Department of Justice

United States Attorney David L. Anderson
Northern District of California

FOR IMMEDIATE RELEASE
WWW.USDOJ.GOV/USAO/CAN
March 20, 2019

RUSSIAN NATIONAL EXTRADITED FROM ESTONIA TO FACE CHARGES OF ILLEGAL PROCUREMENT OF U.S. ELECTRONICS

Defendant allegedly used laundered funds to smuggle electronic U.S. components into the Russian Federation

SAN FRANCISCO— A federal grand jury handed down a 52-count indictment charging Valery Kosmachov with engineering a scheme to illegally procure sophisticated electronic components from the United States and to smuggle them into the Russian Federation, announced United States Attorney David L. Anderson; Department of Homeland Security, Homeland Security Investigations Special Agent in Charge Ryan L. Spradlin; Department of Commerce, Bureau of Industry and Security Acting Special Agent in Charge Todd Harris; U.S. Customs and Border Protection Director of Field Operations Brian Humphrey; and U.S. Marshals Service Marshal Donald M. O'Keefe. Kosmachov was extradited to the United States from Estonia to face the charges.

According to the indictment filed September 21, 2017, and unsealed this morning, Kosmachov, 66, is a Russian national, naturalized citizen of Estonia, and resident of Tallinn, Estonia. He served as owner of Adimir OU and co-owner of Eastline Technology OU, along with co-defendant and Russian national Sergey Vetrov, 66. The indictment describes how

Kosmachov and Vetrov used the Estonia-based companies as procurement “fronts” to obtain controlled U.S.-origin microelectronics, in part by misrepresenting that the end-users for the components were located in Estonia. The components included dual-use programmable computer chips capable of operating in austere environments making them useful in both civilian and military applications. Once in possession of the chips in Estonia, the co-defendants allegedly later smuggled them into the Russian Federation, in part by using laundered funds.

In sum, Kosmachov, Vetrov, and their two companies are charged with one count of conspiracy to violate the International Emergency Economic Powers Act (IEEPA) and one count of conspiracy to commit international money laundering, in violation of 18 U.S.C. §§ 1956(a)(2)(A) and (h). In addition, Kosmachov and Vetrov are charged with 12 substantive counts of violating the IEEPA, in violation of 50 U.S.C. § 1705, 19 counts of smuggling, in violation of 18 U.S.C. §§ 554 and 2; and 17 counts of international money laundering, in violation of 18 U.S.C. § § 1956(a)(2)(A).

Kosmachov was arrested in Tallinn on September 12, 2018, and was extradited to the United States on March 14, 2019, to face prosecution. Vetrov remains at large. Kosmachov appeared this morning before Chief U.S. Magistrate Judge Joseph C. Spero, for a detention hearing. He remains in federal custody pending his next court appearance. Kosmachov is next scheduled to appear on March 28, 2019, before the Honorable William H. Orrick, U.S. District Judge, for further proceedings.

An indictment merely alleges that crimes have been committed, and all defendants are presumed innocent until proven guilty beyond a reasonable doubt. If convicted, Kosmachov could face a maximum 20-year term of imprisonment for each IEEPA and money laundering-related count, and a maximum 10-year sentence for each count of smuggling. Additional periods of supervised release, fines, and special assessments also could be imposed. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

Assistant U.S. Attorney Philip J. Kearney of the Northern District of California United States Attorney’s Office, and Amy Larson, of the U.S. Department of Justice’s National Security Division, are prosecuting the case. The prosecution is the result of an investigation by the U.S. Department of Homeland Security Investigations, the Department of Commerce’s Bureau of Industry and Security, U.S. Customs and Border Protection, the Internal Revenue Service, and the U.S. Marshals Service with assistance from the U.S. Department of Justice’s Office of International Affairs.

Further Information:

Case #: CR 17-508 WHO

A copy of this press release will be placed on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at https://ecf.cand.uscourts.gov/cgi-bin/login.pl.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

All press inquiries to the U.S. Attorney's Office should be directed to Abraham Simmons at (415) 436-7264 or by e-mail at Abraham.Simmons@usdoj.gov.