlement".

"The negotiations won't be quick, but for (the bank) it is very positive," Bove said, adding that they are likely to settle on \$200 million, which the bank can pay out of available cash.

Judge Pulova, who has repeatedly called for the case to be resolved out of court, said the global economic crisis should encourage the two sides to come to an agreement.

"I hope it works out," she told the court. "There is a crisis now, and many banks are in trouble."

(Editing by Sharon Lindores)

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