

The European Union (the “**EU**”) has adopted new reporting requirements through the newly introduced Article 5r of Regulation 833/2014 (the “**Regulation**”), targeting legal persons and entities with substantial connections to Russia.

The new requirements will provide national competent authorities (“**NCA**s”) with greater transparency on the flow of funds related to Russian-owned entities outside the EU, without jeopardising the activities of entities that are (partially) Russian-owned and operating legitimately in the EU. As a result, NCAs will be in a better position to assess whether certain types of transfers pose a risk of non-compliance with Russia-related sanctions and contribute to mapping Russia’s sources of income.

As of 1 May 2024, entities that meet the criteria described below must quarterly report to the NCA of the Member State in which they are established any transfer of funds outside the EU exceeding EUR 100,000. This applies to transfers made by direct and indirect means (i.e., indirect transfers of funds from an EU-based entity through one or more intermediaries within the EU, and then to a recipient outside the EU).

The reporting obligation under Article 5r applies to EU legal persons, entities, and bodies whose proprietary rights are owned, directly or indirectly<sup>1</sup>, for more than 40%<sup>2</sup> by:

1. a legal person, entity or body established in Russia;
2. a Russian national, including those with dual nationality; or
3. a natural person residing in Russia. (Hereinafter collectively referred to as the “**Obligated Parties**”).

Credit institutions may use customer data stored in accordance with general KYC legal requirements to identify a legal person, entity or body that is (more than 40%) owned by the relevant Russian party. Alternatively, they shall resort to the information collected on the basis of a regular review of their customers.

The reporting obligation applies to transfers exceeding EUR 100 000 made in one or more transactions by the same Obligated Party. There is no minimum threshold for individual transactions that are part of the total sum of all relevant transfers. The cumulative amount of EUR 100 000 applies within the reference period, which is every quarter as indicated for Obligated Parties and every six months as indicated for credit and financial institutions.

The first report of the Obligated Parties should cover the period from 1 January to 31 March 2024. However, the reporting obligation does not apply until 1 May 2024. From the second quarter of 2024 onwards, reports are due two weeks after the end of each quarter.

As for the reporting obligation for credit and financial institutions initiating transfers of funds out of the EU for a cumulative amount exceeding EUR 100 000 over a six-month period, this report will be due on the day following the end of the first six-month period. Therefore, the first report will be due by 15 July 2024 and the second one by 15 January 2025.

Regarding the information that must be provided at the time of reporting, the Commission has provided some [guidance](#) as a recommendation.<sup>3</sup>

Lastly, Article 5r also requires Member States to review the information reported in order to identify transactions, entities and business sectors that present a serious risk of violation, circumvention, or misuse of funds contrary to EU sanctions.

## Contacts



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1 Indirect ownership may be understood as not having nominal ownership over the entity, but through a chain of intermediaries. Furthermore, it should not be confused with control, which is established as a result of an assessment of the facts, taking into account all relevant circumstances.

2 Taking aggregate ownership into account.

3 Obligated Parties and the credit institutions concerned are not bound by this specific template.