

FRONTING FOR OVD: A THIRD DERIPASKA- FOCUSED INDICTMENT FROM LATE SEPTEMBER

DOJ rolled out two sanctions-related indictments targeting Russia yesterday. One, charged in Connecticut, accuses some Latvians and a Ukrainian of attempting to purchase and re-export a jig grinder to “individuals in Russia.”

The indictment alleges that, beginning in 2018, Eriks Mamonovs, 33, and Vadims Ananics, 46, both citizens of Latvia who operated CNC Weld, a Latvia-based corporation, conspired with Stanislav Romanyuk, 37, a citizen of Ukraine and resident of Estonia who operated Estonia-based BY Trade OU, and others, including Janis Uzbalis, 46, of Latvia, and individuals in Russia and a Russia-based company, to violate U.S. export laws and regulations and smuggle a jig grinder that was manufactured in Connecticut to Russia. A jig grinder is a high-precision grinding machine system that does not require a license to export to European Union countries, but does require a license for export and reexport to Russia because of its potential application in nuclear proliferation and defense programs. [my emphasis]

The Latvians accused were arrested Tuesday; Ukrainian Stanislav Romanyuk was arrested in Estonia on June 13. The actual indictment – described as a superseding indictment – was obtained on July 7, but is not yet publicly docketed.

The other indictment, which was charged in Brooklyn, charges five Russians – one of whom

was arrested in Germany, the other in Italy, both on Monday – along with a Spaniard and a Venezuelan, for sanctions violations and money laundering.

Payment for NDA GmbH's illicit activities was often consummated in U.S. dollars routed through U.S. financial institutions and correspondent bank accounts. To facilitate these transactions, Orekhov and his coconspirators used fictitious companies, falsified "Know Your Customer" documentation and bank accounts in high-risk jurisdictions, causing U.S. banks to process tens of millions of dollars in violation of U.S. sanctions and other criminal laws. In one conversation with Soto, Orekhov bragged that "there were no worries...this is the shittiest bank in the Emirates...they pay to everything." The scheme also utilized bulk cash drops with couriers in Russia and Latin America, as well as cryptocurrency transfers worth millions of dollars, to effectuate these transactions and launder the proceeds.

It, too, focuses on the military aspect of the scheme – and even claims to have found components obtained through this network on the battlefield in Ukraine.

As alleged, Orekhov has served as the part owner, Chief Executive Officer and Managing Director of Nord-Deutsche Industrieanlagenbau GmbH (NDA GmbH), a privately held industrial equipment and commodity trading company located in Hamburg, Germany. The other owner of NDA GmbH is Artem Uss, the son of the governor of Russia's Krasnoyarsk Krai region. Kuzurgasheva served as the Chief Executive Officer of one of the scheme's shell companies and worked for NDA GmbH under Orekhov. Using NDA GmbH

as a front company, Orekhov and Kuzurgasheva sourced and 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. These items were shipped to Russian end users, including sanctioned companies controlled by Telegin and Tulyakov, such as Radioavtomatika, Radioexport and Abtronics, that serviced Russia's defense sector. Some of the same electronic components obtained through the criminal scheme have been found in Russian weapons platforms seized on the battlefield in Ukraine.

But there's a significant component of the Brooklyn indictment that focuses on Oleg Deripaska and Rusal. The lead defendant, Yury Orekhov, is described as a former procurement manager for what the indictment makes clear is Deripaska and Rusal. [Note, the indictment variably transliterates his name Orekov and Orekhov; I'll use the latter.]

OREKHOV previously worked as a procurement manager for a publicly-traded Russian aluminum company (the "Aluminum Company") controlled by a Russian billionaire and industrialist (the "Oligarch"), an individual whose identity is known to the Grand Jury.

The identify of Rusal (and therefore Derispaska) is confirmed in a paragraph that describes the period of Rusal's sanctions (which Reuters noted here).

On August 3, 2021, USS sent OREKHOV a draft communication to the Aluminum Company regarding business dealings with NDA GmbH. The letter began, "During the

sanctions period, the Company [NDA GmbH] began to supply fuel oil for [the Aluminum Company in Guinea].” Notably, the Aluminum Company was included in the SDN List from on or about April 6, 2018 through on or about January 27, 2019.

For example, Orekhov and Artem Uss are accused of laundering money to purchase oil from Venezuela’s sanctioned PDVSA for the use of Rusal. The indictment cites communications from Orekhov to a trader Juanfe Serrano, referencing the sanctions against Deripaska.

Indeed, as reflected in numerous documents from the Aluminum Company and NDA GmbH, the defendants YURY OREKOV and ARTEM USS repeatedly purchased oil from PDVSA, causing U.S. financial institutions to process U.S. dollar-denominated payments, and supplied it to the Aluminum Company. For example, in a March 2020 draft letter addressed to a Deputy of the State Duma (one of the chambers of Russian parliament), who was an associate of the Oligarch, NDA GmbH proposed alternate sources of supply for “[Aluminum Company] procurement,” including using a “small, aggressive trader” that “conducts high-risk transactions in the Caribbean region, including with the Venezuelan state-owned company PDVSA, which is under sanctions, [and] has excess profits due to a 40% discount on the selling price of oil.” On or about December 4, 2021, in a series of electronic communications between OREKHOV and the defendant JUAN FERNANDO SERRANO PONCE, OREKHOV wrote, “this is our mother company pasting a link to the Aluminum Company’s website and a link to the Oligarch’s Wikipedia page. OREKHOV stated, “He [the Oligarch] is under sanctions as well. That’s why we [are] acting from this company [NDA GmbH]. As fronting.” SERRANO responded,

“My partner also haha ... he is very close to the government. He is one of the influence people in Venezuela. Super close to the Vice President.” SERRANO pasted a link showing search results for a Venezuelan lawyer and businessman who was currently wanted by U.S. authorities for bribery and money laundering, an individual whose identity is known to the Grand Jury. Later, in a series of communications between OREKHOV and SERRANO in or about March 2022, OREKHOV sought a “term contract with [PDVSA]” for “1 million [barrels of oil] per month,” and clarified that, “with [the Aluminum Company] it’s an annual contract, every month, every month ... this is stable for sure.” [my emphasis]

As described, the smuggling involved spans Germany, Venezuela, Dubai, Malaysia, Panama, China, and Australia, among other countries. Seven US companies are identified. In addition, there’s an Individual 1 tied to a “California-based consulting and logistics company” who met with Orekhov in Europe in 2019.

The entire indictment – and the timeline laid out in the conspiracy part – almost feels like two indictments: one that spans 2018 through January 2020 (when Bill Barr was trying to shut down inconvenient investigations) and a second one that restarted after Russia’s Ukraine invasion.

In two different paragraphs pages apart, the indictment describes a conversation that Uss and Orekhov had on March 30 of this year, after the expanded invasion of Ukraine started. While much of the context seems left out, it seems that Orekhov was getting cold feet on Russia.

28. On March 30, 2022, the defendant YURY OREKHOV asked the defendant ARTEM USS, “Have you decided to leave Russia?” USS joked in response, “[Y]ou want to be an international fugitive? It’s too

much." OREKHOV replied, "[A]nd you? Would you like to? I can arrange, very easy."

[snip]

37. In a March 30, 2022 message exchange between the defendants YURY OREKHOV and ARTEM USS regarding NDA GmbH's business with the Aluminum Company, USS wrote to OREKHOV, "[I]f you're serious ... I will meet with [the Oligarch's initials] when I return to Moscow . . . and I will convey to him personally your desire to pay off all debt... if you don't want to work with Russia now and it's really toxic, then don't work. I will follow this closely."

That's the kind of person who might be willing to make a deal.

As I said above, this is the third indictment of Deripaska-linked figures obtained in late September. The timeline looks like this:

September 21: Deripaska property manager Graham Bonham-Carter indicted in SDNY

September 26: Orekhov et al indicted in EDNY

September 28: Superseding indictment obtained against Olga Shriki, Deripaska, and others

September 29: Deripaska's US-based associate Shriki arrested

October 11: Bonham-Carter arrested in the UK

October 17: Yury Orekhov and Artem Uss arrested in Germany and Italy, respectively

In less than a month, then, DOJ has charged Deripaska, both a US and UK based manager, and someone involved in illicit procurement for Deripaska and the Russian government, with arrests of those three key associates.

The announcements for all three describe the involvement in National Security Division's

Counterintelligence and Export Control Section – the spying section (the Connecticut announcement lists an NSD trial attorney, but it's unclear whether he is specifically in the CECS section). The Orekhov indictment even describes that a CECS prosecutor will play a part in the prosecution. That implies DOJ's interest goes beyond just sanctions violations.

It's fairly impressive work and no doubt unbelievably complicated coordination, given all the other countries involved. But it feels like there might be a few more things in the work. As noted, while the indictment charging Deripaska personally moves for forfeiture of Deripaska's three US-based properties, Shriki is not described as the primary person running those properties.