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**SANCTIONS
INTELLIGENCE
UPDATE:**
U.S. TARGETS
RUSSIAN BANK
WITH SYRIA
SANCTIONS
AUTHORITIES

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OVERVIEW

On May 8, the US government designated Moscow-based Tempbank and its chairman Mikhail Gagloev for providing support to the Syrian government. Tempbank is the first designation of a Russian entity for activities related to Syria – suggesting a widening of options the US and other governments may be willing to use in policy disputes with Russia. The Russian government openly backs the Assad government and provides significant financial, military, and commercial support.

The Tempbank designation raises the risk profile of Russian banks within the international financial sector by spotlighting the provision of support to the Assad government. This new risk consideration stands alongside prior designations under the Russia sanctions program of four Russian banks tied to President Putin's inner circle.

Financial institutions with exposure to Russia should consider the implications for risk management. For instance, Tempbank's existing Euro and US Dollar denominated correspondent accounts at banks in Europe and Asia may present post-designation compliance challenges.

RUSSIA, TEMPBANK, AND THE SYRIA CONFLICT

Since the start of the Syrian conflict in 2011, Russia has been a key supplier of goods to Syria, ranging from foodstuffs to advanced arms. Several Russian banks have been identified as providing financial services that facilitate this commercial trade and state sponsored aid.

In its designation press statement, the US government stated, "Tempbank has provided millions of dollars in cash and facilitated financial services to the Syrian regime." The statement also disclosed that:

- Tempbank has facilitated deals and provided financial services to SYTROL, the Syrian state oil-marketing company sanctioned by the United States and the European Union.

RUSSIAN BANKS
HAVE BEEN
PUBLICLY TIED TO
SYRIAN
COMMERCIAL AND
ARMS DEALS.



- Mikhail Gagloev, Chairman of Tempbank's Management Committee, personally travelled to Damascus to make deals with the Syrian regime on behalf of Tempbank.

According to reporting from Reuters, Tempbank provided financial services to Syria after a number of other Russian banks claimed to have cut commercial ties, fearing international sanctions.

Prior to the US designation, Tempbank publicly confirmed that it maintained a relationship with a bank controlled by the Syrian government. In October 2013 a Tempbank representative stated that the bank maintained accounts with the Commercial Bank of Syria – which was designated by the US and EU in 2011.

The executive stated that the two banks were also in talks to open a barter account to facilitate the shipment of goods to Syria from Ukraine. Shipping data shows that a number of ports controlled by Russian interests in south-

ern Ukraine serve as key shipping points for Syria-bound materials.

TEMPBANK KEY FACTS

Founded in 1989, Tempbank is a regional bank with branches located in western Russia. According to its website as of May 12, Tempbank maintains foreign currency correspondent relationships with several international banks:

- US Dollar, Euro, Renminbi, Japanese Yen, and Indian Rupee accounts at Sberbank.
- British Pound and Swiss Franc accounts at Moscow-based JSCB Metallinvestbank.
- Euro and Turkish Lira accounts at Ziraat Bank in Turkey.
- US Dollar and Euro accounts at Vienna, Austria-based Raiffeisen Zentralbank.
- Chinese Renminbi accounts at China Construction Bank, Agricultural Bank of China, and Bank of China.
- US Dollar and Euro accounts at Bank of China.

As of May 12, Tempbank's website identifies relationships with Western Union and Mastercard. It is a member of the SWIFT international payment system.

Tempbank lists 30 shareholders, several of whom hold ownership interests through corporate entities domiciled in Moscow or Cyprus.



OTHER RUSSIAN BANKS FLAGGED FOR SYRIA-RELATED ACTIVITIES

Since the start of the Syrian conflict, several Russian banks have been publicly tied to Syrian commercial and arms deals. For example:


- In August 2012, The Wall Street Journal reported that Moscow-based Novikombank had facilitated Syrian government related oil payments.
- The Chairman of the board of Novikom bank, Sergei Chemezov, was designated by the US Treasury on April 28, as "a trusted ally of President Putin."
- Sergei Chemezov is also a member of the Board of Rosneft and the CEO of Rostec – a Russian state-owned holding company in charge of the development and export of high-tech products in both the civilian and defense sectors. Rostec also owns 100% of Rosoboronexport, the state defense export monopoly.
- In September 2013, a group of US Senators accused Vnesheconombank (VEB) of "facilitating Syrian payments for S-300 missile batteries." The bank maintains representative offices in the UK, US, Germany, France, and Switzerland, according to its website.

Novikombank and VEB have publicly denied the allegations.

TREASURY'S SYRIA SANCTIONS PROGRAM

E.O. 13582 prohibits US individuals and entities from providing services of any kind to the Syrian government or designated actors acting on behalf of the Syrian government. The authority specifically prohibits any provision of

services or dealings with petroleum or petroleum products of Syrian origin. The authority blocks property or other assets that are located in or pass through US jurisdictions.

The United States and European Union have designated nearly 200 individuals and entities since the beginning of the Syrian conflict for being a part of the Syrian government or for providing goods or services to designated parties. *Contact Ben Davis or Howard Mendelsohn.* 

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