

SOPHISTICATED SANCTIONS EVASION METHODOLOGIES

How FiveBy identified six common reseller evasion methods used by entities in Crimea to illegally access US products and technologies.

The embargo the United States imposed on Crimea in response to Russia's 2014 annexation has resulted in the development of sophisticated sanctions evasion techniques by entities located there. Our client, a multinational corporation, faced a significant risk when resellers—businesses and individuals that purchase and resell US products—provided our client's goods and technologies to customers in Crimea.

THE CHALLENGE

As a multinational tech corporation, our client's products and technologies wound up in an embargoed region because of the sheer volume of sales and the number of reseller business partners with whom they engaged. Through human-driven analysis, FiveBy identified six common reseller evasion methodologies related to company registration, company leadership, activity mismatch, vague product descriptions, open tender bidding, and ambiguous address information used by entities in Crimea to illegally access US products and technologies.

EXPERTISE

FiveBy's compliance and due diligence experts developed methodologies to effectively detect sanctions violations related to registration, company leadership, activity mismatch, vague product descriptions, open tender bidding, and ambiguous address information, firms need to conduct rigorous research into company business activities to supplement automated screening prior to authorizing a transaction. FiveBy's subject matter experts possess extensive regional and linguistic expertise that were crucial to decipher and identify evasion practices.



FIVEBY'S ASSESSMENT/SOLUTIONS

Detect reseller red flags:

- 1 **Methodology: Company is registered in Russia but selling primarily to customers in Crimea**
Entities that want to evade detection by screening tools programmed to flag addresses in Crimea will provide a legitimate registration address in Russia; however, their primary geographical area of business is Crimea.
- 2 **Methodology: Company leaders oversee multiple companies reselling US products and technologies to entities in Crimea**
Leaders or shareholders of a company that resells products into Crimea uses other companies in which they hold shares or leadership positions and that are located outside the embargoed region to evade sanctions.
- 3 **Methodology: Business activity registration mismatch**
A company reselling goods and services to entities in Crimea or other embargoed regions could indicate a seemingly innocuous line of business in its registration documents to avoid scrutiny and obfuscate its business in Crimea.
- 4 **Methodology: Vague descriptions of goods on government tenders**
To avoid detection, firms that resell US goods to Crimea often will provide only vague descriptions of the goods they are reselling to Crimean companies, failing to mention specific brand names subject to the embargo.
- 5 **Methodology: Bids on open tenders for US-branded products without obtaining a general license to resell goods to entities located in Crimea**
- 6 **Methodology: Ambiguous address**
To avoid detection of Crimea operations, a company provides nonconclusive or incomplete address information about its customer.

Continued >

RESULTS AND CONCLUSIONS

FiveBy's experts used various research methods to mitigate the regulatory and sanctions risks for our client to ensure the company's products were not ending up in an embargoed jurisdiction. By researching registration addresses, government contracts, and reseller customer base, we were able to gauge the risk of reseller activity in Crimea.

- By comparing the main registered business activities in official documents with the reseller's government contracts and services advertised on the reseller's website, FiveBy analysts gained insights into possible tactics to circumvent the embargo.
- Conducting research into the business activities of entities owned or controlled by the same individuals helped provide insight into possible sanctions evasion.
- Vague item descriptions can be mitigated by in-depth research into similar products the reseller has shipped to the embargoed jurisdiction. When a reseller has a tender in Crimea, especially for vaguely titled goods resembling branded goods it resells to non-embargoed regions, its reselling activities and government tenders should be closely monitored.

- Examining the historical business activities of entities bidding on tenders provided insight into the volumes of US-branded products sold to Crimea, helping inform decisions.
- When a vague or incomplete address was provided about resellers' customers, FiveBy analysts accessed a Russian website of public tenders to determine whether the entity is reselling US-branded goods into Crimea without an applicable general license.

FiveBy's sanctions and due diligence experts used their linguistic, regional, and cultural expertise to supplement data provided by automated screening tools, which is not always sufficient in fully analyzing all transaction and customer data needed to ensure compliance. Through human-driven analysis, FiveBy detects common evasion techniques where automation many times fails to detect deliberate manipulation.

