



IBM Staff Stole Russian Pension Money, Ministry Says (Update4)

By Lyubov Pronina

Dec. 7 (Bloomberg) -- Russia's Interior Ministry accused executives of International Business Machines Corp., the world's largest provider of computer services, of stealing money from the country's \$57 billion Pension Fund.

IBM local officials conspired with others from the pension fund and two software companies to rig auctions and embezzle some of the 1 billion rubles (\$38 million) of budget money allocated to the fund for new computers, the ministry said on its Web site. It didn't identify the executives or saying how much was stolen.

"A number of Pension Fund executives responsible for conducting competitions to purchase equipment entered into a criminal agreement" with officials at IBM and software companies ZAO R-Style Co. and ZAO Lanit, the ministry said.

Russian investigators raided IBM's Moscow offices yesterday, the company said, as part of a national crack down on corruption instigated by President Vladimir Putin. The accusation comes a month after IBM announced plans to expand into 20 more Russian cities. IBM's business in the country has quadrupled since 2002 and the company said it has about 20 percent of the market for server computers and 12 percent of the software market.

IBM "Cooperating"

IBM is "cooperating with Russian law enforcement," spokeswoman Galina Danilina said. She declined to elaborate beyond confirming that investigators searched the company's Moscow offices yesterday.

The pension fund today said its central office in Moscow was searched yesterday. The office of Chairman Gennady Batanov wasn't searched, the fund said in a statement on its Web site.

Shares of IBM rose 11 cents to \$94.23 at 4 p.m. in New York Stock Exchange composite trading. The stock has gained 15 percent this year.

The two Russian software companies, R-Style Softlab and Lanit, were also raided. R-Style Softlab spokeswoman Viktoria Kubrina said about two dozen investigators and masked, gun-toting riot police spent 10 hours in her building yesterday.

"They asked us to stop work, switch off our mobile phones and get ready for the search," Kubrina said in a telephone interview. "They made copies of some documents, took the list of our contracts and copied some electronic mail," she said.

"The search should have been carried out in a different unit of the R-Style holding" because Softlab doesn't have any contracts with the Pension Fund, Kubrina said.

Lanit spokesman Konstantin Vasilyev was not immediately available to comment.

Alexander Tarasov, spokesman for the ministry's Investigation Committee, and Alexander Vorobyov, spokesman for its economic crime department, declined to elaborate on today's statement.

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