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# Warren, Porter Demand Answers from Goldman Sachs and JP Morgan on Banks' Exploitation of Sanctions Loopholes to Profit from Trades in Russian Debt

*Volume of Russian Corporate-Debt Trades is at Two Year High, Despite Historic U.S. Sanctions Against Russia*

Text of Letters (PDF)

**Washington, D.C.** – U.S. Senator Elizabeth Warren (D-Mass.), a member of the Senate Banking, Housing, and Urban Affairs Committee, and Representative Katie Porter (D-Calif.) sent letters to the CEOs of Goldman Sachs and JPMorgan Chase, calling out the banks for exploiting sanctions loopholes that allow them to continue to profit from business dealings with Russian debt in the secondary markets. Giant financial institutions are cashing in on Russia's war in Ukraine, with the volume of Russian corporate debt trades reaching a two-year high in March 2022. The lawmakers are demanding answers from the banks about the scope of their trades in Russian debt since the invasion of Ukraine and the clients that they are helping profit from the invasion.

“JP Morgan and Goldman Sachs, both of which won plaudits for winding down their operations in Russia, have engaged in the sales and trades of Russian debt on the secondary market, ‘pouncing on Russia’s cheap corporate debt’ to profit off of the war... Goldman

Sachs, is ‘acting as a broker between Moscow’s creditors and U.S. investors, pitching clients on the opportunity to take advantage of Russia’s war-crippled economy by buying its debt securities low now and selling them high later’... JP Morgan has similarly taken advantage of the war in Ukraine by brokering deals for private Russian corporations with ties to the Russian government,” **wrote the lawmakers.**

Despite the historic sanctions that the United States imposed on the Russian economy and Russian elites, giant financial institutions have maneuvered to exploit loopholes that allow them to continue to trade in Russian sovereign debt in secondary markets. Recent reporting indicates Goldman Sachs is buying up Russian debt securities at low prices and reselling these to American hedge funds, providing cover for other financial institutions seeking to profit from war. JP Morgan is brokering deals for Russian corporations with ties to the Russian government and has been acting as middlemen for clients looking to purchase Russian-tied debts.

“This maneuvering is legal under the sanctions put forward by the U.S. Treasury because trading in the secondary markets is not prohibited so long as counterparties to the transactions are not sanctioned entities, and so long as the Russian sovereign debt being traded was issued prior to March 1, 2022,” **explained the lawmakers.**

Senator Warren and Representative Porter noted that this trading could undermine American interests and reduce the full effects of US-led international sanctions efforts designed to hold Putin and Russian oligarchs to account for the invasion of Ukraine. They are calling on Goldman Sachs and JP Morgan to answer questions about the types, value, and profits from trades and investments in Russian debt since the invasion of Ukraine and asking them to disclose the clients involved in these trades by no later than May 24, 2022.

Senator Warren is a leader in ensuring the integrity and transparency of the financial system. As the United States has led global efforts to sanction Russia and Russian individuals in response to Putin’s unjustifiable war in Ukraine, Senator Warren has worked to ensure that these sanctions are fully enforced.

- In April 2022, Senators Warren, Bob Cassidy (R-La.), Sheldon Whitehouse (D-R.I.), and Roger Wicker (R-Miss.) introduced the bipartisan **KLEPTO Act** to strengthen beneficial ownership requirements for mansions, private jets, and yachts held in the United States.
- In April 2022, at a hearing of the Senate Banking Committee, Senator Warren **questioned** a Treasury Department nominee about the importance of “know your customer” requirements for the private investment industry.
- In March 2022, Senators Warren and Whitehouse sent a **letter** calling on Secretary of the Treasury Janet Yellen and Chair of the Securities and Exchange Commission (SEC) Gary Gensler to close the loophole that exempts the \$11 trillion private investment industry from anti-money laundering (AML) and countering the financing of terrorism (CFT) obligations.
- In March 2022, at a hearing of the Senate Banking Committee, Senator Warren **warned** that Putin and Russian elites could use crypto to hide their wealth and evade economic sanctions.
- In March 2022, Senator Warren and Senators Jack Reed (D-R.I.), Mark Warner (D-Va.), and Jon Tester (D-Mont.) **introduced** the Digital Asset Sanctions Compliance Enhancement Act of 2022, which would ensure that Vladimir Putin and Russian elites don’t use cryptocurrencies and other digital assets to undermine the international community’s economic sanctions against Russia.
- In March 2022, Senator Warren and Senators Warner, Sherrod Brown (D-Ohio), and Reed **sent a letter** to Treasury Secretary Janet Yellen raising concerns regarding the potential use of cryptocurrency to evade sanctions, which have become even more urgent amid the sanctions imposed on Russia after its invasion of Ukraine.

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