

Crypto firm moved \$4.2m of assets to digital wallet linked to alleged Russian arms dealer

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A cryptocurrency firm transferred digital assets worth more than \$4.2m to a crypto wallet belonging to a member of an alleged Russian arms-dealing network who was later hit with US sanctions, it can be revealed. Details of the transactions involving Copper Technologies raise questions about whether UK laws governing crypto have adapted quickly enough to keep pace with a rapidly evolving sector that has come under increasing scrutiny over the level of anonymity it can provide. Analysis of crypto records by the Guardian and the International Consortium of Investigative Journalists (ICIJ) highlights a connection between one of the most prominent cryptocurrency companies and Jonatan Zimenkov, an Israeli-born Russian national. Zimenkov, 29, was subjected to US sanctions in February 2023 for allegedly assisting the Russian military with the invasion of Ukraine, as part of the “Zimenkov network” – an arms-dealing and sanctions evasion network headed by his father, Igor Zimenkov. Records show Copper transferred millions of dollars worth of digital currency in May 2021 to a wallet that has since been identified as belonging to Jonatan Zimenkov. Sanctions were imposed on him 19 months later. Copper, which recruited the former chancellor of the exchequer Philip Hammond, as an adviser in October 2021, was based in London at the time of the transfer, but has since moved to Switzerland. While Zimenkov was not subjected to sanctions when the transaction took place, the US Treasury department’s Office of Foreign Assets Control (OFAC) has said it believes the network had been active over several years by the time it imposed restrictions on 22 individuals and entities in multiple countries. In its citation, it said the Zimenkov network had been involved in multiple deals for Russian cybersecurity and helicopter sales abroad, as well as attempts to supply weapons to an unnamed African country. There is no suggestion that Copper breached any sanctions or any other regulations in place at the time of the transaction. However, the revelation shines a light on the opaque world of cryptocurrency and the anonymity it can offer, as well as raising questions about how digital assets and transactions involving them should be regulated within the wider financial system. “Copper takes its compliance, legal and regulatory obligations very seriously, and has acted in full compliance with all applicable regulatory standards, including all applicable sanctions prohibitions, in the UK,” a spokesperson for the company said. The Guardian and ICIJ understand that Zimenkov was not a Copper client, meaning it did not have a regulatory obligation to check his identity. The company did not answer specific questions about the nature of its relationship with Zimenkov. Financial companies have the option to file a suspicious activity report (SAR) when a transaction raises any red flags, even when the rules are not obviously breached. It is not known if Copper filed a SAR, which must be sent to a law enforcement body such as the UK’s National Crime Agency. According to guidance issued in 2020 by the finance industry’s joint money laundering steering group, it was considered “good practice” for crypto firms to gather information about the recipients of transfers

to assess potential risks. But it was not until late 2023 that the UK also adopted a travel rule obliging crypto companies to carry out checks on funds transferred to external parties, after concerns from regulators that this risk was being overlooked. Transfers of digital currency such as bitcoin and ethereum are logged on a blockchain, the digital ledger that underpins the cryptocurrency ecosystem. While transactions are recorded, they can also provide anonymity to people trying to disguise financial relationships because funds are held in online wallets that do not have to be matched to the holder's identity. Blockchain logs show that in May 2021 Copper transferred more than 1,700 units of ethereum, worth more than \$4.2m at the time, to Jonatan Zimenkov. They were transferred in two transactions on the same day, according to the blockchain analytics platform Etherscan. The purpose of the transactions – and the original source of the digital assets – is unclear. Zimenkov did not return any requests for comment. The owner of the wallet that received the ethereum transactions is not named in blockchain records, which only show their digital currency address – a string of letters and numbers. That same address was included in a US Treasury announcement in February 2023, detailing sanctions against the Zimenkov network. Details of the alleged Zimenkov sanctions evasion network revealed by the US highlight the potential benefit of verifying the identity of people on the other end of such asset transfers. The address was listed as belonging to Jonatan Zimenkov, who held Russian, Israeli and Italian citizenship, according to US authorities. He attended college and university in London, according to a brochure for a private school. The US government said that it had identified Zimenkov as part of what OFAC described as a “sanctions evasion network” that was active over several years. His father was accused by the US government of leading the alleged arms-dealing network. The Treasury claimed the Zimenkovs “engaged in projects connected to Russian defence capabilities, including supplying a Russian company with high-technology devices after Russia launched its full-scale invasion of Ukraine”. In its sanctions announcement, the US Treasury said the Zimenkov network supported the Russian defence exporters Rosoboronexport and Rostec, both of which were subjected to sanctions. According to the US Treasury, Igor Zimenkov worked closely with his son and others “to enable Russian defence sales to third-country governments.” Jonatan Zimenkov had maintained power of attorney for companies in the network on behalf of his father, the department noted. Both men are alleged to have corresponded with Russian defence firms that were subjected to sanctions and to have taken part in “multiple deals for Russian cybersecurity and helicopter sales abroad”. The sanctions apply to several companies the US says have been involved in the arms trade. One such company is GBD Limited, described as a “Zimenkov network company that has attempted to supply weapons systems to an African government and has sent millions of dollars to Igor Zimenkov over a period of years”. Russian public corporate records show that Jonatan Zimenkov was registered as an “individual entrepreneur” in the country in 2019, conducting business activities including “wholesale trade of ships, aircraft and other vehicles”. Last year, the Guardian reported that Copper Technologies was involved in a share sale worth more than \$19m that benefited a Russian banker who was subjected to sanctions in the US.