The Moldovan Banking Scandal

Moldova’s November 2014 banking scandal, in which one billion dollars (twelve percent of Moldova’s annual GDP) vanished from the central bank, highlighted the growing rifts between pro-Russia and pro-European Union support in Moldova. Here we look at the story around possibly the worst bank scandal in Moldova’s history.

Relations with the EU and Russia

For the first fifteen years of its independence, Moldova maintained pragmatic relations with both the West and Russia, a reflection of its geography and continued reliance on trade and remittances from Russia. Since 2000 however, Moldova took tentative steps towards European integration, signing an individual action plan with NATO in May 2006, electing a pro-European coalition government in 2009, and signing an Association Agreement with the EU in June 2014.
Theft of the century

Moldova’s cultivation of ties with Western security and economic organisations ended in late November 2014, when Moldova’s central bank stepped in to prop up three banks: Unibank, Banca Sociala, and Banca de Economii. These banks had just transferred roughly one billion dollars to offshore accounts over the course of the month, actions that came to be known as the ‘theft of the century’.

Exactly how this happened is not clear, but a leaked report by the auditing firm Kroll suggests associates of Moldovan businessman Ilan Shor, chairman of the board at Banca de Economii up to November 28, 2014, undertook a coordinated effort to gain control of the three banks through proxy purchases of shares starting in 2012. Over the next two years, the banks used foreign deposits to underwrite loans to companies that Shor and associates appear to have controlled. Money was transferred to United Kingdom and Hong Kong shell companies used to conceal the real owners of assets, then deposited into Latvian bank accounts under the names of various foreigners. Loans at one bank were then paid off with loans from another. The massive expansion of bank lending was funded with heavy borrowing from Russian companies. It has been suggested that the apparent coordination between the three banks indicates Shor and his associates did not act alone.

The Moldovan government’s secret attempts to bail out the affected banks spiked inflation, while the need to cover resulting budget deficits led to price increases for electricity and heating. The official response to the scandal was slow, selective, and primarily targeted against rivals of the ruling coalition. Russia’s retaliatory sanctions against Moldova following its EU Association Agreement revealed the economic costs of moving towards Europe, while the scandal confirmed many peoples suspicions that embracing Europe left the country in worse hands than it had been under the pro-Russian Communist Party from 2001 to 2009.

Protests

Popular discontent over the scandal was due to many Moldovans suspecting the true culprit to be businessman Vlad Plahotniuc, who was pro-European. The grass-roots citizens’ movement Dignity and Truth was established in February 2015 and organised a number of protests. These protests were joined by pro-Russian sympathizers, who formed a distinct camp. Both camps demanded the conviction of corrupt oligarchs and early elections. In October 2015, Valeriu Strelet’s government was dismissed by Parliament, after less than three months in office.

The protests subsided as Moldovan politicians positioned themselves for the further elections, but discontent of the government and leading businessmen remained strong. Many young Moldovans decided to leave, most going to Russia.

Arrests

Former Prime Minister Vlad Filat (2009-2013), and a former member of Plahotniuc’s Pro-EU Democratic party, was arrested on 15 October 2015 for involvement in the robbery and convicted in June 2016. He is now serving a 9-year prison term.

Ilan Shor was placed under house arrest in May 2015. This did not prevent him from running for the public office of the mayor of Orhei in June 2015, but he is now imprisoned for his part in the theft.

Vlad Filat, former Prime Minister of Moldova, was placed in detention in October 2015 and eight months later was found guilty of abuse of office and corruption. He is now serving nine years in jail.

https://www.cccec.md/the-moldovan-banking-scandal/
In October 2015, Denis Urechi was found guilty of submitting to Banca de Economii faked land assessments to obtain a loan equalling US$1.9 million.

Ion Rusu, the manager of Caravita Co. Business Estate Investments was sentenced, after pleading guilty, to five years of imprisonment for using the companies to launder funds and commit fraud. Rusu is brother-in-law to Vlad Filat and claimed Filat is the real owner of the two companies.

In August 2016 Veaceslav Platon, a former member of Parliament of Moldova was charged with stealing more than $40 million from Banca de Economii.

In September 2016, fifteen former or acting judges and three court bailiffs were arrested by the officers of the National Anti-corruption Centre, being accused of being involved in the Moldovan banking scandal.
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Maia Sandu 🍄 @sandumaiamd · May 31, 2023

Productive meeting with President @vonderleyen ahead of the #EPCSSummit. Discussed #Moldova’s future in the #EU family & expressed gratitude to the Commission for the support announced today for Moldova and its people.

Ursula von der Leyen

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