

# Beyond Sanctions

*The sanctions in response to Russia-Ukraine conflict are very dynamic and are constantly evolving.*

*This article references events and developments current as of April 11, 2022.*





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## Financial Services

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## I. Background

On February 24, 2022, the Russian Federation (Russia) started an unprovoked war against Ukraine. Russian troops attacked several large Ukrainian cities, including the capital, Kyiv, Mariupol, Chernihiv, Mykolaiv, Sumy, and objects of critical infrastructure, including the Chernobyl and Enerhodar nuclear stations, and aviation plant near Lviv. According to the New York City Bar Association, the attack constitutes a violation of the sovereignty and territorial integrity of Ukraine in breach of international law and the Charter of the United Nations.<sup>1</sup>

One hundred forty-one countries voted in favor of the UN General Assembly resolution “deplored” Russia’s aggression against Ukraine and demanding the immediate and complete withdrawal of all Russian forces from Ukrainian territory. Western countries accused Russia of bringing the war back to Europe and disturbing regional peace,<sup>2</sup> and causing a humanitarian crisis in Ukraine.<sup>3</sup>

The world’s response to Russia’s actions includes a wave of export controls and economic sanctions targeting the country’s major financial institutions (FIs), state-owned corporations, oligarchs, government officials, individuals, corporations, and assets tied to Russian President Vladimir Putin, Russian oligarchs, and the Russian government. Additional sanctions were also imposed on Belarusian individuals and entities supporting and facilitating the Russian invasion. As of March 11, 2022, the United States and more than 30 countries have imposed economic sanctions and export controls on Russia.<sup>4</sup>

In response, the Russian government imposed export bans on a string of products.<sup>5</sup> In addition, the Russian Central Bank limited foreign cash withdrawals for its citizens to \$10,000, effectively restricting the financial ability of Russian citizens living abroad or attempting to flee the country to use their assets.<sup>6</sup>

The multi-national sanctions regimes bring new challenges to financial institutions and compliance professionals, as they are obligated to ensure their compliance programs are equipped to quickly enforce the continually changing sanctions, to timely apply asset-tracing and freezing requirements, and to appropriately adjust risk management processes and identify and tackle the new sanctions evasions and money laundering routes and trends.

This article aims to provide an overview of the global response to the Russia-Ukraine war and an analysis of anticipated changes in transactional patterns resulting from that response, with a particular focus on geographic regions and industries of interest. The article also provides financial institutions with tips and practical solutions that can help them address the challenges of the new sanctions and maintain a high level of regulatory compliance.

1. <https://www.nycbar.org/media-listing/media/detail/russian-federations-invasion-of-ukraine>

2. <https://www.bbc.com/news/world-europe-60507016> and <https://www.aljazeera.com/news/2022/2/24/world-reaction-putin-orders-military-operation-in-ukraine>

3. <https://www.pbs.org/newshour/world/u-n-blames-russia-for-humanitarian-crisis-in-ukraine-urges-aid>

4. <https://www.whitehouse.gov/briefing-room/statements-releases/2022/03/11/fact-sheet-united-states-european-union-and-g7-to-announce-further-economic-costs-on-russia/>

5. <https://www.bbc.com/news/business-60689279>

6. [https://www.business-standard.com/article/international/central-bank-of-russia-limits-foreign-cash-withdrawals-until-sept-9-122030900107\\_1.html](https://www.business-standard.com/article/international/central-bank-of-russia-limits-foreign-cash-withdrawals-until-sept-9-122030900107_1.html)



## II. Global Actions Affecting Financial Institutions

### A. Economic sanctions and export controls

On February 23rd, the European Union (EU) imposed sanctions against 351 members of the Russian State Duma who endorsed Putin's appeal to recognize the independence of the self-proclaimed Donetsk and Luhansk People's Republics. On February 24, the US Treasury Department's Office of Foreign Assets Control (OFAC) sanctioned Russia's two largest banks, Sberbank and VTB Bank, as well as Putin and other government officials. OFAC also sanctioned 24 Belarusian individuals and entities for its support and facilitation of the Russian invasion of Ukraine. Additionally, the new measures include personal sanctions against both the Russian and Belarusian presidents, along with some of the elites.<sup>7</sup>

Three days later, the US issued a new directive prohibiting any transactions with the Central Bank of Russia, Russia's Ministry of Finance, or its National Wealth Fund, including foreign exchange transactions, involving US persons, US institutions or the US dollar.<sup>8</sup> Seven Russian banks were also removed from the Society for Worldwide Interbank Financial Telecommunications (SWIFT) network, with Belarus banks removed at a later date.<sup>9</sup> On February 28, the US Department of the Treasury announced it would immobilize Russian Central Bank assets that are held in the United States and imposed sanctions on the Russian Direct Investment Fund, a sovereign wealth fund that is run by a known Putin ally.<sup>10</sup> On April 6, 2022, the UK government announced that it was implementing a full asset freeze on Sberbank and Credit Bank of Moscow.<sup>11</sup>

Pursuing the task of tracing Putin's personal assets potentially hidden in the US and many other countries'

financial systems, the US recently sanctioned Putin's two adult daughters.<sup>12</sup> Tracing Putin's assets is notoriously hard to do,<sup>13</sup> and according to an anonymous US government official, "Many of Putin's assets are hidden with family members, and that's why we are targeting them."<sup>14</sup>

In addition to sanctions, export controls were imposed on the following sectors of the Russian economy: energy, technology, trade, defense, transportation, and finance. Restrictions were also put in place on economic relations with the non-government-controlled areas of Donetsk and Luhansk.<sup>15</sup> Extensive restrictions were also placed on the Russian financial sector. In addition to the US and the EU, UK, Switzerland, Liechtenstein, Japan, Canada, Australia, New Zealand, Singapore, South Korea, and the Bahamas also imposed sanctions on Russia.<sup>16</sup>

As of March 30, 2022, the total count of sanctioned individuals and companies reached 982 by the UK, 775 by the EU, and 852 by the US. In light of the recent events in the town of Bucha in Ukraine, the EU and the US are implementing additional sanctions.<sup>17</sup> US Deputy Treasury Secretary, Adewale Adeyemo, during his visit to Europe on March 29, mentioned that further US and EU sanctions against Russia will target the supply chains and economic sectors that play a key role in the war in Ukraine, undermining "the Kremlin's ability to operate its war machine."<sup>18</sup>

On April 8, 2022, the EU adopted a fifth package of economic sanctions against Russia over its military aggression against Ukraine. It further expands the prohibitions to purchase, import or transfer coal and other solid fossil fuels into the EU or to provide access to EU ports to vessels registered under the flag of Russia. The sanctions also impose a ban on any Russian and Belarusian road transport, preventing them from

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7. <https://www.gibsondunn.com/united-states-responds-to-the-crisis-in-ukraine-with-additional-sanctions-and-export-controls/>
  8. <https://www.lawfareblog.com/what-sanctions-has-world-put-russia>
  9. <https://interfax.com/newsroom/top-stories/76707/>  
<https://foreignpolicy.com/2022/03/08/swift-sanctions-ukraine-russia-nato-putin-war-global-finance/>
  10. <https://home.treasury.gov/news/press-releases/jy0612>  
<https://www.nytimes.com/2022/02/28/us/politics/us-sanctions-russia-central-bank.html>
  11. <https://www.marketwatch.com/amp/story/uk-to-freeze-assets-of-sberbank-credit-bank-of-moscow-271649260983>
  12. <https://www.reuters.com/world/why-us-is-targeting-putins-daughters-katerina-maria-2022-04-06/>
  13. <https://www.nytimes.com/2022/04/06/world/putin-russia-assets-wealth-sanctions.html?referringSource=articleShare>
  14. <https://www.reuters.com/world/why-us-is-targeting-putins-daughters-katerina-maria-2022-04-06/>
  15. <https://www.nortonrosefulbright.com/en/knowledge/publications/61bb1a62/heavily-targeted-us-sanctions-and-export-restrictions-targeting-russia>
  16. <https://www.piie.com/blogs/realtime-economic-issues-watch/russias-war-ukraine-sanctions-timeline>
  17. <https://www.cbsnews.com/news/russia-sanctions-putin-daughters-banks/>
  18. <https://www.themoscowtimes.com/2022/03/29/us-to-further-target-russian-warfare-capabilities-official-a77115>

transporting goods by road within the EU, including in transit. The sanctions package also places additional embargoes on import and export of select products.<sup>19</sup>

#### B. Other measures

Among the diplomatic measures currently taken, the EU suspended regular Russia-EU summits and participation of Russia in G8 meetings. The EU is also working with the World Bank Group, the European Bank for Reconstruction and Development (EBRD), the Organization for Economic Co-operation and Development (OECD) and other international partners, to prevent Russia from obtaining financing from such institutions.<sup>20</sup>

The EU also placed restrictions on the Russian media, including suspension of broadcasting of Russian international channels: Russia Today and Sputnik.<sup>21</sup>

Contending with regulatory risks, logistical challenges, reputational concerns, and ethical choices, many Western companies are also self-regulating by pulling their businesses out of Russia.<sup>22</sup> Among them, McDonald's, Coca-Cola, Starbucks, Heineken, L'OREAL, Michael Kors, DKNY, Clinique, Bobbi Brown, H & M, IKEA, Shell and others.<sup>23</sup>

#### C. Enforcement task forces

On March 2, Attorney General Merrick B. Garland announced the launch of a law enforcement group, Task Force KleptoCapture, under the oversight of Deputy Attorney General Lisa O. Monaco, who said, "Oligarchs be warned: We will use every tool to freeze and seize your criminal proceeds." Her statement became a slogan for the task force. The task force's objectives include:

1. Investigating and prosecuting violations of new and future sanctions imposed in response to the Ukraine invasion.
2. Combating unlawful efforts to undermine restrictions taken against Russian financial institutions.
3. Targeting efforts to use cryptocurrency to evade US sanctions and launder proceeds of foreign corruption.
4. Asset forfeiture of sanctioned individuals or assets identified as the proceeds of unlawful conduct.

On March 16, the US, together with Australia, Canada, Germany, France, Italy, Japan, the UK, and European Commission, launched the Russian Elites, Proxies, and Oligarchs (REPO) multilateral task force. REPO, consisting of the Finance Ministry and Justice or Home Ministry in each member jurisdiction, is committed to collecting and sharing information and to take actions, including sanctions, asset freezing, civil and criminal asset seizure, and criminal prosecution, against sanctioned Russian oligarchs.<sup>24</sup>

As of April 8, almost EUR 30 billion (USD 32,688 billion)<sup>25</sup> of assets of Russian and Belarusian oligarchs and entities were frozen by the EU.<sup>26</sup>

In a further development, the European Union Agency for Law Enforcement Cooperation (Europol) launched Operation Oscar on April 11, 2022, that will continue for at least one year.<sup>27</sup> Europol joined efforts with EU Member States, European Union Agency for Criminal Justice Cooperation (Eurojust)<sup>28</sup> and European Border and Coast Guard Agency (Frontex)<sup>29,30</sup> with the purpose

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19. <https://www.consilium.europa.eu/en/press/press-releases/2022/04/08/eu-adopts-fifth-round-of-sanctions-against-russia-over-its-military-aggression-against-ukraine/>

20. <https://www.consilium.europa.eu/en/infographics/eu-sanctions-against-russia-over-ukraine/>

21. <https://www.theguardian.com/media/2022/feb/27/eu-ban-russian-state-backed-channels-rt-sputnik>

22. <https://www.ft.com/content/8c292f95-fcf3-49b4-9c19-6f0177782197>

23. <https://www.bbc.com/news/business-60571133>

24. <https://www.justice.gov/opa/pr/us-departments-justice-and-treasury-launch-multilateral-russian-oligarch-task-force>

25. Per OANDA on April 8, 2020, EUR 1 = USD 1,0896

26. [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_22\\_2373](https://ec.europa.eu/commission/presscorner/detail/en/ip_22_2373)

27. <https://www.europol.europa.eu/media-press/newsroom/news/eu-wide-operation-targeting-criminal-assets-in-relation-to-russian-invasion-of-ukraine>

28. <https://www.eurojust.europa.eu/>

29. <https://frontex.europa.eu/>

30. Frontex - from French: Frontières extérieures for "external borders"



of supporting financial investigations and targeting criminal assets owned by sanctioned individuals who may attempt to circumvent EU sanctions. Europol will facilitate exchange of information, intelligence, and analysis, and provide operational support to partners. Additionally, Frontex will provide enhanced scrutiny of the physical movements of potentially sanctioned persons crossing EU's external borders.<sup>31</sup>

#### D. Russian countermeasures

On March 2, President Putin signed the decree on economic measures against the US and other “unfriendly countries and territories” who have imposed sanctions against Russia. Among them are Montenegro, Switzerland, Albania, Andorra, Iceland, Liechtenstein, Monaco, Norway, San Marino, North Macedonia, and also Japan, South Korea, Australia, Micronesia, New Zealand, Singapore, and Taiwan.<sup>32</sup> The decree requires obtaining a governmental permit to complete the following transactions: lending to foreigners in rubles, transactions (operations) entailing the ownership of securities and real estate, and transfer of foreign currency to correspondent accounts in foreign banks, relevant to the above deals. The decree also prohibits export of foreign currency in cash in an amount exceeding \$10,000.<sup>33</sup> On March 23, Putin also announced that sale of gas to unfriendly states would be carried out in rubles.<sup>34</sup>

In light of the magnitude of the imposed measures, financial institutions may want to reassess their Sanctions and AML compliance programs to account for the new regulatory requirements, expected enforcement, and new tools that Russian individuals and businesses may use to evade sanctions and avoid restrictions. Financial institutions should also consider reassessing their risk of exposure through a targeted risk analysis around potentially affected customers, services, products and jurisdictions.

31. <https://www.europol.europa.eu/media-press/newsroom/news/eu-wide-operation-targeting-criminal-assets-in-relation-to-russian-invasion-of-ukraine>

32. [https://tass.com/politics/1418197?utm\\_source=google.com&utm\\_medium=organic&utm\\_campaign=google.com&utm\\_referrer=google.com](https://tass.com/politics/1418197?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com)

33. <https://sanctionsnews.bakermckenzie.com/russia-imposes-additional-economic-measures-to-ensure-financial-stability-of-russia/>

34. <https://www.dw.com/en/putin-unfriendly-states-to-pay-for-russian-gas-in-rubles/a-61234904>

### III. Challenges Posed by the Global Actions to the Financial Institutions

The regulatory measures in response to the Russian invasion of Ukraine, and the anticipated enforcement of such measures, pose significant challenges for financial institutions. These include the continuously changing sanctions regime, asset-tracing and freezing requirements, and adjusting risk management, generally relate to the following factors:

- A.  **Speed.** The global response to Russia's actions in Ukraine differed significantly from sanctions in response to Russia's annexation of Crimea in 2014.<sup>35</sup> Most of the new sanctions we observe today were rolled out in a span of about a month.<sup>36</sup> Some jurisdictions, like Italy and France, were able to act quickly and efficiently to seize and freeze assets in response to sanctions; however, German and Austrian authorities have reportedly struggled to quickly identify and freeze Russian assets for a variety of factors.<sup>37</sup>
- B.  **Scope.** In addition to a rapid-fire rollout, Russia surpassed Iran on March 7 in the number of sanctions levied against it, reaching a record of 5,532.<sup>38</sup>
- C.  **Ongoing change.** Economic sanctions are a "tool of choice to respond to major geopolitical challenges such as terrorism and conflict,"<sup>39</sup> and the policymakers are continuing to use them as such. Most recently, in response to "major war crimes" being discovered in Ukraine,<sup>40</sup> the US announced new sanctions.<sup>41</sup>

- D.  **Geographical inconsistency.** Sanctions regimes established by the US, the UK, and the EU are not homogeneous across the countries.<sup>42</sup> For example, Roman Abramovich, a renowned Russian oligarch, is sanctioned in both the UK and EU, but not in the US. As Bloomberg reports, "Tracking who's sanctioned where remains difficult because Washington, Brussels, and London issue penalties in a series of unlinked notices. Australia, Canada, and Japan have imposed their own restrictions."<sup>43</sup> Therefore, financial institutions will need to navigate these sets of sanctions, starting with identifying jurisdictions where customers are subject to sanctions and what restrictions apply.
- E.  **Complexity.** Integration of all the regulatory requirements into the banking-wide compliance policy is challenging to begin with.<sup>44</sup> The complexity of new rules may tempt financial institutions to adopt an "all-or-nothing" approach, from detaining assets "just in case" because they look expensive, like the 21 yachts docked in Finland,<sup>45</sup> to hard de-risking by getting rid of all Russian businesses altogether, sanctioned or not, just to be safe, which is what some EU financial institutions are considering.<sup>46</sup> It is hard for financial institutions to navigate where asset freeze is appropriate versus where the exemptions for certain categories of transactions are applicable, based on the interpretation of exceptions or general licenses.

35. <https://www.theguardian.com/world/2014/mar/06/us-eu-sanctions-obama-russia-ukraine-crimea>

36. <https://www.piie.com/blogs/realtime-economic-issues-watch/russias-war-ukraine-sanctions-timeline>

37. <https://www.moneylaundering.com/news/insufficient-oversight-and-ownership-data-threatens-eu-sanctions-against-russia-witnesses-say/?source=Keyword%20Alert%20-%20Daily>

38. <https://www.axios.com/russia-most-sanctioned-country-0de10d02-51aa-46c4-9711-bb45303fdfb8.html>

39. <https://www.cfr.org/backgrounder/what-are-economic-sanctions>

40. <https://www.cnn.com/2022/04/06/politics/us-latest-sanctions-on-russia/index.html>

41. <https://home.treasury.gov/news/press-releases/jy0705>

42. [https://www.bloomberg.com/graphics/2022-russian-billionaires-sanctioned-ukraine-war/?srnd=premium&sref=o6POBkk0&utm\\_campaign=Readbook&utm\\_medium=email&\\_hsmi=208643546&\\_hse=208643546&\\_hsenc=p2ANqtz-R9UL-QD4Yx8yi-sTon2ltMPibkAWtr5Q4Fxm6C3MFRP3THdLHzHTY6B-26vopG3SeApeFU83AetJ5alp0izsmethyTLDxvJXNxOBhphtpro8QT4&utm\\_content=208643546&utm\\_source=hs\\_email](https://www.bloomberg.com/graphics/2022-russian-billionaires-sanctioned-ukraine-war/?srnd=premium&sref=o6POBkk0&utm_campaign=Readbook&utm_medium=email&_hsmi=208643546&_hse=208643546&_hsenc=p2ANqtz-R9UL-QD4Yx8yi-sTon2ltMPibkAWtr5Q4Fxm6C3MFRP3THdLHzHTY6B-26vopG3SeApeFU83AetJ5alp0izsmethyTLDxvJXNxOBhphtpro8QT4&utm_content=208643546&utm_source=hs_email)

43. [https://www.bloomberg.com/graphics/2022-russian-billionaires-sanctioned-ukraine-war/?srnd=premium&sref=o6POBkk0&utm\\_campaign=Readbook&utm\\_medium=email&\\_hsmi=208643546&\\_hse=208643546&\\_hsenc=p2ANqtz-R9UL-QD4Yx8yi-sTon2ltMPibkAWtr5Q4Fxm6C3MFRP3THdLHzHTY6B-26vopG3SeApeFU83AetJ5alp0izsmethyTLDxvJXNxOBhphtpro8QT4&utm\\_content=208643546&utm\\_source=hs\\_email](https://www.bloomberg.com/graphics/2022-russian-billionaires-sanctioned-ukraine-war/?srnd=premium&sref=o6POBkk0&utm_campaign=Readbook&utm_medium=email&_hsmi=208643546&_hse=208643546&_hsenc=p2ANqtz-R9UL-QD4Yx8yi-sTon2ltMPibkAWtr5Q4Fxm6C3MFRP3THdLHzHTY6B-26vopG3SeApeFU83AetJ5alp0izsmethyTLDxvJXNxOBhphtpro8QT4&utm_content=208643546&utm_source=hs_email)

44. <https://www.moneylaundering.com/news/divergence-in-western-sanctions-on-russian-oligarchs-challenges-compliance-efforts-sources/?source=Weekly%20Wrap-up%20Newsletter>

45. <https://jalopnik.com/finland-detains-21-yachts-at-once-just-in-case-they-bel-1848699962>

46. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/sanctions-against-russia-may-prompt-iran-style-de-risking-by-banks-69179675>

- F.  **New avoidance tactics.** It is not hard to imagine that sanctions will not stop the illicit money flows, but rather disrupt the “usual.” Illicit actors will also be forced to adapt and change their tactics, and it will be up to the financial institutions to detect and tackle the new sanctions evasion routes and money laundering trends.

Adding to this is the perennial challenge of identifying the true beneficial owners hiding behind shell companies, blind trusts, and proxy owners, similar to those recently described in the DOJ indictment of the Russian oligarch Konstantin Malofeyev.<sup>47</sup> The indictment violations included Malofeyev’s using shell companies to invest money in the US and conspiring to transfer those investments to an associate in Greece by backdating the sale contract by almost a year to make it appear that the transfer had taken place prior to the imposition of US sanctions. Another recent example involves Alisher Usmanov’s sister, who was identified by Organized Crime and Corruption Reporting Project (OCCRP) as a keeper of unexplained wealth.<sup>48</sup> In order to use their money, oligarchs and other Russian nationals may also turn to informal payment systems outside of the official financial systems controls, such as Hawala.<sup>49</sup>

In light of these challenges, financial institutions may need to take the advice of the Queen in “Alice’s Adventures in Wonderland,” who says: “We must run as fast as we can, just to stay in place. And if you wish to go anywhere you must run twice as fast as that.”<sup>50</sup> Financial institutions should be prepared to start looking beyond the sanctions and adapt their risk management strategies in both reactive and proactive ways, striking a balance between following the letter and the spirit of the law, and looking in places they have never looked before. Financial institutions can benefit from rethinking their approach, and a good place to start would be with questions such as:

- 1. What countries have imposed sanctions?**
- 2. What countries and jurisdictions with a history of lax money laundering laws are likely to become the new venues for money flow as a result of the new restrictions?**
- 3. Is there a rise in unusual transactional activity in relation to risky industries and customers?**
- 4. Are there atypical movements of funds?**
- 5. Does the institution have enough resources with the right skills to address the new challenges and requirements?**

The ability to handle the rising challenges successfully will also depend on maturity level of current systems and controls, and on the financial institutions’ abilities to monitor, follow, and adapt to changes quickly. The risks of doing business with the wrong party are vast, and the time to act is now.

47. <https://www.justice.gov/opa/pr/russian-oligarch-charged-violating-us-sanctions>

48. <https://cdn.occrp.org/projects/suisse-secrets-interactive/en/person/65/saodat-narzieva/>

49. <https://www.treasury.gov/resource-center/terrorist-illicit-finance/documents/fincen-hawala-rpt.pdf>

50. [https://www.goodreads.com/quotes/458856/my-dear-here-we-must-run-as-fast-as-we](https://www.goodreads.com/quotes/458856-my-dear-here-we-must-run-as-fast-as-we)

**BANK**

## IV. Areas of Focus to Meet Regulatory Requirements and Expectations

The main jurisdictions where Russian oligarchs historically turned to shelter their assets include the UK, EU, and offshore jurisdictions, like Cyprus, the Caribbean, or the US.

As Russia becomes an outcast in the global financial system, Russian oligarchs and elites now have far fewer places to hide and store their money. Keeping the assets or moving them back to Russia, a country heading toward economic crisis at a minimum, if not default, as some analysts predict,<sup>51</sup> is not a viable option. But, keeping them in the US, the UK or in the EU, where they face freezes, blockades or possibly seizures, has also become much less attractive.

The section below provides a detailed analysis of geographic regions where sanctioned individuals will either continue to or seek to bypass economic sanctions. Among them are: China, India, the United Arab Emirates (UAE), Israel, countries in Africa and Latin America, as well as former Soviet bloc countries of Central Asia, such as Kazakhstan, and, to some extent, the US.

### A. Regions to look out for as new venues for sanctions evasion

#### 1. China and India

China and Russia are known as solid allies in their shared political rivalry against the United States. Since 2020, China's goods trade with Russia reached a record of \$150 billion.<sup>52</sup> In light of the recent geopolitical events, China is facing a tough decision: "Do they provide economic and military assistance to Russia or not?" It remains to be seen what China decides, but financial institutions need to be prepared for new trends, particularly in transactional activity and trade finance.

China may become a conduit to allow Russia to trade with the West to circumvent sanctions, using its ruble-yuan payment system, established in 2014. It can give China the opportunity to use smaller banks that do not have a legal presence in the West and conduct trade and financial transactions using rubles and yuan rather than the dollar.<sup>53</sup> For financial institutions, it will require identifying the transaction's currency at the start, the exchange rate, and any correspondent or intermediary banks located outside of sanctioned jurisdictions.

India has had strong trading ties with Russia dating back to the Cold War. India is also the world's third-largest oil importer and consumer, and a substantial exporter of tea and coffee, as well as pharmaceutical products.<sup>54</sup> Thus, India

51. <https://www.forbes.com/sites/sergeiklebnikov/2022/04/05/us-adds-pressure-on-russia-by-blocking-bond-payments-raising-risk-of-default/?sh=3e8677d32115>

52. <https://www.economist.com/leaders/2022/03/12/will-china-offer-russia-financial-help>

53. <https://www.cnbc.com/2022/03/16/how-much-can-and-will-china-help-russia-as-its-economy-crumbles.html>

54. <https://www.bbc.com/news/world-asia-india-60783874>

could perceive Western sanctions as an opportunity for its businesses to expand into the Russian market and filling the vacuum created by Western companies leaving Russia.

According to public sources, India is also developing a new payment system, a so-called “rupee-ruble mechanism,” that would allow seamless trading with Russia and bypass US and Western sanctions.<sup>55</sup> This can make India a potential importer of goods to Russia, an exporter of Russian energy resources, and a financial partner for Russia along with China. China and India have already increased the importing of Russian oil at a discounted price. The statistic shows that just in March of 2022, India imported half of the oil amount purchased from Russia in 2021.<sup>56</sup>

Taking into consideration potential aiding to circumvent the new Western and US sanctions, Chinese and Indian officials and businesses can become a target of “secondary sanctions.” Financial institutions should be on the lookout for transactions involving firms with ties to China and India, as they may have nested relationships with sanctioned Russian banks.

## 2. Middle East

Many of Russia’s oligarchs are fleeing to the Middle East to hide their wealth. They are setting up new businesses, restructuring ownership in existing businesses, and buying up property in the UAE, Saudi Arabia, Israel, and Turkey, hoping to avoid financial restrictions and secure their wealth.<sup>57</sup> Oligarchs anticipate benefiting from a system of offshoring, lax

regulatory oversight, opaque corporate ownership, and a lack of transparency, all of which have been attracting dirty money for a long time.

In March of 2022, the intergovernmental Financial Action Task Force added the UAE to a “grey” money laundering watch list, making that country subject to enhanced scrutiny.<sup>58</sup> According to Jodi Vittori, former member of NATO’s counter-corruption task force, Russian oligarchs have been laundering their ill-gotten money in Dubai since 1990.<sup>59</sup> According to a New York Times report, at least 38 businessmen or officials linked to Putin own dozens of properties in Dubai valued at more than \$436 million collectively.<sup>60</sup> In UAE, oligarchs can invest in local businesses or real estate, and receive a residency visa, or a so-called “golden visa,” in return.<sup>61</sup> Public sources, such as maritime traffic websites, spotted yachts allegedly belonging to three Russian billionaires, Abramovich, Alisher Usmanov, and Arkady Rotenberg, docked in Dubai since the start of the war in Ukraine.<sup>62 63</sup>

There are diverse ways Russian oligarchs can transfer their money to the UAE. And there appears to be a tendency to use cryptocurrency for transferring money from Russia to the intermediaries in the UAE, who then convert it into cash and buy property. The US Treasury voiced its concern that the Chinese international yuan payment system may be used to route money to the UAE, thereby effectively circumventing US sanctions.<sup>64</sup> The risk is also increasing in Israel and Turkey real estate markets, where Russian oligarchs are looking for an expensive home to rent or buy.<sup>65</sup> “They buy in cash, they open bank accounts in Turkey, or they bring gold,” said a co-founder of a real estate company in Istanbul.

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55. <https://www.cnbc.com/2022/03/23/fieo-india-rupee-ruble-trade-mechanism-with-russia-may-be-ready-soon.html> and <https://asiatimes.com/2022/03/india-russia-currency-swaps-bypass-us-sanctions/>
56. <https://www.bbc.com/news/world-asia-india-60783874>
57. <https://english.alaraby.co.uk/analysis/dirty-money-russian-oligarchs-flee-uae-evading-sanctions>
58. <https://www.9news.com.au/world/dubai-uae-becoming-safe-haven-for-russian-oligarch-money-superyachts-and-private-jets/ab7c6eb6-cfd4-44d5-98c0-b0d7b5f2dee4>
59. <https://www.dw.com/en/why-is-uae-a-hot-spot-for-russians-dodging-sanctions/a-61099194>
60. <https://www.9news.com.au/world/dubai-uae-becoming-safe-haven-for-russian-oligarch-money-superyachts-and-private-jets/ab7c6eb6-cfd4-44d5-98c0-b0d7b5f2dee4>
61. <https://www.dw.com/en/why-is-uae-a-hot-spot-for-russians-dodging-sanctions/a-61099194>
62. <https://www.reuters.com/markets/asia/uae-could-be-russian-oligarchs-next-playground-2022-03-04/>
63. <https://www.businessinsider.com/russian-oligarchs-try-to-escape-sanctions-take-jets-yachts-dubai-2022-3>
64. <https://www.thestreet.com/investing/is-dubai-becoming-a-haven-for-russians-seeking-to-avoid-sanction>
65. <https://www.thetimes.co.uk/article/rich-russians-seek-safe-haven-for-their-fortunes-in-israel-7x23ktzpv>

Saudi Arabia is another Middle East country with stable commercial and diplomatic relationships with Russia. The two countries have been cooperating in the trade area since the World War II. Russia's exports of grain, seed oil, iron, and steel to Saudi Arabia reach over \$1.25 billion annually. In return, Saudi Arabia's exports of various goods to Russia have reached the \$229 million mark.<sup>66</sup> As the country is known for lax controls on terrorism financing and money laundering, Russian oligarchs may explore its territory to shield their assets.<sup>67</sup>

Prior to the current Russian-Ukrainian war, Israel was considered a "haven for sanctions evasion." This time, the nation may take a different route.<sup>68</sup> For many decades, Russian oligarchs have been bringing their "dark market" money into Israel. Many of them, like Abramovich, the owner and former director of the Chelsea Football Club, Mikhail Fridman, a co-founder of the largest private Russian bank, Alfa Bank, Viktor Vekselberg, chairman of Russia's largest aluminum producer, Renova, and others,<sup>69</sup> hold Israeli passports. According to public sources, at least 14 rented private planes have departed from Moscow and landed at Israel's Ben Gurion Airport since February 24, 2022. On March 13, 2020, Abramovich's private jet was one of them.<sup>70</sup> Because Israel has not joined the sanctioning countries yet, the oligarchs' status in Israel remains unclear and leaves room for "creative" and sophisticated ways to move money from sanctioned jurisdictions to or through Israeli financial institutions.

According to Gul Gul, a co-founder of the Golden Sign real estate company in Istanbul, since the beginning of Russia's "special military operation" in Ukraine, Russian oligarchs purchased 509 houses in Turkey for cash, gold, or cryptocurrency.<sup>71</sup> Similarly to the

UAE, Turkey offers Turkish passports to those who buy luxury properties for more than \$250,000.<sup>72</sup>

Additionally, President Putin and the king of Bahrain, Hamad Bin Isa Al Khalifa, reassured each other about continuing stable economic relationships during a recent telephone call.<sup>73</sup> Therefore, it may be another new area of interest to look into for money laundering and sanctions evasion.

The Middle East, along with India and Africa, may also become places for modern hawala-type banking employed by Russian oligarchs to bypass the traditional banking system and show the "desirable balance" on paper.

### 3. Monaco, Liechtenstein, Luxembourg, Malta, Switzerland

The new Russia sanctions have changed the scenery, and financial institutions need to be aware where the European offshore jurisdictions stand in their response to the new sanctions order, as this may warrant adjusting risks related to each specific jurisdiction.

For example, European countries such as Monaco, Liechtenstein, Luxembourg, Malta, and Switzerland have been safe havens for all kinds of illicit funds for years. They provided the benefit of a stable economy, a developed industry of advisory services on obscuring funds, banking secrecy, and the prestige and luxury of living in a developed European country where one could keep funds as well as spend them. However, in a universally surprising move, Switzerland adopted the new EU sanctions against Russia, in spite of the fact that it is estimated that Switzerland holds a significantly high amount of Russian funds.<sup>74</sup>

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66. <https://www.arabnews.com/node/2048476>
  67. <https://www.reuters.com/article/us-eu-saudi-moneylaundering/eu-adds-saudi-arabia-to-dirty-money-blacklist-upsets-uk-u-s-idUSKCN1Q215X>
  68. <https://www.al-monitor.com/originals/2022/03/israel-vows-country-wont-become-safe-haven-sanctioned-russian-oligarchs>
  69. <https://www.al-monitor.com/originals/2022/03/west-ups-sanctions-russias-oligarchs-many-maintain-israeli-citizenship>
  70. <https://www.washingtonpost.com/world/2022/03/14/israel-russia-oligarchs-ukraine/>
  71. <https://www.newsweek.com/wealthy-russians-taking-their-money-middle-east-avoid-sanctions-1692462>
  72. Ibid.
  73. <https://www.vesti.ru/article/2689767>
  74. <https://www.reuters.com/world/europe/russians-have-up-213-billion-stashed-offshore-swiss-banks-2022-03-17/>

Monaco, long a home for the ultra-wealthy, followed Switzerland in joining the EU sanctions.<sup>75</sup> However, sanctioned oligarchs may still find a way to hold their assets in those countries, using the classic Ultimate Beneficial Owner (UBO) obscuring tactic by listing their friends or relatives as beneficial owners.<sup>76</sup>

Financial institutions should consider adjusting their risk focus and be prepared for shifts in ownership structures, an unusual spike in activity related to certain industries, and atypical movements of funds. Traditional industries, like real estate and art, can continue to serve as a conduit for money laundering and sanctions evasion, and a potential rise in UBO obfuscating activity may be observed in less typical industries for these jurisdictions, like trade finance or fintech.

#### 4. Africa

At this time, Africa remains mostly quiet about the Ukraine-Russia situation, with Kenya and Ghana being among the few speaking out against Russia's actions,<sup>77</sup> while Eritrea joined Belarus, Syria, and North Korea in support of Putin's actions.<sup>78</sup> Africa's ties with Russia go way back to the times of the Soviet Union, which provided a huge level of support to Africa. Russia continued trade relationships with Africa after the collapse of the Soviet Union, including becoming one of the largest weapons exporters.<sup>79</sup>

Historically, parts of Africa have been involved in many illicit trade and financial activities, due to scant money laundering laws, as well as a lack of tools and the will to combat financial crimes. Some countries, like Zimbabwe<sup>80</sup> and Nigeria,<sup>81</sup> have shown improvement, while others, like Senegal, South Sudan, Morocco, Uganda, and Yemen, still

remain grey-listed.<sup>82</sup> Africa, generally, has not been a traditional region for Russian sanctions evasion; however, it is reasonable to assume that, with many traditional avenues now being blocked, the money flow might shift to parts of Africa as a new sanctions avoidance tactic.

Financial institutions should consider reassessing their risk related to the oil, diamonds, and gold industries, as well as close monitoring of charity, non-profits, and donations. Considering that a more stable economy is typically preferred to house or launder illicit funds, the money of sanctioned individuals and companies directed through Africa is not very likely and, if it occurs, it may have a high velocity with the primary purpose to obscure the connection to those entities and the true purpose for the movement of the funds. Trade finance through the import or export of goods, actual or false, can serve a convenient conduit for this region.

#### 5. Latin America/Caribbean

Latin American countries have not historically been a primary destination for Russian oligarchs to invest; however, this region can now become an attractive place for evading sanctions. The fact that none of the Latin American countries supported the US and Europe in their efforts to isolate Moscow on the international arena after the invasion of Ukraine, is an important sign to be aware of.<sup>83</sup> Even the countries that condemned the Russian invasion at the United Nations General Assembly, such as Brazil and Argentina, have not taken any substantial actions against Russia. Prior to the Russian invasion of Ukraine, the presidents of Brazil and Argentina visited Russia to strengthen political and commercial ties between the countries.

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75. <https://www.wsj.com/livecoverage/russia-ukraine-latest-news-2022-03-01/card/monaco-unveils-sanctions-on-russia-DPulvWUj7qduMfB2FOXR>
76. <https://www.theguardian.com/world/2022/mar/22/oligarch-alisher-usmanov-swiss-bank-arsenal>
77. <https://abcnews.go.com/International/wireStory/africa-quiet-amid-widespread-condemnation-russia-83546747>
78. <https://www.economist.com/the-economist-explains/2022/03/08/why-is-eritrea-backing-russian-aggression-in-ukraine>
79. <https://abcnews.go.com/International/wireStory/africa-quiet-amid-widespread-condemnation-russia-83546747>
80. <https://www.fatf-qafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-march-2022.html#:~:text=When%20the%20FATF%20places%20a,as%20the%20E%20%9Cgrey%20list%E2%80%9D>
81. <https://www.bloomberg.com/news/articles/2022-03-16/nigeria-s-senate-passes-law-tightening-money-laundering-rules>
82. <https://www.fatf-qafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-march-2022.html#:~:text=When%20the%20FATF%20places%20a,as%20the%20E%20%9Cgrey%20list%E2%80%9D>
83. <https://www.wilsoncenter.org/publication/kennan-cable-no20-understanding-russian-priorities-latin-america>



Apart from Brazil and Argentina, there are other Latin American countries that can seem attractive as possible future venues for sanctions evasion, including Panama, Mexico, Dominica, and the Dominican Republic. Panama did not have any official response to Russia's invasion of Ukraine. Despite the effect of the Panama Papers' release in 2016 and anti-money laundering laws implemented in the country in recent years, Panama still has some significant loopholes in its regulations that makes it an attractive destination for Russian money.<sup>84</sup>

Due to lax anti-money laundering regulations, Mexican neutrality in the Russia-Ukraine conflict, and some economic cooperation between the two countries, Mexico can also be a safe place for Russian investments.<sup>85</sup>

After EU imposed sanctions on the Russian oligarchs, the world-famous tax havens—the Cayman Islands, British Virgin Islands (BVI), Bermudas, Barbados, and Costa Rica—have attracted attention from both the sanctioned oligarchs and the EU and UK governments. After Russian oligarch Alexei Mordashov was sanctioned on February 28, he shifted his 34% stake in travel company TUI, estimated at \$1.3 billion, to the BVI.<sup>86</sup> Following this news, the UK Foreign Office Minister, Amanda Melling, visited BVI in March 2022 to discuss how sanctions against Russian oligarchs can be implemented on the Islands.<sup>87</sup>

As a result of increased attention from EU and UK to the tax havens in the Caribbean region, it will likely become more difficult for the sanctioned Russian nationals to transfer their assets there. As a result, other countries of South America may become alternative venues.

84. <https://www.transparency.org/en/news/panama-corporate-service-providers-beneficial-ownership-panama-papers>
85. <https://america.cgtn.com/2022/03/20/mexico-remains-neutral-in-russia-ukraine-conflict>
86. <https://www.businessinsider.com/sanctioned-russian-oligarch-alexei-mordashov-severstal-severgroup-sales-debt-default-2022-4>
87. <https://www.theguardian.com/world/2022/mar/23/uk-minister-in-bvi-for-urgent-talks-on-sanctioning-russian-oligarchs>
88. <https://www.bloomberg.com/news/articles/2022-03-22/russian-sanctions-mean-billionaires-are-running-out-of-wealth-havens>
89. <https://bdnews24.com/business/2022/03/22/how-one-oligarch-used-shell-companies-and-wall-street-ties-to-invest-in-the-us>
90. <https://www.nytimes.com/2022/03/21/business/russia-roman-abramovich-concord.html?referringSource=articleShare>
91. <https://www.nbcnews.com/business/real-estate/russian-money-flows-us-real-estate-rcna17723>
92. <https://www.independent.co.uk/news/world/americas/russia-oligarchs-sanctions-us-laws-b2029030.html>
93. <https://www.theguardian.com/news/2021/oct/04/pandora-papers-reveal-south-dakotas-role-as-367bn-tax-haven>
94. <https://www.reuters.com/investigates/special-report/usa-trump-property/>
95. <https://www.nbcnews.com/business/real-estate/russian-money-flows-us-real-estate-rcna17723>
96. <https://archive.ph/2022.04.12-144242/https://www.haaretz.com/israel-news/premium.MAGAZINE-the-israeli-diamond-traders-funding-putin-s-war-machine-1.10737192#selection-1275.0-1275.348>

## 6. The United States

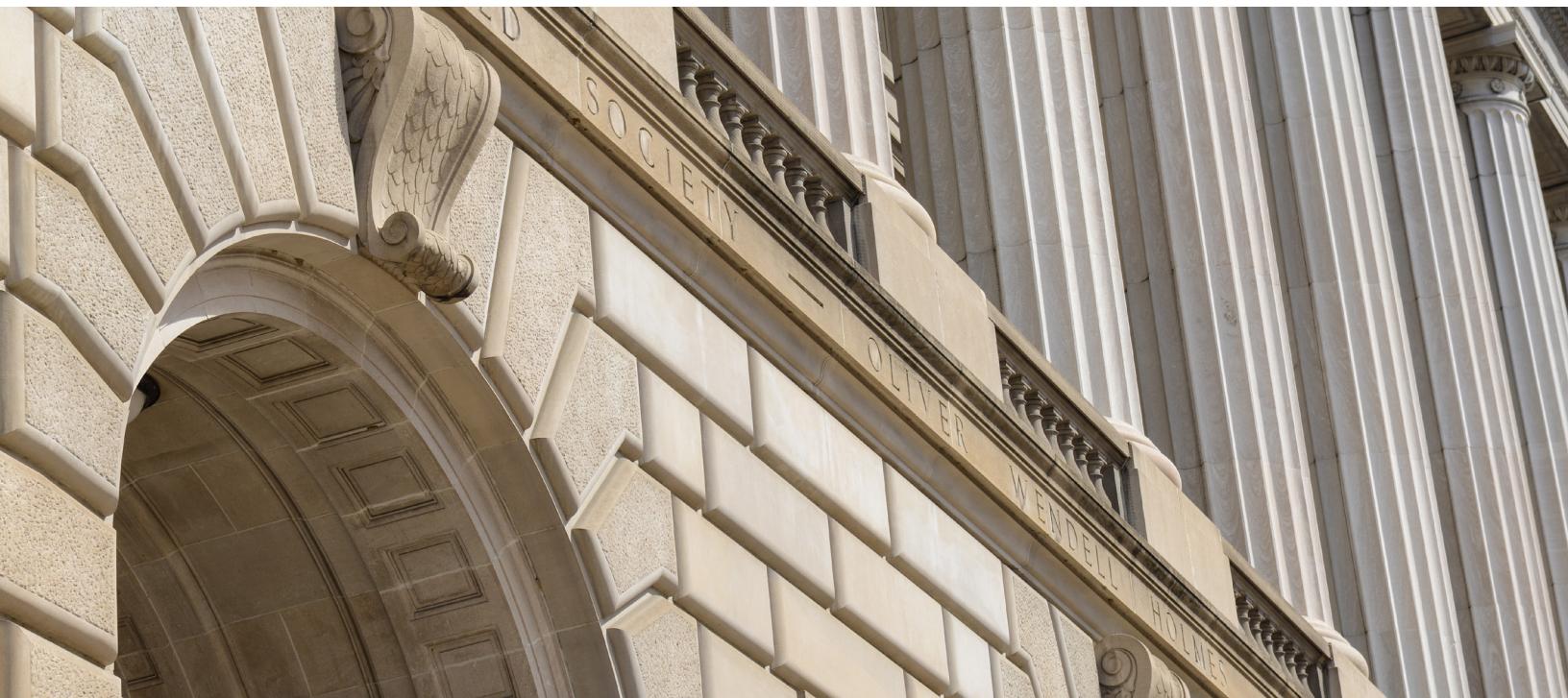
Although in the compliance world the US is considered a low-risk jurisdiction due to a robust regulatory regime, sanctioned Russian nationals and companies can repatriate their money to the US by obscuring the identity or nationality of the beneficial owner of a holding company or a private company, or by masking the source of funds through investment activity via a string of shell companies.<sup>88</sup> This is a tactic Russian oligarchs have been using for years to launder illicit money or evade taxes.

So despite the highest standards in compliance and holding the title as the world's leader of an exemplary regulatory enforcement, the US is still used by oligarchs to launder their ill-gotten money and secure their assets through shell companies or anonymous trusts, primarily registered in Delaware or South Dakota.<sup>92,93</sup> Also, according to Reuters, at least 63 people with Russian passports or addresses bought at least \$98.4 million worth of property in seven south Florida luxury towers bearing the brand of former President Donald Trump.<sup>94</sup> One-third of these properties were limited liability companies, which can mask the identities of true owners.<sup>95</sup>

Among the restrictions discussed above, the US and Great Britain have also blocked import of diamonds from Russia. However, in countries, like Israel, Belgium, and India, small diamond dealers continue purchasing them from Alrosa, a Russian government-owned corporation and the largest diamond supplier in Russia. Therefore, although the US imposed sanctions against Alrosa, as well as on the import of diamonds from Russia, the regulation left a loophole that allows gems polished in a third-party country (Israel, Belgium, or India) to be shipped to the US as a product of that country, thereby disguising the true origin of the gem.<sup>96</sup>

### EXAMPLE:

Roman Abramovich used multiple offshore vehicles for two decades to funnel billions of dollars into the US financial system with the help of a small US consulting firm, Concord Management.<sup>89</sup> The firm arranged more than 100 such investments. Although the firm managed to stay under the radar with US regulators, in 2020, it was identified by applying for and receiving a Paycheck Protection Program loan of \$265,000.<sup>90</sup> Also, Russian oligarch Oleg Deripaska, a known Putin ally, was linked to a home in Greenwich Village, in New York City, even though he had not been in the US for years. He was also found to be connected to a home in Washington, DC, through a Delaware-incorporated company.<sup>91</sup>



## B. Industries with Heightened Risk

### 1. Energy: Oil and Gas



On March 8, 2022, President Biden imposed a ban on the import of Russian oil, liquefied natural gas, and coal to the United States. According to President Biden's new executive order, US investments in Russia's energy sector along with individual investments are also prohibited.<sup>97</sup>

On March 15, 2022, the EU banned investments in the Russian energy sector; however, European countries have been divided in their approach to how quickly they are willing to implement the ban. Countries that are highly dependent on Russian oil and gas, such as Germany, Austria, Hungary, Bulgaria, and Slovakia, are not ready to ban Russian oil and gas right away. Other countries, such as France, Poland, and the Baltics, are calling to stop oil and gas import "as early as possible."<sup>98</sup>

In response, on March 31, Putin issued a decree demanding all "unfriendly countries"<sup>99</sup> to pay for natural gas in rubles. Other countries will be allowed to make payments in dollars and euros through a designated bank where customers will open two accounts: in foreign currency and in rubles.

On April 8, 2022, the European Commission prohibited purchase, import, or transfer of coal and other solid fossil fuels into the EU if they originate in Russia or are exported from Russia, as of August 2022.<sup>100</sup>

Financial institutions should be aware that Russian traders may increase efforts to hide the oil's origin, making it more difficult for shipping companies and government authorities to detect the origin of the imported oil. Commodity trading houses may start buying and storing Russian oil and products for further resale to a third-party buyer. Forged bills of lading, poor state governance, and endemic corruption at ports—as well as Russia's deep network of proxy forces and allies in the governments of Central Asian post-Soviet republics—can help facilitate these tactics.

Russia may also start using Iranian strategies to avoid sanctions in the oil sector. The known tactics include storing oil in tankers at sea while looking for illegal buyers, changing vessel names and identification codes, making vessels "invisible" by disengaging ships' Automatic Identification System, and secretly moving oil via ship-to-ship transfers to other vessels.<sup>101</sup> Additionally, Russia may use known vessels for intra-Russian trade or offshore storage and will try to charter other ships to move goods. This may pose another challenge for banks to determine what vessels they are allowed or not allowed to finance.

Financial institutions should re-evaluate the risk that the oil sector is currently posing. Due to the constantly changing regulations, regulatory discrepancies, and inconsistent implementation of sanctions in the energy sector, financial institutions should stay on top of the change management processes to ensure they follow any changes to regulations that are specifically applicable to them. In addition, financial institutions should ensure they have the resources and the knowledge needed to fully understand the strategies Russian companies may use to evade sanctions in order to continue to export oil, gas, and other energy products to the EU and US.

97. <https://www.whitehouse.gov/briefing-room/press-briefings/2022/03/08/background-press-call-on-announcement-of-u-s-ban-on-imports-of-russian-oil-liquefied-natural-gas-and-coal/>

98. <https://euobserver.com/world/154530>; <https://74.ru/text/economics/2022/03/12/70503365/>

99. [https://tass.com/politics/1418197?utm\\_source=google.com&utm\\_medium=organic&utm\\_campaign=google.com&utm\\_referrer=google.com](https://tass.com/politics/1418197?utm_source=google.com&utm_medium=organic&utm_campaign=google.com&utm_referrer=google.com)

100. <https://www.consilium.europa.eu/en/press/press-releases/2022/04/08/eu-adopts-fifth-round-of-sanctions-against-russia-over-its-military-aggression-against-ukraine/>

101. [https://iramcenter.org/en/irans-tactics-to-e evade-the-sanctions-on-its-oil-sector/?send\\_cookie\\_permissions=OK](https://iramcenter.org/en/irans-tactics-to-e evade-the-sanctions-on-its-oil-sector/?send_cookie_permissions=OK)



## 2. Real Estate

Russian investments in real estate have been blooming in the US and Europe, and the real estate sector has become an extremely attractive industry to hide ill-gotten funds and evade taxes. With the expected scrutiny on Russian assets by the Task Force KleptoCapture and REPO Multilateral Task Force, Russian nationals will look for additional ways to further obscure their ownership.

To manage the risks posed by the task forces, Russian elites and oligarchs may also look for other venues and jurisdictions to invest in real estate, such as the Middle East, South America, and Asia. As mentioned in the Middle East section above, wealthy Russians have been “pouring money into real estate in Turkey and the United Arab Emirates, seeking a financial haven in the wake of Moscow’s invasion of Ukraine and Western sanctions.”<sup>102</sup>

Financial institutions should also anticipate changes generated by the impact of sanctions on investments in the hospitality industry. Russia is not known to be a major direct investor in the hotel development industry outside of its borders;<sup>103</sup> however, with the money belonging to Russian elites and oligarchs no longer being safe in jurisdictions that imposed sanctions, it is reasonable to expect a spike in funds flowing into building hotels, casinos, and other commercial real estate in jurisdictions that have not hitherto imposed or are not planning to impose sanctions. This activity will likely gravitate toward safe havens like Maldives, Mauritius, Seychelles, and Bali. Financial institutions should, therefore, be prepared to scrutinize large commercial or residential property deals, increase the risk level of such transactions, and be alert to maneuvers intended to conceal the real owners, including the use of foreign shell companies, trusts, and third parties.<sup>104</sup>

On March 16, 2022, the Financial Crimes Enforcement Network (FinCEN) issued an alert on Real Estate, Luxury Goods, and Other High Value Assets Involving Russian Elites, Oligarchs, and their Family Members, outlining the following red flags financial institutions should be aware of:<sup>105</sup>

- a. The purchase, sale, donation, or legal ownership transfer of high-value real estate in the name of a foreign legal entity, shell company, or trust, especially if the transaction: (i) is far above or below fair market value, (ii) involves all-cash transfers, or (iii) is funded by a third party with a known nexus to sanctioned Russian elites and their proxies.
- b. The use of legal entities or arrangements that may have a nexus to sanctioned Russian elites and their proxies to hide the ultimate beneficiary or the origins or source of the funds.
- c. Changes, without an apparent business reason, to the transaction patterns of a firm located in a country other than the US, Russia, Belarus, and Ukraine, where the new transactions involve convertible virtual currency and Russian-related investments or firms.
- d. A Russian individual or entity requests a wire transfer from a non-US (particularly non-Russian) bank to pay for an all-cash purchase, especially if the wired funds come from an account held by an individual or entity other than the original requestor.
- e. The dilution of equitable interest held in real property by sanctioned Russian elites and their proxies, by the addition of, or the transfer of real estate, to an individual not affiliated with the buyer or seller.

102. <https://www.reuters.com/world/europe/istanbul-dubai-russians-pile-into-property-shelter-sanctions-2022-03-28/>

103. <https://www.hospitalitynet.org/opinion/4109346.html>

104. <https://sanctionscanner.com/blog/money-laundering-through-real-estate-318>

105. <https://www.fincen.gov/sites/default/files/2022-03/FinCEN%20Alert%20Russian%20Elites%20High%20Value%20Assets%20FINAL.pdf>

- f. The maintenance, purchase, or termination of real estate insurance by persons with a known nexus to sanctioned Russian elites and their proxies.

### 3. Trade Finance

As Western companies are pulling out of Russia in support of Ukraine, banks may experience reputational risks caused by trade finance transactions involving Russia and non-sanctioned jurisdictions with close ties to it.<sup>106</sup> Some European banks have begun to impose restrictions on commodity-trade finance linked to Russia and Ukraine. For example, Dutch banks ING Groep NV and Rabobank are restricting lending that involves the movement of commodities from Russia and Ukraine.<sup>107</sup>

Shipping giants AP Moller-Maersk and MSC have stopped all bookings for cargo to and from Russia, except for food, medicine, and humanitarian supplies. Although these shipping companies are not sanctioned, banks should review relevant documentation and conduct due diligence for potential leases of ships by third parties or shell corporations with undisclosed UBOs. The risk may also lie in the goods themselves, when military equipment, weapons, or dual-use goods are subject to the transaction. Individuals, including captains of a ship, should also be subject to deeper scrutiny, as they may have ties to Russian sanctioned individuals and their companies.

To adhere to regulatory requirements and maintain their reputation, financial institutions should subject their customers to enhanced scrutiny to identify the source of commodities, UBOs of the parties to the transactions, and trace shipment of goods along with the profound review of trade finance documentation, such as letters of credit, bills of lading, invoices, and SWIFT messages.



Disruption in shipments may also cause issues in the insurance industry. As ships and cargos with cereals and agricultural products from Ukraine and Russia get trapped in the Black Sea, the number of insurance claims may increase.<sup>108</sup> According to Kazakhstan export professionals, companies are getting insured by Russia, China, or India-based insurance companies. Some businesses are moving to countries neighboring Russia, like Kazakhstan.<sup>109</sup> Thus, financial institutions may find it hard to identify ties to Russia at a first glance.

As mentioned above, China and Russia have both established alternatives to the Belgium-based SWIFT after the US first threatened to disconnect Russian banks from the SWIFT system in response to its annexation of Crimea in 2014. However, the new payment systems are primarily designed for internal transactions. Russia and China may trade commodities internally, and then China will serve as a transition hub for Russia to export and import goods to and from the rest of the world.

Trade finance has traditionally relied on manual processes, but the need to meet the highest levels of compliance and automating screening processes should become a high priority for banks. As Russia is banned from SWIFT, screening SWIFT messages is no longer enough. Banks should learn how to identify and navigate newly established payment systems/networks between Russia, China, and India.<sup>110</sup>

A good practice should, at the very least, cover screening for dual-use and military goods, and ongoing screening of the trade life cycle, as sanctions change all the time.

106. <https://www.gtreview.com/news/global/major-banks-and-traders-react-as-russian-sanctions-mount/>

107. <https://www.bloombergquint.com/business/ing-curbs-commodity-lending-after-russia-attacks-ukraine>

108. <https://www.theguardian.com/business/2022/mar/24/ukraine-war-will-present-major-insurance-claims-warns-lloyds-of-london>

109. <https://eurasianet.org/russian-companies-eye-relocation-to-kazakhstan-amid-sanctions>

110. <https://risktech-forum.com/research/accuracy-how-to-manage-the-risks-of-sanctions-in-trade-finance>

#### 4. Charities/Non-profits

According to the Anti-Corruption Data Collective, over the past 20 years, sanctioned Russian oligarchs have donated \$435 million to more than 200 US nonprofits, including Harvard University, the Brookings Institution, and the Museum of Modern Art (MOMA). Some of them are members of the boards of those institutions. Among them are Viktor Vekselberg (former board member at MIT who donated \$13.5 million to Lincoln Center, MOMA, and Carnegie Hall), Leonid Mikhelson (former trustee at the New Museum), and Vladimir Potanin (a trustee for the Guggenheim Museum who donated \$6.5 million to the Kennedy Center in Washington, DC).

The purpose of such activity could lie in maintaining an oligarch's reputation or connections to powerful Americans, potentially accessing, and influencing, US policy concerning Russia, and, of course, possibly concealing and laundering illicit proceeds.<sup>111</sup>

Sanctioned individuals and entities may also create new charity funds and establish non-profit organizations to facilitate movement of illicit money posing as charitable donations or other monetary support. It is also worth mentioning that economic and humanitarian disruption in the center of Europe created by the war added opportunity for scammers to take advantage of those wanting to donate to charity funds and other non-profit organizations.

Banks should watch for the following red flags on their transactional grid:

- a. Newly created Non-Profit Organizations (NPOs) to move funds. Here, a particular focus should lie within the purpose and nature of the charity and NPO, including mission(s), stated objectives, programs, activities, and services.<sup>112</sup>

- b. "Reactive" donations intended to support ties to the political and economic elite.

- c. Using third parties and nominal UBOs. Here, compliance professionals and consultants should pay attention to general information about beneficiaries and criteria for disbursement of funds, including guidelines/standards for qualifying beneficiaries and any intermediaries that may be involved.

- d. The recent allegations about the International Committee of the Red Cross opening a planned new facility in Rostov-on-Don, Russia, and facilitating the "forced deportation" of Ukrainians to Russia, raises additional consideration for investigators and compliance professionals to identify the transfers' destination and use of funds. It may be used by oligarchs to move money to or from Russia.<sup>113</sup>

Therefore, due diligence should go beyond named UBOs and parties. Compliance professionals should also account for affiliation with other charities and NPOs, governments, or groups.

#### 5. Fintech



Fintech companies have firmly become a part of the international economic system, and they deserve special attention due to their potential to be used for sanctions evasion by Russian oligarchs and other sanctioned individuals and entities. Within the new sanctions regime, crypto-assets are required to be frozen under the same mechanisms as more traditional assets.<sup>114</sup> Just like in the traditional banking industry, some fintech companies are better equipped than others in building, maintaining, and adhering to controls.<sup>115</sup>

111. <https://ips-dc.org/russian-oligarchs-funnel-money-to-u-s-charities/>

112. <https://bsaamllfiec.gov/manual/RisksAssociatedWithMoneyLaunderingAndTerroristFinancing/27>

113. <https://www.forbes.com/sites/siladityaray/2022/03/27/ukraine-says-new-red-cross-office-in-russia-will-legitimize-moscow-s-alleged-abduction-of-civilians/?sh=f3931965caf>

114. <https://www.whitehouse.gov/briefing-room/presidential-actions/2022/03/09/executive-order-on-ensuring-responsible-development-of-digital-assets/>

115. [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3906395](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3906395)



Concerns about the use of cryptocurrency are not baseless, although the scale of its vulnerability matters. FinCEN acknowledged that “large scale sanctions evasion using convertible virtual currency by a government such as the Russian Federation is not necessarily practicable.”<sup>116</sup> However, the attempts by sanctioned individuals and affiliated personas are to be expected. Fortunately, the sanctions compliance among major crypto exchanges is generally high,<sup>117</sup> and is further supported by a blockchain platform rolling out free sanctions screening tools in a move to unite in defense of a common industry interest.<sup>118</sup> Additionally, close public and regulatory scrutiny<sup>119</sup> would make it challenging to hide an oligarch-size fund’s movements on a traceable public ledger. For example, the EU’s fifth package of restrictions against Russia banned cryptocurrency exchanges and other companies from providing high-value deposit services to Russian citizens.<sup>120</sup> Russian attempts to enter the crypto space still do not constitute enough of a concern, considering both the current sanctions situation and the value of Russia’s Sberbank shares dropping 95% on the London Stock Exchange at the onset of the conflict.<sup>121</sup>

A more worrisome combination, however, would be the use of cryptocurrency with the help of exchanges in offshore or “grey zone” jurisdictions.<sup>122</sup> Some wealthy Russians are already trying to move funds out of their Swiss accounts by pouring cryptocurrency assets into investment properties in Dubai or attempting to cash out billions of dollars in bitcoin in the UAE.<sup>123</sup> Other challenges may include the lack of proper guidance and regulation already voiced by some countries in Europe,<sup>124</sup> as well as the overwhelming amount of changes coming at a fast pace from multiple jurisdictions. Financial institutions should utilize all tools at their disposal, including involving outside help to adapt to the new compliance reality.

116. <https://www.fincen.gov/news/news-releases/fincen-provides-financial-institutions-red-flags-potential-russian-sanctions>
117. <https://www.businessinsider.in/investment/russian-oligarchs-and-officials-are-reportedly-using-crypto-to-protect-millions-from-sanctions/articleshow/90226228.cms>
118. [https://www.prnewswire.com/news-releases/chainalysis-launches-sanctions-screening-tools-free-of-charge-for-cryptocurrency-industry-301500350.html?tc=eml\\_cleartime](https://www.prnewswire.com/news-releases/chainalysis-launches-sanctions-screening-tools-free-of-charge-for-cryptocurrency-industry-301500350.html?tc=eml_cleartime)
119. <https://news.bloomberglaw.com/us-law-week/crypto-misuse-evading-russian-sanctions-can-be-detected-prosecuted>
120. <https://www.moneylaundering.com/news/eus-latest-sanctions-against-russia-target-cryptocurrency-deposits/>
121. <https://fortune.com/2022/03/18/russia-crypto-banks-broke-issue-digital-assets-crypto/>
122. <https://www.moneylaundering.com/news/us-senators-spar-over-cryptocurrency-amid-war-in-ukraine/>
123. <https://www.reuters.com/business/exclusive-russians-liquidating-crypto-uae-seek-safe-havens-2022-03-11/>
124. <https://fcpbablog.com/2022/03/21/switzerland-sharpened-historic-russia-sanctions-imposes-criminal-penalties-for-violators/>



## 6. Art Industry

The art industry is known to be an ideal outlet for money laundering, tax and sanctions evasion due to the relatively lax AML laws regulating this industry. As a result, oligarchs and sanctioned individuals for years have been investing in high-value artwork by moving money through shell companies that allowed them to conceal the ultimate buyer or seller of the artworks.



The US art market accounts for 44% of the global art market, which is valued at \$64 billion, and makes it a highly attractive place for Russian oligarchs to trade artwork. As per the chief compliance counsel of Sotheby's, one of the world's largest brokers of fine and decorative art, jewelry, and collectibles, they have no legal authority to demand the source of funds documentation. Due diligence is usually performed on the buyer who, in most cases, is a registered art dealer.<sup>125</sup>

Meanwhile, according to the congressional report released in July 2020, the Russian construction and energy tycoons Arkady and Boris Rotenberg used a Moscow-based art dealer and a US citizen, Gregory Baltser, to purchase at least 16 paintings with a total value of \$18 million at the US art market using three shell companies (Highland Business Group Limited, Highland Ventures Group Limited, and Advantage Alliance). However, because these shell companies did not appear on the OFAC sanctions list, Gregory Baltser was deemed an appropriately acting dealer.<sup>126</sup> At the same time, the auction house Christie's started to do "enhanced due diligence" on politically exposed people and those with a connection to sanctioned jurisdictions.<sup>127</sup>

Sanctioned oligarchs and Russian elites could be viewing the art market both as a means of monetizing art and as a way of putting money into a highly mobile investment that can also be physically stored offshore in a discreet way.<sup>128</sup> Kremlin-linked cash could also be laundered through collectibles such as stamps, wine, and the evolving market of non-fungible tokens.<sup>129</sup>

The March 16, 2022, FinCEN alert<sup>130</sup> referenced in the Real Estate section above, identified the following red flags financial institutions need to be on the lookout for in relation to the art industry:



125. <https://www.politico.com/news/2020/07/29/probe-russian-oligarchs-evade-art-sanctions-386154>

126. Ibid.

127. <https://www.cnn.com/style/article/london-auction-houses-russia-ukraine/index.html>

128. <https://www.theguardian.com/uk-news/2022/mar/09/russia-oligarchs-uk-art-market-legal-loopholes#:~:text=Russian%20oligarchs%20will%20be%20able,clampdown%20on%20Kremlin%2Dlinked%20wealth>

129. <https://www.theguardian.com/uk-news/2022/mar/09/russia-oligarchs-uk-art-market-legal-loopholes#:~:text=Russian%20oligarchs%20will%20be%20able,clampdown%20on%20Kremlin%2Dlinked%20wealth>

130. [https://www.fincen.gov/sites/default/files/2022-03/FinCEN%20Alert%20Russian%20Elites%20High%20Value%20Assets\\_508%20FINAL.pdf](https://www.fincen.gov/sites/default/files/2022-03/FinCEN%20Alert%20Russian%20Elites%20High%20Value%20Assets_508%20FINAL.pdf)

- a. The use of shell companies and trusts, and/or third-party intermediaries, including art dealers, brokers, advisers, or interior designers, with a nexus to sanctioned Russian elites and their proxies, to purchase, hold, or sell art on a client's behalf.
- b. Transactions involving sanctioned Russian elites and their proxies, and large amounts of cash, especially in currencies not typically used in the art market.
- c. Artwork-related transactions involving persons with suspected ties to sanctioned Russian elites and their proxies who (i) are not concerned with recouping their initial investment or paying a substantially higher price than the notational value of the work, and/or (ii) conduct transactions that exceed the expected sales value of the work.
- d. The purchase, maintenance, or termination of insurance policies to protect the market value or provide cash payments for the loss, theft, or destruction of privately held or donated high-value artwork linked to sanctioned Russian elites and their proxies.

The regulatory community has already taken some actions to make art transactions more transparent. In the Fifth AML Directive, the EU and UK imposed anti-money laundering rules requiring businesses handling art transactions over €10,000 to verify the identity of the buyer, seller, and ultimate beneficial owner.<sup>131</sup> The Anti-Money Laundering Act of 2020 (the AMLA), passed on January 2, 2021, includes provisions bringing art and antiquities dealers under the same AML regulatory framework as previously applied to financial institutions under the Bank Secrecy Act. This includes identifying the beneficial owners of the art and antiquities with which they are dealing; adopting appropriate compliance policies;

keeping accurate ownership; provenance and transaction records; training their staff on appropriate record keeping; reporting obligations and auditing their recordkeeping and compliance measures.<sup>132</sup>

As part of that law, Congress mandated that the Department of the Treasury undertake an investigation of the risks of ML and the potential for terrorist financing in the art world. In early February of 2022, the Department of the Treasury published the aptly named "Study of the Facilitation of Money Laundering and Terror Finance Through the Trade in Works of Art."<sup>133</sup> In the private sector, Christie's, Sotheby's, and Phillips auction houses agreed to cooperate with the REPO Task Force to facilitate investigation of sanctioned Russian oligarchs.<sup>134</sup>

Along with the art-related remedial actions, on March 24, 2022, the US Treasury Department issued guidance warning that gold-related transactions involving Russia may be sanctionable by US authorities, as oligarchs will attempt to evade existing sanctions.<sup>135</sup>

## C. Expected Changes in Transactional Activity Trends

### 1. Atypical Transactional Activity

Considering newly imposed sanctions and global enforcement efforts, FIs should increase their scrutiny to identify and report suspicious and unusual transactions. They also should expand their range of investigative tools and widen the scope of due diligence to spot changes in transactional trends, especially in the following areas:

- a. Use of corporate vehicles (i.e., legal entities, such as shell companies, and legal arrangements) to obscure (i) ownership, (ii) source of funds, or (iii) countries involved, particularly sanctioned jurisdictions.

131. <https://guidehouse.com/insights/financial-crimes/2020/art-european-union-5th-money-laundering-directive>

132. <https://www.forbes.com/sites/matthewerskine/2021/06/28/lifting-the-veil-art-deals-the-bank-secrecy-act-and-the-need-for-art-fiduciaries/?sh=14c910c414b3>

133. [https://home.treasury.gov/system/files/136/Treasury\\_Study\\_WoA.pdf](https://home.treasury.gov/system/files/136/Treasury_Study_WoA.pdf)

134. <https://www.artnews.com/art-news/news/auction-houses-comply-russian-oligarchs-assets-investigation-1234622188/>

135. <https://www.reuters.com/world/g7-eu-announce-measures-stop-russia-avoiding-sanctions-us-official-2022-03-24/>

- b. Use of shell companies to conduct international wire transfers, often involving financial institutions in jurisdictions distinct from company registration.
- c. Use of third parties to shield the identity of sanctioned persons and/or politically exposed persons seeking to hide the origin or ownership of funds, for example, to hide the purchase or sale of real estate.
- d. Accounts in jurisdictions or with financial institutions that are experiencing a sudden rise in value being transferred to their respective areas or institutions, without a clear economic or business rationale.
- e. Jurisdictions previously associated with Russian financial flows that are identified as having a notable recent increase in new company formations.
- f. Newly established accounts that attempt to send or receive funds from a sanctioned institution or an institution removed from the SWIFT network.
- g. Non-routine foreign exchange transactions that may indirectly involve sanctioned Russian financial institutions, including transactions that are inconsistent with activity over the prior 12 months. For example, the Central Bank of the Russian Federation may seek to use import or export companies to engage in foreign exchange transactions on its behalf and to obscure its involvement.<sup>136</sup>

## 2. UBO Information Changes

Russian oligarchs and individuals connected with the Russian government have been notorious in hiding ultimate beneficial ownership through layers of shell

companies, nominee shareholders, irrevocable trusts, intermediaries, and complex ownership and control structures in the spirit of the Russian “matryoshka doll.”<sup>137</sup> The use of shell companies set up in tax havens, such as Cyprus, BVI, the Cayman Islands, Malta, and Panama have been particularly popular. For instance, the Pandora Papers Russia Project, an investigation led by the International Consortium of Investigative Journalists (ICIJ), revealed that the Russian oligarch Suleyman Kerimov and his associates reported to have links to several opaque companies based around the world which they used to transfer \$700 million.<sup>138</sup>

Nominee shareholders and intermediaries to form legal entities, are used to hide ill-gotten assets, evade taxes, circumvent sanctions, and avoid court and government-imposed bans. Professional intermediaries include attorneys, law firms, offshore agents, and banks. For example, ICIJ’s Pandora Papers investigation reported Tulloch & Co., the firm run by a British attorney, had structured networks of companies for Andrey Vavilov, former Russian Deputy Finance Minister, Alexander Mamut, a billionaire oligarch and political insider; and Vitaly Zhogin, a banker wanted in Russia for alleged fraud.<sup>139</sup>

Keeping the ownership under 50% has also been proven to be an effective strategy to evade sanctions. In light of the recently imposed sanctions, the sale of stakes in a company to stay under 50% of ownership has been increasing. For example, a firm controlled by the Russian oligarch Alexei Mordashov, sold a 34% stake in TUI, the world’s largest tour operator, to a company in the BVI, affiliated with the businessman.<sup>140</sup> Mordashov also stepped down as a director at the mining company Nordgold and transferred control of his \$1.1 billion stake in the company to his wife.<sup>141</sup>

136. <https://www.fincen.gov/sites/default/files/2022-03/FinCEN%20Alert%20Russian%20Sanctions%20Evasion%20FINAL%20508.pdf>

137. <https://www.fatf-gafi.org/media/fatf/documents/reports/FATF-Egmont-Concealment-beneficial-ownership.pdf>

138. <https://www.independent.co.uk/news/world/europe/russia-oligarch-sanctions-suleiman-kerimov-pandora-papers-b2056144.html>

139. <https://www.icij.org/investigations/russia-archive/how-a-network-of-enablers-have-helped-russias-oligarchs-hide-their-wealth-abroad/>

140. <https://www.businessinsider.com/sanctioned-russian-oligarch-alexei-mordashov-severstal-severgroup-sales-debt-default-2022-4>

141. Ibid.



The use of trusts has also been known as an instrument to obscure ownership and is often viewed as an instrument to separate legal and beneficial ownership. For example, most of the UK property and a yacht belonging to Alisher Usmanov have been transferred to an irrevocable trust with the beneficiary right to a family member.<sup>142</sup> According to Pandora Papers, in 2015, Herman Gref—the chief executive of Sberbank—used an offshore operative in Singapore to restructure a \$75 million family trust tied to a tangle of offshore companies. Then he moved more than \$50 million held in the trust to a nephew who was residing outside of Russia. As a result of this scheme, Gref effectively remained in control of the family's wealth and investment strategies.<sup>143</sup>

Complex ownership and control structures involve the use of legal persons and allow arrangements to distance the beneficial owner from an asset through complex chains of ownership.<sup>144</sup> For example, it took German authorities quite some time to verify the ultimate beneficial ownership of Alisher Usmanov's yacht, as it was registered in the Cayman Islands and registered under a holding company in Malta with a complex ownership structure spanning different jurisdictions.<sup>145</sup> After the investigation, German authorities were able to verify that Alisher Usmanov's sister was listed as the owner of the yacht "Dilbar."<sup>146</sup>

As a result of the recent sanctions, Russian oligarchs and elites will employ any and all of the above tactics to keep their assets intact. Therefore, financial institutions should adjust their risk assessment appropriately and apply enhanced scrutiny to shell companies, complex ownership structures, and offshore entities in order to decipher the identity of the actual ultimate beneficial owners.

### 3. Hawala Banking

After Russia was banned from SWIFT, and major credit card networks suspended their services in Russia, hawala banking,<sup>147</sup> an informal value transfer system, can become an alternative method for transferring money in and out of Russia. Russian nationals who want to pull out their money from Russia without physically moving the money can use their "partners" in other countries to transfer the funds on oligarchs' behalf.

### 4. What Else Should Financial Institutions Anticipate?

With the rampant unfolding of sanctions, Russian oligarchs and elites are likely to employ the already familiar schemes, while also incorporating more sophisticated and hitherto unexplored and innovative ways to move their assets.

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142. <https://qz.com/2145478/russian-oligarchs-are-finding-ways-to-evade-sanctions/>
  143. <https://www.icij.org/investigations/pandora-papers/russian-bankers-wealth-sanctions-offshore/>
  144. <https://taxjustice.net/wp-content/uploads/2022/03/Briefing-10-measures-to-expose-sanctioned-Russian-oligarchs-hidden-assets-Tax-Justice-Network-March-2022.pdf>
  145. <https://www.transparency.org/en/news/countering-russian-kleptocrats-wests-response-to-assault-on-ukraine>
  146. <https://www.theguardian.com/business/2022/apr/14/german-police-seize-superyacht-owned-by-alisher-usmanov-sister>
  147. <https://www.treasury.gov/resource-center/terrorist-illicit-finance/documents/fincen-hawala-rpt.pdf>

The most obvious attempts of Russian oligarchs to evade sanctions and preserve their property started with the basics—out of sight, out of asset freezing grasp. Several yachts made their way into the welcoming ports of Turkey, including one linked to the Russian billionaire Roman Abramovich<sup>148</sup> and another linked to Russian ex-president and deputy head of security council, Dmitry Medvedev<sup>149</sup>. Moving something this big, luxurious, and obvious is not easy when the whole world is watching— maybe that is why the reports about yacht seizures have dominated the news lately.

As hard as it is to connect such tangible assets to the real owner, it is even harder to locate the less obvious and more carefully hidden assets that may exist under various proxy owners. Russian oligarchs have also excelled in hiding and illegally transferring assets using a variety of payment forms— crypto, cash, bearer bonds, gold, and precious metals, as well as all various forms of banking products and services such as loans, securities, loan agreements, credit lines, mortgages, and art trading services.

As financial institutions attempt to keep up with the changes, looking back and learning from large enforcement actions implemented over the recent years in relation to egregious sanctions evasion cases can be a great guide to help navigate the new compliance reality. Financial institutions can also lean on their prior experience to better prepare for what is to come. They should continue the public-private partnership engagement with FinCEN Exchange<sup>150</sup>, and stay attuned to the critical information and guidance that will help with tracing and ultimately seizing the assets of the Russian oligarchs.<sup>151</sup>

Facing the new challenges, financial institutions should ensure they are dedicating adequate resources to track relevant regulatory requirements,

reassess the risks, adjust, and where necessary expand customer due diligence and sanctions screening activities and transaction monitoring and reporting. Financial institutions should also apply heightened scrutiny to fund transfers and other transactions flowing to and from notable offshore jurisdictions, paying particular attention to the sources and uses of the transferred funds, the business purposes of the transfers, and economic reasonableness of the flow of funds. Cooperation with other financial institutions, foreign and domestic, is the key to a successful outcome of every investigation. Financial institutions need to “follow the money” and ask the right questions to fill in the gaps.

Knowing what to do can be just as important as knowing what not to do, including “wire stripping”—a practice that entails omitting or falsifying key details in payment instructions to obscure a transaction’s links to blacklisted parties.<sup>152</sup>

## V. How Guidehouse Can Help

Guidehouse financial crime consultants work with financial institutions of all sizes to build effective and efficient risk management and compliance frameworks to help clients protect against legal, fiduciary, shareholder, and reputational risk. In addition, Guidehouse specialists’ experience spans Sanctions and TM systems, Financial Crimes Compliance, Gap Analysis, Know Your Customer Support, Transaction Lookbacks, Financial Intelligence Unit Support, Transaction Reviews, and Suspicious Activity Report Alert Processing for banks and FIs. Further, Guidehouse’s experts offer regional, cultural, and linguistic investigative expertise in relation to customers and third parties that pose risks of being tied to Russian oligarchs. Guidehouse professionals include distinguished former prosecutors, regulators, compliance officers, attorneys, and consultants, who leverage their combined experience to help clients conquer their compliance challenges.

148. <https://hypost.com/2022/03/22/roman-abramovichs-second-superyacht-docks-in-turkey/>

149. <https://www.duwarenglish.com/yacht-owned-by-former-russian-president-medvedev-docks-in-istanbul-news-60731>

150. <https://www.fincen.gov/resources/financial-crime-enforcement-network-exchange>

151. <https://www.fincen.gov/news/news-releases/fincen-announces-actions-support-repo-multilateral-task-force-and-ongoing-us>

152. [https://www.moneylaundering.com/news/us-official-urges-real-time-sanctions-compliance-strategy/?source=Keyword%20Alert%20-%20Daily&utm\\_campaign=&utm\\_medium=email&utm\\_source=Eloqua&utm\\_content>All%20New%20Content%20Email03-22-2022%2012%3A00%3A04&utm\\_source\\_code=](https://www.moneylaundering.com/news/us-official-urges-real-time-sanctions-compliance-strategy/?source=Keyword%20Alert%20-%20Daily&utm_campaign=&utm_medium=email&utm_source=Eloqua&utm_content>All%20New%20Content%20Email03-22-2022%2012%3A00%3A04&utm_source_code=)



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## About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges and navigate significant regulatory pressures with a focus on transformational change, business resiliency, and technology-driven innovation. Across a range of advisory, consulting, outsourcing, and digital services, we create scalable, innovative solutions that prepare our clients for future growth and success. The company has more than 10,000 professionals in over 50 locations globally. Guidehouse is a Veritas Capital portfolio company, led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets, and agenda-setting issues driving economies around the world. For more information, please visit: [www.guidehouse.com](http://www.guidehouse.com).

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