

# Preventing EU funds from ending up with individuals or companies tied to the EU-Russia sanctions list<sup>1</sup>

## KEY POINTS

- To date, 1 551 individuals and 245 entities appear on the **EU-Russia sanctions** lists;
- The EU has excluded Russia from **public contracts and EU funding**;
- Some data on **EU funding recipients** under direct and indirect management is available in the Commission's tools, though it is hard to cross-check such data; data on EU funding under shared management is scattered across multiple platforms, making analysis of recipients difficult;
- The Commission proposes to make the use of a risk-scoring tool available to Member States compulsory, including under direct and indirect management, in the recast of the Financial Regulation. For 2021-2027, data on contractors and beneficial owners of beneficiaries and contractors will be added to the list of mandatory data to be uploaded in **ARACHNE**, which should increase its usefulness in sanctions enforcement;
- The upcoming 6th **Anti-Money Laundering Directive** (AMLD6) is expected to introduce additional transparency measures in compliance with the data protection case law of the CJEU, while closing loopholes;
- Other ongoing **Commission initiatives** are expected to improve the effectiveness and enforcement of EU sanctions in general.

The EU currently has more than 40 sets of restrictive measures in place. Some implement sanctions adopted by the United Nations, while others have been adopted by the EU autonomously. Such sanctions are binding on the Member States and any individual or entity under the Member States' jurisdiction. They are an invaluable tool for safeguarding EU values, maintaining international peace and security, and consolidating and supporting democracy, the rule of law and human rights<sup>2</sup>.

The EU first imposed sanctions on Russian and Belarussian individuals and entities in 2014 in response to the unprovoked violation of Ukrainian sovereignty and territorial integrity by Russia; the sanctions were renewed and expanded multiple times over the ensuing years. In response to Russia's illegal invasion of Ukraine on 24 February 2022, the EU adopted 11 successive packages of sanctions, with the most recent adopted on 23 June 2023. However, the Commission has pointed to the inconsistent enforcement of

<sup>1</sup> This updated briefing serves as background information for the CONT Committee workshop of 6 November 2023 on 'Preventing EU funds from reaching sanctioned individuals or entities'.

<sup>2</sup> [Commission proposal of 2 December 2022 for a directive of the European Parliament and of the Council on the definition of criminal offences and penalties for the violation of Union restrictive measures \(COM\(2022\)0684\)](#).



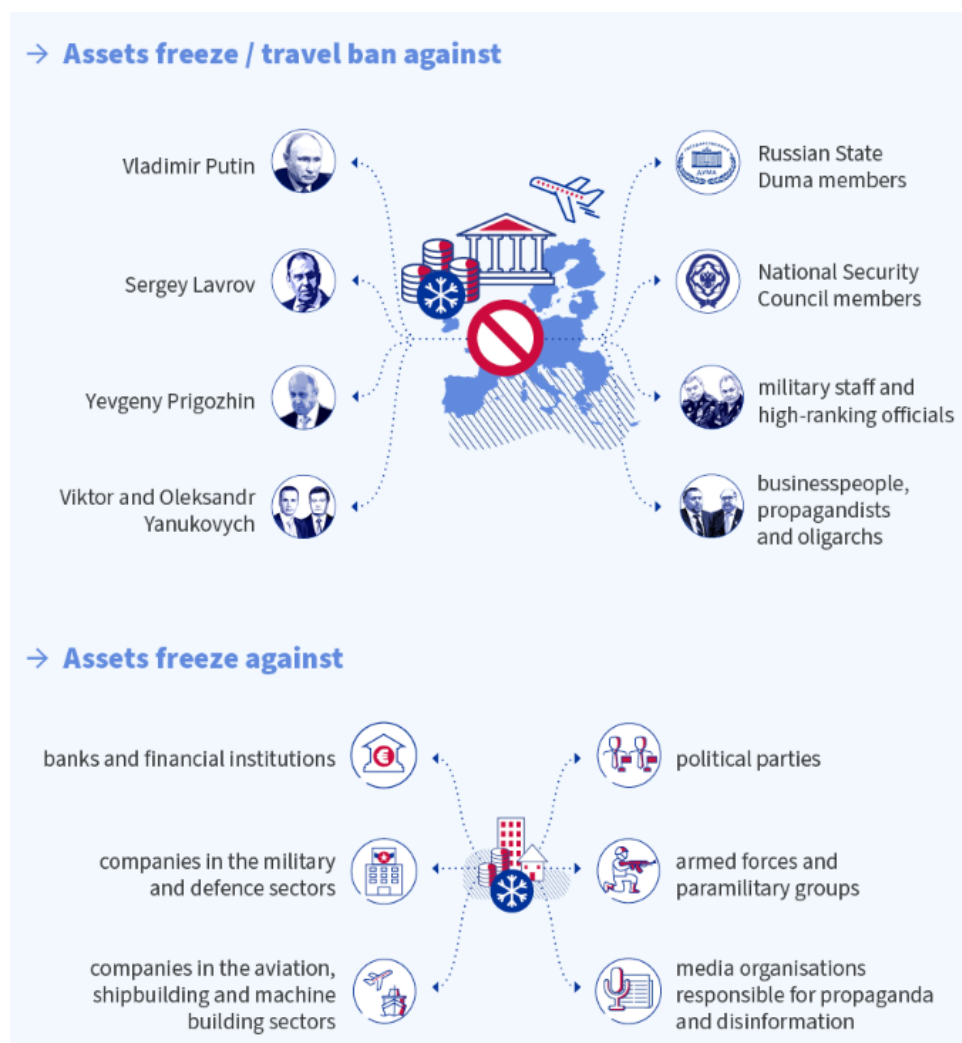
restrictive measures and to the intensification of schemes to circumvent them, leading to concerns that EU funds are still finding their way into the hands of those sanctioned<sup>3</sup>.

This briefing will give a brief overview of the EU-Russia sanctions framework, before discussing existing EU tools for protecting its financial interests, access to beneficial ownership data and EU initiatives to ensure sanctions enforcement.

## 1. EU-Russia sanctions framework

### 1.1 EU-Russia sanctions

On 23 June 2023, the Council adopted its 11th package<sup>4</sup> of sanctions against Russia, bringing the list<sup>5</sup> of those sanctioned under the EU-Russia Sanctions Regulation<sup>6</sup> to a total of 1 551 individuals and 245 entities<sup>7</sup>. Among those sanctioned are top political representatives, oligarchs, military personnel and propagandists who are threatening the territorial integrity, sovereignty and independence of Ukraine.



Source: <https://www.consilium.europa.eu/en/infographics/eu-sanctions-russia-ukraine-invasion/>

<sup>3</sup> European Council, Council of the European Union, 'Timeline – EU restrictive measures against Russia over Ukraine'.

<sup>4</sup> Council press release, 'Russia's war of aggression against Ukraine: EU adopts 11th package of economic and individual sanctions', 23 June 2023.

<sup>5</sup> Consolidated list of persons, groups and entities subject to EU financial sanctions, European Commission.

<sup>6</sup> Council Regulation (EU) No 269/2014 of 17 March 2014 concerning restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. OJ L 078, 17.3.2014, p. 6.

<sup>7</sup> European Council, Council of the European Union, 'Infographic – EU sanctions against Russia over Ukraine (since 2014)'.

In addition to assets freezes and travel bans, the sanctions regime includes **financial sanctions**, such as restrictions on Russia's access to the EU's capital and financial markets, **transport sanctions**, such as the closure of EU ports to Russian vessels, **energy sanctions**, such as a price cap on Russian oil, **defence sanctions**, such as a ban on exports to Russia of arms, ammunition and technology for military use, and **trade sanctions**, such as a ban on imports from Russia of steel and other goods and materials.

The EU has also imposed financial, trade, energy, transport and other **sanctions on Belarus** in response to its involvement in the Russian aggression against Ukraine. Asset freezes in this connection now apply to a total of 233 individuals and 37 entities; individuals sanctioned are also subject to a travel ban.

## 1.2 Specific sanctions to protect EU funding

The 5th sanctions package<sup>8</sup>, adopted on 8 April 2022, introduced specific sanctions to protect EU funding. They include:

- a ban on the participation of Russian nationals and entities in **public procurement contracts** in the EU, whether directly or indirectly;
- **restrictions on EU funding** to Russian publicly owned or controlled entities under EU, Euratom and Member State programmes;
- a ban on providing services to **trusts** with a Russian connection<sup>9</sup>.

Ongoing public procurement contracts falling under the new rules were to be terminated by October 2022.

Despite these robust measures, individuals and companies subject to the sanctions on Russia are still likely to be finding ways to circumvent the EU funding sanctions and use EU funding for their own purposes.

## 1.3 Asset freezing

To ensure that individuals and entities sanctioned under the EU-Russia Sanctions Regulation cannot use their money to support the Russian regime, all accounts belonging to those individuals and entities have been frozen. A **ban on providing funds** to individuals and entities on the sanctions list, whether directly or indirectly, seeks to further limit access to funds for those concerned. According to the Council, EUR 21.5 billion in assets have been frozen in the EU so far, and EUR 300 billion in assets from the Russian Central Bank have been blocked in the EU and G7 countries<sup>10</sup>. Under Article 8 of the EU-Russia Sanctions Regulation, EU operators are required to report information on frozen assets and assets that should be frozen.

Tracing and freezing assets before they disappear or change ownership is a complex task. To facilitate the effective implementation of EU sanctions, a Commission proposal<sup>11</sup> adopted in May 2022 aims to empower national Asset Recovery Offices by providing them with the information they need to trace and identify the assets of individuals involved in criminal activities (which should soon include the violation of sanctions<sup>12</sup>) and to give them new **urgent freezing powers** to ensure that assets do not disappear before criminal proceedings are finalised<sup>13</sup>.

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<sup>8</sup> [Commission press release, 'EU agrees fifth package of restrictive measures against Russia', 8 April 2022.](#)

<sup>9</sup> Articles 5(k), 5(l) and 5(m) respectively of [Council Regulation \(EU\) No 833/2014 concerning restrictive measures in view of Russia's actions destabilising the situation in Ukraine, OJ L 229 31.7.2014, p. 1.](#)

<sup>10</sup> [European Council, Council of the European Union, 'EU sanctions against Russia explained'.](#)

<sup>11</sup> [Commission proposal of 25 May 2022 for a directive on asset recovery and confiscation \(COM\(2022\)0245\).](#)

<sup>12</sup> Once the [Commission proposal for a directive on the definition of criminal offences and penalties for the violation of Union restrictive measures](#) is adopted, 'the rules on tracing and identification, freezing, management, and confiscation measures will become applicable to property related to the violation of Union restrictive measures. In the end, proceeds of the violation of Union restrictive measures, for example in instances where individuals and companies would make funds available to those subject to targeted financial sanctions (i.e. asset freezes), could become the object of confiscation measures'.

<sup>13</sup> [European Commission, 'Confiscation and asset recovery'.](#)

In terms of **sovereign assets**, discussions in recent months have centred around what to do with the Russian assets currently frozen, since a legal framework allowing for their confiscation does not yet exist. In its resolution of 16 February 2023<sup>14</sup>, Parliament called for a 'legal regime allowing for the confiscation of Russian assets frozen by the EU and for their use to address the various consequences of Russia's aggression against Ukraine, including the reconstruction of the country and compensation for the victims of Russia's aggression'. Suggestions for using the proceeds of such assets to fund Ukraine's reconstruction have included investing the assets in securities and introducing a windfall tax.

## 2. Protecting the financial interests of the Union in the context of the EU-Russia sanctions

### 2.1 EU databases and tools

For funds under direct and indirect management, the Commission collates data on the direct recipients of funding in the **Financial Transparency System (FTS)**<sup>15</sup>. The FTS publishes data on grants, prizes, public procurement, financial instruments, budget support and internal experts. However, the FTS does not contain all the information required to gain a complete picture of where EU funds end up. For example, there is no requirement to publish information about grants awarded by intermediate bodies (indirect management) in the FTS. According to a 2023 study for the CONT Committee, the FTS has a number of shortcomings: it shows financial commitments, but does not show the actual disbursement of grants; data quality checking consumes a lot of resources and the FTS is only fully updated once a year; there is a lack of consistency in the content and presentation of information provided in different Commission portals and databases; and the names of direct recipients in the FTS include spelling and formatting errors which make it difficult to link or crosscheck FTS data with other Commission systems<sup>16</sup>. The study recommends that the Commission use 'common unique entity and project identification keys across all portals and databases to facilitate reconciliation of publicly available information provided by different systems'.

When implementing funds directly, the Commission ensures compliance with the EU funding sanctions through the flagging mechanisms embedded in its accrual-based accounting system (**ABAC**)<sup>17</sup>. ABAC is currently being phased out and progressively replaced by **SUMMA**, which is to be rolled out for the Commission in early 2024. The Early Detection and Exclusion Mechanism (**EDES**) is the Commission's main tool for flagging economic operators of concern.

There is no centralised system for funds managed jointly by the Commission and the Member States under **shared management**; for cohesion policy, for example, Germany and Italy have 30 separate reporting systems, and some countries have no consolidated reporting system at all. Data on EU funding under shared management is therefore scattered across multiple platforms, making analysis of recipients difficult<sup>18</sup>.

In the case of **CAP subsidies**, the European Court of Auditors has drawn attention to the fact that the Commission still manually analyses the data it collects from Member States using spreadsheets<sup>19</sup>. Cases of land grabbing have highlighted the need for the use of big data techniques in this area to prevent CAP

<sup>14</sup> [European Parliament resolution of 15 February 2023 on one year of Russia's invasion and war of aggression against Ukraine \(Texts adopted, P9\\_TA\(2023\)0056\).](#)

<sup>15</sup> [Financial Transparency System, European Commission.](#)

<sup>16</sup> [Study for the CONT Committee, 'Transparency and accountability of EU funding for NGOs active in EU policy areas within EU territory', Policy Department D for Budgetary Affairs, Authors: Blomeyer and Sanz; Roderick Ackermann, Margarita Sanz, Michael Hammer, Veronika Kubeková, Kylie Jabjiniak, Ellen Hietsch, September 2023.](#)

<sup>17</sup> [Answer to Question for Written Answer P-001803/2022 given by Commissioner Hahn on behalf of the European Commission on 13 September 2022.](#)

<sup>18</sup> [Study for the CONT Committee, 'The Largest 50 Beneficiaries in each EU Member State of CAP and Cohesion Funds', Policy Department for Budgetary Affairs, Authors: Willem Pieter De Groen, Roberto Musmeci, Damir Gojsic, Jorge Nunez and Daina Belicka, May 2021.](#)

<sup>19</sup> [European Court of Auditors Special Report 16/2022 entitled 'Data in the Common Agricultural Policy: Unrealised potential of big data for policy evaluations'.](#)

subsidies from falling into the hands of those subject to sanctions<sup>20</sup>. From a legal perspective, what would happen should a recipient of CAP subsidies, which are allocated according to certain criteria, be found to have ties to an individual or entity on the sanctions list is a point worth further attention.

The **ARACHNE risk-scoring tool** is currently available to all Member States for funding in shared management, such as the ESF and the ERDF, but is voluntary. Though ARACHNE does include data on sanctions lists received from regulatory and governmental managing authorities, this data comes from external sources and may in practice only be used for audit purposes after funding has already been awarded. Managing authorities have cited data collection (administrative burden), accuracy issues (high number of false positives) and legislative barriers, in particular with regard to national data protection, as undermining the usefulness of the tool<sup>21</sup>. In December 2022, the Commission stated that for 2021-2027, data on contractors and on beneficial owners of beneficiaries and contractors would be added to the list of mandatory data to be uploaded in ARACHNE<sup>22</sup>.

In its proposal for the recast of the Financial Regulation<sup>23</sup>, however, the Commission proposed making the use of **'a single integrated IT system for data-mining and risk-scoring'** compulsory, including under direct and indirect management. The tool is expected to build on, but be distinct from, ARACHNE. In their explanatory statement of 4 May 2023, the European Parliament rapporteurs for the recast of the Financial Regulation<sup>24</sup> proposed going much further with the compulsory centralisation of information within the proposed new system, allowing for the electronic recording and storage of data on the recipients of Union funding, including beneficial owners. They also highlighted that 'the transition period proposed by the Commission before the use of the new system is made mandatory is disproportionately long'.

## 2.2 EU public procurement

### 2.2.1 Tenders Electronic Daily

The Commission has an overview of public procurement in the EU in the form of Tenders Electronic Daily (TED). As a general rule, tenders for public contracts that fall under the scope of the Public Procurement Directives<sup>25</sup> must be published in the TED.

However, the TED's utility as a monitoring platform is currently undermined by missing and inaccurate data, in turn the result of a lack of uniform rules on what procurement data needs to be published at Member State level and in what format. The structure of the TED platform, which is for publication, not data analysis, also hinders proper oversight<sup>26</sup>. New e-forms<sup>27</sup>, mandatory in the Member States as of June 2023, should help to standardise procurement data collection on the TED.

### 2.2.2 Guidance for contracting authorities

The Commission has produced **public procurement FAQs**<sup>28</sup> designed to support public buyers in the EU in implementing the sanctions and ensure that no one sanctioned under Article 5(k) of the EU-Russia Sanctions

<sup>20</sup> [New York Times, 'The Money Farmers: How Oligarchs and Populists Milk the E.U. for Millions', 3 November 2019; Study for the AGRI Committee, 'Extent of Farmland Grabbing in the EU', Policy Department B: Structural and Cohesion Policies, Authors: Transnational Institute: Sylvia Kay, Jonathan Peuch, Jennifer Franco, May 2015.](#)

<sup>21</sup> [Briefing for the CONT Committee, 'Instruments and Tools at EU Level and Developed at Member State Level to Prevent and Tackle Fraud - ARACHNE', Adam Nugent and András Schwarcz, Policy Department for Budgetary Affairs, October 2022.](#)

<sup>22</sup> [Written questions in follow-up to CONT Committee public hearing of 5 December 2022.](#)

<sup>23</sup> [Commission proposal of 15 May 2022 for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union \(recast\), COM\(2022\)0223.](#)

<sup>24</sup> [European Parliament position of 4 May 2023 on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union \(recast\).](#)

<sup>25</sup> [Directives 2014/23/EU, 2014/24/EU, 2014/25/EU, and 2009/81/EC.](#)

<sup>26</sup> [In-depth analysis for the CONT Committee, 'Gaps and Errors in the TED database', Policy Department for Budgetary Affairs, Authors: Blomeyer & Sanz - Roderick Ackermann, Margarita Sanz, Antonio Sanz, February 2019; Tenders.Guru, 'Recommendations for EU Procurement', June 2021.](#)

<sup>27</sup> [Commission Implementing Regulation \(EU\) 2019/1780 of 23 September 2019 establishing standard forms for the publication of notices in the field of public procurement and repealing Implementing Regulation \(EU\) 2015/1986 \(eForms\), OJ L 272, 25.10.2019, p. 7.](#)

<sup>28</sup> [Commission FAQs on sanctions in the context of public procurement, 26 August 2022.](#)

Regulation is awarded public procurement contracts, whether directly or indirectly. However, the FAQs themselves are not legally binding and cannot be seen to replace the applicable legal provisions. It falls to contracting authorities to interpret individual cases.

For ongoing and future contracts, public buyers are advised to ask contractors to provide a **declaration of honour** stipulating that there is no Russian involvement in the contracts. The EU institutions themselves request such a declaration in their public procurement activities. In addition, they have produced specific internal guidance to ensure that procurement procedures managed by their services are implemented in accordance with the EU-Russia sanctions framework.

On 7 September 2023, the Commission published guidance<sup>29</sup> to help European operators identify and assess sanctions circumvention risks and perform **appropriate due diligence**. The guidance encourages operators to be attentive to circumvention red flags when entering into a new business relationship, and to screen new business partners should red flags be identified.

The approach to public procurement sanctions enforcement is therefore necessarily **risk assessment-based**. The Commission FAQs state that, in the case of doubt, public buyers should request additional information, explanations or documents from prospective tenderers. National guidelines vary: the French Ministry of the Economy and Finance, for example, published a Fiche Technique<sup>30</sup> on 15 April 2022 recommending that contracting authorities check specialised company databases to verify information provided by companies and to trace any ties, whether direct or indirect, to individuals and companies subject to sanctions. However, tracing final beneficiaries in this manner is resource-intensive and likely to be beyond the means of most public authorities, and of the Commission in the case of direct and indirect management.

### 2.3 Beneficial ownership

Data on direct beneficiaries is not sufficient to determine ties to individuals and companies subject to the sanctions on Russia. To trace where EU funds really end up, identifying the beneficial owner, or real person who ultimately owns, controls or benefits from a company or trust fund and the profits it makes, is essential<sup>31</sup>.

The 5th Anti-Money Laundering Directive<sup>32</sup> requires the collection of data on beneficial ownership provided by direct beneficiaries in central registers<sup>33</sup> maintained at national level, to which contracting authorities have access. In theory, this should enable contracting authorities to check who ultimately benefits from tenders before awarding them. However, the national beneficial ownership registers are not always sufficient to determine the final beneficiaries of EU funding. There are several reasons for this:

- **Complex ownership structures** – tracing final beneficiaries is complicated and often impossible, since those subject to the funding sanctions use anonymised trust funds, shell companies, tax-haven based intermediaries and other methods to obscure their involvement;
- Member States use varying register systems with different degrees of transparency and there is **no common central database** using unique personal and corporate identifiers;
- **Inconsistent and inaccurate reporting** – different transliterations of Cyrillic and spellings of names, for example, and non-compliance with reporting requirements could impede the identification process;

<sup>29</sup> European Commission, 'Guidance for EU operators: Implementing enhanced due diligence to shield against Russia sanctions circumvention', 2023.

<sup>30</sup> Ministère de l'Économie et des Finances, 'Fiche technique : Mise en œuvre de l'interdiction d'attribuer ou d'exécuter des contrats de la commande publique avec la Russie', 15 April 2022.

<sup>31</sup> Article 3(6) of the 4th Anti-Money Laundering Directive.

<sup>32</sup> Article 30 of the 5th Anti-Money Laundering Directive.

<sup>33</sup> European e-Justice Portal, Business registers in EU countries.

- **Legislative loopholes** enable entities registered in other countries to bypass the requirement to provide beneficial ownership data;
- The current **definition of beneficial owner** allows for arbitrary decisions about what can be left out of beneficial ownership declarations<sup>34</sup>; in addition, there is no requirement for those owning fewer than 25% of shares to appear in the national registers<sup>35</sup>.

Member States differ considerably in how their registers have been implemented and how accessible they are, with some registers subject to a fee. The **Beneficial Ownership Registers Interconnection System (BORIS)**<sup>36</sup> is a decentralised platform that connects the national beneficial ownership registers in a searchable database. While only 10 Member States currently participate, BORIS will gradually connect all the Member States' registers, plus those of Iceland, Liechtenstein and Norway. The majority of records on BORIS are still subject to a fee, however, and records often don't show full ownership chains<sup>37</sup>.

Even supposing that public authorities at EU, national, regional and local level always check the beneficial ownership registers before deciding to award a contract, ties to sanctioned individuals may only be proven through intensive investigative methods, which public entities are unlikely to perform. Whether and to what extent contracting authorities check the beneficial ownership registers before awarding a contract is a point for further analysis.

### 2.3.1 Societal scrutiny of beneficial ownership

The media and civil society play an invaluable role in uncovering corruption and enforcing sanctions against Russian oligarchs. On 22 November 2022, however, the Court of Justice of the European Union (CJEU) ruled that, for reasons of data protection, the public would no longer have unrestricted access to the identities of beneficial owners as provided for in AMLD5, resulting in the closure of publicly accessible beneficial ownership registers all across the EU<sup>38</sup>. The forthcoming AMLD6<sup>39</sup> should reflect the CJEU's decision, while looking for ways to provide access to such data and tightening up loopholes. In its position at first reading<sup>40</sup> on the AMLD6 proposal, the European Parliament states that the directive should define 'a minimum and non-exhaustive list of persons that have a legitimate interest in accessing information on beneficial owners', and that the definition of who has 'legitimate interest' in accessing such information should be interpreted broadly.

## 3. EU sanctions enforcement

### 3.1 European Parliament's position

In its resolution of 7 July 2022 on the protection of the EU's financial interests<sup>41</sup>, the European Parliament recognised the need for a harmonised system to ensure that those subject to sanctions cannot succeed in remaining under the radar. It reiterated 'its urgent call for the Commission to establish an EU-wide, mandatory, integrated and interoperable system building on, but not limited to, existing tools such as ARACHNE and EDES' and recalled that 'this system must contain information on all EU co-financed projects, beneficiaries and beneficial owners, and allow for the aggregation of all individual amounts concerning the same beneficiary or beneficial owner'.

<sup>34</sup> [International Tax Review, 'The Italian Supreme Court rules on the definition of beneficial owner' 26 August 2020.](#)

<sup>35</sup> [Transparency International, 'What the global standard on company ownership should look like: five key fixes', 6 August 2021.](#)

<sup>36</sup> [European e-Justice Portal, Beneficial Ownership Registers Interconnection System.](#)

<sup>37</sup> [Open ownership, 'The value of connecting beneficial ownership data across the European Union', 27 September 2022.](#)

<sup>38</sup> [Judgment of the Court of Justice in Joined Cases C-37/20, C-601/20, Luxembourg Business Registers.](#)

<sup>39</sup> [Commission proposal of 20 July 2021 for a directive of the European Parliament and of the Council on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive \(EU\) 2015/849 \(COM\(2021\)0423\).](#)

<sup>40</sup> [European Parliament position of 14 April 2023 on the proposal for a directive of the European Parliament and of the Council on the mechanisms to be put in place by the Member States for the prevention of the use of the financial system for the purposes of money laundering or terrorist financing and repealing Directive \(EU\) 2015/849.](#)

<sup>41</sup> [European Parliament resolution of 7 July 2022 on the protection of the European Union's financial interests – combating fraud – annual report 2020 \(Texts adopted, P9\\_TA\(2022\)0300\).](#)

On 17 October 2023, Parliament held a plenary debate on the effectiveness of EU sanctions on Russia. During the debate, Council and Commission representatives highlighted that sanctions had indeed been effective thus far. MEPs, however, stressed that the sanctions imposed so far had been insufficient and that more needed to be done to close loopholes.

### 3.2 Responsibility for sanctions enforcement

The Commission is responsible for monitoring the enforcement of EU sanctions across the Union and ensuring their harmonised application<sup>42</sup>. However, the ultimate responsibility for the correct application and enforcement of EU sanctions rests with the Member States competent authorities; it is their job to identify breaches and apply the appropriate penalties<sup>43</sup>. The Commission closely monitors credible allegations of violations, including in the media, and decides whether to raise cases with the national competent authorities.

### 3.3 Sanctions violation – a Eurocrime

On 28 November 2020, the Council adopted a decision<sup>44</sup> to make breaching EU sanctions an **EU crime** under Article 83(1) of the TFEU. This represents a major step towards harmonising EU sanctions enforcement across the Member States and dissuading attempts by sanctioned persons to continue accessing their assets and EU funding.

On 2 December 2022, the Commission presented its proposal<sup>45</sup> for a directive containing minimum rules concerning the definition of criminal offences and penalties for the violation of EU restrictive measures. The objectives of the proposal are to:

- approximate definitions of criminal offences related to the violation of Union restrictive measures;
- ensure effective, dissuasive and proportionate penalty types and levels for criminal offences related to the violation of Union restrictive measures;
- foster cross-border investigation and prosecution; and
- improve the operational effectiveness of national enforcement chains to foster investigations, prosecutions and sanctioning.

On 9 November 2022, the European Chief Prosecutor, Laura Kövesi delivered a speech in which she called for the EPPO's competences to be extended to the prosecution of EU sanctions violations in order to more effectively enforce EU rules on sanctions against Russia<sup>46</sup>.

### 3.4 EU Sanctions Envoy

On 13 December 2022, the Commission appointed David O'Sullivan in the new position of International Special Envoy for the Implementation of EU Sanctions. His role is to 'ensure continuous, high-level discussions with third countries to avoid the evasion or even the circumvention of the unprecedented restrictive measures that have been imposed on Russia since the start of its war against Ukraine'<sup>47</sup>.

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<sup>42</sup> [Commission FAQs on restrictive measures \(sanctions\), 26 February 2022.](#)

<sup>43</sup> [Articles 63\(2\) and 36\(3\) of the Financial Regulation; Article 8 of the EU-Russia Sanctions Regulation.](#)

<sup>44</sup> [Council decision of 30 June 2022 on identifying the violation of Union restrictive measures as an area of crime that meets the criteria specified in Article 83\(1\) of the Treaty on the Functioning of the European Union.](#)

<sup>45</sup> [Commission proposal of 2 December 2022 for a directive of the European Parliament and of the Council on the definition of criminal offences and penalties for the violation of Union restrictive measures \(COM\(2022\)0684\).](#)

<sup>46</sup> [Speech of the European Chief Prosecutor, Laura Kövesi, at the Legal Affairs Committee of the Bundestag, 9 November 2022.](#)

<sup>47</sup> [Commission representation in Ireland, 'EU appoints David O'Sullivan as International Special Envoy for the Implementation of EU Sanctions', 13 December 2022.](#)



### 3.5 State of play of EU initiatives

On 19 January 2021, the Commission published a communication<sup>48</sup> entitled 'The European economic and financial system: fostering openness, strength and resilience' in which it put forward proposals for improving the implementation and enforcement of EU sanctions regimes, including:

- A **Sanctions Information Exchange Repository** – a database for the prompt reporting and exchange of information between Member States and the Commission on the implementation and enforcement of sanctions set to be developed in 2021. The state of development of this tool is as yet unclear.
- Strengthening cooperation on sanctions, in particular with G7 partners – through the '**Freeze and Seize**' **Task Force**<sup>49</sup> set up in March 2022, the Commission is now working at international level alongside the 'Russian Elites, Proxies, and Oligarchs (REPO)' Task Force, under which the EU operates together with the G7 countries, as well as Australia, to ensure harmonised international sanctions enforcement.
- The **EU Sanctions Whistleblower Tool**<sup>50</sup> – a dedicated tool has been set up to facilitate anonymous reporting of breaches of EU sanctions and enable the Commission to monitor possible violations of sanctions law by Member States. The system provides confidentiality guarantees to address the potential implications for those who report illicit activities.
- Working with Member States to create a **single contact point** for sanctions enforcement (state of play undetermined).

The Commission's proposals stopped short of the establishment of an **EU-wide sanctions enforcement body**, but Commissioner Mairead McGuinness has since expressed support for the creation of such a body to help Member States implement sanctions and ensure more consistent oversight and enforcement<sup>51</sup>.

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<sup>48</sup> [Commission communication of 19 January 2021 on the European economic and financial system: fostering openness, strength and resilience \(COM\(2021\)0032\)](#).

<sup>49</sup> [Commission press release, 'Enforcing sanctions against listed Russian and Belarussian oligarchs: Commission's Freeze and Seize Task Force steps up work with international partners', 17 March 2022](#).

<sup>50</sup> [EU Sanctions Whistleblower Tool, European Commission](#).

<sup>51</sup> [Financial Times, 'Brussels pushes for tougher sanctions enforcement via EU-wide body', 3 July 2022](#).