

U.S. Official Warns on Banking Ties to Syria

By [The Moscow Times](#)

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WASHINGTON — Major Russian banks should beware of dealing with two blacklisted Syrian financial institutions, a senior U.S. Treasury official said, saying U.S. and other banks could shun them as a result.

The U.S. Treasury believes Russian banks continue to deal with Syria's central bank and with the Commercial Bank of Syria, a state-owned Syrian financial institution, both of which have been blacklisted by the United States, the official said.

The official, who spoke to Reuters on condition of anonymity earlier this month, declined to identify the major Russian banks concerned and his comments appeared aimed as much at them as at U.S. and other financial institutions who might deal with them.

"These major Russian banks, which are very much integrated into the global financial system and have worked quite hard over the last number of years to establish good reputations

for combating illicit finance ... are now faced with really serious reputational risk for continuing to do work with the Syrian financial sector, especially these two institutions," he said.

The official said that in addition to being "designated" — or blacklisted — by the United States, the two Syrian banks have also been targeted by the European Union, the Arab League, Australia and Japan, widening the circle of banks that could shy away from Russian institutions that deal with them.

"The upshot ... is that it puts the Russian banks that are continuing to provide financial services to Syria, and in particular to the Central Bank of Syria and to the Commercial Bank of Syria, in a particularly vulnerable posture," he said.

Syria's central bank governor has been quoted in media reports as saying that the Syrian public and private sector should look to Russian banks to handle their foreign business.

Unlike recent U.S. sanctions against Iran, Washington's designations of Syria's central bank and of the Commercial Bank of Syria do not permit the United States to cut off a bank that deals with them from the U.S. banking sector. U.S. banks are forbidden from dealing with the blacklisted Syrian institutions.

The potential effect on the Russian banks is indirect by, in theory, leading U.S. banks to shy away from working with them because of their dealings with the two Syrian institutions.

Even without a specific legal requirement, many major banks cut ties with blacklisted firms out of a "self-protective instinct" to avoid association with companies accused of supporting weapons proliferation or terrorism, the official said.

U.S. President Barack Obama blacklisted the Syrian central bank under an Aug. 17, 2011 executive order that barred U.S. firms from dealing with branches of the Syrian government.

The Commercial Bank of Syria, the country's largest commercial bank, was blacklisted on May 11, 2004 when the U.S. Treasury identified it as a financial institution of "primary money laundering concern" under Section 311 of the Patriot Act.

On Aug. 10, 2011 it was also designated under a U.S. executive order that targets proliferators of weapons of mass destruction and their supporters.

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