

## OFAC: Taking Aim at the Enablers of Russia Sanctions Evaders

In November 2022 we published [this guide](#) to steering clear of the spectre of secondary sanctions. TL;DR? Secondary sanctions are slapped on non-US persons who materially assist the subjects of OFAC sanctions (the Office of Foreign Assets Control, a subdivision of the US Department of the Treasury). There are probably a few people, especially in Europe, who wish they had been on our mailing list back then.

In the recent OFAC sanctions update on 12 April 2023, a total of 25 individuals and 29 entities were added to the list for their connections with previously listed Russian individuals and companies.

### Who has been sanctioned now and why?

Owners, directors, and introducers of trust companies registered in Cyprus, Liechtenstein, and Switzerland (among others) will have had their bank accounts frozen just under three weeks ago as their names hit the OFAC list. The everyday implications this will have on their ability to pay their mortgages, children's school fees, or even their weekly shopping is not something the ordinary citizen will want to contemplate.

So why have non-Russian individuals and entities been added to the OFAC sanctions list? The key factor in their inclusion as specially designated nationals is their association with, and business activities performed on behalf of, Russian oligarchs and long-time Putin associates, Alisher Usmanov and Gennady Timchenko.

Firstly, Alisher Usmanov. Usmanov is a metals and mining magnate, with additional interests in telecommunications and information technology. He is also one of Russia's wealthiest men. Listed 122nd on the 2023 Forbes billionaires ranking, Usmanov owned the world's largest ever bespoke yacht at the time of its construction. Its US\$750m price tag still only accounts for 5% of his net worth. The vessel has since been seized by the German authorities; however, its ownership is somewhat unclear with authorities unable to determine whether it belonged to him or his sister (who is now also sanctioned, making the ownership point moot).

Usmanov had previously boasted of avoiding sanctions due to holding assets in trusts for his family. Some of these trusts have since come under the spotlight; consequently, so have the trustees and family office managers behind them.

### The Enablers:

One of the new additions to the OFAC SDN list is Cypriot national and Usmanov adviser, Demetrios Serghides. Serghides is on the board of directors of Swiss company Pomerol Capital. Pomerol Capital is the trustee of The Sister Trust, a Bermuda-based trust set up by Usmanov and his sister. Serghides, Pomerol Capital, and The Sister Trust were all placed on the April 12 OFAC sanctions list. And let us reiterate that under the 50% rule, if any individual owns more than 50% of a company, then that company also falls in scope of the sanctions, whether it is actually named on the list or not. This therefore has a knock-on effect to all of Serghides' personally owned businesses and will flag any company he is a director of. Although entities where he is only a director would not

necessarily become subject to sanctions, de-risking is a strong possibility, bringing chaos to even more companies.

The Sister Trust is the owner of multiple companies and these too have been caught in the dragnet. For instance, Cyprus-registered Almenor Holdings. The now-familiar name of Demetrios Serghides crops up again around the boardroom table, but now fellow Cypriots Kostas Giannakou, Marilena Georgiou, and Gulnoz Kocharova (who also holds Russian and Uzbek citizenship) have also been designated as secondary sanctions risks by OFAC due to their directorships of Almenor Holdings.

And still it goes on: OFAC designated three other Usmanov-owned, Cyprus-based firms: Windfel Properties, Savoler Development, and Miramonte Investments, and the directors of those companies, Cypriot Kyriakos Attikouris, Briton Antonis Vakanasnas, and even the corporate secretary, Sommen Secretarial Services, have all been isolated in the deep freeze of the banking world.

Cypriot solicitor Christodoulos Vassiliades - another Usmanov associate, and an associate of former Sperbank senior official Kyriaki Demetriou Kamperi (aka Koulla Demetriou) - has found his name on the OFAC list and the UK OFSI list (Office of Financial Sanctions Implementation, part of His Majesty's Treasury). His practices in Cyprus, Malta, and the UK have been included, along with numerous nominee and trust companies. His adult son and daughter fill out the Cypriot's circle of companions.

All of the above leaves Cyprus with something of a conundrum. It is only a matter of time before most of these names end up on the UK OFSI list. This in turn will see added pressure on the European Union to expand its sanctions list. Since all these new additions are EU citizens, the EU will not sanction them, however, they will not take kindly to sanctioned individuals being or having been granted Cypriot and thus EU citizenship. This could lead to massive implications on the Cypriot golden visa programme, which brought the country much-needed funds from "economic citizens" after its Eurogroup-EC-ECB-IMF bailout in 2013.

Other members of Usmanov's network in Russia, and even his stepson, have also been added to the OFAC list.

Gennady Timchenko's membership of the OFAC sanctions club dates back to the first of Russia's interferences in Ukraine in 2014. Timchenko has long been believed by the US to be a Putin proxy. He has made it to all the other major lists too, including those issued by Australia, Canada, the EU, Japan, New Zealand, Switzerland, and the UK.

Timchenko engaged Liechtenstein-based Sequoia Treuhand Trust to act as trustee to various family trusts. Sequoia Treuhand Trust is purported to have other Russian elites as clients. As a result of being deemed to have "materially assisted, sponsored, or provided financial, material, or technological support to, or goods or services to or in support of, Timchenko", the company was placed on the OFAC list along with its Swiss-Liechtensteiner managing director Roland Oehri, who has also personally managed luxury property associated with Alisher Usmanov, and its Swiss-British board member Markus Jakob Giger. Even business introducer, Swiss-Austrian Alexander Ostrowsky did not evade OFAC's radar.

The US has also gone after suppliers to Russia's military-industrial complex. Manufacturers and intermediaries from China, Turkey, and the United Arab Emirates have been targeted for their provision of electronic components, computer chips, and other technology for use in missile systems, armoured vehicles, and drones.

## What we can expect next?

The number of secondary sanctions is likely to increase rapidly as more and more information passes through the financial intelligence units of nations worldwide. This comes from the information contained

in suspicious transaction/activity reports and compliance reporting forms when relaying information on assets held by sanctioned individuals or suspected to be held on their behalf.

The usual tactics of sanctioned individuals such as creating family trusts, “gifting” shares to family members, and transaction over- or even under-inflated deals is gradually being sniffed out, so it is also likely that their tactics will evolve into using proxies several steps removed from themselves.

Although very “Deep Throat”, the Watergate principle of “follow the money” still applies. Where transactions are suspicious or seem inconsistent with the wealth profile of an individual or company, questions must be asked. If suspicion remains, report the incident to your jurisdiction’s financial intelligence unit (or similar body). Remember, suspicion is subjective, but you do not need proof of wrongdoing, suspicion alone is enough to trigger filing a report. There is after all no penalty for filing a suspicious transaction report which turns out not to be suspicious after all.

Elsewhere, you can expect more countries to generally follow America’s lead, starting with the UK. Any sanctions imposed by the UK also apply to UK Crown Dependencies and Overseas Territories (i.e. British Virgin Islands, Cayman Islands, Guernsey, Isle of Man, Jersey, etc).

The EU already has travel bans in place for over 1,200 individuals in connection with the invasion of Ukraine and there are calls for this to be made universal (i.e. extended to all Russian passport holders). Should this happen, there would certainly be a rush for dual citizenship. Israel recently (and rather quietly) scrapped its fast-track residency programme for new arrivals from Russia and Belarus.

As mentioned earlier, the EU will probably turn the microscope on member states with golden visa programmes: in particular Cyprus, Malta, and Portugal. But even Greece, Ireland, and Spain have variations on the theme, with visas issued for real estate investment ranging from €250,000 to €2,000,000 and no residency requirements attached.

In conclusion, the war in Ukraine is likely to continue for the foreseeable future and so too will the addition of names to the sanctions lists around the world. Even when the war finally ends, it will take some time to wind back those sanctions, potentially upwards of a year or more. In the meantime, the risk of a non-US person being listed as a secondary sanctions risk for doing business with sanctioned individuals will grow and those who do get caught up in the net will need to expend considerable efforts to show OFAC that they have severed all ties, divested all interests, and are observing OFAC sanctions to the letter.

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