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## BoNY fires 2nd employee



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**Second high-level employee fired as money laundering probe continues**

NEW YORK (CNNfn) - Bank of New York Thursday fired a second employee in a widening probe concerning allegations that billions of dollars in illicit Russian funds were funneled through the bank's coffers.

Svetlana Kudryautsev, an international banking associate with the bank's New York operations, was terminated for not cooperating with the ongoing investigation into accounts that authorities allege were opened and used by Russian businessmen to launder as much as \$15 billion in ill-gotten funds, sources familiar with the investigation said. She was not an officer of the bank.

Kudryautsev's termination follows by less than a week the dismissal of Lucy Edwards, a Russian-born vice president who was responsible for its Eastern European division. The two senior-level executives worked under Natasha Kagalovsky. Kagalovsky, who worked in the bank's London office, has been suspended, according to sources.

Bank of New York spokesman Cary Giacalone confirmed that Kudryautsev was dismissed.

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### The plot thickens

Authorities have been investigating whether Russian immigrant Peter Berlin's accounts at the Bank of New York were used to launder money -- an act intended to disguise the origins of money procured from illegal activities. Part of the process involves depositing the money in numerous legitimate bank accounts, making it difficult to trace.

Berlin was married to Edwards, one of the central figures authorities are investigating for criminal activities. And Edwards was fired last week for alleged "gross misconduct," violations of the bank's internal policies, falsification of bank records and failure to cooperate in the investigation, according to people familiar with the situation.

Kudryautsev's firing is the latest incident related to allegations of fraud swirling about the Bank of New York and a widening list of other U.S. and European banks and securities firms.

Reports published Thursday quote investigators as saying they suspect Russian organized crime groups are actively trying to infiltrate the U.S. financial system. They accuse the groups of setting up "moles" within key positions at major Western banks and securities firms to help them launder money and conduct other illegal transactions.

### "Pure speculation"

According to people close to the investigation, the Federal Reserve is reviewing the practices and procedures Bank of New York had in place to combat money laundering. The district attorney in New York City's borough of Manhattan is also investigating money transfers at the bank, and Internal Revenue Service investigators are also assisting in the federal probe.

At the same time, a senior source within the Federal Bureau of Investigation told CNNfn that the notion of Russian "moles" planted in various U.S. banks is "pure speculation," noting that its recent FBI sting operation involving narcotics and money laundering was "totally unrelated" to events unfolding at Bank of New York and other institutions.

The BankBoston case involves a customer service representative indicted on charges that she helped a group of Russian businessmen launder what undercover agents posing as narcotics traffickers represented to the Russians as drug money, according to sources involved.

The agents gave more than \$2.7 million in cash to the businessmen, who were based mostly in New York. In return, they sent the agents checks from more than 64 bank accounts, a number of which were from the West Newton, Mass., BankBoston branch where the customer-services representative, Oksana Galchanskaya, worked.

Galchanskaya's lawyer says she wasn't involved in the alleged

scheme and didn't know the alleged launderers.

### IMF speaks out

A number of accounts at other U.S. banks are believed by authorities to be connected to the case, the paper said. These include business or individual accounts at Citigroup Inc.'s Citibank, First Union Corp.'s CoreStates Bank, Chase Manhattan Corp.'s Chase Manhattan Bank.

Separately, the International Monetary Fund Thursday said it will not cut off its support payments to Russia, and that it is maintaining its stance that it has no evidence that monetary aid has been diverted into the alleged money laundering scandal.

In the first of what is expected to be a regular series of briefings to reporters, IMF External Affairs director Thomas Dawson said the IMF was considering implementing safeguards to determine how Russia uses future IMF money and to avoid potential abuse of those funds.

At the same time, he said the organization will wait for a new report from auditors PriceWaterhouse Coopers before deciding whether to pay further installments on an existing \$4.5 billion loan.

"There is absolutely no evidence of any diversion or misuse of IMF funds," Dawson said, in the first of a planned series of regular IMF news briefings. "We take the allegations extremely seriously, but we have found no evidence in that regard."

No date had been set for the IMF to discuss Russia, though officials will convene in Washington for the IMF-World Bank annual meetings later this month.

Dawson noted that the claims of money-laundering remained vague and he stressed that the IMF, which has loaned Russia some \$22 billion since 1992, did not make payments to commercial banks. ■

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