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Russia added to the EU's 'blacklist' of money-laundering jurisdictions

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On 3 December, the European Commission added Russia to the EU's list of high-risk countries – commonly referred to as the 'blacklist' – deemed to have strategic deficiencies in their frameworks for countering financial crime. The decision will formally enter into force within two months of publication unless overturned by the European Parliament or the European Council. Russia was subjected to restrictions even though it is not listed by the Financial Action Task Force (FATF), the international watchdog of which the EU is a founding member.

The Commission's assessment found that Russia had failed to comply with FATF standards in several key areas. These include guaranteeing the independence of its financial intelligence unit (Rosfinmonitoring), cooperating with foreign counterparts – particularly in the exchange of information –, ensuring transparency regarding transaction beneficiaries, and properly tracking crypto-asset transfers. According to the Commission, these gaps have been exploited for money laundering, financing terrorism, and evading sanctions. Moreover, Russia cooperates closely with the Democratic People's Republic of Korea (DPRK), which has been blacklisted by both FATF and the EU and is also under UN sanctions.

The decision to add Russia to the 'blacklist' followed sustained pressure from several EU member states and the European Parliament, which in July effectively forced the Commission to reassess Russia's financial system. Opposition from MEPs to the new designation therefore appears unlikely. For the Council to veto the measure, a qualified majority of member states would be required – a scenario that appears improbable. As a blacklisted country, Russia will come under much greater economic pressure, while the EU's sanctions regime will be further tightened. Broader economic ties with Russia are also likely to be further curtailed.

Commentary

- **Russia's inclusion on the EU's blacklist will impact all entities directly or indirectly linked to the country.** Until now, financial restrictions imposed on Russia have targeted only selected entities named in individual sanctions packages. Under the new designation, EU-based financial institutions will be required to conduct enhanced due diligence on transactions involving Russian companies and citizens, including those routed through third countries, and to report them. In case of doubt regarding the ultimate beneficiaries, banks will either demand detailed clarification or refuse to process

the transaction altogether.

- **Difficulties in carrying out cross-border transactions with Russian entities may accelerate the EU's phasing out of energy imports from Russia.** The requirement for enhanced scrutiny of financial transactions will pose a serious obstacle to cooperation with Russian companies, potentially leading to a further decline in overall EU-Russia trade. In the third quarter of 2025, trade fell to approximately €13 billion, its lowest level since 2002, with the EU recording a surplus. Russia's share in the EU's external trade dropped to around 1%; natural gas (€3 billion) and crude oil (€0.9 billion) remained the EU's main imports from Russia.
- **The EU's decision also increases the risks associated with close cooperation with Russia for third countries.** Financial institutions from non-EU jurisdictions, such as those in China, India, and the United Arab Emirates, will likely be forced to scale back such cooperation in order to avoid jeopardising their relationships with EU banks. This will increase the cost of Russia's dealings with foreign partners and lengthen delivery times. In response, Russia is likely to accelerate its efforts to develop alternative payment channels – for example, through the use of cryptocurrencies.
- **The EU's decision to classify Russia as a high-risk country for financial crime is a response to FATF's refusal to impose similar restrictions.** Since the beginning of Russia's full-scale invasion of Ukraine, Western countries have repeatedly, though unsuccessfully, attempted to expand the FATF blacklist, a move that would require all jurisdictions adhering to FATF standards (around 200 countries and territories) to apply enhanced due diligence to financial transactions involving Russian entities. However, countries maintaining close cooperation with Russia have blocked such measures. FATF's sole action was to suspend Russia's membership in February 2023. Consequently, the EU, which had previously followed FATF recommendations, decided to impose its own restrictions on Russia.