

Remarks by Assistant Secretary Elizabeth Rosenberg at the ACI Annual Conference on Economic Sanctions



December 6, 2022

As Prepared for Delivery

Good afternoon, everyone.


It is my great pleasure to be here with all of you today to discuss the importance and implications of economic sanctions.

As you all know, in February of this year, Russia launched an unprovoked war in Europe. To this day, Russia has chosen violence and death. Moscow continues to launch missiles into Ukraine—attacking the civilian power grid, which will cause electricity and heating blackouts in the middle of winter; damaging residential buildings hundreds of miles away from the border; and killing innocents. This kind of warfare is of course a direct attack on Ukraine’s people, a brutal attempt to sever their access to basic needs. It is also a naked attempt to put Ukraine’s economy in a deep freeze—it is economic warfare.

Secretary Yellen has called ending this invasion a “moral imperative.” She has noted rightly that it is a primary driver for global economic insecurity. Accordingly, the Treasury Department is using its financial authorities to achieve three objectives: (1) deprive Russia of the enabling means necessary to wage war in Ukraine; (2) prevent Russia from projecting military power; and (3) deter and denounce Russian war crimes and human rights abuses in Ukraine. To achieve these objectives, we have brought to bear both well-established tools from our economic arsenal as well as bold, novel approaches that are pushing the boundaries of economic statecraft.

Yesterday’s news represents the culmination of our efforts to pursue one such novel economic approach: the United States, alongside Australia, the G7 countries, and the EU put into effect a price cap on Russian-origin oil to reduce the Kremlin’s oil revenues.

Many of you may have heard about this policy and may be responsible for ensuring your businesses are in compliance with it. I want to illustrate for you the “why” and the “how” of this policy—why we are doing it and how it will work.




Let's start with the why. Russia is a major energy exporter. This means that under any conditions, a significant share of Russia's fiscal resources come from oil exports. More critically, though, Russia's invasion of Ukraine created the uncertainty that drove the price of oil up from the pre-invasion average of \$70 per barrel to a high of more than \$140 per barrel post-invasion. As a result, Russia has reaped a windfall from elevated oil prices—which has enabled it to fund brutal military operations and sustain its illegal and unjust war against Ukraine, all while the rest of the world bears the costs of higher energy prices.

The price cap policy is designed to limit Russia's ability to profit from its aggression, while promoting global energy stability by keeping Russian oil on the market. This is accomplished by ensuring that companies within their respective jurisdictions provide services relating to the maritime transport of Russian oil purchased at or below the cap. Given that the G7 countries and the EU provide a significant portion of the maritime-related services—including 90 percent of insurance and reinsurance, and significant financing—this will have a broad effect. Their services are reliable, and can be more affordable and available than the alternative, so remaining purchasers of Russian oil, including from emerging markets, are incentivized to significantly negotiate down Russian oil prices to be able to access these services.

There are alternatives for the Russians, of course. They could sell to those outside the price cap coalition using non-G7, EU, or Australian services. In this scenario, we expect that the purchasers not using coalition services would then use their own increased purchasing power to nevertheless negotiate discounts under current prices. In this scenario, the price cap would create a ceiling on Russian oil prices and revenues. And remember, these purchasers—including countries like China and India—have every incentive to demand lower prices because it benefits them and their consumers. This policy was deliberately designed to incorporate their self-interest.

The Russians could potentially refuse to sell oil at or below the price cap, which would force them to shut in their oil, denying them revenue and potentially taxing and damaging their medium- to long-term drilling, refining, and storage infrastructure. In any event, we will continue pursuing our overarching policy goal: to cut into Russia's energy revenues and to keep Russian oil flowing in a stable global market.

While we assess that the market incentive for businesses to pay the lowest price possible will be the biggest motivation to comply with the price cap, we have layered a multifaceted policy structure on top, in the form of the services ban for oil purchased above the price cap, coupled with a safe harbor to provide assurances to U.S. service providers that comply in good faith



the policy. We will enforce the price cap policy by focusing enforcement on willful violators—such as taking action against those who attempt to defraud or mislead coalition businesses into unwittingly providing services for oil purchased above the cap.

However, the price cap is just one aspect of our modernized economic toolkit targeting Russia's war machine. We are also redoubling our efforts on investigations into Russian entities tied to the military-industrial complex, financial sector, Kremlin-linked oligarchs, and other focal points for corruption. To illustrate this point, I want to talk about Suleiman Kerimov.

Kerimov, an oligarch who is both a billionaire and a member of the Russian parliament, was first designated by the U.S. Treasury in 2018. He was part of a broader tranche of Russian persons that engaged in a range of illicit activity around the globe, benefiting and profiting from his connections to a corrupt Russian government. At the time of designation, Kerimov was also alleged to have laundered money through the purchases of real estate and illegally transported millions of euros into France without reporting it to the appropriate tax authorities.

Since 2018, knowing that sanctioned billionaires do not sit idly by, we have continued to investigate Kerimov and his network, which led to two major actions this year.

The first was the blocking of Heritage Trust, a Delaware-based trust formed in 2017 in which Kerimov holds a property interest.

At the time of the blocking action this past June, the trust was valued at more than \$1 billion. Let me emphasize that: *1 billion dollars* of Russian oligarch money, sitting in a Delaware trust. Investigative efforts also found that Kerimov was not the only sanctioned person with an interest in Heritage Trust. His nephew, Ruslan Gadzhiyev, a member of the Russian Duma who was designated in March of this year, is a beneficiary of Heritage Trust.

This blocking action was made possible with extensive investigative work by OFAC's Enforcement Division that employed a range of investigative tools. They saw that these funds entered the U.S. financial system through a complex and layered network of opaque legal entities located in Europe and in various well-known tax shelters. From there, the funds were invested in several large public and private U.S. companies.

This last leg is what I want to emphasize to this group today. Dirty Russian money can only come into the United States if there are U.S. persons, whether they are family members, banks, investment advisors, broker/dealers, or even venture capital firms, who facilitate its entry. We expect financial institutions and all covered institutions to proactively investigate and screen for these types of risks and report any suspicious activity to Treasury. As you know, OFAC may



impose civil penalties for sanctions violations based on strict liability—knowledge of prohibited dealings is not required. And while OFAC of course takes into account whether a subject was witting, Treasury will not hesitate to act where we see control failures or lapses in vigilance that enable evasion to occur.

The second action I want to specifically highlight is the investigatory work that led to exposing Kerimov's broader network of associates and facilitators.

As of September 2022, a number of our partners had also designated Kerimov, including Australia, Canada, the EU, Japan, New Zealand, Switzerland, and the United Kingdom. Earlier this year, the U.S. Department of Justice had also worked with its Fijian counterparts to [seize a \\$300 million yacht assessed to be owned by Kerimov](#). The breadth of this group is a testament to the strength of our coalition and the unity of our opposition to Russia's brutality.

Last month, Treasury further exposed Kerimov's network by designating his family members, associates, and facilitators, including one who has allegedly laundered money on his behalf. This investigation ensnared entities in Russia, France, Switzerland, the UAE, Germany, Luxembourg, the British Virgin Islands, Malta, Cyprus, and Spain, and showed how Kerimov's complex facilitation network continued to move money years after his initial [designation](#).

Our objective here was to expose the breadth of Kerimov's financial facilitators and block any associated funds used to advance Russia's war. We shared information with our international counterparts, assessed mitigation factors, publicly released as much identifiable information as we could, and relied on every relevant part of the Treasury team to execute the action. Just last week, France announced a renewed investigation of Kerimov and his assets following Treasury's designation.

The example set by the Kerimov case constitutes a wake-up call. It shows how extensive these facilitation networks are, and how they may continue to use U.S. or other non-Russian persons to maintain access to our formal financial networks even after designations are in place. Additionally, these actions are a reminder to both the designated Russian entities and their enablers, both foreign and domestic, that our investigations into their activity will persist.

I want to close by emphasizing your critical role in defending our economic and financial systems. You all are keenly attuned to what is going on in the world and on the battlefield of Russia's brutal war. You are on the financial front lines of this conflict, implementing the policy decisions made by our governments to take a stand against global atrocities.



You file the suspicious activity reports to give us and other authorities information on networks that you have uncovered shielding designated persons. You help let us know where the mega yachts and private jets are. You provide the building blocks of sanctions evasion typologies that go into our press releases and advisories. You notice and flag the indicators for trade-based money laundering on which we can take action.

For all these efforts, my colleagues and I are extremely grateful. But we cannot rest on our laurels. We need to redouble efforts—to make sure that these networks do not pass under your radar and around our laws, and that when you obtain information about them, you promptly take action. This is not just a matter of compliance; it is a moral imperative. The choice is between permitting and preventing sanctions evasion—there is no space for neutral ground here.

While I spent today focusing on Russia, it is certainly not the only challenge we face. Whether it is international wire fraud, proliferation financing, or money laundering through virtual asset services, Treasury and its tools will continue to be called upon to protect our financial system and expose those who would exploit it for illegal ends.

Further, Russia's war in Ukraine is a stark reminder that we are not immune to challenges to the geopolitical stability we strive to maintain. We are constantly documenting and applying the lessons learned from this ongoing conflict to better prepare for the next challenge to the global order. This work is, frankly, daunting. However, I feel fortunate to be sharing this solemn responsibility with many outstanding colleagues in the private sector who are similarly committed to addressing these challenges. Thank you and I look forward to answering your questions.

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