



# DOING BUSINESS IN RUSSIA AND THE CIS

EXPERTS WITH IMPACT



The shifting geopolitical tides between East and West have created an increasingly **enigmatic and unpredictable business environment** in Russia and its neighbouring states. More than ever, companies operating in the region need to navigate the impact of **political risk** and **legal, regulatory and policy developments** on their short and long term strategies.

# Russia and CIS regional experts

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FTI Consulting has a long established track record of helping clients in Russia and the Commonwealth of Independent States (CIS) assess their exposure to the region, understand the risks and opportunities, and respond to unwelcome complexity. We have worked with the regions corporate leaders, large multi-national companies, government institutions and sovereign nations as well as their lawyers, advisors, lenders and investors to help them successfully navigate the local business landscape.

## LOCAL UNDERSTANDING

We have first-hand regional experience having lived and worked in Russia and the CIS, and supported clients across myriad sectors in those jurisdictions.

Our team can speak over 20 languages and includes native Russian and other Slavic speakers. We combine this multi-lingual expertise with a deep knowledge of local, cultural and business customs.

## MULTI-DISCIPLINARY EXPERTISE

Russian and CIS engagements can be complex, and need the support of specialist experts. We are home to world class forensic investigators, data analysts, communication specialists and IT experts who can support you with:

- delivering insights that help shape strategies
- uncovering the facts behind fraud allegations
- dealing with disputes
- communicating effectively with stakeholders

## GLOBAL FOOTPRINT

Most Russian and CIS engagements will have an international element to them. Our global presence in 28 countries, including all major finance capitals, means we can bring together professionals across the world to support you on multi-national engagements. We help you deal with the complex and nuanced differences between the CIS and other jurisdictions.

# Why FTI Consulting?

As an award-winning global consultancy firm, clients benefit from our multi-disciplinary expertise, commercial approach, depth of experience and in-country cultural awareness. We offer:



**Regional expertise** – deep understanding and experience of the region's complex and opaque business environment.



**Industry expertise** – our team includes experts across various sectors including energy & mining, manufacturing, aviation and telecommunications.



**Innovative technologies** – including our market-leading document review platform Ringtail, which help streamline investigations, litigation and regulatory inquiries.



**Independence** – with no audit practice we are largely conflict free and can give impartial advice.



**Commercial, pragmatic approach** – delivering practical advice and support that reduces demands on management and minimises disruption to the business.



**Ready access to our team** – including senior team leaders to deliver the insight and assistance you need when doing business in Russia and the CIS.



**Integrated team** – our professionals work collaboratively, pooling specialist expertise and skills to deliver the best solutions for clients.



**Agility & responsiveness** – we can mobilise and deploy teams quickly, wherever you need us.

# Internationally recognised business advisory experts



Recognised as **leading experts** in both Who's Who Legal: **Investigations** 2017 and Who's Who Legal: **Asset Recovery** 2017



Recognised as having the **deepest and strongest capabilities in Forensic Investigations** by Kennedy Consulting Research & Advisory



2017 **A Leader in Worldwide E-Discovery Services 2017 Vendor Assessment**  
IDC Marketscape



Awarded **Arbitration Expert Firm of the Year 2017**



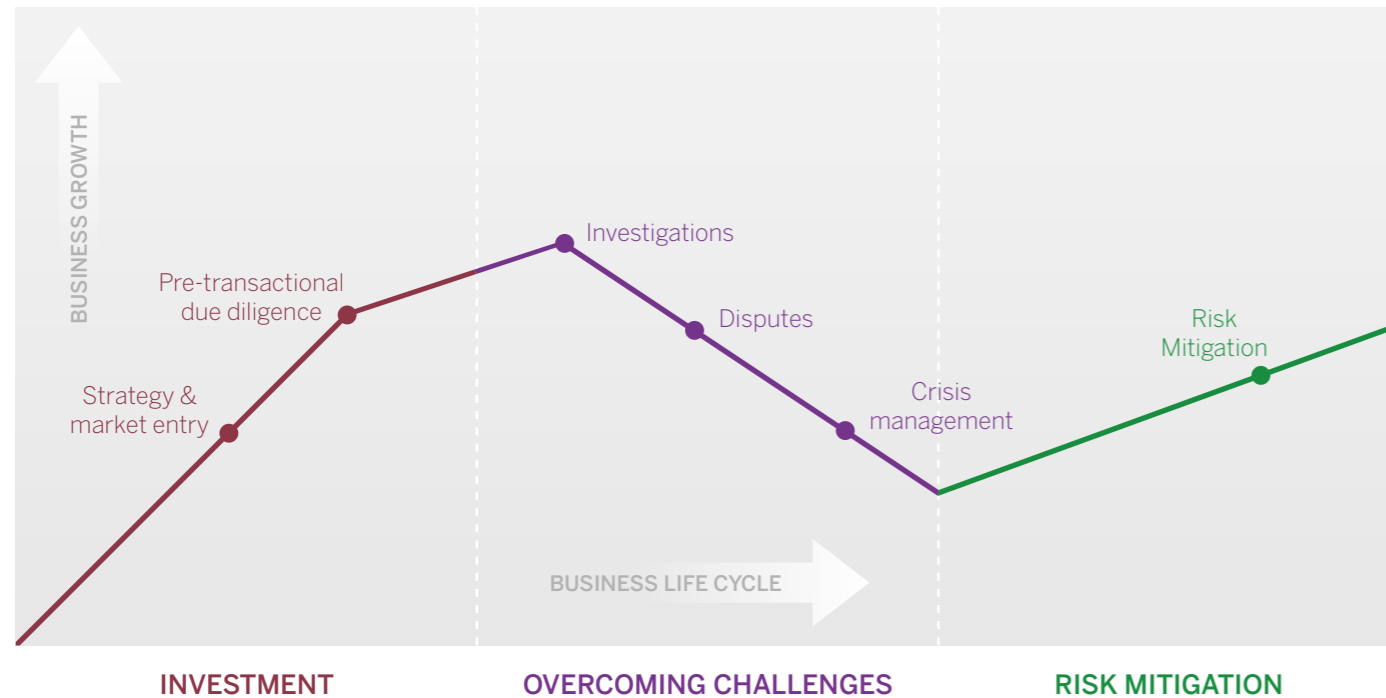
The global business intelligence practice has been recognised in **The Economist** as the **leading player** in the industry



Recognised as the UK **Transaction Advisory Firm of the Year 2017 and 2018**

# Support across the business life cycle

The scale, scope and depth of FTI's expertise means we can deal with the full implications of any challenge or opportunity that might arise when doing business in Russia and the CIS. Whatever help you need, our multi-disciplinary team offers support across the business life cycle tailoring our services to match your specific requirements.



# Investment: Strategy & market entry

When local business norms are built on opaque relationships, and the line between politics and commerce is blurred, incorrect decisions can destroy an investment or lead to potential regulatory action. However, if verifiable information is hard to come by, how do you build an objective basis for making the correct decisions?

## SETTING THE SCENE

Our regional specialists ensure that information is assessed against the political, economic and cultural context of the country or region, and can offer ongoing briefing support throughout the decision-making process. Our experts have also accompanied executives for important negotiations, helping our clients understand the real power and interest structures at play in a negotiation process. This intelligence and expertise can shape an effective and compliant strategy, helping you to enter the most challenging markets.

## INTELLIGENCE-LED RESEARCH

With a team built on in-country experience and expertise and well-trying networks of sources at all levels, our intelligence-led research helps clients make informed decisions. We regularly support international clients looking to enter Russian and CIS markets, including:

- mapping and analysing the networks and relationships at play in a given market or sector;
- assessing the extent to which a sector or licensing process is corrupt;
- advising on the political risks and vulnerabilities associated with an investment;

- analysing the potential effects of changes in government or regulatory regimes;
- identifying the informal linkages and interests that stand behind key officials or stakeholders;
- investigating the backgrounds of individuals or entities.

# Investment: Pre-transactional due diligence

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When you are considering an important transaction, good intelligence is crucial from the perspectives of strategy, compliance and reputation. Our intelligence support has informed the investment decisions of large banks, corporates and government institutions in Russia and the CIS.

## GETTING THE TRUE PICTURE

Our forensic consulting and investigations experts can examine a company's structure, ownership and state of health, and provide an accurate status report. We can also apply wider analysis to assess the overall market forces likely to influence a potential opportunity. For instance, what is the political vulnerability of a local partner? Are there corruption or sanctions issues connected to the company? Are there reputational risks associated with current practices or legacy operations? We will also ensure that investors understand the legal and regulatory obligations they are taking on, since these vary from country to country.

## VAST NETWORK OF SOURCES AND RESOURCES

We deploy a range of discreet in-country sources across the region, including senior decision makers, journalists, government and non-government organisations, regulators, industry sources and law enforcement to build a comprehensive picture of relationships and issues. We also thoroughly search all kinds of resources, including public archives, litigation filings, credit records and social media, and have access to business intelligence sources that are not always publicly available.

## NAVIGATING SANCTIONS

Russia, along with other CIS countries, is subject to multiple sanctions regimes, including the US, EU and UK. Our experts can investigate potential breaches and monitor compliance within entities that have been recently acquired by your clients in the region, or parties who have presented themselves as potential business partners to your clients.

## COMMUNICATING TO STAKEHOLDERS

Communications are key to the success of all kinds of transactions, from buying or selling assets to launching a new business, protecting an entity's value or working with investors. Our communications specialists have the expertise and practical experience required to communicate the messages that will help you achieve your goals.

# Overcoming challenges: Investigations

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Operating in different jurisdictions can heighten the risk of fraud, corruption or financial malfeasance. If you suspect wrongdoing, our team can act quickly to conduct an investigation discretely and sensitively, safeguard assets and establish the facts.

## INVESTIGATING THE FACTS

We evaluate external information, analyse corporate books, records and electronic information, as well as conduct employee interviews. We also assist with complex accounting and reporting requirements that arise from situations occurring outside the normal course of business, or that may be unique to an industry. Using sophisticated analytical tools and innovative forensic technology, we can deal with all forms of data of any size.

## LOCATING OFFSHORE ASSETS

Both corporate entities and individuals in Russian and CIS countries often locate holding companies in offshore jurisdictions, such as the British Virgin Islands (BVI) and the Cayman Islands. Lack of publicly available information and complex group structures enable sophisticated parties to conceal the location, source and ownership of assets. With offices in the BVI, the Cayman Islands, and across the world, our investigation team has a proven track record of recovering assets offshore, using a combination of investigative skills, intelligence and leading technologies.

## INSOLVENCY

Where insolvency proceedings are necessary, it is important to act quickly to maximise recoveries and minimise the adverse impact on stakeholders' interests. Receivers or Liquidators can be appointed to gather information that is not publicly available, and to identify and take possession of assets. While these powers can vary according to jurisdiction, through FTI's global investigative capabilities we can help uncover significant amounts of additional information and/or assets. We have extensive experience in contentious cross-border insolvency, including Russian and CIS jurisdictions, involving fraud investigations, litigation, shareholder disputes, asset tracing and the realisation of complex and illiquid assets.

# Overcoming challenges: **Disputes**

When a dispute is unavoidable we can provide clients with a broad range of expert witness and technology services.

## **ARBITRATION IN RUSSIA AND THE CIS**

Russian and CIS parties have traditionally chosen arbitration under the auspices of the Stockholm Chamber of Commerce. However, in recent years contractual disputes are increasingly being referred to other major international arbitration institutions such as the International Chamber of Commerce (“ICC”), the London Court of Arbitration (“LCIA”) or to ad hoc arbitration. Today, CIS countries are often involved in arbitrations where the stakes are very high.

Our team provides high quality financial and related analyses, as well as independent expert witness services, to parties involved in disputes. We have a wide range of relevant skills and qualifications in the fields of accounting, economics, finance, IP, valuation, statistics, and strategic analysis. Most importantly, we are highly experienced in applying these disciplines in damages assessments in the context of international arbitration.

Specific to international arbitrations in Russia and the CIS, our teams have expertise in:

- key industries such as energy and mining, financial institutions and banking, telecommunications, real estate and aviation;
- valuing entities in markets which are highly illiquid and for which comparable company and industry benchmark information is scarce; and
- treaty arbitrations involving expropriation issues as well as shareholder disputes.

## **ELECTRONICALLY STORED INFORMATION**

A critical component of any internal investigation, dispute, or regulatory enquiry is the preservation, review and analysis of electronic documents and e-mail messages. Our team can identify, forensically collect and preserve data from servers, computers, mobile devices and other forms of electronic media, in

accordance with local data privacy laws. We can then host and review documents, using e-discovery and document review platforms, Ringtail® and Relativity, to help identify relevant information quickly whether hosted at one of our international data centres in the UK, France, Australia, China and the US, or in the cloud with solutions including AWS and Azure. Where local data legislation or confidentially preclude documents from being taken outside a jurisdiction, we use our in-house tool to enable a mobile processing and review environment at the client or counsel’s office.

Our technology solutions and platforms fully support review and searching in many languages and character sets, including Cyrillic. This enables the segregation of documents by component languages in order that they can be routed to reviewers with the appropriate language skills.

# Overcoming challenges: **Crisis management**

A business can face unique reputational threats in this part of the world - whether arising from politicians, the media, activists, customers, competitors or employees. We help clients prepare for the unexpected and respond quickly when trouble arises to ultimately protect a company’s reputation and its permission to operate.

## **PROTECTING REPUTATION**

Our highly skilled communications professionals combine the skills of investigative journalism with deep experience of the administrative system. We can swiftly analyse every likely scenario, charting a strategic path through the public relations minefield that often arises during a crisis and providing counsel on tactics and messages. We act as gatekeepers, anticipating how a situation is likely to unfold and devising responses to mitigate the risks to reputation and value.

Our specialists in public affairs, investor relations and issues management have a well-honed understanding of the business environment throughout the CIS, with all its post-Soviet legacies, including on-the-ground expertise in Russia. This know-how, in combination with the expertise available across the FTI Consulting global network, presents an integrated offer to companies facing the specific challenges of doing business in Russia, Ukraine and the wider region.

## **FTI FORTIFY**

Fortify is FTI’s crisis preparedness platform, providing clients with a suite of services designed to aid planning around adverse corporate events likely to damage reputation. Whether it’s stress-testing processes and operations in a real-life simulation, rehearsing crisis decision making in a workshop setting or providing employees with a bespoke crisis management app, Fortify brings together the best in FTI’s reputation management expertise.

# Risk mitigation

The complex business environment in Russia and the CIS can often be at odds with Western anti-corruption laws and regulation. However, failure to comply means companies risk severe penalties and damaged reputations. We can develop compliance programmes that help minimise risk, protect reputations and demonstrate effective corporate governance.

## REDUCING RISKS

We regularly work with lawyers and their clients to identify and mitigate the risks of corruption, fraud and financial crime by implementing and developing effective compliance programmes, including:

- conducting enhanced due diligence on high-risk third parties
- managing third party risk using our online compliance tool, FTI Comply, that automates much of the process
- reviewing pre- and post-acquisition compliance
- develop e-learning modules that clients can use to train staff about corruption risks.

- Interviews and workshops with senior management teams and other select employees to identify relevant risks and high-risk transactions in day-to-day business operations.
- training staff in the handling of a corruption incident
- evaluating existing compliance programmes and recommendations for enhancements
- implementing fraud protection strategies
- developing and implementing modified systems, controls and corporate practices
- monitoring and testing policies and procedures
- providing relevant management information to the board

## LEADING THE WAY IN ANTI-CORRUPTION

Transparency International's Corruption Perceptions Index frequently lists Russia and all of the CIS countries in the bottom half of its rankings. Our team has global capabilities in anti-bribery and corruption to help companies investigate, mitigate and prevent corruption issues. We have led over 300 multi-jurisdictional Foreign Corrupt Practices Act (FCPA) and UK Bribery Act (UKBA) cases including Russia and the CIS, and regularly work with international regulators such as the UK's Financial Conduct Authority and Serious Fraud Office and the Department of Justice and Securities Exchange Commission in the US.

## Case studies



### ASSET TRACING ALUMINIUM

FTI Consulting was appointed as liquidator for a BVI registered company following a dispute with one of its major suppliers of raw materials for an aluminium smelting plant in the CIS. The supplier commenced arbitration proceedings against the company and obtained an award in excess of US\$70 million, placing the company into liquidation. Our forensic investigators determined that valuable assets had been dissipated prior to liquidation and initiated a claim against various parties to recover these assets. Four wholly owned subsidiaries in the BVI were identified, some owning valuable commercial assets, and numerous unusual transactions were uncovered with suspicious counterparties as the recovery strategy progressed. Significant funds were also recovered from financial institutions and solicitors' client accounts.



### INTERNATIONAL ARBITRATION GAS PIPELINE

FTI Consulting was appointed to provide expert advice to a Russian claimant in a large dispute involving a breach of contract arising from the supply of defective heavy steel plates that were to be used in the construction of a gas pipeline. The matter involved the review of a large body of accounting evidence, much of which was in Russian, to estimate the wasted costs that had been incurred and estimated costs that would be incurred as a consequence of the breach. FTI Consulting also assessed the opportunity costs and other consequential losses that arose as a result of the breach. Three expert reports and oral evidence were provided to an ICC tribunal and our client was awarded substantial damages.



### FCPA INVESTIGATION ELECTRONICS MANUFACTURER

We provided forensic accounting and forensic IT services in this large-scale international investigation following enquiries by the Securities and Exchange Commission and the Department of Justice into potentially corrupt relationships with certain logistics providers. Our work involved reviewing the company's operations in Russia, Kazakhstan, Ukraine, Finland and Turkey and, in particular, performing an analysis of the company's financial records, testing a selection of transactions, collecting and reviewing relevant supporting documents, and preparing an expert report.



### CASH TRACING OIL

We were instructed to undertake a cash tracing exercise in relation to an alleged misappropriation in the CIS of almost \$100 million. As a result of the dissolution of a large and complex joint venture, the monies were said to have been transferred in order to meet a series of liabilities of the joint venture partners. Our role included interviewing client staff and external auditors to gain an understanding of the group structure and general flow of funds within the group. We obtained statements relating to over 50 bank accounts, which in turn related to 30 companies. These allowed us to trace the "misappropriated" funds to their final destination. This was in addition to tracing funds into other asset purchases, and establishing whether there was any proprietary tracing claim.

# About FTI Consulting



● FTI Consulting offices

Advisor to the **world's top 10** bank holding companies

**\$1.61BLN** equity market capitalisation\*

Combines unparalleled **expertise** and **industry knowledge** to address critical challenges for clients

With over **3600** professionals, and offices in **28 countries**, our breadth and depth extends across every major social, political and economic hub **around the globe**

We are a **global advisory firm** that provides multi-disciplinary solutions to **complex challenges** and **opportunities**

**56** of **Global Fortune 100 corporations** are clients

Advisor to **96** of the **world's top 100** law firms

**Our largest industry groups are:** Financial Institutions & Insurance; Energy, Power & Products; Healthcare & Life Science; Real Estate; Retail & Consumer; and Telecom, Media & Technology

Trusted advisors serving clients globally with **diverse expertise** and **exceptional credentials** including financial services executives, accountants, economists, former CFOs and strategists

\*Total shares outstanding multiplied by share price as of 27 October 2017





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### About FTI Consulting

FTI Consulting is an independent global business advisory firm dedicated to helping organisations manage change, mitigate risk and resolve disputes: financial, legal, operational, political & regulatory, reputational and transactional. FTI Consulting professionals, located in all major business centres throughout the world, work closely with clients to anticipate, illuminate and overcome complex business challenges and opportunities.

[www.fticonsulting.com](http://www.fticonsulting.com)

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