Dear Liz,

Sir Mike Penning MP, to whom I am copying this letter, has written to me to ask the Defence Committee to carry out an inquiry into EN+, a Russian-controlled company recently floated on the Stock Exchange, which among other activities is involved in the production of material used to make Buk missiles, which may be targeted on the British troops deployed in Estonia and Poland. (I attach the media reports he sent me.) The Committee did not feel this was entirely within our remit, but decided that I should write to you to ask what the Government is doing to ensure that Russian and other firms are not able to benefit from a listing on the Stock Exchange while contributing to threats to our national security.

I am also copying this letter to the Rt Hon. Nicky Morgan MP, Chair of the Treasury Committee.

Yours ever,

Julian

Rt Hon. Dr Julian Lewis
Chairman of the Committee
Fears grow over EN+ float after fresh claims of defence work

BYLINE: IJM ARMITAGE

SECTION: BUSINESS; Version:1

LENGTH: 427 words

Concerns in MI6 and the Foreign Office about the decision to allow Russian metals and energy giant EN+ to float on the London Stock Exchange will be heightened on Tuesday as details emerged suggesting it sold aluminium to the Russian defence industry.

EN+'s Rusal division has claimed since last year that it does not sell its products to weapons makers, but three Russian corporate tendering websites suggest it did. They purport to document numerous sales as recently as last autumn of aluminium powder to a maker of Russian missile warheads.

Senior intelligence sources have privately expressed deep concern about why London last year allowed EN+ to float here and raise money from western investors.

Rusal’s websites made several mentions of defence industry uses of its products until last November, when they disappeared after being challenged by the Evening Standard.

Former Defence Minister Sir Mike Penning, who has sought answers in parliament about how EN+ was allowed to stage a London IPO, said he would be contacting the defence select committee to push for a full investigation.

"It is absolutely imperative we get to the bottom of this," he said.

The Spark database, widely used as a reference for businesses trading in Russia, shows six apparent contracts where Rusal has sold aluminium powder to a company called GosNIIMash.

GosNIIMash describes itself as "a leading enterprise in Russia for the development and production of combat parts of guided missile weapons".

The orders are dated between 20 April and 7 September 2017 and total 10 million rubles (£127,000). The final reported shipment appears to have been concluded on 10 October.

The last order, for 2.3 million rubles-worth of the powder, also appears on another corporate transactions database, TenderInfo, and the Zakupki government tendering website.

Zakupki states that the contract information was supplied by GosNIIMash, and cites an amount of 5199 tons of "aluminium powders and flakes", stating the supply deal ends on New Year's Eve, 2017.

It also includes the names, phone number and email details of Rusal individuals purportedly involved.

Rusal denied it had entered into any contract with GosNIIMash and said "as previously stated we do not supply any product to the defence industry".

It added it does not upload contract information on other websites "so cannot take any responsibility on [on] this information". It denies being in breach of sanctions.

GosNIIMash did not respond to requests for comment.

One researcher said it has been known for Russia tender data to be faked by scammers.

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper; Web Publication

JOURNAL-CODE: WEBES

SUBJECT: DEFENSE SPENDING (90%); DEFENSE INDUSTRY (90%); DEFENSE SECTOR PERFORMANCE (90%); NEGATIVE PERSONAL NEWS (86%); INITIAL PUBLIC OFFERINGS (78%); STOCK EXCHANGES (78%); DEFENSE DEPARTMENTS (77%); GOVERNMENT PROCUREMENT (76%); AEROSPACE MANUFACTURING (70%); MILITARY WEAPONS (76%); ARMS TRADE (76%); INVESTIGATIONS (72%); GOVERNMENT ADVISORS & MINISTERS (68%)

COMPANY: UNITED CO RUSAL LTD (58%)

TICKER: RUSAL (LON) (58%); 0486 (HKSE) (58%)

INDUSTRY: NAICS331314 SECONDARY SMELTING & ALLOYING OF ALUMINUM (58%); NAICS331313 ALUMINA REFINING & PRIMARY ALUMINUM PRODUCTION (58%); SIC3334 PRIMARY PRODUCTION OF ALUMINUM (58%)

COUNTRY: RUSSIAN FEDERATION (95%); UNITED KINGDOM (90%)
M16 raises concern at oligarch's £1bn City flotation; Questions over oligarch firm's London listing

BYLINE: Con Coughlin; Steven Swinford; Jillian Ambrose

SECTION: NEWS; Pg. 1, 2

LENGTH: 669 words

M16 has raised concerns after a Russian oligarch with links to military hardware production was able to use the London Stock Exchange to raise an estimated £1 billion.

Security sources have raised questions over how EN+, an energy company, came to be floated in London last November without the intelligence services being properly consulted.

EN+ is controlled by Oleg Deripaska, one of Russia's wealthiest men who is closely linked to Vladimir Putin.

The company also owns half of Ulusal, a giant Russian aluminium company which until recently said on its website that a fine metal powder it produced was used in "the production of military equipment". Mr Deripaska is president of Ulusal.

The Daily Telegraph understands that the same type of powder was used in the production of a Russian-built BUk missile that Dutch investigators said downed Flight MH17 over Ukraine in 2014, killing 298 people.

A senior British intelligence official familiar with the issue described the decision to allow the flotation to proceed as a "scandal".

Sir Mike Penning, a former defence minister, has tabled a series of questions about the flotation of EN+ in the Commons, including whether Russian companies listed on the London Stock Exchange that supply aluminium to Russia "represent a threat to the UK's national interests and security".

EN+ is also part-owned by VTB, a Russian state-owned bank subject to EU and US sanctions. The bank lent the firm £97 million to help fund the flotation.

Although the sanctions prevent VTB from directly raising money in Europe, they do not apply to EN+.

Last night a source told The Telegraph that neither M16 nor the National Security Council had been consulted about the flotation. The source said: "Serious concerns have been raised about the apparent failure to make proper checks about the likely implications for Britain's security of allowing the EN+ sale to take place in the City."

"There are concerns that the funds raised in the City could be used to circumvent sanctions, as well as providing a boost to Russia's military-industrial base at a time when the Russian military is posing an increasing threat to Britain's security interests."

The UK Listing Authority, which assesses the suitability of companies to float on the exchange, said that the decision to allow the flotation was approved by the Treasury.

PA A spokesman for the Financial Conduct Authority, which oversees the UK Listing Authority, said that the Treasury had been consulted on whether the deal breached sanctions. The spokesman said: "HM Treasury, through its Office of Financial Sanctions Implementation (OFSI), is the UK authority charged with the implementation and enforcement of the European sanctions legislation. In this particular case, we consulted OFSI. We are not aware of any concern that the deal breached sanctions legislation as EN+ and other principal entities involved in the deal are not sanctioned entities."

A Treasury spokesman said: "The OFSI is responsible for ensuring that financial sanctions are understood, implemented and enforced ... OFSI has no role in authorising IPOs." The London Stock Exchange declined to comment.

An EN+ spokesman declined to comment on Russia's links to building military hardware but said the company had not breached sanctions: "One of the primary goals of our IPO was deleveraging to support the group's development and dividend payout for the benefit of all shareholders."

"The intended use of proceeds by EN+ did not breach any US and EU sanctions. Furthermore, the IPO was fully compliant with all relevant UKLA and FCA regulations and listing rules."

Sir Mike has tabled questions to both the chancellor and the defence secretary. He said: "Questions have to be raised about how a company led by a Russian oligarch with close ties to Putin has been allowed to register on the London Stock Exchange. It is linked to military hardware and missiles that are being pointed at Nato and the West."

"Russia is an enemy. As a former defence minister I was among the few who told the truth early — that there were Russian bears [planes] flying over. The sanctions were put in place for a reason."

LANGUAGE: ENGLISH
McMafia is a documentary not a drama. We need to pay far closer attention to Russian activity

BYLINE: By Con Coughlin

SECTION: NEWS; Version: 3

LENGTH: 1063 words

As with most television dramas, there are aspects of the plot line of the BBC's McMafia series that stretch the bounds of credibility. The notion that a public school-educated wimp like Alex Godman (played by the underwhelming James Norton) could find himself caught up in a network of villains comprising Russian oligarchs, Indian drug-dealers and Israeli money-launderers all seems a bit far-fetched. Real-life oligarchs associated with Vladimir Putin's Kremlin, surely, are more preoccupied with maintaining their interests in Russia than breaking into new markets such as the Middle East and the Indian subcontinent.

But then, to judge by the grave warnings issued by Ben Wallace, the Security Minister, we do need to pay far closer attention to the antics of Russian oligarchs - and no doubt we will be after the apparent poisoning of an alleged former spy in Salisbury.

Mr Wallace knows a thing or two about the threat Russia poses to our security from the time he spent serving as a Scots Guards officer in Germany. And he wants to crack down on the wilder excesses of oligarchs who operate in the UK.

In what officials are calling a "full spectrum" attack on suspected corruption or links to organised crime, Mr Wallace intends to use orders to seize their assets. This could have a serious impact on the capital's property market given that, in recent years, an estimated one in 10 homes in prime central London have been bought by Russians.

Mr Wallace's initiative is also well-timed, as the issue is prominent in many people's minds as they seek escape from dull winter nights by watching McMafia. This stringent approach, moreover, is vital if the British authorities are finally going to get a grip on the more nefarious activities of some of Mr Putin's acolytes.

Previously, most of the attention has been on the murders and deaths in unexplained circumstances that have affected UK-based members of the oligarch community, who seem unusually prone to falling from hotel balconies or dying suddenly after ingesting suspicious substances. A recent report suggested American and British intelligence officials believe 14 deaths in the UK could be related to Russian assassins.

But British security officials have also expressed concern about the relative ease with which Russian businessmen who are known to have close ties with Mr Putin are able to operate in the City of London. For example, Sir Mike Penning, a former defence minister, has tabled two parliamentary questions to Chancellor Philip Hammond and Defence Secretary Gavin Williamson about the implications of the Russian energy company on the London Stock Exchange (LSE) at the end of last year might have for our national security requirements.

Raising foreign capital has become an obsession for the Kremlin since Russia was hit with sanctions following its annexation of Crimea. So Britain's security establishment, which regards Mr Putin's Russia as posing a grave threat, was surprised at the ease with which Oleg Deripaska, the Russian billionaire who is a good friend of Mr Putin, was able to float his energy company, En+, in the first major Russian flotation following the imposition of sanctions in 2014.

Mr Deripaska, one of Russia's wealthiest men, is best known in Britain for inviting George Osborne for drinks on his yacht in 2008, sparking accusations - furiously denied - that the then chairman (who now edits the Russian-owned Evening Standard) was seeking a donation for party funds.

Apart from being Russia's largest energy supplier, En+ owns Rusal, the country's major aluminium producer. Rusal produces high grade aluminium powder of the type used in the manufacture of Russian warplanes and missiles, such as the Buk anti-aircraft missile system which is blamed for shooting down Malaysia Airlines Flight 17 over Ukraine in July 2014.

The really worrying aspect of this affair is that no one seems to have considered the national security implications of allowing this flotation to go ahead.

https://www.nexis.com/results/enhdocview.do?docId.inKnd=true&ersKey=23_T27279... 13/03/2018
Mr Deripaska is estimated to have raised around $1 billion from last November’s float. En+ later announced that it had used almost the entire amount to pay off debts it owed to the government-owned VTB Bank. The bank is one of many Russian financial institutions subject to US sanctions, so one accusation that can be levelled is that, by allowing the En+ flotation on the LSE to go ahead, Britain has inadvertently helped Russian banks to evade sanctions.

British security officials, though, who continue to take a close interest in Rusal’s relationship with the Russian military, are equally concerned about the apparent lack of oversight applied to what was clearly a contentious financial undertaking.

As one Whitehall security veteran told me: "The really worrying aspect of this affair is that no one seems to have considered the national security implications of allowing this flotation to go ahead.”

Now that politicians of all stripes – Liberal Democrat MP Tom Brake has also raised the issue in the Commons – are questioning the flotation, perhaps more care will be taken in future when considering Russian activity in the City.

This article was originally published on Feb 6, 2018 and updated following the apparent poisoning of a former Russian spy in Salisbury.

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PUBLICATION-TYPE: Newspaper; Web Publication

JOURNAL-CODE: WEBTNS

SUBJECT: NEGATIVE PERSONAL NEWS (90%); TELEVISION DRAMAS (90%); TELEVISION INDUSTRY (90%); DOCUMENTARY FILMS (89%); TELEVISION PROGRAMMING (78%); HOUSING MARKET (77%); PUBLIC SCHOOLS (77%); ASSET FORFEITURE (76%); REAL ESTATE (76%); NATIONAL SECURITY (74%); MURDER (73%); ESPIONAGE (73%); CONTROLLED SUBSTANCES CRIME (71%); MONEY LAUNDERING (71%); INTELLIGENCE SERVICES (69%); CORRUPTION (68%); HOTELS, MOTELS (50%)

PERSON: VLADIMIR PUTIN (56%)

CITY: LONDON, ENGLAND (55%)

COUNTRY: RUSSIAN FEDERATION (95%); UNITED KINGDOM (94%); ISRAEL (91%); GERMANY (79%)

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The brick wall at EN+

BYLINE: Jim Armitage

SECTION: BUSINESS; Pg. 48

LENGTH: 217 words

WHEN it comes to transparency, Russian energy and aluminium giant EN+ doesn’t pass muster. Despite being listed on the London Stock Exchange,

Ask if its Rusal division supplies the Russian military - as MB seems to worry - and you get a slightly weaselly denial that it has no contracts with defence companies, although it has “many end-users”.

Ask about 2016 reports on the Minex Forum website that Rusal was to produce scandium oxide for Russia’s defence industry (fighter planes get a mention) and you get no response at all.

Similarly, try to establish who are the biggest owners of EN+'s London stock, and you hit a brick wall www.algin/no names are listed.

This is perfectly legal, of course.

EN+ floated a type of security known as Global Depository Receipts (GDR) here, rather than shares.

Under European rules, while the big shareholders have to be identified, the GDR owners don’t have to be disclosed.

But former defence minister Sir Mike Penning says this isn’t good enough. "With all the concerns around EN+, there is huge public interest in knowing who the investors are.

"I can’t see why they refuse to disclose them."

It’s hard to argue with that. If EN+ wants the kudos of a London listing, current sensibilities mean it should make more effort to communicate to the British people.

@ArmitageJm

LANGUAGE: ENGLISH

PUBLICATION-TYPE: Newspaper

JOURNAL-CODE: EST

SUBJECT: DEFENSE INDUSTRY (90%); STOCK EXCHANGES (90%); DEFENSE DEPARTMENTS (77%); DEPOSITORY SERVICES (73%); SHAREHOLDERS (73%); NEW ISSUES (73%); ALUMINA & ALUMINUM PRODUCTION (73%); GOVERNMENT ADVISORS & MINISTERS (52%)

COMPANY: UNITED CO RUSAL LTD (58%)

TICKER: RUSAL (PAR) (58%); 0486 (HKSE) (58%)

INDUSTRY: NAICS331314 SECONDARY SMELTING & ALLOYING OF ALUMINUM (58%); NAICS333131 ALUMINA REFINING & PRIMARY ALUMINUM PRODUCTION (58%); SIC3334 PRIMARY PRODUCTION OF ALUMINUM (58%)

CITY: LONDON, ENGLAND (90%)

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