

Ukrainian Tycoon Arrested on Suspicion of Bribery and Conspiracy

Close Ally of Former President Yanukovich Detained on U.S. Arrest Warrant by Austrian Police

By James Marson in Kiev, Ukraine and Nicole Lundeen in Vienna

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Austrian authorities said they detained influential Ukrainian tycoon Dmytro Firtash, who has close links with Russia in the gas trade, on a U.S. arrest warrant late Wednesday on suspicion of bribery and criminal conspiracy.

Mr. Firtash, co-owner of a gas trader that made hundreds of millions of dollars selling Russian gas to Ukraine, was detained by counterterrorism police and organized-crime officials in Vienna following an eight-year investigation by the Federal Bureau of Investigation, Austrian Federal Police said in a statement Thursday.

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The surprise detention of Mr. Firtash, 48 years old, comes less than a month after the ouster of President Viktor Yanukovich, seen by analysts and diplomats as a close ally. Mr. Firtash was close to the president's inner circle, and was widely viewed as one of Ukraine's most powerful men with interests in many sectors, including gas, chemicals and banking.

He admitted to ties to alleged mafia boss Semyon Mogilevich in a conversation with U.S. officials in Kiev in 2008, according to a U.S. diplomatic cable published by WikiLeaks.

An Austrian police spokesman, Mario Hejl, said the arrest was connected with Mr. Firtash's business activities, but declined to elaborate as police didn't carry out the investigation against him. The police statement said he was detained on a warrant from a U.S. federal district court on suspicion of

violating bribery and criminal-conspiracy laws in the course of foreign business dealings. A U.S. Department of Justice spokesman declined to comment.

An Austrian court will decide whether or not to extradite Mr. Firtash, said Mr. Hejl.

A lawyer for Mr. Firtash couldn't be reached to comment. His Group DF holding company confirmed his detention in a statement, saying it wasn't connected with "the situation in Ukraine, nor the Group's activities in Europe and America, but concerns a 2006 investment project."

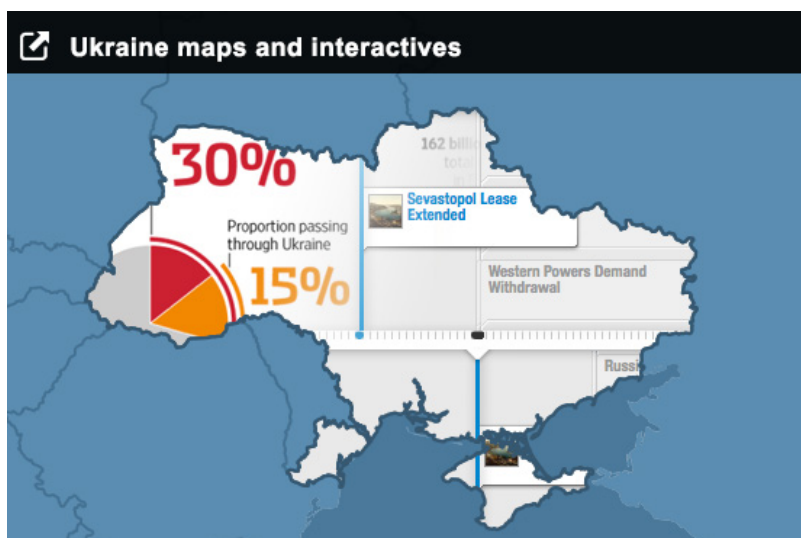
The statement added that "we are sure that the incident is a misunderstanding and will be resolved in the nearest future."

Some analysts linked the timing of the detention to attempts by the West to pressure Russia after it effectively seized control of Ukraine's Crimean peninsula.

"It sends a strong message to Russia that the West is willing to go down the financial-sanctions route, unless it backtracks over Crimea and over broader policy towards Ukraine," said Timothy Ash, an analyst at Standard Bank.

Mr. Firtash shot to prominence in 2006 when he was identified as the co-owner of Swiss-registered gas trader RosUkrEnergo, which from 2006 to 2009 was at the heart of the lucrative gas trade from Central Asia and Russia to Ukraine and some European countries. The other owners were Russian state gas firm OAO Gazprom and another Ukrainian businessman.

In the U.S. cable published in 2010, Mr. Firtash was quoted as acknowledging that "he needed, and received, permission" from Mr. Mogilevich, one of the FBI's most wanted men on allegations of fraud, "when he established various businesses, but he denied any close relationship with him."



Another cable published by WikiLeaks from the U.S. Embassy in Vienna in 2006 said Mr. Mogilevich "controls" RosUkrEnergo. Mr. Mogilevich, through lawyers, has denied involvement in the gas trade, along with the allegations of fraud and that he is a mafia boss.

In a 2010 statement, Mr. Firtash denied any business or commercial links with Mr.

Mogilevich, or that he had stated that he needed or received permission from him to establish a business.

RosUkrEnergo was pushed out of the Russia-Ukraine gas trade in 2009 when then-Prime Minister Yulia Tymoshenko sealed a direct supply contract with Russia, saying there was no need for an intermediary. After losing a presidential election to Mr. Yanukovich in 2010, she was jailed for abuse of power in relation to the contract.

Ms. Tymoshenko was released from jail late last month after Ukraine's parliament voted to oust Mr. Yanukovich when he fled Kiev amid street protests.

Mr. Firtash's Ostchem chemicals firm has received a discounted price for gas imports from Russia, according to Russian and Ukrainian officials, while the Kiev government for years pleaded unsuccessfully for a discount.

Mr. Firtash also became involved in philanthropy, including making a donation to the University of Cambridge to start teaching Ukrainian.

—Andrew Grossman in Washington contributed to this article.

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