

UNITED STATES OF AMERICA
Before the
SECURITIES AND EXCHANGE COMMISSION

SECURITIES ACT OF 1933
Release No. 11000 / October 19, 2021

ADMINISTRATIVE PROCEEDING
File No. 3-20628

In the Matter of

VTB Capital plc

Respondent.

**ORDER INSTITUTING CEASE-AND-DESIST
PROCEEDINGS PURSUANT TO SECTION 8A OF
THE SECURITIES ACT OF 1933, MAKING
FINDINGS, AND IMPOSING A CEASE-AND-
DESIST ORDER**

I.

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 8A of the Securities Act of 1933 (“Securities Act”), against VTB Capital plc (“VTB” or “Respondent”).

II.

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 8A of the Securities Act of 1933, Making Findings, and Imposing a Cease-and-Desist Order (“Order”), as set forth below.

III.

On the basis of this Order and Respondent's Offer, the Commission finds¹ that:

Summary

1. This matter concerns material omissions and misleading statements in a 2016 bond offering for which VTB Capital Plc ("VTB"), a London-based investment bank, acted with Credit Suisse Group AG ("Credit Suisse") as joint-lead manager. The bond offering allowed investors from a prior 2013 bond offering to exchange their loan participation notes ("LPNs") for a direct sovereign bond issued by the Republic of Mozambique ("Exchange Offer"). Credit Suisse structured the bonds, while both banks prepared and distributed the offering materials. The offering materials provided to the Exchange Offer investors by VTB failed to disclose VTB's conflict of interest—that the bank was a major creditor under two prior financing arrangements with Mozambican state-owned entities with interests adverse, in certain respects, to noteholders. The offering materials also failed to disclose the full nature of Mozambique's indebtedness and, relatedly, its risk of default on the notes.

2. VTB and Credit Suisse participated in three interconnected transactions that preceded the Exchange Offer, including: (1) a 2013 \$622 million syndicated loan to a Mozambican state-owned entity known as Proindicus S.A of which VTB provided \$118 million in financing; (2) a 2013 \$850 million offering of interest-bearing LPNs to finance debt offered to a second Mozambican state-owned entity known as Empresa Mocambicana de Atum S.A. ("EMATUM"), of which VTB arranged \$350 million in financing; and, without Credit Suisse, (3) a 2014 \$535 million syndicated loan to a third Mozambican state-owned entity known as Mozambique Asset Management ("MAM"), of which VTB provided \$435 million in financing. The then-Minister of Finance signed a guarantee on behalf of Mozambique for each of these transactions. Mozambique has since disputed the validity of the guarantees.

3. By 2016, after VTB and Credit Suisse learned that EMATUM faced a serious risk of default on its first amortization payment to investors, VTB and Credit Suisse structured the Exchange Offer to allow investors to exchange the prior LPNs for new sovereign bonds issued directly by the government of Mozambique. Acting with Credit Suisse, VTB was integrally involved in the disclosures that were required to be made by the Republic of Mozambique as issuer, including Mozambique's guaranteed debt. The debt figure in the prospectus was materially misleading because the prospectus failed to accurately disclose the full nature of Mozambique's indebtedness which, as VTB knew, included the over \$500 million in financing that VTB provided in the Proindicus and MAM transactions and over \$500 million in financing that Credit Suisse had provided. VTB also failed to disclose to investors the existence of the Proindicus and MAM transactions, including VTB's status as a creditor with rights to obtain interest payments ahead of investors from these prior undisclosed transactions. As a result, investors in the Exchange Offer were misled regarding material information such as the true nature of the country's debt, the high risk of default of the bond and that VTB had placed its own interests as a creditor above bondholders.

¹ The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

4. In April 2016, shortly after investors approved the Exchange Offer and after news reports on “secret” debt, Mozambique disclosed the Proindicus and MAM transactions and the true nature of its guaranteed debt. Simultaneously, the International Monetary Fund (“IMF”) disclosed that since at least 2013, Mozambique had misrepresented its public and publicly-guaranteed indebtedness to the IMF. The IMF and other international donors halted financial support to Mozambique and, in turn, the country defaulted on the bonds.

Respondent

5. **VTB Capital Plc**, is the London-based investment banking arm of VTB Group, a Moscow-based holding company that is primarily owned by the Russian government. VTB operates through a New York-based broker-dealer known as Xtellus Capital Partners.

Facts

Events Leading up to the Exchange Offer

The Proindicus Transaction

6. In 2013, Credit Suisse agreed to arrange a \$372 million syndicated loan to Proindicus SA (“Proindicus”), a newly formed company that was owned and controlled by the government of Mozambique. Proindicus entered into a \$366 million contract with an international shipbuilding company (“Intermediary”) that was to provide equipment and services to Proindicus in connection with certain maritime projects. Between June and August 2013, Credit Suisse agreed to upsize the loan to Proindicus by an additional \$132 million, bringing the total to \$504 million. Several months later, VTB entered the transaction and extended an additional \$118 million in November 2013. As a result, VTB was aware of the full extent of Proindicus’s indebtedness with Credit Suisse. The then-Minister of Finance signed a guarantee on behalf of the Republic of Mozambique for the Proindicus loan.

7. Proindicus was officially established to supply vessels and training to protect Mozambique’s coastline and maritime interests. Further, the proceeds from the financing from Credit Suisse and VTB were supposed to be used exclusively for maritime projects known as the “Exclusive Economic Zone” project. In reality, Proindicus was set up by Mozambican government officials, in collusion with three senior bankers at Credit Suisse (“Banker 1,” “Banker 2” and “Banker 3”) (collectively “CS Bankers”) and an agent of the Intermediary (“Intermediary Agent”) in order to carry out an extensive scheme involving kickbacks and improper payments to government officials. Without VTB’s knowledge, as part of the scheme, only a portion of the loan proceeds was applied towards maritime projects while the rest was diverted to pay kickbacks to the CS Bankers, Intermediary Agent and make improper payments to Mozambican government officials. The deal was also structured by Credit Suisse to hide the level of Mozambique’s indebtedness from the IMF, which oversaw the country’s economy and closely monitored its debt levels.

The EMATUM Transaction

8. In September 2013, VTB and Credit Suisse acted as lead underwriters for two separate bond offerings totaling \$850 million for LPNs issued by EMATUM, a newly state-owned entity controlled by the government of Mozambique. The interest-bearing amortizing LPNs were sold in two tranches: (1) \$500 million that was underwritten and offered by Credit Suisse; and (2) \$350

million that was underwritten and offered one month later by VTB. The then-Minister of Finance signed a guarantee on behalf of the Republic of Mozambique for the EMATUM LPNs.

9. EMATUM was officially created as a tuna-fishing company and entered into a \$785 million contract, dated August 2, 2013, to purchase vessels and equipment from an affiliate of the Intermediary. Without VTB's knowledge, EMATUM, like Proindicus, was set up by Mozambican government officials, in collusion with the CS Bankers and the Intermediary Agent in order to divert offering proceeds to pay kickbacks to the CS Bankers, the Intermediary, and to continue the improper payment scheme. Only a portion of the proceeds was applied towards the stated purpose of fishing vessels and related equipment.

10. The bond offerings were completed by VTB and Credit Suisse without a valuation of the boats to be purchased by EMATUM. In addition, as with the Proindicus transaction, the Intermediary was involved, all the proceeds were remitted to the Intermediary instead of the borrower in Mozambique, and there was no approval by the parliament or disclosure to the IMF.

IMF Discovery of the EMATUM Transaction

11. Starting in late September 2013, several news outlets reported that proceeds from the EMATUM transaction had been applied towards Mozambique's procurement of defense-style patrol vessels from a French shipyard owned by Intermediary. Based on this reporting, the IMF, for the first time, became aware that a Mozambican state-owned entity, EMATUM, avoided certain government controls and used proceeds from the transaction to improperly purchase defense -style patrol vessels. A marketing document prepared by VTB on and around September 25, 2013, included that "the use of proceeds includes fishing vessels and ancillary defense fleet." By November 2013, as VTB knew or should have known, the IMF recommended that Mozambique include a significant portion of the EMATUM obligation as defense spending in the country's 2014 budget.

12. In its country reports from January 2014 through 2015, as VTB was aware, the IMF noted several risks and concerns surrounding the EMATUM transaction. In the January 2014 country report, the IMF calculated that the transaction accounted for 6% of Mozambique's GDP and commented on "the lack of transparency regarding the use of the funds and the secretive manner in which the project was evaluated, selected, and implemented outside the government's macro-economic strategy...." The August 2015 IMF country report analyzed the EMATUM transaction and noted that the "lack of transparency surrounding the project raised serious governance concerns" and that "the project should have proceeded on a competitive basis by looking at various cost options... rather than granting the contract to one supplier [Intermediary] and paying in advance." In its December 2015 IMF Staff Report, the IMF noted that "debt service has become more challenging as the beginning of repayments on the EMATUM bond has doubled debt service commitments in nominal terms, placing some strain on [] balance of payments...." The IMF also noted that it was "important to exercise caution in contraction of new external debt" and that "limiting the issuance of public guarantees and enhancing monitoring of financial positions of state-owned enterprises are crucial."

The Mozambique Asset Management Transaction

13. In May 2014, VTB and an entity related to the Intermediary where Banker 1 and Banker 2 then worked after leaving Credit Suisse, arranged for a maximum \$540 million syndicated loan to yet another Mozambican state-owned entity known as Mozambique Asset Management (“MAM”). As with Proindicus and EMATUM, the-then Minister of Finance signed a guarantee on behalf of the Republic of Mozambique for the MAM loan. Similarly, as with the prior transactions, MAM retained the Intermediary to build shipyards and help MAM construct and service naval vessels acquired in the Proindicus and EMATUM transactions. An internal VTB memo noted that the Facility Agreement would include an undertaking that no funds could be used to acquire armaments or ammunition. The MAM transaction was, again, done without approval of the parliament or disclosure to the IMF.

14. By the time of the MAM loan, VTB understood Mozambique’s total indebtedness included prior guaranteed debt from transactions with Credit Suisse. VTB, for example, circulated the internal memo that reflected a table on Mozambique’s debt profile, including EMATUM, Proindicus and MAM. The MAM financing would contribute 3.5% of GDP to the total government debt, while all three government guaranteed financings contributed 13%, and significantly increased non-concessional debt. The internal VTB memo highlighted that Mozambique is one of the most donor-dependent countries and that donors were critical of the lack of transparency surrounding the EMATUM LPNs.

The 2016 Exchange Offer

15. By December 2014, the companies were unable to service the nearly \$2 billion in debt that had been amassed through the Proindicus, EMATUM and MAM transactions. EMATUM’s audited financial statements for the year ended December 31, 2014, showed a loss of over \$25 million, and by mid-2015, the press had reported on EMATUM’s poor financial condition and that it would face a serious risk of missing its first amortization payment on the LPNs that was coming due in September 2015. These factors created significant reputational risk for the banks given their role in underwriting, distributing, marketing and selling the LPNs.

16. In June 2015, the Mozambican Parliament announced that the government would restructure the EMATUM debt to extend the repayment terms of the original amortizing LPNs. The MAM loan facility carried a sovereign downgrade covenant that allowed that upon such downgrade, all outstanding loans under the MAM facility, together with accrued interest, could be declared immediately due and payable. The covenant was triggered on July 6, 2015, when Standard & Poor’s downgraded Mozambique to B- from B, on the indication that Mozambique might not be able to make its first amortization payment under its guarantee on the EMATUM LPNs. On August 7, 2015, Moody’s downgraded Mozambique’s issuer rating to B2. Although VTB had an option to accelerate the MAM loan, it decided not to do so at that time in exchange for a mandate from Mozambique to act as co-arranger of the Exchange Offer with Credit Suisse.

17. In connection with the Exchange Offer, Banker 1 and Banker 2 worked with VTB and Credit Suisse concerning the offering including the disclosure of Mozambique’s total debt. Without VTB’s knowledge, Banker 1 and Banker 2 remained heavily involved in the Exchange Offer to

continue to hide the underlying kickback and improper payments scheme, in which they, Banker 3 (who remained at Credit Suisse), the Intermediary, and Mozambican officials were secretly engaged. By the time of the Exchange Offer, Banker 1 and Banker 2 had left Credit Suisse to work for an entity associated with Intermediary now representing the Government of Mozambique.²

18. In early March 2016, the Exchange Offer was announced and Credit Suisse prepared and distributed offering materials to solicit consent from investors holding the EMATUM LPNs. VTB, as a joint lead manager in the offering, distributed the same offering materials to investors and remained integrally involved in the disclosures made by the Republic of Mozambique and in the distribution and sales of the bonds. The new offering allowed investors, including approximately 39% U.S. investors, to exchange the EMATUM LPNs for new bonds issued directly by the government of Mozambique. In mid-March, VTB and Credit Suisse participated in road shows in New York and elsewhere, where the Minister of Finance represented to investors that the information memorandum included the total amount of the debt of Mozambique, including all guaranteed debt. By March 23, 2016, bondholders voted in favor of the Exchange Offer and the results were announced on April 1.

19. The offering materials contained material omissions and misleading statements that VTB failed to prevent, including with respect to VTB's conflict of interest, the nature of Mozambique's total indebtedness and the country's risk of default based on the prior Proindicus and MAM loans which remained undisclosed to investors.

Failure to Disclose the Proindicus and MAM Transactions and VTB's Conflict of Interest

20. The offering materials that VTB prepared and distributed with Credit Suisse failed to disclose VTB's significant conflicts of interests in having rights as a creditor under the Proindicus and MAM transactions that were adverse, in certain respects, to bondholders. The Exchange Offer extended Mozambique's repayment obligations to investors to 2023 (when the bond matured), but Mozambique was obligated to pay the banks' interest and principal under the Proindicus loan *before* making payments on the bonds to investors. In 2014, VTB became aware that Proindicus had not earned revenue and, thus, VTB, together with others, agreed to amend the loan to extend the maturity to 2021 (from 2019), two years before the Exchange Offer bond matured. VTB placed its interests as a creditor ahead of investors and protected its reputational risk at the costs of meeting its disclosure obligations to investors, including the failure to disclose the Proindicus and MAM transactions.

21. The offering materials included a generic, cryptic reference to the Proindicus loan in a section addressing the banks' securities investments and hedging activity and the possibility that the banks may engage in securities transactions involving securities of the issuer. With regard to the MAM transaction, the offering materials did not disclose to bondholders, in any manner, the existence of the MAM loan and its status as a creditor in that transaction with interests adverse, in certain respects, to investors. The offering materials merely disclosed:

"in the ordinary course of their business activities, the Joint Dealer Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt securities (or related derivative

² This same entity associated with Intermediary while employing Banker 1 and Banker 2 acted as co-Arranger of the MAM loan.

securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer. In particular, an affiliate of Credit Suisse Securities (Europe) Limited has a lending relationship with a wholly-owned state entity whose obligations have the benefit of a guarantee from Mozambique. The Joint Dealer Managers and/or their respective affiliates that have, or may in the future have, a lending relationship with the Issuer or other state-owned entities, may hedge their credit exposure consistent with their customary risk management policies.” (Emphasis added)

22. This disclosure failed to include material facts, such as the magnitude and terms of VTB’s lending relationship with the government of Mozambique through lending to state-owned entities in the Proindicus and MAM transactions, and its continued status as a creditor with interests potentially adverse, in certain respects, to investors in the EMATUM and Exchange Offer. By at least September 2015, VTB internally discussed that MAM was expected to default on its payment to VTB, coming due in May 2016, and that the loan would have to be restructured to extend payment obligations.

23. VTB was also aware that Credit Suisse had asked VTB to waive its prepayment rights in response to a downgrade of Mozambique’s rating and prevent Mozambique from defaulting. In this regard, VTB discussed the need to waive its prepayment rights under the MAM loan “because a default under EMATUM would have severe consequences: cross defaults under Proindicus and MAM facilities, rating downgrades of the country and damaged investor perception.”

Failure to Disclose the Nature of Mozambique’s Indebtedness and Risk of Default

24. Mozambique’s total debt, including the nature of that debt, was a crucial disclosure item because it determined the government’s risk of default and creditworthiness in the Exchange Offer. However, the disclosures on the nature of Mozambique’s indebtedness were misleading by failing to specifically disclose the amounts arising from the Proindicus transaction and the \$535 million MAM transaction. Instead, the prospectus merely included a series of opaque debt tables that failed to disclose the true nature of Mozambique’s debt and significant risk of default.

25. By the time of the Exchange Offer, VTB knew the full amount of Mozambique’s indebtedness on the Proindicus and MAM transactions, but failed to prevent misleading debt disclosures about the Proindicus transaction and did not disclose the MAM transaction. VTB was negligent insofar as it engaged in these disclosure failures despite having significant concerns regarding the reliability and accuracy of the debt figures provided by Mozambique and Bankers 1 and 2.

26. Through December 2015 the VTB team working on the disclosures noticed that early drafts of the offering prospectus excluded data on guarantees of indebtedness of state-owned entities. One draft provided Mozambique’s external debt in US dollar amounts with a statement that the debt “does not include guarantees given by the Government in favour of [State Owned Entities]” and that the Government has guaranteed the \$850 million LPNs. VTB prepared a separate document, as part of its diligence, that contained the same figures but included entries for Proindicus and MAM, recognizing that indebtedness from Proindicus and MAM was not included.

27. VTB learned that debt information being reported from Mozambique and its representatives was unreliable, as is reflected in a series of February 2016 emails. A banker from Credit Suisse told a VTB deal team member that “the [debt figure] numbers that were included into the latest version are misleading as they refer to different periods of time/some of them include g’tees and some not.” The deal team also identified that the debt figures provided by Mozambique “show sizable the gap between the total debt stock disclosed to [the banks] and the IMF” and “seems to be excluding guarantees.” Significantly, an analysis prepared by Banker 2 contained so many inconsistencies and omissions that a senior member of the VTB deal team referred to it as “nonsense” and that Banker 2, who prepared the analysis, had “little clue in general.”

28. VTB understood that the debt disclosures were not lining up and should have known that the disclosure item would be presented to investors in an opaque and misleading manner. In a March 2016 email, Credit Suisse’s deal team informed VTB that the “maturity profile is not inclusive of gteed figures” and “would prefer all totals to match up (to avoid side by side display of gteed vs direct totals).” The side by side display would have called into question the size of the guaranteed debt, including Proindicus and MAM figures which neither VTB nor Credit Suisse had disclosed to investors.

29. In the underwriting process, VTB personnel recognized the need to disclose all of Mozambique’s guaranteed debt including Proindicus and MAM, but ultimately abandoned these efforts due to resistance from the government of Mozambique and Bankers 1 and 2 and Credit Suisse. VTB’s deal team, for example, discussed that “[Credit Suisse] seemed to have disengaged, or at least is not proactively pushing the Govt,” but failed themselves to ensure that accurate and fulsome disclosures were made.

30. In a February 10, 2016, email that was later circulated to VTB, Banker 1 and others acting for Mozambique discussed that “[i]t is understood (and abundantly clear from the letter) that no reference to either Proindicus or MAM may be included in the bond prospectus [...]” The same email recognized that this level of inadequate disclosure “may mean that the letter does not serve its desired purpose of getting at least one of [either VTB or Credit Suisse] across the line internally.” The email warned that “the level of disclosure (and details as regards debt figures) remains fully within the control of [Minister of Finance]” and, thus, “project names will not be disclosed in the prospectus.” At the same time, VTB identified Banker 1 as untrustworthy and that “everything he says has to be discounted,” yet continued to rely on him for obtaining information on Mozambique’s indebtedness.

31. Despite numerous and significant red flags and concerns that were presented regarding the accuracy of the debt disclosures, VTB unreasonably gave in to pressure from Mozambican officials and others and failed to prevent the debt from being disclosed in a misleading manner in the offering materials that VTB prepared and distributed with Credit Suisse. VTB accepted Mozambique’s demand that the debt figure should be disclosed in a series of complex tables, as opposed to a full break-out of each category of government guaranteed debt or disclosing the existence of the Proindicus and MAM indebtedness. Mozambique represented that the prospectus debt figures matched the January 2016 IMF country report and included all guaranteed debts. But as

VTB should have recognized, neither Proindicus nor MAM indebtedness were disclosed in any IMF country report.

32. Based on VTB's disclosure failures, the debt numbers that were ultimately included in the Exchange prospectus were materially misleading because they failed to accurately disclose the full nature of Mozambique's indebtedness, including as to Mozambique's debt from the Proindicus and MAM loans.

Discovery of the True Nature of Indebtedness by Investors and Mozambique's Default on the Bond

33. In April 2016, after press reports regarding the existence of other guaranteed debt, the government of Mozambique disclosed the existence of the Proindicus and MAM loans. On April 23, 2016, the IMF disclosed that Mozambique had previously failed to report to the IMF more than \$1.35 billion in debt, including the \$622 million loan to Proindicus and \$535 million loan to MAM. In June 2016 the IMF and 14 other donor groups suspended lending and aid packages to Mozambique, and the IMF called for an independent audit of Proindicus, EMATUM, and MAM. In June 2017, the audit report, conducted by an international auditing firm, concluded that \$713 million was missing between the Intermediary invoices and the market price of the boats that were provided in the Proindicus and EMATUM transactions. Earlier, in January 2017, when its debt constituted 112% of its GDP, Mozambique announced that it would default on its debt obligations and, since then, has not made any payments on the Exchange Offer, Proindicus, or MAM transactions.

Violations and Findings

34. As a result of the conduct above, the Commission finds that VTB violated Section 17(a)(2) of the Securities Act, which proscribes obtaining "money or property by means of any untrue statement of a material fact or any omission to state a material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading," and Section 17(a)(3) of the Securities Act, which proscribes engaging "in any transaction, practice, or course of business which operates or would operate as a fraud or deceit upon the purchaser." A violation of these provisions does not require scienter and may rest on a finding of negligence. See *Aaron v. SEC*, 446 U.S. 680, 685, 701-02 (1980).

IV.

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent VTB's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 8A of the Securities Act, Respondent cease and desist from committing or causing any violations and any future violations of Sections 17(a)(2) and 17(a)(3) of the Securities Act.

B. Respondent shall, within 10 days of the entry of this Order, pay disgorgement of \$2,000,000 and prejudgment interest of \$429,883.94 to the Securities and Exchange

Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to SEC Rule of Practice 600.

C. Respondent shall, within 10 days of the entry of this Order, pay a civil money penalty in the amount of \$4,000,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury, subject to Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. §3717.

The Commission may distribute civil money penalties collected in this proceeding if, in its discretion, the Commission orders the establishment of a Fair Fund pursuant to 15 U.S.C. § 7246, Section 308(a) of the Sarbanes-Oxley Act of 2002. The Commission will hold funds paid pursuant to this paragraph in an account at the United States Treasury pending a decision whether the Commission, in its discretion, will seek to distribute funds or, subject to Exchange Act Section 21F(g)(3), transfer them to the general fund of the United States Treasury.

Payment must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;
- (2) Respondent may make direct payment from a bank account via [Pay.gov](https://www.pay.gov) through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center
Accounts Receivable Branch
HQ Bldg., Room 181, AMZ-341
6500 South MacArthur Boulevard
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying VTB Capital plc as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Anita B. Bandy, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F St., NE, Washington, DC 20549-6561.

Amounts ordered to be paid as civil money penalties pursuant to this Order shall be treated as penalties paid to the government for all purposes, including all tax purposes. To preserve the deterrent effect of the civil penalty, Respondent agrees that in any Related Investor Action, it shall not argue that it is entitled to, nor shall it benefit by, offset or reduction of any award of compensatory damages by the amount of any part of Respondent's payment of a civil penalty in this action ("Penalty Offset"). If the court in any Related Investor Action grants such a Penalty Offset, Respondent agrees that it shall, within 30 days after entry of a final order granting the

Penalty Offset, notify the Commission's counsel in this action and pay the amount of the Penalty Offset to the Securities and Exchange Commission. Such a payment shall not be deemed an additional civil penalty and shall not be deemed to change the amount of the civil penalty imposed in this proceeding. For purposes of this paragraph, a "Related Investor Action" means a private damages action brought against Respondent by or on behalf of one or more investors based on substantially the same facts as alleged in the Order instituted by the Commission in this proceeding.

By the Commission.

Vanessa A. Countryman
Secretary