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# DOJ Prosecutions Reflect Aggressive Stance Toward Russian Sanctions and Export Control Evasion

On October 19, 2022, DOJ announced that the U.S. Attorneys' Offices for the Eastern District of New York ("EDNY") and for the District of Connecticut charged 11 individuals and several corporate entities with participating in schemes to evade U.S. sanctions and export controls applicable to Russia and with various related money laundering and bank and wire fraud crimes.<sup>1</sup> According to DOJ, the defendants illicitly obtained military and dual-use technologies from U.S. companies and transferred them to Russia, laundered tens of millions of dollars for sanctioned Russian entities and oligarchs, and illegally used the U.S. financial system to buy Venezuelan oil for Russian and Chinese purchasers. The schemes involved shell companies, fabricated shipping documents, bulk cash transfers, and cryptocurrency payments, among other things. DOJ announced that the charges had been brought in coordination with DOJ's Task Force KleptoCapture, an interagency task force formed in March 2022 to enforce sanctions and export controls that the U.S. and foreign allies have imposed on Russia in response to the invasion of Ukraine.<sup>2</sup> Various defendants were arrested at the request of the United States by German, Italian, Estonian, and Latvian authorities.

The charges, announced by Attorney General Merrick B. Garland, signal DOJ's continued efforts to aggressively enforce sanctions and export controls with respect to Russia and demonstrate that increased international assistance facilitates the expanded reach of U.S. enforcement. As the Attorney General stated, DOJ will be "relentless in their efforts to identify, locate, and bring to justice those whose illegal acts undermine the rule of law and enable the Russian regime to continue its unprovoked invasion of Ukraine."<sup>3</sup>

## Key Takeaways

- **Increased sanctions and export controls enforcement calls for heightened compliance measures:** DOJ's increased, aggressive enforcement of sanctions and export controls creates greater risks for both U.S. and non-U.S. companies. Multinational corporations with international supply chains—as well as financial institutions and others involved in facilitating international trade—should continually evaluate and update their compliance programs and carefully review interactions with higher-risk customers and counterparties, including those with connections to Russia and other high-risk jurisdictions. One specific area suggested by these cases relates to end-user agreements: The EDNY defendants falsely claimed that certain entities, such as Malaysian shell entities, were the end users in the illegal transactions.<sup>4</sup> Companies

<sup>1</sup> Dep't of Justice, "Justice Department Announces Charges and Arrests in Two Cases Involving Export Violation Schemes to Aid Russian Military," (Oct. 19, 2022) ("Justice Department Announces Charges and Arrests"), available [here](#).

<sup>2</sup> Dep't of Justice, "Justice Department Announces Charges and Arrests," available [here](#); see Dep't of Justice, "Attorney General Merrick B. Garland Announces Launch of Task Force KleptoCapture," (Mar. 2, 2022), available [here](#).

<sup>3</sup> Dep't of Justice, "Justice Department Announces Charges and Arrests," available [here](#).

<sup>4</sup> *United States v. Orekhov, et al.*, No. 1:22-cr-00434-EK, (E.D.N.Y. 2022) ("*Orekhov*"), Dkt. No. 1, ¶¶ 31–32 (indictment), available [here](#).

should consider revisiting, and if needed, strengthening, controls around end-user agreements in connection with business in higher-risk areas. For additional discussion of sanctions evasion and considerations for strengthening compliance, including as to Russia specifically, see our prior memoranda.<sup>5</sup>

- **International cooperation facilitates expanded reach of U.S. sanctions enforcement:** Increasing international cooperation serves as a force-multiplier for U.S. sanctions enforcement—an area that increasingly involves complex schemes with myriad global transactions, networks, and shell companies. The EDNY and Connecticut cases reflect DOJ’s reliance on international assistance from multiple foreign authorities—here, German, Italian, Estonian, Latvian—that allows DOJ to gather evidence and prosecute individuals far from the United States.

## The Charges and Arrests

### *United States v. Orekhov et al.*, Eastern District of New York

The EDNY indictment charged five Russian nationals and two Venezuelan oil traders with various crimes related to a global procurement, smuggling, and money laundering network.<sup>6</sup> As alleged, Yury Orekhov, one of the Russian nationals, partly owned a German industrial equipment and commodities trading company, Nord-Deutsche Industrieanlagenbau GmbH (“NDA GmbH”), along with Artem Uss, the son of a Russian governor. Using NDA GmbH as a front company, the two individuals allegedly purchased sensitive military and dual-use technologies from U.S. manufacturers, including advanced semiconductors and microprocessors used in fighter aircraft, missile systems, smart munitions, radar, satellites and other space-based military applications. Defendants allegedly misrepresented that the end users in the transactions were Malaysian shell companies and other entities subject to less stringent oversight by the United States, and provided false or misleading addresses, including one corresponding to an empty room in a strip mall, for those entities.<sup>7</sup> The items were then shipped to Russian end users, including sanctioned Russian entities that serviced Russia’s military such as Abtronics.<sup>8</sup>

The indictment also alleged that NDA GmbH was used as a front to smuggle hundreds of millions of barrels of oil from Venezuela to Russian and Chinese purchasers, including a Russian aluminum company controlled by a sanctioned oligarch and the world’s largest oil refining, gas and petrochemical conglomerate based in Beijing, People’s Republic of China.<sup>9</sup> Two Venezuelan nationals, Juan Fernando Serrano Ponce and Juan Carlos Soto, were charged for their involvement in brokering the oil transactions, which involved transferring millions of barrels of embargoed oil from PDVSA, the Venezuelan state-owned oil company, to NDA GmbH.<sup>10</sup> The transactions were routed through a complex group of shell companies and bank accounts, and further concealed through the use of couriers, who brought bulk cash to Venezuela and Russia, and Tether, a cryptocurrency pegged to the U.S. dollar.<sup>11</sup> Defendants allegedly used fictitious companies and falsified shipping documents, including documents that misrepresented that the cargo was related to food instead of oil, to cause U.S. financial institutions to process

<sup>5</sup> Paul, Weiss Memorandum, “DOJ Brings First Terrorism Material Support Charge Against a Corporation, Underlining the Importance of Compliance When Operating in High-Risk Countries and of Robust M&A Due Diligence,” (Oct. 20, 2022), available [here](#); Paul, Weiss Memorandum, “Seizure of Russian Oligarch’s Yacht Provides Insight into Evasive Financial Conduct,” (Apr. 11, 2022), available [here](#); Paul, Weiss Memorandum, “Biden Administration Warns of Increased Sanctions and Export Controls Enforcement,” (Mar. 8, 2022), available [here](#).

<sup>6</sup> Dep’t of Justice, “Five Russian Nationals and Two Oil Traders Charged in Global Sanctions Evasion and Money Laundering Scheme,” (Oct. 19, 2022) (“Five Russian Nationals”), available [here](#).

<sup>7</sup> *Id.*; *Orekhov*, Dkt. No. 1, ¶¶ 29–32 (indictment), available [here](#); Dep’t of Justice, “Justice Department Announces Charges and Arrests,” available [here](#).

<sup>8</sup> Dep’t of Justice, “Justice Department Announces Charges and Arrests,” available [here](#); Dep’t of Justice, “Five Russian Nationals,” available [here](#).

<sup>9</sup> *Orekhov*, Dkt. No. 1, ¶¶ 1, 35 (indictment), available [here](#).

<sup>10</sup> *Id.* at ¶¶ 35–36, 47 (indictment), available [here](#).

<sup>11</sup> *Id.* at ¶¶ 46–47 (indictment), available [here](#).

transactions for tens of millions of U.S. dollars in violation of U.S. sanctions and other criminal laws.<sup>12</sup> The indictment also alleges the schemes involved supertankers that deactivated their GPS navigation systems to obscure the Venezuelan origin of their oil.<sup>13</sup>

The charges include conspiracy to defraud the United States (in particular, Treasury’s Office of Foreign Assets Control and Commerce’s Bureau of Industry and Security), conspiracy to violate sanctions and export controls, including the Export Control Reform Act (“ECRA”),<sup>14</sup> and conspiracy to commit money laundering, bank fraud, and wire fraud, among others. At the request of the United States, Orekhov was arrested by German authorities and Uss was arrested by Italian authorities.

#### ***United States v. Romanyuk et al., District of Connecticut***

The U.S. Attorney’s Office for the District of Connecticut brought charges against four individuals and several companies in Europe for violating U.S. export controls by attempting to smuggle a Connecticut-manufactured jig grinder—a high-precision grinding machine system with potential application in nuclear proliferation and defense programs—into Russia.<sup>15</sup> No license is required to export a jig grinder to the European Union, but one is required for export or reexport to Russia.<sup>16</sup>

DOJ alleged that, beginning in 2018, two Latvian citizens, Eriks Mamonovs and Vadims Ananics, and their Latvian-operated entity, CNC Weld, conspired with a citizen of Ukraine who operated an Estonia-based entity, BY Trade OU, and others to circumvent ECRA’s license requirement for exporting the jig grinder to Russia. Latvian authorities assisted in intercepting the jig grinder before it reached Russia, and the individuals were arrested in Latvia with the assistance of Latvian and Estonian authorities and at the request of the United States.<sup>17</sup>

The charges against the individuals include conspiracy to defraud the United States, conspiracy to violate sanctions and export controls, and conspiracy to commit money laundering, among others. The indictment also charges CNC Weld and BY Trade OU with conspiracy, violation of the ECRA, smuggling goods from the United States, and international money laundering conspiracy.<sup>18</sup>

We will continue to monitor developments in this space and provide further updates as appropriate.

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<sup>12</sup> Dep’t of Justice, “Justice Department Announces Charges and Arrests,” available [here](#); *Orekhov*, Dkt. No. 1, ¶ 41 (indictment), available [here](#).

<sup>13</sup> *Orekhov*, Dkt. No. 1, ¶ 42 (indictment), available [here](#).

<sup>14</sup> ECRA prohibits the violation of, or conspiracy to violate, any regulation, order, license or authorization issued pursuant to the statute, including the Export Administration Regulations, which restrict the export of items that could make a significant contribution to the military potential of other nations or that could be detrimental to U.S. foreign policy or national security. 50 U.S.C. § 4819(a)(1); see Dep’t of Justice, “Justice Department Announces Charges and Arrests,” available [here](#); *Orekhov*, Dkt. No. 1, ¶ 18 (indictment), available [here](#).

<sup>15</sup> Dep’t of Justice, “Justice Department Announces Charges and Arrests,” available [here](#).

<sup>16</sup> *Id.*

<sup>17</sup> *Id.*

<sup>18</sup> *Id.*

This memorandum is not intended to provide legal advice, and no legal or business decision should be based on its content. Questions concerning issues addressed in this memorandum should be directed to:

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