



Regulatory Alert

Regulatory Insights



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U.S. actions to Russia-Ukraine war: First virtual currency mining sanctions

OFAC issued its first sanctions against a virtual currency mining entity, stating that by operating vast server farms that sell virtual mining capacity internationally, the entity and its subsidiaries help Russia monetize its natural resources. OFAC added that the mining companies rely on imported computer equipment and fiat payments, making them vulnerable to sanctions. OFAC has also imposed sanctions on a “darknet market” and a virtual currency exchange, clarifying that sanctions actions apply regardless of whether a transaction is denominated in traditional fiat currency or virtual currency. (See KPMG Regulatory Alert, [here](#).) Notably, earlier this month, Treasury outlined policy objectives for establishing a regulatory framework around crypto and digital assets, including the need to balance the development of digital assets with the risks associated with the new activities, products, and services that are enabled by the technology advances, including issues of national security. (See KPMG Regulatory Alert, [here](#).)

In ongoing actions to impose sanctions on entities and individuals tied to the Russia-Ukraine war, the Department of the Treasury Office of Foreign Assets Control (OFAC) has [designated](#) “facilitators of Russian sanctions evasion,” including:

- The Swiss holding company of a virtual currency mining company, Bitriver AG, and ten of its Russia-based subsidiaries. OFAC has designated Bitriver AG for operating or having operated in the technology sector of the Russian Federation economy.
- A privately-owned commercial bank, Public Joint Stock Company Transkapitalbank (TKB), its subsidiary Joint Stock Company Investtradebank, and all entities owned 50 percent or more, directly or indirectly by TKB. OFAC states TKB “has offered its clients the ability to conduct transactions via its proprietary Internet-based banking system, known as TKB Business, an alternative communication channel to

the Society for Worldwide Interbank Financial Telecommunication (SWIFT) network, including for the purpose of processing U.S. dollar payments for sanctioned clients. TKB has also sought to create a settlement hub in Asia without involving U.S. or European banks in the clearing process.”

- [General License 28](#) and [General License 29](#) were concurrently issued to permit certain transactions related to TKB and certain of its subsidiaries.
- A Russian oligarch, members of his family, all entities owned 50 percent or more by him, and other entities that are either owned or controlled by the oligarch or have acted or have purported to act for or on behalf of him, directly or indirectly. OFAC refers to these entities and individuals collectively as a “worldwide sanctions evasion and malign influence network.”

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