

# Congress of the United States

Washington, DC 20510

May 10, 2022

David M. Solomon  
Chairman and CEO  
Goldman, Sachs & Co.  
200 West Street, 29th Floor  
New York, NY 10282

Dear Mr. Solomon,

We are writing today regarding your business dealings with Russian debt in the secondary market, which have the potential to undermine U.S. sanctions and fund Russia's human rights abuses in Ukraine. Recent reports found that banks including Goldman Sachs and JP Morgan Chase are trading debt securities previously issued by the Russian government and Russian corporations, exploiting a "loophole" in the Biden Administration's sanctions on Russia.<sup>1</sup> We are seeking information on how your dealings could benefit Putin's regime and how your institution may be profiting off of Russia's invasion of Ukraine.

After Russia's unprovoked and unjustifiable invasion of Ukraine, the U.S. Treasury Department's Office of Foreign Assets Control (OFAC) imposed unprecedented sanctions against Russia in an effort to "fundamentally imperil Russia's ability to raise capital key to its acts of aggression."<sup>2</sup> The international community has similarly stepped up efforts to wage a "maximum pressure" campaign on Putin's regime to end its aggression in Ukraine, freezing Russian foreign exchange reserves and limiting imports of Russian oil.<sup>3</sup> These measures have succeeded in squeezing Russia's economy and its access to funds.<sup>4</sup>

However, despite these measures, the volume of Russian corporate-debt trades is at a two-year high, doubling the average daily value of trades from the same time frame in 2020. From February 24, 2022 to April 7, 2022, Russian sovereign debt traded at a volume of \$7 billion, a 35% increase from the year before.<sup>5</sup> Major financial institutions are getting in on the action of the

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flailing Russian economy,<sup>6</sup> trading “dirt-cheap Russian government or corporate bonds along with credit-default swaps, [...] insurance on the potential default of a borrowers.”<sup>7</sup> JP Morgan and Goldman Sachs, both of which won plaudits for winding down their operations in Russia,<sup>8</sup> 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.<sup>9</sup> Your institution, 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.”<sup>10</sup> Goldman Sachs is “buying up masses of Russian debt at depressed prices and then churning them over to American hedge funds,” potentially earning a significant profit.<sup>11</sup> Goldman Sachs’ actions also provide political cover for financial institutions seeking to profit from the war without facing scrutiny and reputational damage, allowing the sellers to keep their identities anonymous and even reportedly encouraging hesitant investors to profit in secret by using their personal accounts.<sup>12</sup>

JP Morgan has similarly taken advantage of the war in Ukraine by brokering deals for private Russian corporations with ties to the Russian government.<sup>13</sup> JP Morgan reported having traded approximately \$200 million of Russian and Ukraine corporate debt in March 2022,<sup>14</sup> acting as “middlemen” for clients looking to purchase Russian-tied debt.<sup>15</sup> On March 4, 2022, as Russia was invading Ukraine, JP Morgan recommended investors “boost holdings of Russian-linked debt” to profit after the invasion ends, and issued a report recommending that clients purchase

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Russian corporate bonds.<sup>16</sup> JP Morgan strategists cited oil and gas company Lukoil and steel producers, Novolipetsk Steel and Magnitogorsk Iron & Steel Works as strong “recovery play[s]” and pushed investors to purchase debt in these companies, even as investors sought to divest themselves from Russia for risk, reputational, and moral reasons.<sup>17</sup>

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.<sup>18</sup> However, it may undermine the work of the U.S. Treasury and the international community seeking to hold Putin to account.<sup>19</sup> To ensure that your company’s actions are not prolonging this inhumane attack and undermining U.S. interests abroad, we ask for answers to the following questions no later than May 24, 2022:

1. What kinds of trades and investments in Russian debt has Goldman Sachs facilitated since the start of the Russian invasion of Ukraine on February 24, 2022?
2. Please list the total value of these trades, broken down by type of trade.
3. What is the total value of Goldman Sachs’ profits for all trades in Russian debt since February 24, 2022?
4. Please list all clients involved in trades of Russian government and corporate debt since February 24, 2022, including the data and type of trade, the amount of the trade, and the client’s profit from the trade.
5. Has Goldman Sachs recommended or advised clients that they could maintain their anonymity in these trades, or have they facilitated efforts to do so?
6. How does Goldman Sachs ensure that its trades and its clients trades involving Russian debt are compliant with the U.S. sanctions regime?
7. Are you reporting the identity of any of your clients that are involved in trades of Russian debt to OFAC or other regulators?

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Sincerely,



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Elizabeth Warren  
United States Senator

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Katie Porter  
Member of Congress

# Congress of the United States

Washington, DC 20510

May 10, 2022

Jamie Dimon  
Chairman and CEO  
J.P. Morgan Chase & co  
390 Madison Avenue  
New York, NY 10017

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However, despite these measures, the volume of Russian corporate-debt trades is at a two-year high, doubling the average daily value of trades from the same time frame in 2020. From February 24, 2022 to April 7, 2022, Russian sovereign debt traded at a volume of \$7 billion, a 35% increase from the year before.<sup>5</sup> Major financial institutions are getting in on the action of the

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Goldman Sachs similarly found ways to profit off the crisis, “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

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Sincerely,

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