



# Regulatory Alert

## Regulatory Insights



April 2022

### U.S. actions to Russia-Ukraine war: Sanctions, prohibitions, virtual currency exchanges

*The U.S. Treasury and the Administration continue to expand sanctions against Russian entities and individuals as well as to reinforce efforts to disrupt potential sanctions evasion. OFAC's recent actions specifically focus on the "abuse" of virtual currency by "illicit actors," including as a payment mechanism for ransomware, and virtual currency exchanges that "disregard anti-money laundering and countering the financing of terrorism (AML/CFT) obligations and allow their systems to be abused by illicit actors." Companies should watch for the release of Treasury's National Strategy to Combat Illicit Finance and, in the near term, review and enhance their compliance programs for consistency with OFAC's Sanctions Compliance Guidance for the Virtual Currency Industry as well as the FATF's recent updated guidance on virtual assets (see KPMG Regulatory Alert, [here](#)).*

The United States, acting both independently and in conjunction with other countries, continues to impose sanctions and take other additional actions in response to the Russia-Ukraine war. Most recently:

- The Department of the Treasury Office of Foreign Assets Control (OFAC) [sanctioned](#) a "prominent darknet market" and a virtual currency exchange as part of an international initiative to disrupt Russian-based cyber crime and the use of virtual currencies to launder ransomware payments. OFAC states the action builds upon earlier sanctions directed toward certain virtual currency exchanges. A list of more than 100 virtual currency addresses that OFAC says are associated with the sanctioned market and have been used to conduct illicit transactions is included in the release.
  - OFAC states that these actions reinforce guidance in its [FAQ 1021](#), which clarifies that Treasury's sanctions actions against Russia require all U.S. persons to comply with OFAC regulations, regardless of whether a transaction is denominated in traditional fiat currency or virtual currency.
  - OFAC highlights its own *Sanctions Compliance Guidance for the Virtual Currency Industry* (available [here](#)) and also FinCEN's recent alert on identifying red flags of potential Russian sanctions evasion attempts, including through the use of cryptocurrency (see *KPMG Regulatory Alert*, [here](#)).
  - An updated *National Strategy to Combat Illicit Finance*, is expected to be released "in the coming month" and will highlight Treasury's planned efforts to further combat the "misuse of virtual currency and exchanges."
- The White House released a [Fact Sheet](#) outlining the following actions. Items in the Fact Sheet are further detailed in a [statement](#) from Treasury.
  - Full blocking sanctions against Russia's largest financial institution, Sberbank, and Russia's largest private bank, Alfa Bank, and certain of their subsidiaries. The sanctions freeze all of the assets of these entities that touch the U.S. financial system and prohibit U.S. persons from doing business with them.

- Prohibitions on new investment in the Russian Federation by U.S. persons wherever located. (See Executive Order below.)
  - Full blocking sanctions on “critical major Russian state-owned enterprises” (to be announced April 7).
  - Full blocking sanctions against certain named Russian elites and their family members.
  - Prohibitions on Russia making debt payments with funds subject to U.S. jurisdiction.
- The President [signed](#) an Executive Order prohibiting:
- New investment in the Russian Federation by a United States person, wherever located.
  - The exportation, re-exportation, sale, or supply, directly or indirectly, from the United States, or by a United States person, wherever located, of any category of services as may be determined by the Secretary of the Treasury, in consultation with the Secretary of State, to any person located in the Russian Federation.
  - Any approval, financing, facilitation, or guarantee by a United States person, wherever located, of a transaction by a foreign person where the transaction by that foreign person would be prohibited by this section if performed by a United States person or within the United States.

**For additional information** please contact [Amy Matsuo](#), [Steve Brotherton](#), or [John Caruso](#).

## Contact the author:



**Amy Matsuo**  
**Principal and Leader**  
Regulatory and ESG Insights  
[amatsuo@kpmg.com](mailto:amatsuo@kpmg.com)

[kpmg.com/socialmedia](https://kpmg.com/socialmedia)



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