

Syria Counts on Second-Tier Russian Banks

By [The Moscow Times](#)

November 05, 2013



A young Free Syrian Army fighter taking a break next to his Kalashnikov rifle in the town of Aleppo on Nov. 4. **Molhem Barakat**

Intent on supplying his government with arms, oil and food, Syrian President Bashar Assad has turned to Russian banks to access world markets, and the lenders could open more doors to him, despite the risk of isolation from the U.S. banking system.

U.S. sanctions aimed at forcing Assad to end the violence in Syria's two-and-a-half-year civil war forbid its own banks from dealing with Syria's central bank and the Commercial Bank of Syria. They do not cut off other countries' banks that deal with the two blacklisted institutions from the U.S. banking sector, though there are calls for tougher action.

U.S. senators asked Treasury Secretary Jack Lew in September to put Russian banks that deal with them on a list prohibiting U.S. banks from doing business with them, in an attempt to pressure them into ending their relationships with Assad.

But some Russian lenders have looked to strengthen those ties in recent months, underscoring the extent of relations between Damascus and Russia.

Russia, one of Assad's biggest arms suppliers, has vetoed a number of United Nations Security Council resolutions condemning the Syrian leader.

While Assad has used second-tier Russian banks to pay for air defense systems and fighter jets, the Commercial Bank of Syria has also opened accounts in the small Moscow-based lender Tempbank and is in talks with the bank to expand ties.

A fax obtained by Reuters was sent from the Syrian bank Aug. 6 to Tempbank, proposing the opening of a barter account that would allow Damascus to trade goods or oil for foodstuffs that would be shipped from Ukraine.

"Further to the opening of various accounts in our bank's name on your books, and our previous discussions for the establishment of a fruitful banking relationship between our two banks ... an agreement between the commercial parties in Syria and Ukraine has been concluded for exporting & importing main foodstuff and agricultural products between both sides through barter deals as per the demand of the Syrian government," the fax said.

Barter an Option

Two sources close to Tempbank confirmed that the bank had received the fax and that talks were continuing on whether to extend the barter deal to the Syrian bank.

A representative of Tempbank, Dmitry Avakimov, who works in the lender's international transactions department, said the Syrian Commercial Bank's accounts still existed but that the barter deal had not been finalized.

He did not specify the purpose of the accounts.

"Assad needs bank accounts in other countries in order to continue to import food, oil products and weapons," said Sonni Efron, a senior government fellow at U.S.-based Human Rights First, a rights think tank.

A Syrian newspaper said two years ago that the central bank had ruble and foreign currency bank accounts in Gazprombank and Russian-state owned banks VTB and VEB, but analysts believe U.S. pressure has since moved Syrian lenders to use second-tier Russian banks.

VTB denied doing business with the Syrian central bank. VEB chairman Vladimir Dmitriyev said he had no knowledge of links to any Syrian companies. Gazprombank did not reply to an e-mail seeking comment.

Tempbank has ties to financial markets in China, Europe and the U.S., using Austria's Raiffeisen Bank as well as Russia's biggest state-owned bank Sberbank and a foreign office of VTB as intermediary banks, according to information on the bank's website.

Financial Lifeline

Pressure to target Assad's financial lifelines abroad by blacklisting Russian banks grew

following deadly sarin gas attacks in Damascus suburbs in August, when President Barack Obama threatened to conduct limited military strikes in response to the use of such weapons, which he blamed on Assad's forces.

"There are a number of ideas percolating on Capitol Hill right now regarding sanctions over Syria, and all of them are mindful of the enablers of Assad's atrocity supply chain," said Efron. "Including Russian banks."

In their open letter to Treasury Secretary Lew, Senators Kelly Ayotte, Richard Blumenthal, John Cornyn and Jeanne Shaheen said the support of Russian banks "violates international sanctions by enabling Syria to pay for imports and receive funds for exports. This assistance eases much of the financial burden on the Assad regime, allowing it to continue military purchases and pay the soldiers that sustain the war in Syria."

Earlier this year a source at the Treasury said the U.S. institution believed Russian banks were dealing with the Commercial Bank of Syria and the Syrian central bank and warned them against carrying out business transactions.

Unless legislation is passed to toughen sanctions, the effect on the Russian banks is currently indirect, by potentially encouraging U.S. banks to shy away from working with them because of their dealings with the two Syrian institutions.

The U.S. Treasury declined to comment on Tempbank, but a Treasury official said it had expressed its concern to Russian officials about the continued financial activity between Russian banks and Syria and had pointed out reputational risks that banks associated with this activity may face.

The official also said the Treasury would continue to work closely with international partners to increase financial pressure on Assad and isolate the key financial actors supporting Syria, including the Commercial Bank of Syria.

Original url:

<https://www.themoscowtimes.com/2013/11/05/syria-counts-on-second-tier-russian-banks-a29237>