Enforcement Release: December 2, 2025

IPI Partners, LLC Settles with OFAC for $11,485,352 Related to Apparent Violations of Ukraine-/Russia-Related Sanctions

IPI Partners, LLC ("IPI"), a Chicago-based private equity firm that specializes in buying, developing, and operating data centers, has agreed to pay $11,485,352 to OFAC to settle its potential civil liability for apparent violations of Ukraine-/Russia-related sanctions. In 2017 and 2018, IPI solicited and received investments from Russian oligarch Suleiman Kerimov through a series of legal structures, and continued to maintain those investments for four years after OFAC designated Kerimov on April 6, 2018.

This settlement amount reflects OFAC's determination that IPI's apparent violations were non-egregious and not voluntarily self-disclosed. More broadly, this enforcement action highlights the sanctions risks that U.S. capital markets participants, including those in the private equity industry, can face. It is critical for such actors to understand and manage all potential sources of sanctions-related risk, including the risks associated with arrangements that may obscure a blocked person's interest in property.

Description of the Apparent Violations

On July 13, 2016, IPI established a private equity fund, IPI Data Center Partners Fund I, L.P. (the "IPI Fund"), to buy, build, and operate data centers, which it rented to tenant companies for data storage. IPI served as the fund manager, and invited investors to join the IPI Fund as limited partners by making capital commitments in exchange for an ownership share in the fund.

Definition's Investment in IPI

On or around January 5, 2017, a senior member of IPI's investment committee (the "IPI Senior Member") was introduced to a former senior investment banker (the "Banker") identified as a representative of Suleiman Kerimov ("Kerimov"), a wealthy Russian investor. On or around August 11, 2017, the Banker introduced the IPI Senior Member to Nariman Gadzhiev ("Gadzhiev"), who the Banker identified as Kerimov's nephew and representative in investment-related matters. Three days later, the IPI Senior Member met with Gadzhiev in person in San Francisco, receiving background on Kerimov and his family and proposing several investment opportunities, including one in the IPI Fund, for which IPI was fundraising.

On or around September 28, 2017, Definition Services, Inc. ("Definition"), a British Virgin Islands-based entity, signed a subscription agreement committing to invest $25 million in the IPI Fund.

Definition is ultimately owned by Heritage Trust ("Heritage"), a Delaware-based Kerimov family trust.[1]

Approximately one month later, on or around November 5, 2017, Gadzhiev and the Banker arranged for the IPI Senior Member to meet with Kerimov in person for an afternoon at Kerimov's estate in Nice, France, with the Banker in attendance, to discuss investment opportunities with Kerimov. On March 29, 2018—approximately four months after this visit—Definition signed a second subscription agreement committing to invest another $25 million in the IPI Fund.

For the entire investment commitment in the IPI Fund, totaling $50 million, the nominal investor in the IPI Fund was Definition, and all payments related to that commitment were conducted between IPI and Definition.

IPI's Response to Kerimov's Designation

On April 6, 2018, OFAC designated Kerimov pursuant to Executive Order 13661 for being an official of the Government of the Russian Federation and added him to the Specially Designated Nationals and Blocked Persons (SDN) List. As a result of this action, Kerimov's property and interest in property in the United States or in the possession or control of any U.S. person became blocked, and all transactions by U.S. persons involving Kerimov's property or interests in property generally became prohibited; these prohibitions encompassed any contribution or provision of funds or services to Kerimov, whether directly or indirectly.

Shortly after Kerimov's designation, IPI consulted with outside counsel knowledgeable in U.S. sanctions to inquire if IPI had an obligation to block Definition's account. Outside counsel reviewed the relevant trust governance and other diligence materials, which indicated that Kerimov was the initial source of Heritage's funds but did not indicate a role for him within Definition or Heritage more broadly. After reviewing this information, outside counsel concluded that IPI was under no obligation to block the account because Kerimov did not formally own 50% or more of Definition. Outside counsel further explained that it was not necessary for IPI to inquire further about the source of Definition's funding and did not flag risks associated with indirectly dealing with Kerimov.

IPI had not informed outside counsel that the Banker had been described to the IPI Senior Member as Kerimov's "gatekeeper" and that the IPI Senior Member knew both the Banker and Gadzhiev to be Kerimov's representatives in investment matters. IPI also did not inform outside counsel that the IPI Senior Member had secured each of Definition's investment commitments by meeting in person either with Gadzhiev, who was acting as Kerimov's representative for the investment, or with Kerimov himself.

[1] On June 23, 2022, OFAC issued a Notification of Blocked Property directed at Heritage Trust, which at the time held approximately $1.3 billion in assets. OFAC's investigation revealed that Heritage Trust was formed in July 2017 for the purpose of holding and managing Kerimov's U.S.-based assets. OFAC's investigation further revealed that Kerimov retained a property interest in the trust following his designation. *See* U.S. Department of the Treasury, "U.S. Treasury Blocks Over $1 Billion in Suleiman Kerimov Trust" (June 30, 2022).

Following the designation, IPI also screened the other individuals and entities named in the documents against the SDN List using a prominent third-party screening platform, with no positive matches. In addition, IPI received written confirmation from a Definition representative that Kerimov was "not affiliated with Definition or any of the entities that directly or indirectly own it."

Also in this period, at the suggestion of outside counsel, IPI separately requested and received a statement from Definition reaffirming its compliance with its subscription agreement, which included an attestation that neither Definition "nor any of its Affiliates or any holder of any beneficial interest in the Interest … [nor] any Related Person, is or will be, nor will any amounts contributed by [Definition] to the Partnership be directly or indirectly derived from, invested for the benefit of, or related in any way to the activities of" a person subject to any sanctions program administered by OFAC or named on the SDN List.

However, IPI had reason to know that the attestation was inaccurate, in light of the IPI Senior Member's introduction to and continued conversations with Gadzhiev, his in-person meeting with Kerimov, and IPI's understanding that Kerimov was the original source of Heritage's funds, and IPI did not inquire further. IPI nevertheless relied upon outside counsel's legal advice, which did not caution against indirect dealings with Kerimov, and continued to deal directly with Gadzhiev and his employees in managing Definition's investment in the IPI Fund after Kerimov's designation.

In total, after receiving this advice regarding Kerimov's designation, from April 19, 2018 onwards, IPI issued capital calls including to Definition on 18 occasions and distributed profits from the fund's investments on 20 occasions to Definition. Furthermore, IPI collected regular management fees including from Definition on 13 occasions. IPI consolidated those transactions into periodic payments, requesting from the limited partner or wiring to the limited partner the amount after netting the limited partner's current debits and credits.

As a result of the conduct described above, between approximately July 2018 and June 2022, IPI dealt in the property or interests in property of Kerimov on 51 occasions in apparent violation of § 589.201 of the Ukraine-/Russia-Related Sanctions Regulations, 31 C.F.R. part 589 (URSR) (the "Apparent Violations") by sending or receiving wire transfers to or from Definition corresponding with 18 capital calls, 20 distributions, and 13 management fee payments pursuant to Definition's subscription to the IPI Fund.

Penalty Calculations and General Factors Analysis

OFAC determined that IPI did not voluntarily self-disclose the Apparent Violations and that the Apparent Violations constitute a non-egregious case. Accordingly, under OFAC's Economic Sanctions Enforcement Guidelines ("Enforcement Guidelines"), 31 C.F.R. Part 501, app. A., the base civil monetary penalty applicable in this matter equals the applicable schedule amount, which is $14,356,690.

The settlement amount of $11,485,352 reflects OFAC's consideration of the General Factors under the Enforcement Guidelines.

OFAC determined the following factors to be **aggravating**:

(1) IPI employees, including senior executives, knew that Kerimov was the source of funds for Definition and should have known at the time the funds were committed that he ultimately made investment decisions for Definition. After Kerimov was designated, IPI sought legal advice from outside counsel knowledgeable in U.S. sanctions regulations, which advised IPI that Definition's account did not need to be blocked. Nevertheless, IPI had reason to know that it was dealing with Kerimov indirectly, including by dealing with Kerimov's identified representative in investment-related matters.

(2) IPI acted contrary to U.S. foreign policy interests with respect to Russia by facilitating a sanctioned Russian oligarch's access to, and use of, the U.S. financial system in precisely the way that U.S. sanctions seek to prevent. IPI's management of the IPI Fund allowed Kerimov to participate in a lucrative investment and to grow his wealth after he was designated.

(3) IPI was a sophisticated private equity firm managing billions of dollars in committed capital from international investors.

OFAC determined the following factors to be **mitigating**:

(1) IPI has not received a Penalty Notice or a Finding of a Violation from OFAC in the five years preceding the earliest date of the transactions giving rise to the Apparent Violations.

(2) IPI's cooperation was initially unsatisfactory. However, IPI retained new counsel in order to reengage with OFAC following its receipt of OFAC's Pre-Penalty Notice, which resulted in significantly improved cooperation with OFAC's investigation. IPI waived privilege, allowing OFAC to consider the legal advice it received following Kerimov's designation and the underlying factual representations and information upon which this advice was based, and produced additional responsive records. Thus, while IPI was ultimately cooperative with the investigation, IPI's substantial delay in cooperating resulted in limited mitigation credit for cooperation.

Compliance Considerations

The United States is the world's premier destination for international capital, and every day investors around the world seek to participate in its economy and markets. These investors may include persons who are or may become sanctioned under OFAC authorities. Investment firms and related professionals, along with all U.S. capital market participants whether in private equity or otherwise, should have a clear understanding of their sanctions risks and compliance obligations, and implement effective, risk-based controls to prevent violations.

These controls should reflect that OFAC authorities incorporate broad definitions of "interest" and "property interest" that look beyond legal formalities to underlying practical and economic realities. In some cases, an analysis of equity ownership in an entity in accordance with OFAC's 50 Percent

Rule[2] may be sufficient to address OFAC sanctions risk. In other cases, however—especially situations involving opaque legal structures or the use of proxies that may obscure a party's interest in an entity or property—a more exhaustive analysis may be appropriate. Longstanding OFAC guidance[3] urges caution when considering dealing with an entity in which a blocked person may be involved. Such dealings—particularly those involving the use of proxies or legal structures that may conceal a blocked person's interest—could result in indirect dealings with a blocked person or in blocked property. Individuals and companies with reason to know of such circumstances cannot later claim ignorance even if a blocked person has no nominal ownership or overt role.

Finally, this enforcement action demonstrates the importance of ensuring legal and compliance advice is based upon a full and complete understanding of all relevant facts and circumstances. While receiving advice from outside experts can help entities fulfill their sanctions compliance obligations, it does not absolve them from liability if they violate U.S. sanctions. Critically, for any advice to be effective, it must be based upon a complete picture of all material information available from across an organization.

OFAC Enforcement and Compliance Resources

On May 2, 2019, OFAC published A Framework for OFAC Compliance Commitments in order to provide organizations subject to U.S. jurisdiction, as well as foreign entities that conduct business in or with the United States or U.S. persons, or that use goods or services exported from the United States, with OFAC's perspective on the essential components of a sanctions compliance program. The *Framework* also outlines how OFAC may incorporate these components into its evaluation of apparent violations and resolution of investigations resulting in settlements. The *Framework* includes an appendix that offers a brief analysis of some of the root causes of apparent violations of U.S. economic and trade sanctions programs OFAC has identified during its investigative process.

OFAC makes available on its website a variety of resources designed to assist with sanctions implementation and compliance, including industry-specific guidance, instructive videos, answers to frequently asked questions, and tools for searching OFAC's sanctions lists.

Information concerning the civil penalties process can be found in the OFAC regulations governing each sanctions program; the Reporting, Procedures, and Penalties Regulations, 31 C.F.R. part 501; and the Economic Sanctions Enforcement Guidelines, 31 C.F.R. part 501, app. A. These references, as well as recent civil penalties and enforcement information, can be found on OFAC's website at https://ofac.treasury.gov/civil-penalties-and-enforcement-information.

Whistleblower Program

The U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN) maintains a whistleblower incentive program for violations of OFAC-administered sanctions, in addition to other violations of the International Emergency Economic Powers Act and violations of the Bank Secrecy Act. Individuals located in the United States or abroad who provide information

[2] *See* U.S. Department of the Treasury, "Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property are Blocked" (August 13, 2014).
[3] *See id.*; *see also* FAQ 398; FAQ 400; FAQ 402.

may be eligible for awards, if the information they provide leads to a successful enforcement action that results in monetary penalties exceeding $1,000,000 and the statutory requirements in 31 U.S.C. 5323 are otherwise met. The incentive program is available for whistleblowers providing information relating to potential violations at any type of enterprise in any commercial sector. FinCEN is currently accepting whistleblower tips.

For more information regarding OFAC regulations, please go to: https://ofac.treasury.gov/.