



SEMAPHORE

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West Targets Oligarchs to Pressure Russia

New legal powers have been or are in the throes of being enacted on either side of the Atlantic Ocean, as the United States, United Kingdom and allies target oligarchs as a means of building pressure on Russian president Vladimir Putin over the invasion of Ukraine.

Following a number of previous actions in support of Ukraine, on April 28 President Joe Biden sent a proposal for a “comprehensive legislative package” to Congress.

“[This] will enhance the United States Government’s authority to hold the Russian Government and Russian oligarchs accountable for President Putin’s war against Ukraine,” stated The White House.

“This package of proposals will establish new authorities for the forfeiture of property linked to Russian kleptocracy, allow the [United States] Government to use the proceeds to support Ukraine, and further strengthen related law enforcement tools.”

The proposal includes:

- creating a new, streamlined administrative process involving the Departments of the Treasury and Justice, for the forfeiture of property in the United States that is owned by sanctioned Russian oligarchs and that has a connection to specified unlawful conduct. A forfeiture decision would be reviewable in federal court on an expedited basis
- creating a new criminal offense, making it unlawful for any person to knowingly or intentionally possess proceeds directly obtained from corrupt dealings with the Russian Government

At the time of that April 28 statement, The White House noted that Russian oligarch-targeted endeavours between the United States and global allies had included:

- the United States, led by the Department of the Treasury and Department of Justice, launching the Russian Elites, Proxies, and Oligarchs (REPO) Task Force with international partners to co-ordinate the freezing and seizing of Russian assets around the world
- member states in the European Union reporting haven frozen over US\$30 billion in assets, including almost US\$7 billion in boats, helicopters, real estate and artwork
- dozens of yachts having been seized by REPO Task Force member countries, with the United States Treasury having sanctioned and blocked vessels and aircraft worth over US\$1 billion as well as freezing hundreds of millions of dollars of assets belonging to Russian elites in United States bank accounts
- in the wake of criminal charges, the United States Treasury designating a global sanctions evasion network associated with Konstantin Malofeyev to crackdown on the movement of illicit assets
- Spain seizing a 255-foot, US\$90 million yacht of sanctioned Russian oligarch Viktor Vekselberg at the request of United States

A March 3 statement by The White House outlined that the oligarchs were being targeted due to them “enabling Putin’s war of choice”.

“These individuals have enriched themselves at the expense of the Russian people, and some have elevated their family members into high-ranking positions,” it stated.

“Others sit atop Russia’s largest companies and are responsible for providing the resources necessary to support Putin’s invasion of Ukraine.”

United Kingdom Measures

On March 30, the United Kingdom Government announced new legislation prohibiting maintenance on aircraft or ships belonging to specific sanctioned Russian oligarchs or their businesses.

Foreign Secretary Liz Truss commented: “There is no doubt that Putin and his elite have been surprised by the strength of our sanctions. We will continue to ramp up the pressure so long as Russian troops are in Ukraine, targeting not only the businesses of oligarchs but also their assets and international lifestyles.

“Tough sanctions will help Ukraine get the best possible peace settlement and ultimately ensure Putin’s invasion fails. That is our focus.”

Added Secretary of State for Transport Grant Shapps: “Today’s legislation adds new routes at our disposal to deprive oligarchs’ access to their luxury toys.

“Our economic and transport sanctions are working to suffocate those most complicit in Putin’s regime ensuring that no-one on United Kingdom soil can support Putin’s inhuman assault in Ukraine.”

At the time of the statement, the United Kingdom was said to have sanctioned banks with £500 billion worth of global asset value and over £150 billion of net worth from oligarchs and their family members.

What Next?

The number of seizures appears to be mounting around the world – including this June 8 report of a Russian oligarch’s US\$325 million superyacht being seized in Fiji.

While the United States and allies await the sanctions delivering their intended aim – pressuring those with influence in Russia to change the direction of the war – commentators are also speculating as to what can actually be done with any seized assets.

According to this article by Robert Frank of CNBC, key factors to consider and resolve include:

- in most jurisdictions, assets that are frozen remain the property of their owners
- to take actual ownership, prosecutors would need to prove the property was used in or represents the proceeds of illegal activity
- deciding who would get the proceeds of the sale of any seized asset could potentially ignite court battles lasting a number of years
- the sanctions themselves have potentially created new legal questions needing answers
- oligarchs are known to use shell companies, trusts, offshore jurisdictions as well as family members and associates to “hide” the true ownership of assets
- assets such as superyachts will likely deteriorate in condition rapidly if not properly maintained – but the owners might abandon their seized asset or refuse to pay for such maintenance during the seizure

Meanwhile, Steve Reilly of Grid has observed that “sanctions have tried and failed to accomplish similar outcomes in the past”.

For example, Mr Reilly noted that the United States first introduced sanctions on Yevgeny Prigozhin – known as “Putin’s chef – in December 2016. Yet those sanctions on someone said to be one of the closest people to the Russian president – “appear to have done little to restrict his activities or dampen his enthusiasm for supporting Putin’s designs”.

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