
June 30, 2025

OFAC Imposes \$216 Million Penalty on Silicon Valley Venture Capital Firm for Russian Sanctions Violations

On June 12, 2025, the U.S. Treasury Department’s Office of Foreign Assets Control (“OFAC”) imposed a \$215,988,868 penalty—the maximum statutory penalty—on an early-stage Silicon Valley venture capital firm, GVA Capital Ltd. (“GVA Capital”),¹ for knowingly managing investments for Suleiman Kerimov, a Russian oligarch and member of the Russian Federal Assembly who has been on OFAC’s sanctions list as a Specially Designated National (“SDN”) since April 2018.² OFAC’s action, which was OFAC’s first public enforcement action since the new Administration took office in January 2025, represents the agency’s largest fine since its settlement with Binance for sanctions violations in November 2023.³

OFAC’s penalty notice—which is not a settlement or admission of wrongdoing—demonstrates the agency’s strong enforcement response when it views a “gatekeeper” such as an investment firm as having facilitated a sanctioned Russian person’s continued access to the U.S. financial system. Notably, OFAC asserts that GVA Capital did this by knowingly continuing to deal with Kerimov’s nephew, who was operating as Kerimov’s proxy.⁴ OFAC stated that this matter illustrates the “risk that U.S. persons face when relying on formalistic ownership arrangements that obscure the true parties in interest behind an entity or investment.”⁵ This appears to signal that OFAC may be more willing to pursue enforcement based on evidence of control by, or agency for, a sanctioned party.

Summary of the Penalty Notice

According to the Penalty Notice, between April 2018 and May 2021, GVA Capital knowingly managed investments for Kerimov while aware of his blocked status.⁶ GVA Capital has provided services to Kerimov since 2016, when Kerimov worked with the firm to invest \$20 million in a U.S. company through Prosperity Investment, L.P. (“Prosperity”), a Guernsey-based entity. Kerimov maintained an interest in Prosperity through the time of, and following, his SDN designation.⁷ In April 2018, OFAC

¹ OFAC, “OFAC Imposes \$215,988,868 Penalty on GVA Capital Ltd. for Violating Ukraine/Russia-Related Sanctions and Reporting Obligations,” (June 12, 2025) (“Penalty Notice”), available [here](#).

² OFAC, “Treasury Designates Russian Oligarchs, Officials, and Entities in Response to Worldwide Malign *Activity*,” (Apr. 6, 2018), available [here](#).

³ See OFAC, “OFAC Settles with Binance Holdings, Ltd. for \$968,618,825 Related to Apparent Violations of Multiple Sanctions Programs,” (Nov. 21, 2023), available [here](#).

⁴ Penalty Notice at 1.

⁵ *Id.* at 7.

⁶ *Id.* at 1.

⁷ *Id.* at 3.

sanctioned Kerimov, broadly prohibiting all transactions by U.S. persons involving Kerimov's property or property interests and blocking all his property in the possession of U.S. persons or in the United States.⁸

According to OFAC, after learning that Kerimov had been sanctioned, GVA Capital received a legal opinion that "incorrectly concluded" that Prosperity was not itself blocked property because it was not nominally owned 50 percent or more by a person on the SDN List.⁹ The Penalty Notice states OFAC determined that Kerimov held an interest in Prosperity through his interest in Heritage Trust.¹⁰ The legal opinion, however, explicitly cautioned that any sale or transfer of Prosperity's investment shares could not involve Kerimov, directly or indirectly. Despite this advice, GVA Capital attempted on multiple occasions to sell or distribute Prosperity's assets while working through Kerimov's nephew Nariman Gadzhiev (later designated by OFAC on November 14, 2022, for acting for or on behalf of Kerimov),¹¹ whom GVA Capital met in 2016 as a representative for Kerimov related to the investment, and who GVA Capital knew continued to represent the interests of Kerimov following his designation. OFAC added: "Indeed, in a 2023 federal court filing related to this investment, GVA Capital represented that Gadzhiev was 'installed' by Kerimov in a directorial role to manage the investment in the U.S. company and repeatedly referenced direction regarding the investment coming from both Kerimov and Gadzhiev."¹²

OFAC imposed the maximum civil monetary penalty on GVA Capital after finding several aggravating factors. First, OFAC concluded that GVA Capital "willfully" violated U.S. sanctions. OFAC claimed that GVA Capital had actual knowledge that Kerimov was the source of the investment, that he retained a property interest in the investment shares, and that Gadzhiev continued to act as Kerimov's representative on investment-related matters.¹³ GVA additionally knew that it had received legal advice cautioning it against involving Kerimov, directly or indirectly, in any sale or transfer of the assets. Second, OFAC highlighted its understanding of the role GVA Capital played in facilitating Kerimov's access to the U.S. financial system, leading to considerable economic benefit for him in violation of U.S. foreign policy interests. OFAC also took into consideration GVA Capital's failure to fully respond to OFAC's subpoena. OFAC alleged that GVA Capital withheld nearly 90% of its responsive documents until it received a Pre-Penalty Notice from OFAC in 2023, nearly two years after it certified that it had fully complied with the subpoena.¹⁴ As a result, OFAC issued a second Pre-Penalty Notice to GVA Capital in August 2024 related to its reporting violations.

OFAC issued the Penalty Notice after considering GVA Capital's responses to its two Pre-Penalty Notices and ultimately found that the violations constituted an "egregious case."¹⁵ The total fine consists of a \$214,000,000 penalty related to GVA Capital's Ukraine-/Russia-related violations, as well as a \$1,988,868 penalty related to its failure to satisfy OFAC's subpoena.¹⁶

Key Takeaways

OFAC stated that this enforcement action demonstrates the importance for non-bank financial institutions, "including venture capital firms and investment advisors," of maintaining effective, risk-based sanctions compliance controls. According to OFAC: "U.S. persons operating in these industries should have a clear understanding of their U.S. sanctions compliance obligations, as well as the risks posed by dealing with counterparties who are themselves sanctioned or who reside in sanctioned jurisdictions."¹⁷ In a similar vein, FinCEN has also been expanding anti-money laundering requirements to additional actors in the financial sector, with registered investment advisors facing a January 1, 2026, deadline to comply with new AML/CFT FinCEN regulations issued under the Bank Secrecy Act.¹⁸

⁸ *Id.*

⁹ *Id.*

¹⁰ On June 30, 2022, OFAC issued a public "Notification of Blocked Property to Heritage Trust", alleging that Heritage Trust was a Delaware-based trust in which Kerimov held a property interest. OFAC, "U.S. Treasury Blocks Over \$1 Billion in Suleiman Kerimov Trust" (June 30, 2022) available [here](#).

¹¹ OFAC, "Treasury Sanctions Global Russian Military Supply Chain, Kremlin-Linked Networks, and Elites with Western Fortunes" (Nov. 14, 2022), available [here](#).

¹² Penalty Notice at 3.

¹³ OFAC Nov. 14, 2022 Notice at 6.

¹⁴ Penalty Notice at 5.

¹⁵ OFAC Nov. 14, 2022 Notice at 6.

¹⁶ Penalty Notice at 5-6.

¹⁷ *Id.* at 7.

¹⁸ Paul, Weiss, "FinCEN Issues Rule Imposing AML Requirements on Certain Investment Advisers" (Sept. 19, 2024), available [here](#).

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This action underscores OFAC’s focus, announced in connection with Russia’s invasion of Ukraine, on “gatekeepers,” such as “investment professionals, accountants, attorneys, and providers of trust and corporate formation services,” who can facilitate a sanctioned party’s continued access to the U.S. financial system.¹⁹ OFAC stated that “gatekeepers should remain vigilant of the risk that unscrupulous actors, including sanctioned parties or their proxies, may seek to use professional services to conceal a property interest or otherwise evade OFAC sanctions.”

A notable aspect of this action is OFAC’s emphasis on the “risk that U.S. persons face when relying on formalistic ownership arrangements that obscure the true parties in interest behind an entity or investment, without sufficiently considering factors such as control or influence over that investment.”²⁰ OFAC stated: “Here, GVA Capital knew that Kerimov retained a property interest in the shares of the U.S. company, as evidenced, among other things, by GVA Capital senior management’s personal dealings with Kerimov and Gadzhiev before and after Kerimov was designated. U.S. persons with such knowledge cannot claim ignorance even if the nominal owner of that property is someone other than the sanctioned individual.”²¹ OFAC’s enforcement actions more commonly depend on evidence of dealings with a sanctioned person than on the allegation that a company dealt with a proxy for a sanctioned party. This appears to signal that OFAC may be more willing to pursue enforcement based on evidence of control by, or agency for, a sanctioned party. The industry has long relied on OFAC Frequently Asked Question (“FAQ”) 398 that says OFAC’s “50 Percent Rule speaks only to ownership and not control.” However, this action is a reminder that this same guidance also urges caution against dealings with entities where it is possible that “blocked persons may control by means other than a majority ownership interest.”²² While OFAC portrayed GVA Capital’s knowledge of Gadzhiev’s proxy status as quite clear, there could be more complex fact patterns where reasonable minds could differ on what diligence steps a financial firm should take to satisfy OFAC’s expectations that there is no indirect prohibited dealing with a sanctioned party.

Finally, this action stressed the importance of “fully and timely complying” with an OFAC subpoena to avoid risking “exposure to significant monetary penalties, regardless of whether any other violation is alleged.”²³

¹⁹ Penalty Notice at 7.

²⁰ *Id.*

²¹ *Id.*

²² OFAC, FAQ 398 (Aug. 11, 2020), available [here](#).

²³ *Id.*

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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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