

# ЯЗД МФИАУ

A Financial Espionage Novel



**Jon Gregory Taylor**



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RED MONEY

ЯЗД МФИЭУ

A FINANCIAL ESPIONAGE

NOVEL

JON GREGORY TAYLOR

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that are common knowledge have been cited to give  
the novel authenticity and credibility. No characters in  
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*The Eighth Department of the KGB's First Chief Directorate was set up in 1978 to handle offshore banking operations for the KGB. Almost immediately, the Eighth Department began utilizing tax havens to funnel funds to Communist Parties and operatives around the world to further the KGB's global ambitions.*

*As the Soviet Union disintegrated under Gorbachev, the Central Committee of the Communist Party, the CPSU CC, with the assistance of the KGB, spirited tens and perhaps hundreds of billions of dollars out of the country to preserve the funds for a more propitious time. These funds were hidden in offshore tax havens. The nomenklatura of the dying Soviet Union was prudently preparing for a rainy day. Yeltsen provided the rain.*

*The government lost control of these funds and the men who had the account numbers used them to grab the money and gain unprecedented wealth and power.*

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Quentin Ayres was seated on the black leather couch in the informal meeting area of Vitaly Tretyakov's expansive office. Ayres was a trim elegant man who liked expensive suits and wore them well. As the Managing Director of Moscow Capital, he was used to the trappings of power – financial power – and was totally comfortable in the opulent surroundings of Tretyakov's office.

The meeting area where he sat, waiting, was at one end of Tretyakov's oblong office, opposite the large, ornate, antique desk that separated Tretyakov from the rest of the room. Tretyakov, the Chairman of the influential International Commodity Trading Bank or ICTB as it was commonly known, was having an emphatic conversation on his cell phone. He was speaking Russian with a precise cadence. As was his wont, Tretyakov clutched his folded reading glasses in his left hand and was punctuating the air with them at irregular intervals. Ayres could not make out the conversation but could discern a sense of urgency and frustration in Tretyakov's tone and posture.

The conversation was going on too long and Ayres was becoming impatient and annoyed. He rose and walked over to the massive oil painting on the back wall behind the meeting area. Turning his back to Tretyakov as he moved to examine the painting was a conscious gesture designed to convey his annoyance. It seemed appropriate in the circumstances.

The painting, which covered much of the wall, depicted a winter battle between medieval armies. In the foreground was a noble looking prince who appeared to be the commander of one of the armies. He was mounted on a rearing white horse. The commander gave off an aura of fierce determination in contrast to the steed he was mounted on whose eyes were filled with terror. The prince was in control of the steed and his army. He was urging his troops on into battle.

The men in both armies wore heavy winter tunics and armor. The helmets in the foreground were trimmed in fur while those in the distance were of solid metal and looked mercenary and unsuited to the obvious cold. Unit standards, staves and axes were prominent. The wind was fierce and the ground was frozen with ice under the commander's horse. It was a magnificent painting. Ayres couldn't help wondering if at one point it had hung in one of the major museums – perhaps the Hermitage in St. Petersburg.

Without any apology for his prolonged phone conversation, Tretyakov joined Ayres in front of the painting. “Do you know Russian history?” he demanded. Tretyakov's close proximity made Ayres uncomfortable. Tretyakov was a cadaverous man in his late fifties who looked like he had not seen the sun in decades. He had the high cheek bones of a Tartar with slightly slanted Asiatic eyes. His ancestors had butchered and raped their way into the Slavic gene pool. Today, as most days, he had a sweet, sickly smell about him that could not be masked by expensive cologne.

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“Some”, Ayres replied noncommittally, still somewhat annoyed. He continued to study the painting.

“This painting depicts Prince Alexander Nevsky when he defeated the Teutonic knights in the dead of winter on the ice of Lake Peipus in the thirteenth century. The Prince was successful at protecting the Republic of Novgorod from foreign invasion for the second time. Two years earlier he beat the Swedes and was honored by having Nevsky added to his name in honor of the battle’s location: the mouth of the Neva River.” Tretyakov paused for several moments in his narrative and contemplated the painting as he reflected on Russian history. “Prince Alexander Nevsky is a Russian hero,” he said with reverence.

“You may not be aware that Stalin had Eisenstein produce a film in 1939 of this heroic battle. The film was a masterpiece of propaganda. The silent film depicted Russian peasants under Alexander Nevsky taking on the Teutonic knights and defeating them on a frozen lake.” Tretyakov was silent for a moment, as if in sympathy with the silent film, before he continued his narrative. “This film was produced to prepare the Russian people for the invasion of Russia by the Germans – the Nazis.” Tretyakov sounded like an Art historian at a London liberal arts school with his refined English accent, tainted only by the faintest hint of Slavic overtones.

“The film is a brilliant piece of propaganda and is still studied as such. The film score was composed by Sergey Prokofiev. You should get a copy, it is very moving. Stalin and Eisenstein conveniently ignored the fact that Prince

Alexander Nevsky later subjugated his principedom to the Tartars.” Vitaly Tretyakov paused again in his narrative obviously reflecting on the expediencies of life. “Sadly, there is a time for heroism and a time for pragmatism.”

Ayres wondered which it was to be this morning.

“When you watch the film Mr. Ayres, your blood boils and you want to kill Germans”, he concluded matter-of-factly.

“Enough of history, let’s discuss business.” Tretyakov directed Quentin Ayres back to the informal meeting area. Ayres unbuttoned his suit coat and sat on the couch while Tretyakov sat next to him in a matching chair. Ayres crossed his legs, being careful to keep the soles of his shoe face-down to the carpet and pointed the toe of his elegant, hand-made, black, English leather shoe toward the coffee table. Tretyakov reached over to an inlaid, Indian cigarette box on the coffee table and retrieved a cigarette and silver filigree lighter. He lit the cigarette and drew the smoke deep into his lungs as only a chain smoker does after being deprived of a cigarette. He held the smoke in his lungs savoring the moment and then exhaled toward the ceiling. A faint whiff of the smoke mixed with the sickly sweet odor from his breath reached Ayres’ nostrils and caused them to flair imperceptibly. Tretyakov sat in silence for a few moments enjoying his cigarette and gathering his thoughts.

“Ayres,” he finally began, “We wish to sell some metal.” Tretyakov paused to draw on his cigarette and then spent a few seconds picking a small piece of tobacco from his tongue. “As you know, the ICTB Group has some mining

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operations in Siberia in iron ore and non-ferrous metals. We wish to liquidate a substantial portion of our inventory. We have been stockpiling, waiting for a recovery in the market back to the previous highs, but, unfortunately, the market has remained soft given the slowing in the OECD economies even though demand from China and India remains strong. We think the time has come to sell, and we wish to act anonymously and not alert the market to the fact that we are liquidating our stocks. We would like Moscow Capital to be involved in the transaction.”

“We will be delighted to work with you again,” responded Ayres. His relationship with Tretyakov and ICTB had spanned more than two decades and encompassed the disintegration of the Soviet Union under Gorbachev, the turbulent Yeltsen years and Putin’s two terms in office.

“I have had my staff prepare a paper outlining the specifics which Irena will give to you after our meeting.” Irena was Tretyakov’s personal assistant.

“The trading desk here at ICTB will interface with your team to implement the actual transactions.”

“Can you give me a rough estimate of the magnitudes we are talking about and the commodities involved so that we can begin to assess market conditions and the market’s appetite for the specific commodities that we are looking to sell?”

“In general terms, we are looking to liquidate the entire inventory from two of our Group companies that operate in Siberia. The amounts involved are very substantial. The

metals are copper, nickel and zinc. The amount of copper is the largest and, if memory serves, we are looking to off-load just under 315 thousand tons. The amount of nickel is smaller, but as a percentage of world annual production, is quite significant. I think the total amount will be around 107 thousand tons.”

“And the zinc?”

“We are still working on that. We’ll let you know in due course, but it will probably be somewhere between 200 to 300 thousand tons.”

“That’s a lot of metal,” Ayres reflected. “That must be about twenty to twenty-five percent of the LME’s current monthly turnover in copper and pushing forty percent of the turnover in Nickel.” The LME or London Metal Exchange is where a substantial portion of the world’s metal is traded. The exchange traced its roots back to the sixteenth century and for the last century and a quarter, the exchange has provided the principal mechanism for laying-off price risk by providing a forum for selling these commodities forward. “As you know, the turnover in futures contracts on the Exchange is often far greater than actual underlying transactions in the metals themselves,” pointed out Ayres.

“I understand,” said Tretyakov impatiently, “but I think the price is right.”

“I certainly agree that prices are at very inflated levels, but wouldn’t you be better off just selling on the LME for

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forward delivery and locking in the price?” Ayres probed. “The Exchange could easily absorb all of your metal.”

“Of course, you can use the exchange to hedge price risk as we sell down the inventory, but we would prefer to liquidate our inventory and not incur the ongoing carrying costs of maintaining and warehousing the metal,” Tretyakov stated with finality.

“It’s a lot to dispose of.”

“I am sure that you can handle it Mr. Ayres,” Tretyakov said as he rose to indicate that the meeting was over.

When he opened the door and ushered Ayres out into the outer office, Irena was standing there holding out a large envelope for Ayres. “Mr. Ayres, here is material Mr. Tretyakov has assembled for you.”

“Thank you Irena,” he said as he took the envelope. He could not help but reflect once again on how fragile Irena always looked. She was thin and plain, but had an intelligent self assurance that Ayres found very attractive. “It is nice to see you again.”

“And you Mr. Ayres.” Irena responded with a nod of acknowledgement and a smile. Of all the people who visited Tretyakov’s office, she always anticipated Ayres’ visits the most.

Tretyakov nodded to Ayres. “My people will be in touch regarding the details,” he said by way of farewell and dismissal and then turned to go back into his office.

Irena escorted Ayres down the corridor to the elevator and pressed the down button. There was an awkward moment of silence as they waited for the elevator. The security guard hovered in the background. Just before the elevator arrived, Irena broke the silence. “It is very hot in Moscow in August.”

“Yes it is, but winter will be here before we know it and then we will all be complaining about the cold,” Ayres replied smiling.

The brief exchange was interrupted by the arrival of the elevator. As the doors opened, Irena stepped partially in and, with her back to the doors, held them open while Ayres entered the elevator. As he brushed past, he was aware of their momentary closeness. He reached over to push the ground floor button just as Irena turned inward to press the button for him. They were very close, almost touching and Irena flushed. Ayres gave her a warm smile and said, “Goodbye, Irena”, as she retreated from the elevator.

Her clear blue eyes and refined, delicate features stayed with Ayres as he descended from the seventh floor of the new glass and metal tower.