

**Testimony of William Browder to the Senate Judiciary Committee on FARA violations
connected to the anti-Magnitsky Campaign by Russian government interests**

July 26, 2017

Chairman Grassley, Ranking Member Feinstein and members of the committee, thank you for giving me the opportunity to testify today on the Russian government's attempts to repeal the Magnitsky Act in Washington in 2016, and the enablers who conducted this campaign in violation of the Foreign Agents Registration Act, by not disclosing their roles as agents for foreign interests.

Before I get into the actions of the agents who conducted the anti-Magnitsky campaign in Washington for the benefit of the Russian state, let me share a bit of background about Sergei Magnitsky and myself.

I am the founder and CEO of Hermitage Capital Management. I grew up in Chicago, but for the last 28 years I've lived in Moscow and London, and am now a British citizen. From 1996 to 2005, my firm, Hermitage Capital, was one of the largest investment advisers in Russia with more than \$4 billion invested in Russian stocks.

Russia has a well-known reputation for corruption; unfortunately, I discovered that it was far worse than many had thought. While working in Moscow I learned that Russian oligarchs stole from shareholders, which included the fund I advised. Consequently, I had an interest in fighting this endemic corruption, so my firm started doing detailed research on exactly how the oligarchs stole the vast amounts of money that they did. When we were finished with our research we would share it with the domestic and international media.

For a time this naming and shaming campaign worked remarkably well and led to less corruption and increased share prices in the companies we invested in. Why? Because President Vladimir Putin and I shared the same set of enemies. When Putin was first elected in 2000 he found that the oligarchs had misappropriated much of the president's power as well. They stole power from him while stealing money from my investors. In Russia your enemy's enemy is your friend, and even though I've never met Putin, he would often step into my battles with the oligarchs and crack down on them.

That all changed in July 2003 when Putin arrested Russia's biggest oligarch and richest man, Mikhail Khodorkovsky. Putin grabbed Khodorkovsky off his private jet, took him back to Moscow, put him on trial and allowed television cameras to film Khodorkovsky sitting in a cage right in the middle of the courtroom. That image was extremely powerful because none of the other oligarchs wanted to be in the same position. After Khodorkovsky's conviction the other oligarchs went to Putin and asked him what they needed to do to avoid sitting in the same cage as Khodorkovsky. From what followed, it appeared that Putin's answer was, "Fifty per cent." He wasn't saying 50% for the Russian government or the presidential administration of Russia, but 50% for Vladimir Putin personally. From that moment on Putin became the biggest oligarch in Russia and the richest man in the world, and my anti-corruption activities would no longer be tolerated.

The results of this change came very quickly. On November 13th, 2005 as I was flying into Moscow from a weekend away, I was stopped at Sheremetyevo airport, detained for 15 hours, deported and declared a threat to national security.

Eighteen months after my expulsion a pair of simultaneous raids took place in Moscow. Over 25 Interior Ministry officials barged into my Moscow office and the office of the American law firm that represented me. The officials seized all the corporate documents connected to the investment holding companies of the funds that I advised. I didn't know the purpose of these raids so I hired the smartest Russian lawyer I knew, a 35-year old named Sergei Magnitsky. I asked Sergei to investigate the purpose of the raids and try to stop whatever illegal plans these officials had.

Sergei went out and investigated. He came back with the most astounding conclusion of corporate identity theft: the documents seized by the Interior Ministry were used to fraudulently re-register our Russian investment holding companies to a man named Viktor Markelov, a known criminal convicted of manslaughter. After more digging, Sergei discovered that the stolen companies were used by the perpetrators to misappropriate \$230 million of taxes that our companies had paid to the Russian government in the previous year.

I had always thought Putin was a nationalist. It seemed inconceivable that he would approve of his officials stealing \$230 million from the Russian state. Sergei and I were sure that this was a rogue operation and if we just brought it to the attention of the Russian authorities, the "good guys" would get the "bad guys" and that would be the end of the story.

We filed criminal complaints with every law enforcement agency in Russia, and Sergei gave sworn testimony to the Russian State Investigative Committee (Russia's FBI) about the involvement of officials in this crime.

However, instead of arresting the people who committed the crime, Sergei was arrested. Who took him? The same officials he had testified against. On November 24, 2008 they came to his home, handcuffed him in front of his family, and threw him into pre-trial detention.

Sergei's captors immediately started putting pressure on him to withdraw his testimony. They put him in cells with 14 inmates and eight beds, leaving the lights on 24 hours a day to impose sleep deprivation. They put him in cells with no heat and no windowpanes and he nearly froze to death. They put him in cells with no toilet, just a hole in the floor and sewage bubbling up. They moved him from cell to cell in the middle of the night without any warning. During his 358 days in detention he was forcibly moved multiple times.

They did all of this because they wanted him to withdraw his testimony against the corrupt Interior Ministry officials, and to sign a false statement that *he* was the one who stole the \$230 million — and that he had done so on my instruction.

Sergei refused. In spite of the grave pain they inflicted upon him, he would not perjure himself or bear false witness.

After six months of this mistreatment Sergei's health seriously deteriorated. He developed severe abdominal pains, he lost 40 pounds, and he was diagnosed with pancreatitis and gallstones and prescribed an operation for August 2009. However, the operation never occurred. A week before he was due to have surgery, he was moved to a maximum security prison called Butyrka, which is considered to be one of the harshest prisons in Russia. Most significantly for Sergei there were no medical facilities there to treat his medical conditions.

At Butyrka his health completely broke down. He was in agonizing pain. He and his lawyers wrote 20 desperate requests for medical attention, filing them with every branch of the Russian criminal justice system. All of those requests were either ignored or explicitly denied in writing.

After more than three months of untreated pancreatitis and gallstones, Sergei Magnitsky went into critical condition. The Butyrka authorities did not want to have responsibility for him, so they put him in an ambulance and sent him to another prison that had medical facilities. But when he arrived there, instead of putting him in the emergency room they put him in an isolation cell, chained him to a bed, and eight riot guards came in and beat him with rubber batons.

That night he was found dead on the cell floor.

Sergei Magnitsky died on November 16, 2009 at the age of 37, leaving a wife and two children.

I received the news of his death early the next morning. It was by far the most shocking, heart-breaking and life-changing news I've ever received.

Sergei Magnitsky was murdered as my proxy. If Sergei had not been my lawyer, he would still be alive today.

That morning I made a vow to Sergei's memory, to his family and to myself that I would seek justice and create consequences for the people who murdered him. For the last seven and a half years I've devoted my life to this cause.

Even though this case was characterized by injustice all the way through, the circumstances of Sergei's torture and death were so extreme that I was sure some people would be prosecuted. Unlike other deaths in Russian prisons, which are largely undocumented, Sergei had written everything down. In his 358 days in detention, Sergei wrote over 400 complaints detailing his abuse. In those complaints he described who did what to him, as well as where, how, when and why. He was able to pass his hand-written complaints to his lawyers, who dutifully filed them with the Russian authorities. Although his complaints were either ignored or rejected, copies of them were retained. As a result, we have the most well documented case of human rights abuse coming out of Russia in the last 35 years.

When I began the campaign for justice with this evidence, I thought that the Russian authorities would have no choice but to prosecute at least some of the officials involved in Sergei Magnitsky's torture and murder. It turns out I could not have been more wrong. Instead of prosecuting, the Russian authorities circled the wagons and exonerated everybody involved. They even went so far as to offer promotions and state honors to those most complicit in Sergei's persecution.

It became obvious that if I was going to get any justice for Sergei Magnitsky, I was going to have to find it outside of Russia.

But how does one get justice in the West for a murder that took place in Russia? Criminal justice is based on jurisdiction: one cannot prosecute someone in New York for a murder committed in Moscow. As I thought about it, the murder of Sergei Magnitsky was done to cover up the theft of \$230 million from the Russian Treasury. I knew that the people who stole that money wouldn't keep it in Russia. As easily as they stole the money it could be stolen from them. These people keep their ill-gotten gains in the West, where property rights and rule of law exist. This led to the idea of freezing their assets and banning their visas here in the West. It would not be true justice but it would be much better than the total impunity they enjoyed.

In 2010, I travelled to Washington and told Sergei Magnitsky's story to Senators Benjamin Cardin and John McCain. They were both shocked and appalled and proposed a new piece of legislation called The Sergei Magnitsky Rule of Law Accountability Act. This would freeze assets and ban visas for those who killed Sergei as well as other Russians involved in serious human rights abuse.

Despite the White House's desire to re-set relations with Russia at the time, this case shined a bright light on the criminality and impunity of the Putin regime and persuaded Congress that something needed to be done. In November 2012 the Magnitsky Act passed the House of Representatives by 364 to 43 votes and later the Senate 92 to 4 votes. On December 14, 2012 President Obama signed the Sergei Magnitsky Act into law.

Putin was furious. Looking for ways to retaliate against American interests, he settled on the most sadistic and evil option of all: banning the adoption of Russian orphans by American families.

This was particularly heinous because of the effect it had on the orphans. Russia did not allow the adoption of healthy children, just sick ones. In spite of this, American families came with big hearts and open arms, taking in children with HIV, Down syndrome, Spina Bifida and other serious ailments. They brought them to America, nursed them, cared for them and loved them. Since the Russian orphanage system did not have the resources to look after these children, many of those unlucky enough to remain in Russia would die before their 18th birthday. In practical terms, this meant that Vladimir Putin sentenced his own, most vulnerable and sick Russian orphans to death in order to protect corrupt officials in his regime.

Why did Vladimir Putin take such a drastic and malicious step?

For two reasons. First, since 2012 it's emerged that Vladimir Putin was a beneficiary of the stolen \$230 million that Sergei Magnitsky exposed. Recent revelations from the Panama Papers have shown that Putin's closest childhood friend, Sergei Roldugin, a famous cellist, received \$2 billion of funds from Russian oligarchs and the Russian state. It's commonly understood that Mr. Roldugin received this money as an agent of Vladimir Putin. Information from the Panama Papers also links some money from the crime that Sergei Magnitsky discovered and exposed to Sergei Roldugin. Based on the language of the Magnitsky Act, this would make Putin personally subject to Magnitsky sanctions.

This is particularly worrying for Putin because he is one of the richest men in the world. I estimate that he has accumulated \$200 billion of ill-gotten gains from these types of operations over his 17 years in power. He keeps his money in the West and all of his money in the West is potentially exposed to asset freezes and confiscation. Therefore, he has a significant and very personal interest in finding a way to get rid of the Magnitsky sanctions.

The second reason why Putin reacted so badly to the passage of the Magnitsky Act is that it destroys the promise of impunity he's given to all of his corrupt officials.

There are approximately ten thousand officials in Russia working for Putin who are given instructions to kill, torture, kidnap, extort money from people and seize their property. Before the Magnitsky Act, Putin could guarantee them impunity and this system of illegal wealth accumulation worked smoothly. However, after the passage of the Magnitsky Act, Putin's guarantee disappeared. The Magnitsky Act created real consequences outside of Russia and this created a real problem for Putin and his system of kleptocracy.

For these reasons, Putin has stated publicly that it was among his top foreign policy priorities to repeal the Magnitsky Act and to prevent it from spreading to other countries. Since its passage in 2012, the Putin regime has gone after everybody who has been advocating for the Magnitsky Act.

One of my main partners in this effort was Boris Nemtsov. Boris testified in front of the US Congress, the European Parliament, the Canadian Parliament and others to make the point that the Magnitsky Act was a "pro-Russian" piece of legislation because it narrowly targeted corrupt officials and not the Russian people. In 2015 Boris Nemtsov was murdered on the bridge in front of the Kremlin.

Boris Nemtsov's protégé, Vladimir Kara-Murza, also travelled to law-making bodies around the world to make a similar case. After Alexander Bastrykin, the head of the Russian Investigative Committee, was added to the Magnitsky List in December of 2016, Vladimir was poisoned. He suffered multiple organ failure, went into a coma and barely survived.

The lawyer who represented Sergei Magnitsky's mother, Nikolai Gorokhov, has spent the last six years fighting for justice. This spring, the night before he was due in court to testify about the state cover up of Sergei Magnitsky's murder, he was thrown off the fourth floor of his apartment building. Thankfully he survived and has carried on in the fight for justice.

I've received many death threats from Russia. The most notable one came from Russian Prime Minister Dmitry Medvedev at the World Economic Forum in Davos, Switzerland, in 2013. When asked by a group of journalists about the death of Sergei Magnitsky, Medvedev replied, "It's too bad that Sergei Magnitsky is dead and Bill Browder is still alive and free." I've received numerous other death threats from Russian sources through text messages, emails and voicemails. US government sources have warned me about a planned Russian rendition against me. These threats were in addition to numerous unsuccessful attempts that the Russian government has made to arrest me using Interpol or other formal legal assistance channels.

The Russian government has also used its resources and assets to try to repeal the Magnitsky Act. One of the most shocking attempts took place in the spring and summer of last year when a group of Russians went on a lobbying campaign in Washington to try to repeal the Magnitsky Act by changing the narrative of what had happened to Sergei. According to them, Sergei wasn't murdered and he wasn't a whistle-blower, and the Magnitsky Act was based on a false set of facts. They used this story to try to have Sergei's name taken off of the Global Magnitsky Act that passed in December 2016. They were unsuccessful.

Who was this group of Russians acting on behalf of the Russian state? Two men named Pyotr and Denis Katsyv, a woman named Natalia Veselnitskaya, and a large group of American lobbyists, all of whom are described below.

Pyotr Katsyv, father to Denis Katsyv, is a senior Russian government official and well-placed member of the Putin regime; Denis Katsyv was caught by US law enforcement using proceeds from the crime that Sergei Magnitsky uncovered to purchase high-end Manhattan real estate (the case recently settled with the Katsyvs paying \$6 million to the US government). Natalia Veselnitskaya was their lawyer.

In addition to working on the Katsyvs' money laundering defense, Ms. Veselnitskaya also headed the aforementioned lobbying campaign to repeal the Magnitsky Act. She hired a number of lobbyists, public relations executives, lawyers and investigators to assist her in this task.

Her first step was to set up a fake NGO that would ostensibly promote Russian adoptions, although it quickly became clear that the NGO's sole purpose was to repeal the Magnitsky Act. This NGO was called the Human Rights Accountability Global Initiative Foundation (HRAGI). It was registered as a corporation in Delaware with two employees on February 18, 2016. HRAGI was used to pay Washington lobbyists and other agents for the anti-Magnitsky campaign. (HRAGI now seems to be defunct, with taxes due.)

Through HRAGI, Rinat Akhmetshin, a former Soviet intelligence officer naturalised as an American citizen, was hired to lead the Magnitsky repeal effort. Mr Akhmetshin has been involved in a number of similar campaigns where he's been accused of various unethical and potentially illegal actions like computer hacking.

Veselnitskaya also instructed US law firm Baker Hostetler and their Washington, DC-based partner Marc Cymrot to lobby members of Congress to support an amendment taking Sergei Magnitsky's name off the Global Magnitsky Act. Mr. Cymrot was in contact with Paul Behrends, a congressional staffer on the House Foreign Affairs Committee at the time, as part of the anti-Magnitsky lobbying campaign.

Veselnitskaya, through Baker Hostetler, hired Glenn Simpson of the firm Fusion GPS to conduct a smear campaign against me and Sergei Magnitsky in advance of congressional hearings on the Global Magnitsky Act. He contacted a number of major newspapers and other publications to spread false information that Sergei Magnitsky was not murdered, was not a whistle-blower and was instead a criminal. They also spread false information that my presentations to lawmakers around the world were untrue.

As part of Veselnitskaya's lobbying, a former *Wall Street Journal* reporter, Chris Cooper of the Potomac Group, was hired to organise the Washington, DC-based premiere of a fake documentary about Sergei Magnitsky and myself. This was one the best examples of Putin's propaganda.

They hired Howard Schweitzer of Cozen O'Connor Public Strategies and former Congressman Ronald Dellums to lobby members of Congress on Capitol Hill to repeal the Magnitsky Act and to remove Sergei's name from the Global Magnitsky bill.

On June 13, 2016 they funded a major event at the Newseum to show their fake documentary, inviting representatives of Congress and the State Department to attend.

While they were conducting these operations in Washington, DC, at no time did they indicate that they were acting on behalf of Russian government interests nor did they file disclosures under the Foreign Agent Registration Act.

United States law is very explicit that those acting on behalf of foreign governments and their interests must register under FARA so that there is transparency about their interests and their motives.

Since none of these people registered, my firm wrote to the Department of Justice in July, 2016 and presented the facts.

I hope that my story will help you understand the methods of Russian operatives in Washington and how they use US enablers to achieve major foreign policy goals without disclosing those interests. I also hope that this story and others like it may lead to a change in the FARA enforcement regime in the future.

Thank you.