

The downfall of an oligarch. Ihor Kolomoisky under arrest

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In September, the Ukrainian law enforcement agencies indicted Ihor Kolomoisky, one of Ukraine's most prominent oligarchs, on a number of charges. On 2 September, the Security Service of Ukraine (SBU) and the Bureau of Economic Security (BEB) accused him of heading a criminal group that siphoned money out of PrivatBank (Ukraine's largest bank and accounts for 30% of the country's banking sector) between 2013 and 2016. The SBU and BEB's move came as a surprise, as the National Anti-Corruption Bureau of Ukraine (NABU) had been investigating a related case for years and was expected to be the first institution to bring charges against Kolomoisky. NABU only did so on 7 September, after Kolomoisky had already been taken into custody by SBU. Then, on 15 September, SBU and BEB brought further charges against the oligarch, related to his involvement in another scheme to siphon money out of PrivatBank, and the court increased his bail to nearly 4 billion hryvnias, or more than \$100 million.

Kolomoisky's arrest is an unprecedented event in Ukrainian history. No oligarch of such prominence, who has had an overwhelming influence on Ukraine's political and economic life over many years and faced multiple accusations of serious economic crimes, has ever been taken into custody before, even pending an investigation. This marks Kolomoisky's downfall as a political player and likely spells the beginning of the end of his business empire.

The political background

President Volodymyr Zelensky undoubtedly authorised the decision to arrest Kolomoisky as part of his campaign to de-oligarchise Ukraine, which he proclaimed in the summer of 2021 (the passage of the so-called 'anti-oligarch law' should be seen as its symbolic beginning). This move comes at a difficult time for the ruling camp. In recent months, the country has been shaken by corruption scandals (see '[Corruption and irregularities in the Ukrainian army's rear](#)'), mainly related to the functioning of the defence ministry and the rear institutions of the Ukrainian armed forces, which led to the resignation of Oleksii Reznikov as defence minister. In addition, many social activists and journalists have repeatedly accused Zelensky's inner circle of an excessive concentration of power, of being too hands-on with the special services and of having shady business connections; this primarily refers to the head of the Office of the President, Andriy Yermak, and one of his deputies, Oleh Tatarov. The results of a poll conducted over the summer by the Democratic Initiatives Foundation, the Razumkov Centre and the Kyiv International Institute of Sociology, were published on 11 September and provide insight into public sentiment. In this survey, 78% of respondents agreed with the statement that the president is directly responsible for corruption in the

state administration. In this situation, the move against Kolomoisky by the services that report to Zelensky should be seen primarily as an attempt to demonstrate to the public that the president is determined to fight corruption and crush an oligarch, thereby diverting attention from the real pathologies. This was a relatively easy task as Kolomoisky's position had weakened considerably following the outbreak of the war: he had lost a significant part of his assets (for more details, see '[Ukrainian oligarchs and their businesses: their fading importance](#)') and had been unable to travel freely abroad as a defendant in several criminal cases (see below).

The move against Kolomoisky, who openly supported the current president in the run-up to the 2019 presidential election, is also aimed at quelling rumours about Zelensky's undisclosed links to him. In the international dimension, this case is intended to convince Ukraine's Western partners that the government is committed to eradicating fraud, cracking down on corruption and reversing the oligarchisation of the economy. This is also important in the context of Western expectations that high-level corruption cases will result in convictions.

Kolomoisky in the crosshairs

Kolomoisky has long been under scrutiny by the country's anti-corruption services. In 2017, shortly after the nationalisation of PrivatBank, NABU launched an investigation into executive fraud. In February 2023, SBU and BEB opened criminal proceedings after 40 billion hryvnias (about \$1.1 billion) were siphoned off from Ukrnafta and Ukrtatnafta, both of which were co-owned by Kolomoisky until they were nationalised in the autumn of 2022.

The charges brought against the oligarch on 2 September relate to financial fraud and the legalisation of property obtained through crime. The investigation found that he had legalised more than half a billion hryvnias between 2013 and 2020, transferring the money abroad and using the infrastructure of companies and banking institutions under his control. He faces a prison sentence of between eight and 12 years and confiscation of his assets. The charges brought by NABU on 7 September allege that he headed a criminal group of five individuals which had siphoned off more than 9.2 billion hryvnias (\$250 million) from the Kolomoisky-controlled PrivatBank between January and March 2015. SBU and BEB's charges from 15 September relate to the embezzlement of 5.8 billion hryvnias (\$160 million) between 2013 and 2014.

In December 2017, the management of the now state-owned PrivatBank filed a lawsuit in the High Court in London against the oligarch and his long-time business partner Hennadiy Boholyubov, seeking to seize control of the assets they held outside Ukraine. In 2018, this court found that the bank's claims were justified and ordered the seizure of the defendants' assets (located around the world) with a value of over \$2.5 billion.

In December 2020, the US Department of Justice opened proceedings against the two partners in connection with the alleged purchase of real estate and industrial assets in the US using funds that were illegally moved out of PrivatBank. In addition, since April 2019, the FBI has been investigating Kolomoisky for money laundering, and in March 2021 the US imposed sanctions on him and his family members, including a ban on them entering the US, due to Kolomoisky's involvement in corrupt practices during his time as head of the Dnipropetrovsk Oblast in 2014–15.

SBU defends its position in the system

The Kolomoisky case has raised the question as to whether SBU and BEB's involvement in his prosecution represents an overreach of their powers and signals that they are in competition with NABU. Under the current legal framework, NABU can only pursue anti-corruption cases against senior officials and representatives of local government. For this reason, the bureau could not file fraud cases against Kolomoisky related to the time when he was not governor of the Dnipropetrovsk Oblast. Therefore, it is not surprising that BEB (which was established in January 2021), in cooperation with SBU, carried out investigative activities in parallel to NABU.

It cannot be ruled out that SBU's leadership, with the support of the Office of the President, will use the Kolomoisky case to retain its powers to fight crime in the economy and the financial sector. SBU's reform (which the West requires but which Ukraine has not yet completed yet) envisages taking away its authority to fight economic crime. However, such a decision would be risky and would certainly draw criticism from Ukraine's Western partners, who are keeping a close eye on the activities of its anti-corruption institutions while stressing the need to maintain the independence of NABU and the Specialised Anti-Corruption Prosecutor's Office.

The end of the empire

All indications are that Kolomoisky's detention and impending likely imprisonment will accelerate the disintegration of his business and media empire and the demise of his political influence. The nationalisation of PrivatBank was a major blow to him. He lost some of his industrial assets after the war broke out and the bad economic situation in Ukraine has further limited his business opportunities. He is still holding on to his metallurgical plants and other assets, as well as the 1+1 TV station, whose 24-hour news broadcasts are effectively overseen by the presidential office. However, it is difficult to say how much control Kolomoisky has retained over the political structures that were previously subordinated to him. The For the Future party continues to operate, has a formal grouping of more than a dozen members in the Verkhovna Rada of Ukraine and exerts some influence in local governments. However, even if a small group of deputies and local government officials have remained loyal to Kolomoisky, this does not change the situation and their patron will not avoid criminal prosecution.

Over less than a decade, Kolomoisky has gone from a 'saviour' who rescued the Dnipropetrovsk Oblast from Russian aggression in 2014, to one of the prime movers behind Zelensky's success in the 2019 presidential election, to a villain in 2022 who failed to condemn the Russian invasion and an imprisoned pariah a year later. The course of his trials and the final verdict in his case will be a test of the government's determination to fight corruption and the efficiency of the country's anti-corruption institutions. The future fate of Kolomoisky's assets, particularly the popular 1+1 TV station, is another open question. Ukraine is yet to have a president who has not sought to seize control of television for the purpose of using it in an election campaign.