

The European Commission (EC) has adopted a delegated regulation adding the Russian Federation (Russia) to the EU's list of "high-risk third countries" for anti-money laundering (AML) and counter-terrorist financing purposes (EC, IP/25/2910). This measure amends EC Delegated Regulation (EU) 2016/1675, which supplements Directive (EU) 2015/849 and contains the EU's high-risk country list.

For banks and other "obliged entities," EU law will now treat Russia not only as a heavily sanctioned state, but as a structural AML and "Combating the Financing of Terrorism" (CFT) risk. That classification triggers mandatory enhanced due diligence on relationships with a Russian nexus and will increase supervisory pressure on any institution that still has direct, or even indirect, exposure to Russian counterparties.

Legal Character of the Measure

In its 3 December 2025 press release, the EC states that its assessment has concluded that Russia meets this definition and must be added to the EU's list of high-risk third countries.¹ The delegated regulation is now transmitted to the Parliament of the EU and the Council of the EU, which have one month, extendable for up to two months, to object. If there are no objections, the act will be published and become directly applicable in all EU member states.

Relationship with the Financial Action Task Force (FATF) and the International Context

The EU's move goes beyond the current position of the FATF, which had previously restricted Russia's participation in 2022 and suspended its membership in February 2023, on the grounds that the invasion of Ukraine had breached the organisation's core principles. However, Russia's suspension did not mean they were being blacklisted by the FATF, nor were they even put on the FATF's "grey list" of jurisdictions subject to increased monitoring. Ukraine has been urging the FATF to definitively blacklist Russia but reports around the organisation's October 2024 plenary session indicate that efforts to do so were met with opposition from countries like China, India, Brazil, South Africa and Saudi Arabia.²

To address this gap, a July 2025 amendment to the Delegated Regulation (EU) 2016/1675 created a review mechanism applicable to jurisdictions whose FATF membership has been suspended for serious breaches. The fourth AML Directive requires the EC to identify third countries whose AML/CFT regimes have "strategic deficiencies" that threaten the integrity of the EU's financial system. It does this through delegated acts that update the list of "high-risk third countries" annexed to Delegated Regulation (EU) 2016/1675. As per the rules the EC adopted in 2020, it starts with the FATF's lists but then carries out its own assessment and may add countries or territories autonomously where it considers there to be a particularly high risk to the EU. Russia is the first major case that this mechanism has been used. In practice, this means that FATF status can no longer be treated as a complete proxy for how the EU classifies third-country risk.

Russia's Risk Profile

There is a substantial record supporting the view that Russia presents a particularly high AML/CFT risk. Transparency International's 2024 Corruption Perceptions Index gives Russia a score of 22/100, placing it among the most corrupt countries covered.³ Extensive research has described how Russian state-linked and private actors make use of complex ownership chains, shell companies and cooperative jurisdictions to reroute trade and move funds in the context of existing sanctions.⁴ The European Parliament's Research Service notes ongoing concerns about corruption in Russia, and about links between state institutions and organised criminal activity, and considers that Russia falls within the criteria set out in the European Commission's methodology for possible designation as a high-risk third country.⁵

Consequences for Obligated Entities

Once the delegated regulation takes effect, Russia's high-risk status will trigger specific obligations for all EU-regulated "obliged entities." These include banks, investment firms, payment and e-money institutions, certain crypto-asset service providers, auditors, accountants, specified legal professionals, trust and company service providers, as well as real estate agents. Obligated entities must apply enhanced customer due diligence whenever they establish or maintain a business relationship involving a high-risk third country or carry out occasional transactions with a high-risk nexus.

1 European Commission, "[Russia added to list of high-risk jurisdictions](#)", press release, 2 December 2025.

2 Eleanor Myers, "[Ukraine rails against decision to exclude Russia from anti-money laundering blacklist](#)", Politico Europe, 29 October 2024

3 International, "[Russia](#)", Transparency International country profile.

4 Iwona Wiśniewska, with the co-operation of Filip Rudnik, [A Game of Cat and Mouse: How Russia Is Circumventing Sanctions](#), OSW Report 4/2025 (Warsaw: Centre for Eastern Studies, 2025).

5 Piotr Bąkowski, "[Listing Russia as a High-risk Third Country for Money Laundering and Terrorist Financing](#)", At a Glance, European Parliamentary Research Service, November 2024.

In practical terms, enhanced due diligence means obtaining more detailed information on customers and beneficial owners, looking more closely at the sources of funds and wealth and monitoring relationships more intensively. Supervisors may also require specific additional measures for high-risk jurisdictions. Group-wide rules oblige financial groups to ensure that branches and subsidiaries in high-risk countries apply equivalent AML/CFT standards, or that further safeguards are put in place if local law prevents that.

Many international banks have already reduced Russia-related activity because of sanctions and reputational concerns. The listing raises the regulatory baseline for any remaining exposures. Supervisors are now more likely to ask why any Russia nexus remains, whether it is still compatible with the institution's risk appetite and whether the enhanced due diligence and monitoring are genuinely proportionate to Russia's status. The European Banking Authority's 2023 opinion on de-risking notes that institutions are expected to manage, rather than automatically exit, high-risk relationships, but recognises that in some cases exiting may be the only realistic option. For potential clients, the practical message is that any direct or indirect Russian link will attract greater scrutiny and may in some cases result in reduced or terminated services.

Interaction with Sanctions and Frozen Assets

This AML measure sits on top of the EU's wider Russia regime. Since 2022, the EU has adopted successive sanctions packages that restrict Russian banks' access to EU capital markets, remove key institutions from the Society for Worldwide Interbank Financial Telecommunication (SWIFT), limit exports of sensitive goods and reduce imports of Russian energy, including a recent ban on Russian liquefied natural gas.

In parallel, the EU and its G7 partners have immobilised more than €200 billion in Russian central bank assets and frozen substantial private assets. The EU has established a framework to use the "extraordinary revenues" generated by these immobilised sovereign assets to support Ukraine, and the first transfers have already been made. Discussions continue over whether to use future revenues to back an even larger loan for Ukraine. The AML listing does not itself alter the legal status of those assets, but it reinforces the view that Russia represents a long-term systemic financial-crime risk and supports the case for keeping financial links with Russia tightly constrained.

How We Can Help

Russia's new status as an EU high-risk AML jurisdiction sits squarely where sanctions, export controls and financial regulation meet. Our international trade and sanctions team is used to working in that overlap. We help clients understand where their real Russia nexus lies (direct and indirect), what can still be managed with robust controls.

We regularly design and refine sanctions and AML frameworks: jurisdiction-specific risk assessments, enhanced due diligence playbooks, escalation paths and approval processes that supervisors recognise, and front-office teams can actually use. Where existing structures are no longer sustainable, we advise on unwinds, restructurings and communications with banks, investors and key commercial partners who may now reassess their own risk appetite.

For any business with residual Russian exposure, or with activity in regions and sectors sensitive to Russia-linked circumvention, the immediate task is to get ahead of how regulators and counterparties will respond to this change. We can work with you to map that risk, prioritise responses and adjust policies, as well as documentation and transaction structures so that your position remains both compliant and commercially defensible.

Contacts



José María Viñals
Partner, Madrid/Brussels
T +34 91 426 4840
T +34 649 133 822
E josemaria.viñals@squirepb.com



Diego Sevilla Pascual
Senior Associate, Brussels
T +322 627 7612
E diego.sevillapascual@squirepb.com



Tigran Piruzyan
Senior Associate, Madrid
T +34 618 017 354
E tigran.piruzyan@squirepb.com