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SANCTIONS INTELLIGENCE UPDATE

U.S. TARGETS IRANIAN BANKING
OUTPOST IN MOSCOW



OVERVIEW

A review of the US designation of **Asia Bank** provides insight on financial sector exposure to Russia-based Iran risk, particularly with respect to Iran's demand for foreign currency.

On August 29, 2014, the US government sanctioned Iranian-owned **Asia Bank** for providing financial services to the **Central Bank of Iran**. **Asia Bank**, formerly known as Chemeximbank, is based in Moscow. The designation of **Asia Bank** marks the first time that the US has sanctioned a Russia-based financial institution under Executive Order 13622 — which prohibits certain financial dealings with Iran.

ASIA BANK'S INTERNATIONAL NETWORK

Asia Bank advertised that it maintains an "extensive international network of correspondent accounts" in "all foreign currencies." As of January 2014, **Asia Bank** maintained 46 correspondent relationships, including US dollar and euro foreign currency correspondent accounts at Russian and European financial institutions, according to the bank's website and annual report. For example, **Asia Bank** listed:

- US dollar and euro denominated correspondent accounts at a large Austrian financial institution;
- US dollar and euro denominated correspondent relationships with six Russia-based financial institutions;
- A correspondent and interbank lending relationship with a large German financial institution;
- A foreign exchange trading relationship with a Switzerland-based financial institution.

In 2013 and 2014, **Asia Bank** entered into a number of interbank lending agreements with Russian and European financial institutions, according to its 2013 annual report and website.

E.O. 13622:

Prohibits foreign financial institutions from providing services or conducting financial transactions with the **Central Bank of Iran**, **National Iranian Oil Company** or **Naftiran Intertrade Company**, and bars the purchase or acquisition of US banknotes or precious metals by the Government of Iran. The authority also prohibits foreign financial institutions from purchasing or acquiring petroleum or petrochemical products from Iran.

In April 2014, **Asia Bank** established the Moscow-based Banking Alliance — a "non-commercial partnership" of mostly Russian banks. The stated objectives of the Banking Alliance are to: (i) increase access to international capital markets for syndicated transactions; (ii) carry out joint ventures; (iii) establish a common platform of banking services and products among member banks; and (iv) enhance income through joint transactions.

- A number of the five identified Banking Alliance member banks maintain dollar-denominated correspondent accounts at financial institutions in New York and euro-denominated correspondents at institutions in Europe. These relationships are separate from the six **Asia Bank** correspondent partnerships referenced above.
- In May 2014, Russian regulators revoked the banking license for

Treasury details Asia Bank's support for Iranian banks:

Asia Bank officials converted over \$13 million of US dollar bank notes and facilitated their delivery from Moscow to representatives of the Government of Iran, according to the Treasury Department. **Asia Bank** officials coordinated the deposit, conversion, delivery, and payment of the US dollar banknotes. In 2013, **Asia Bank** attempted to set up correspondent and other accounts for US sanctioned **Export Development Bank of Iran** and **Bank Tejarat**.



Source: bank-alliance.ru

A late 2013 planning meeting of Banking Alliance members at **Asia Bank's** Moscow office.

Banking Alliance member Atlas Bank, a Montenegro-based institution that operated a branch in Moscow. Atlas "was involved in dubious transfers outside the Russian Federation" totaling 9 billion rubles, in violation of Russian anti-money laundering and counter terrorist finance regulations, according to Russian regulators.

The Banking Alliance is co-located at **Asia Bank's** headquarters and may be administered by an **Asia Bank** director, according to contact information provided on the Banking Alliance website.

RUSSIA-IRAN STRENGTHENING TRADE TIES

Moscow and Tehran have signalled their intentions to expand commercial ties, with bilateral trade levels currently estimated at \$5 billion per annum. Along with his role at the bank, the board chairman of **Asia Bank** promoted Iranian-Russian relations.



Founded in 1995, by a group of petrochemical companies, **Asia Bank** is a full service bank with "extensive experience in international projects."



Atlas Bank is one of Montenegro's leading business banks. Originally established in 2002, Atlas Bank opened a Moscow office in 2008.

- In August 2014, Iran and Russia announced a five year \$20 billion oil-for-goods trade agreement, with Russia purchasing up to 500,000 barrels of Iranian crude per day in exchange for Russian oil drilling equipment, steel, machinery, textile, and agricultural products. Some analysts have questioned the extent to which the deal will materialize.
- In September 2014, Iran announced that Russian firms planned to build up to 8 power plants in Iran.
- In October 2014, the Iranian head of the Russia-Iran Chamber of Commerce announced plans to establish a Russia-Iran trade bank backed by the two central banks.
- In February 2013, a Russian expert on Russia-Iran trade identified **Asia Bank** as one of several Russian banks "working with Iran," according to Iran Russian Radio.

Asia Bank board chairman F.S.V. Safaderani is listed as a general director of a Moscow-based organization promoting cultural ties



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Source: kp.ru

In August 2014, Russian Energy Minister, Alexander Novak, and Iranian Oil Minister, Bijan Namdar Zangeneh, signed a Memorandum of Understanding for a five year \$20 billion oil-for-goods trade agreement.

with Iran and was listed as a general director and owner of at least two other Moscow-based companies including a Russia-to-Iran export trading firm.

ASIA BANK KEY FACTS

Founded as **Asia Bank** in 1995 and renamed Chemeximbank in 1997, the institution returned to its original **Asia Bank** name in April 2014, according to **Asia Bank's** website. The ownership and senior leadership of **Asia Bank** have remained the same through the name change.

The bank operated approximately 400 corporate and individual accounts as of early 2014, according to its annual report. **Asia Bank** does not list any branches outside of its Moscow head office. **Asia Bank** describes its corporate lending division as providing "all types of lending" and a "full range of credit facilities." **Asia Bank** engages



From 1997 to April 2014, **Asia Bank** operated as Chemeximbank (logo above).

The Camstoll Group advises on sanctions, illicit finance, national security, and regulatory matters. Our research intensive approach for financial institutions, multinationals and governments is designed to generate insights and options for complex policy, regulatory or competitive challenges.

in trade finance activities, to include letters of credit and bank guarantees.

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