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Gertler loan poses more questions for Glencore



Glencore is under pressure to explain a loan made to the diamond billionaire Dan Gertler Simon Dawson/Bloomberg via Getty Images

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Glencore Xstrata is under pressure to explain its links to a controversial businessman after details of a new offshore loan emerged.

Documents filed in the British Virgin Islands, a tax haven known for its lack of transparency, show that the miner and commodities trader issued a loan to Dan Gertler, a diamond billionaire whose dealings in the Democratic Republic of Congo carry a “serious risk of corruption”, according to campaigners.

The loan was secured against shares worth about \$150 million at the time of the transaction. Glencore has not revealed the purpose or size of the loan, except to state that it was for “normal business purposes” and was made at a commercial rate.

The new strand in the relationship between Mr Gertler’s Fleurette Group and Glencore Xstrata comes amid questions over Glencore’s role in Mr Gertler buying a stake in a Glencore-controlled mine from the Congolese Government at what campaigners claim was a knockdown price.

The loan was issued to a British Virgin Islands company called Triways Investment International in 2010, a year before Fleurette bought out the Democratic Republic of Congo’s stakes in the Kansuki and Mutanda mines.

A spokesman for Global Witness, a group that campaigns “against natural resource-related conflict and corruption”, said: “Every loan that we have been able to trace from Glencore to Gertler has been made with a clear purpose, except the Triways loan. Given the controversy around these deals, Glencore should explain how much it lent and why.

“This and other such loans demonstrate that Glencore and Gertler were joined at the hip in Congo. Glencore may have been able to shroud its dealings in secrecy when it was private, but as a listed company it should explain to its shareholders how it structures its dealings with its main partners, and how it obtained its prize assets.”

A spokesman for Fleurette said: “We have been investing for 17 years providing the much needed investment the country desperately needs to help lift it out of poverty. Fleurette does not usually comment on commercial confidential loans with private parties, but we confirm this loan was for working capital purposes on sensible commercial terms and repaid in full.”

Glencore had made loans to Fleurette companies so that they could participate in fundraising by Katanga Mining, a Glencore-controlled company that had a minority stake floated on the Toronto Stock Exchange. The loan was disclosed at the time.

A Glencore spokesman said: “This loan had nothing to do with the Mutanda and Kansuki acquisition. This loan was provided in the ordinary course of business and was issued on commercially attractive terms, including an appropriate security package.

“Glencore regularly finances the production of commodities around the world, including in the DRC, by entering into various financing and debt facilities. All facilities are concluded on commercially attractive terms, with appropriate security for repayment.

“Glencore conducts appropriate due diligence as required to ensure that it acts in line with the GCP and its Code of Conduct. Glencore complies with all its public disclosure requirements.”

Mr Gertler’s Fleurette Group insists that it does not engage in corruption in the Democratic Republic of Congo. The company says that it paid \$210 million for the Kansuki and Mutanda mines, which have some of the finest copper ore in the world. That figure is based on \$31 million of debt, the \$137 million that was paid for the two mines and a \$52 million “additional sum” that has not been disclosed in any published contract.

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