

OFAC Sanctions Gazprombank, Continues to Target Russian Financial Sector and Foreign Financial Institutions

November 26, 2024

On November 21, 2024, the U.S. Department of the Treasury, Office of Foreign Assets Control (“OFAC”) designated additional entities operating in the Russian financial services sector, including Gazprombank Joint Stock Company (“Gazprombank”), the largest and, until November 21, most significant remaining non-sanctioned Russian bank that has served as the primary conduit for processing payments for Russian gas sold to third countries since March 2022. Specifically, OFAC designated Gazprombank pursuant to Executive Order 14024 (“[E.O. 14024](#)”) for operating or having operated in the financial services sector of the Russian Federation economy, and noted that Gazprombank had served as a “conduit for Russia to purchase military materiel,” and also was used by the Russian government to pay military personnel and their families.

OFAC also designated more than 50 additional internationally connected Russian banks (including institutions located in Luxembourg, Switzerland, and Hong Kong), more than 40 Russian securities registrars, and 15 Russian finance officials. Concurrently, OFAC issued new guidance for foreign financial institutions (“FFIs”) titled [Sanctions Risk for Foreign Financial Institutions that Join Russian Financial Messaging System, System for Transfer of Financial Messages](#) (the “Alert”).

These latest actions represent OFAC’s continued pressure on the Russian financial sector and FFIs engaged in targeted activities relating to Russia.

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Russian Financial Messaging System

The Alert is intended to “warn foreign jurisdictions and financial institutions about the sanctions risk of joining the Russian financial messaging system Sistema Peredachi Finansovoykh Soobscheniy or ‘System for Transfer of Financial Messages’” (“SPFS”). Created in 2014, SPFS was designed as an alternative to the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network, from which most major Russian banks were removed in March 2022. Since then, foreign banks from a number of jurisdictions neutral to Russia have joined SPFS.

The Alert affirms OFAC’s view that it considers SPFS to be part of the financial services sector of the Russian Federation economy (because of its role facilitating communications between financial institutions engaged in Russia’s financial system) such that FFIs that join or have joined SPFS may be designated as SDNs pursuant to E.O. 14024. OFAC also indicated that joining SPFS following publication of the Alert is a “red flag” and that it is prepared to more aggressively sanction such FFIs. The Alert also cautions FFIs regarding their exposure to institutions that have joined SPFS, as such banks may be conduits for sanctions evasion.

U.S. Secondary Sanctions against Foreign Financial Institutions

As described in our earlier [blog post](#), on December 22, 2023, President Biden amended E.O. 14024 by issuing [E.O. 14114](#), authorizing OFAC to sanction FFIs conducting or facilitating significant transactions or providing services involving Russia’s military-industrial base. At the time, OFAC concurrently released a compliance advisory providing guidance to

FFIs regarding such activities, including examples of activity that could expose FFIs to sanctions risk and ways to identify and mitigate sanctions risks (the “Guidance”).¹ On June 12, 2024, OFAC updated the Guidance to expand the definition of “Russia’s military-industrial base” to include all persons blocked under E.O. 14024.²

Accordingly, FFIs that provide services, engage in significant transactions, or maintain accounts, transfer funds, or provide any services to parties inside or outside of Russia that are (i) blocked pursuant to E.O. 14024, (ii) operate in the technology, defense and related materiel, construction, aerospace, and manufacturing sectors of the Russian economy (or other sectors as determined by the U.S. government), and (iii) support the sale, supply, or transfer, directly or indirectly, to the Russian Federation of certain critical items, also risk being sanctioned by OFAC, unless they are solely facilitating permissible transactions, such as those related to food, agriculture, medicine, energy, and telecommunications.³

Following the introduction of FFI secondary sanctions in December 2023 and the Guidance, many FFIs ceased processing payments to and from Russia or introduced additional due diligence requirements for such payments. The expanded Guidance in June 2024 placed additional pressure on FFIs, including those located in Central Asia, China, Latin America, Singapore, and the UAE, that had continued to transact with Russian parties. To mitigate sanctions risks, the Guidance advises that FFIs go beyond baseline customer due diligence and anti-money laundering controls where appropriate, such as when engaging in certain business with jurisdictions that continue to

¹ OFAC, “Updated Guidance for Foreign Financial Institutions on OFAC Sanctions Authorities Targeting Support to Russia’s Military-Industrial Base” (June 12, 2024), available at <https://ofac.treasury.gov/media/932436/download?inline>.

² For additional guidance, please see OFAC’s FAQ’s 976, 1040, 1068, 1122, 1128, 1146, 1147, 1148, 1151, 1152, available at

<https://ofac.treasury.gov/faqs/search/976+%201040+%201068+%201122+%201128+%201146+%201147+%201148+%201151+%201152>.

³ For example, GL 55C authorizes all transactions prohibited by E.O. 14024 involving Gazprombank, or any entity in which Gazprombank owns directly or indirectly, a 50 percent or greater interest, that are related to the Sakhalin-2 project, until June 28, 2025.

engage in significant trade with Russia. At the same time, OFAC notes in updated [FAQ 976](#) that FFIs may still rely upon information available to them in the ordinary course of business, including reasonable reliance on information regarding the underlying transaction provided by relevant parties.

The addition of Gazprombank to the SDN List raises a question of whether FFIs will, as a practical matter, continue to process payments for the sale of gas through Gazprombank. Notably, General License 8K, which authorizes through April 30, 2025 all transactions prohibited by E.O. 14024 involving certain sanctioned Russian banks that are related to energy, has not, as of the date of publication, been updated to include Gazprombank.⁴

EU and UK Sanctions on the Russian Financial Services Sector

Earlier this year, the EU and UK likewise issued sanctions targeting the Russian financial services sector. In EU Council Regulation (EU) 2024/1745 of June 24, 2024, the EU’s 14th package of sanctions against Russia, the EU amended Regulation (EU) No 833/2014 to impose sanctions directly on SPFS. The measure included a specific ban on EU banks outside of Russia from using the SPFS system, as well as measures to allow the Council to designate non-Russian third-country banks connected to the system, thereby prohibiting EU operators from doing business with such banks.

Separately, on June 13, 2024, the United Kingdom announced 50 new sanctions designations targeting Russia’s shadow fleet, suppliers for Russia’s military production, and central Russian financial institutions, including Moscow Exchange, SPB Exchange, National Clearing Center and NSD.⁵ The UK government also added two new clauses to the designation criteria within the Russian sanctions regulation, such that the

UK Foreign Commonwealth and Development Office can now sanction parties for “providing financial services, or making available funds, economic resources, goods or technology to persons involved in obtaining a benefit from or supporting the Government of Russia.”⁶ This latter development is considered to be a potential authority for secondary sanctions by the UK on FFIs.

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⁴ <https://ofac.treasury.gov/media/933531/download?inline>.

⁵ <https://www.gov.uk/government/news/new-uk-sanctions-to-crack-down-on-putins-war-machine>.

⁶ <https://www.legislation.gov.uk/ukxi/2024/834/made>.