

RuAssetsWatch

MONITORING INITIATIVES TO CONFISCATE RUSSIAN ASSETS FOR THE RECOVERY OF UKRAINE

March 2023

In this issue:

- On March 23, EU leaders met in Brussels. The focus was on the effective implementation of sanctions and counteracting their circumvention by third countries, as well as intensifying efforts to use frozen Russian assets for Ukraine's recovery.
- The US Attorney General visited Ukraine as part of the United for Justice conference to promote the operational work of the Joint Investigation Team on war crimes and the KleptoCapture Task Force.
- The U.S. Departments of Commerce, Justice, and Treasury have issued a *Tri-Seal Compliance Note* for businesses to help identify warning signs and implement appropriate measures to prevent violations of U.S. sanctions and export control laws.
- The U.S. Treasury Department's Office of Foreign Assets Control (OFAC) has imposed sanctions on a network of five companies and one individual who assisted Iran in the procurement of unmanned aerial vehicles (UAVs). The network, based in China, is responsible for the sale and delivery of thousands of components.
- The European Commission and a number of EU countries (Czech Republic, Cyprus, Denmark, Hungary, Lithuania, Malta, Romania, Slovenia and Spain) are launching a project to monitor compliance with sanctions on Russia, aimed at eliminating gaps in the sanctions regime and coordinating actions between governments. The project may become a precursor to a new EU supervisory body.

- **The EU and G7 countries are trying to find and freeze the assets of Russian billionaires under sanctions, but while some countries have frozen billions (Belgium and Luxembourg), others have rather modest figures. This call for the Freeze and Seize Task Force and the international group REPO (Russian Elites, Proxies, and Oligarchs Task Force) to intensify efforts to find assets and identify those who help sanctioned persons hide them.**
- **According to representatives of the Ministry of Justice of Ukraine, the decision of the International Criminal Court in The Hague on the arrest warrant for Putin could become a catalyst for many processes, in particular, affecting the creation of an international compensation mechanism and the confiscation of frozen Russian assets.**
- **The Government of Ukraine plans to adopt a Strategy for the Management of Confiscated (Seized/Recovery/Sanctioned) Assets to improve the asset management procedure.**
- **The Verkhovna Rada of Ukraine is planning to consider a draft law that would create a State Register of Sanctions and improve the procedure for High Anticorruption Court (HACC) judicial review of sanctions cases.**
- **These and other initiatives may indicate a desire to bring order to the management of confiscated assets, as well as some competition between the State Property Fund and the Asset Recovery and Management Agency, which are actually doing similar work.**
- **The HACC confiscated to the state a share in the authorised capital of business entities that own the Ocean Plaza shopping mall in Kyiv, previously owned by Russian oligarch Rotenberg.**
- **The National Agency for Corruption Prevention publishes lists of foreign companies that continue to cooperate with Russia despite the international recognition of Russia as an aggressor state and sanctions.**

The material was prepared with the support of the International Renaissance Foundation within the framework of the project "Advocacy for the Green Recovery of Ukraine through Increased Support for Ukraine and Weakening of Russian Influence in the EU". The material reflects the position of the authors and does not necessarily reflect the position of the International Renaissance Foundation.

1. The main focus of EU and U.S. efforts is the effective implementation of sanctions and countering their circumvention

Background

On 23 March 2023, the [European Council met](#) to discuss the latest developments in connection with Russia's war against Ukraine and the EU's continued support for Ukraine.

In particular, EU leaders confirmed:

- continued support for the recovery and reconstruction of Ukraine in coordination with international partners. In this context, the European Council reiterated the EU's full support for the establishment of an **international mechanism to register the damage** caused by Russia. Together with its partners, the EU will continue **to work on the use of seized and frozen Russian assets for the recovery of Ukraine** and for the purpose of compensation, in accordance with EU and international law;

- maintaining and increasing collective pressure on Russia, including through further restrictive measures. **The European Council underlined the importance and urgency of stepping up efforts to ensure the effective implementation of sanctions at European and national levels, and is committed to effectively preventing and countering circumvention in and by third countries.** The European Council called on the EU Council and the European Commission to strengthen all necessary enforcement instruments and to develop, together with the EU Member States, a fully coordinated approach (*For more information on the European Council's conclusions following the meeting, click [here](#)*).

The EU leaders' meeting was preceded by a [meeting between US President Joe Biden and European Commission President Ursula von der Leyen](#). During the meeting, Biden noted that together, the EU and the US have strengthened their common energy, economic and national security. Following the meeting, von der Leyen [said](#): "*We'll continue to support Ukraine and diminish Russia's ability to wage war. We are stepping up enforcement of our sanctions to prevent evasion & circumvention. We must disrupt the supply routes that continue to feed Russia's military machine and will sanction those involved.*"

According to [Atlantic Council](#) analysts, the EU has been an indispensable partner with the US in the coalition against Russia. The EU has imposed ten [sanctions packages](#), excluded some Russian banks from the SWIFT messaging system, frozen Russian state assets, closed European airspace to Russia and rapidly diversified its dependence on Russian energy. The total amount of EU aid to [Ukraine](#) is second only to the United States, but the EU has committed to and provided more budgetary support to Ukraine.

At the same time, in early March, US Attorney General Merrick B. Garland made an unannounced visit to Lviv at the invitation of the Prosecutor General of Ukraine to join international partners at the United for Justice conference. The US Attorney General reaffirmed his determination to hold Russia accountable for crimes committed in Ukraine. The conference provided a forum to discuss concrete initiatives and measures that the international community,

together with Ukraine, is taking to comprehensively seek justice and accountability for all those responsible for war crimes in Ukraine.

According to [the US Department of Justice](#), this trip is an important part of an unwavering commitment to Ukraine's freedom. This commitment takes two forms:

- Determination to hold Russia accountable for war crimes committed during its unjust invasion through investigations and other work by the Department of Justice's War Crimes Accountability Team; and
- ongoing work to seize illegal Russian assets for the benefit of the people of Ukraine and prosecute those who facilitate the evasion of sanctions imposed on Russia through the KleptoCapture Task Force.

Analysis

Thus, the **presence of the US Attorney General in Ukraine is not only symbolic, but also strategic, as it serves the purpose of promoting the operational work of the Joint Investigation Team on war crimes and the KleptoCapture Task Force.**

The shift from quantity to quality in the sanctions policy of Ukraine's partner countries may indicate an expected increase in pressure to close loopholes for circumventing sanctions imposed on Russia through third countries. Such pressure is necessary because Russia still has sufficient resources to continue the war, including due to the lack of effectiveness of sanctions and the use of third parties to circumvent them.

Steps taken by Ukraine's allies may indicate a strengthening of this position. For example, on 2 March 2023, the U.S. Department of Commerce's Bureau of Industry and Security (**BIS**), the U.S. Department of Justice (**DOJ**), and the U.S. Department of the Treasury's Office of Foreign Assets Control (**OFAC**) [published](#) a document Tri-Seal Compliance Note on the suppression of third-party intermediaries used to evade Russia-related sanctions and export controls.

This document details how the Russian Federation uses third-party intermediaries and transshipment points to circumvent sanctions and conceal the true beneficiaries (end users), and highlights various tactics to assist the US private sector in identifying warning signs and implementing appropriate mitigation measures.

The authors point out that it is crucial that financial institutions and other entities doing business with or in the United States, or companies dealing with goods or services originating in the United States that are subject to export laws, be vigilant of attempts by individuals to evade sanctions and export control laws. Effective compliance programmes are a risk-based approach to sanctions and export control compliance. The development, implementation and regular updating of a compliance programme is a key tool, which also depends on the size and complexity of the business, products and services, customers and counterparties, and location. Companies positioned as manufacturing, distribution, trading intermediaries and freight forwarders are best placed to determine whether a particular agreement, transaction or activity is in line with

industry norms and practices. Therefore, they should exercise heightened caution if they detect warning signs of potential sanctions or export control violations.

The document also contains general "red flags" that may indicate that a third-party intermediary may be attempting to avoid sanctions or export controls, in particular:

- the use of shell companies for international wire transfers, often involving financial institutions in jurisdictions other than the company's registration;
- customer refusal to share information about the end use of the product, including unwillingness to fill out an end-user form;
- Refusal of the usual installation, training or maintenance of the product;
- IP addresses that do not match the client's location data;
- Last-minute changes to delivery instructions that contradict customer history or business practices;
- receipt of payments from a third-party country or company not listed as the end user;
- use of personal email addresses instead of corporate email addresses;
- managing complex and/or international businesses that use registered office addresses shared by several related entities;
- changes to standard commitment letters that hide the end user;
- transactions involving changes in deliveries or payments previously planned to be made to Russia or Belarus
- transactions with organisations with little or no online presence;
- sending goods through certain transshipment points that are commonly used to illegally divert prohibited goods to Russia or Belarus. Such locations may be in China (including Macau and Hong Kong) and jurisdictions close to Russia, including Armenia, Turkey and Uzbekistan.

The world's media also point out that the G7 and EU countries are increasing pressure on countries that help Russia circumvent sanctions. Thus, the [Financial Times](#) notes that the United States has launched a campaign to prosecute countries and individuals who help the Kremlin avoid Western sanctions by routing imports through countries such as the UAE and Turkey, as well as Central Asia and the Caucasus. This includes pressure from the US Treasury, Commerce and Justice Departments.

Inter alia, [officials](#) (James O'Brien, head of the US Office of Sanctions Coordination, joined by David O'Sullivan, EU Sanctions Envoy, and David Reed, Director of the UK's Sanctions Directorate) visited the UAE to explain the broad scope of its trade restrictions and to put pressure on officials to stop the alleged sanctions violations. The US government is worried the UAE is becoming a hub for the shipment of items such as electronics that can be repurposed to

help Russia's war effort. Of particular concern is the so-called "re-exporting" (*parallel import*), when goods are transported through the UAE to the Russian Federation without the consent of the right holder. "*Our main request is that they stop the re-exports and acknowledge these re-exports are problematic*," said James O'Brien, adding that "conversations are continuing".

According to the Russian customs data analysed by the Free Russia Foundation, last year, exports of electronic components from the UAE to Russia increased more than sevenfold to almost \$283 million, which is the largest category of goods supplied in this segment. In 2022, the UAE exported 15 times more microchips to Russia than a year earlier, and trade in these products last year increased to \$24.3 million (from \$1.6 million in 2021).

The discussions with the UAE come as western allies shift their focus from unleashing fresh rounds of sanctions to tightening enforcement and encouraging private sector compliance.

Some progress has already been made in this direction. In particular, Kazakhstan will strengthen the monitoring of goods re-exported to Russia, fearing the risks of secondary sanctions. This was reported by the [Financial Times](#).

Moreover, the [United States is actively imposing sanctions on third parties](#) that help Russia continue the war. In particular, The US Treasury Department's Office of Foreign Assets Control (OFAC) has imposed sanctions on a network of five companies and one individual who assisted Iran in the procurement of unmanned aerial vehicles (UAVs). The network, based in the People's Republic of China, was responsible for the sale and delivery of thousands of aerospace components, including components that could be used for UAV applications, to the Iran Aircraft Manufacturing Industrial Company (HESA). HESA was involved in the production of the Shahed-136 UAV model, which Iran used to attack oil tankers and exported to Russia.

According to the [OFAC press service](#), the Chinese company Hangzhou Fuyang Koto Machinery Co. Ltd used its business infrastructure to facilitate the sale and shipment of aerospace components, including light aircraft engines for Iran's Shahed series UAVs, to HESA. It used a Hong Kong-based shell company, Raven International Trade Limited, to conceal its activities. The Chinese company Guilin Alpha Rubber & Plastics Technology Co. Ltd also facilitated the sale and shipment of thousands of aerospace components worth over one million dollars to HESA. Smaller-scale operations (components for use on aircraft, helicopters and UAVs) were also conducted by China's S&C Trade PTY Co. Ltd, its employee Yun Xia Yuan and China's Shenzhen Caspro Technology Co. Ltd.

Germany is also introducing tough measures against those who help evade sanctions. This was [announced](#) by German Vice Chancellor Robert Habeck. The measures concern companies that evade sanctions, including the possibility of criminal prosecution for false export declarations. In particular, Habeck noted "that evading sanctions is not a minor offence" when he unveiled proposals to restrict the activities of companies that sell goods to Russia through third countries. He also said that he wants such a plan to be adopted across the EU and put into effect in the 11th package of sanctions against Russia.

In turn, the European Commission and a number of EU countries (Czech Republic, Cyprus, Denmark, Hungary, Lithuania, Malta, Romania, Slovenia and Spain) are launching a project to monitor compliance with sanctions against Russia, aimed at eliminating gaps in the sanctions regime and coordinating actions between governments. This was reported by [Bloomberg](#). The initiative is to be implemented over two years, starting in June. The project may become a precursor to a new EU supervisory body.

2. Uneven level of asset freezes in the EU and G7 countries: main problems and search for solutions

Background

Before Russian public and private assets are confiscated and put to work for Ukraine's recovery, partner countries will have to overcome a host of legal and political obstacles. Moreover, the issue of blocking and freezing Russian assets is currently only the tip of the iceberg. Is it possible to reach its underwater part?

The European Parliament has set up a pilot project funded by the European Commission to provide a legal and economic justification for freezing and confiscating Russian assets and transferring them to Ukraine. The Romanian MEP Vlad Gheorghe is in charge of considering these issues within the framework of this project. In an interview with [DW](#), he spoke about the problems faced by European officials. In particular:

- problems with the search for Russian assets;

"It is difficult, but not impossible, to find Russian state property. National banks, treasuries and European institutions have this data, they must have it for the guarantee system to work. And if we talk about where to find this property, then there is no problem with that, the problem is with the right to use it. But when it comes to where to find private assets belonging to Russian oligarchs, their cronies and those behind them, there are some difficulties with this information. In this case, there is a problem with banks, mainly Swiss banks or banks operating in jurisdictions similar to Switzerland. It is there that state assets can be hidden under the names of natural persons. This is a very serious problem, because we are not talking about pennies, but about tens of billions of euro."*

*According to [Bloomberg](#), Credit Suisse and UBS are among banks under scrutiny in a US Department of Justice probe into whether financial professionals helped Russian oligarchs evade sanctions, according to people familiar with the matter. The Swiss banks were included in a recent wave of subpoenas sent out by the US government, the people said. The information requests were sent before the crisis that engulfed Credit Suisse and resulted in UBS's proposed takeover of its rival.

At the same time, Switzerland is also taking some steps to identify intermediaries who help hide criminal assets. The [Financial Times](#) writes that Swiss prosecutors have charged four employees of Gazprombank's Swiss subsidiary with helping to hide tens of millions of Swiss francs allegedly belonging to Putin. They are accused of being criminally negligent in allowing accounts to be opened in Switzerland in the name of Sergei Roldugin, a cellist and godfather of Putin's daughter, without questioning the origin of the funds that passed through them. This is one of the first court cases that directly targets Vladimir Putin's assets.

- lack of information on a unified register of Russian assets or the absence of such a register at all;

"This is important for the EU Public Prosecutor's Office because, given the way things are going, it will become the body that will start prosecuting people who try to circumvent sanctions, and this, in turn, will be the basis for confiscating the assets of these people. So, the register of these assets should be at the disposal of the EU Public Prosecutor's Office. And I think such a register exists, but we have not seen it. Although we do not need the exact addresses of the villas of Russian oligarchs. I want to see how many assets there are, what type of assets they are and in whose jurisdiction they are located."

- no list of derogations from sanctions (more [here](#));

"Over the past few months, we have been trying to get some information from the European Commission. The first thing we asked for was a list of derogations from sanctions that have been granted by countries. Because member states have the right to derogate from sanctions in certain specific situations. I think we should check this list, because there may be something interesting there. We do not have this information, but the European Commission should have it. But they tell us that even though they have something, it is not yet complete, and that is why they do not show us anything."

- no obligation at the EU level for member states to have their own legal mechanism for asset confiscation;

"We need to initiate a mechanism at the European level that would oblige member states to have their own system that would allow them to legally decide what and how to confiscate. Because we can create certain mechanisms at the European level, but there are things that countries can only do on their own. This is normal and legal."

- lack of unity in the EU over the decision to confiscate the assets of the Russian Central Bank.

"We have a system in place that was established more than a hundred years ago, and it is no longer possible to work with it. We have economists who say that if you remove immunity, you will harm the global economy, because no one will ever trust anyone again. But nobody trusts anyone anymore. Besides, if we don't do this, what message will we send to the future? That it's okay to just destroy a country? Even speaking purely in terms of the global economy, if economists don't care about people, what will our message be? Is it okay to do this because your capital will be fine anyway? If a statesman wants to kill people and undermine the global economy, he should know that there will be a price to pay."*

*According to open sources, about a third of the \$300 billion in assets of the Russian Central Bank frozen in the EU and G7 countries have been found. And while the issue of their confiscation is quite sensitive, there are economists who believe that the most important thing now is that even this \$100 billion is used to rebuild Ukraine. [Ukraine's GDP](#) (as of 2022) was about \$200 billion.

Thus, the European Parliament acknowledges that the European bureaucracy is still delaying the confiscation of Russian assets and talks about the lack of political will among in some countries (Hungary and Austria).

Analysis

The EU and G7 countries are trying to find and freeze the assets of Russian billionaires under sanctions, but while some countries have frozen billions, others have rather modest figures.

As experts from the Kyiv School of Economics and the International Working Group on Russian Sanctions (the "Yermak-McFaul Group") found out in their [study](#) of the impact of sanctions on the Russian economy, tens of billions of private assets were frozen mainly as a result of personal sanctions (see table). For example, as of February 23, 2022, 23 Russian billionaires, who were among the 500 richest people in the world, had a total capital of \$339 billion, and a year later they lost \$67 billion of their wealth, which is only 20% less.

Experts explain that the effect of individual sanctions is often relatively weak for the following reasons:

- ✓ family members and close associates remain exempt from sanctions, so sanctioned persons can reduce the impact of sanctions by transferring assets to them;
- ✓ personal sanctions are not applied equally, and therefore many individuals are sanctioned by one of Ukraine's allies and not by another;
- ✓ a significant number of senior Russian officials who have authority and therefore personal responsibility for the war in Ukraine have not yet been sanctioned.

Importantly, there is still no comprehensive understanding of the exact amount of Russian assets located in the countries of the sanctions coalition and to what extent they have actually been frozen or immobilised.

However, according to [Bloomberg](#), there are many more assets of sanctioned Russians that could potentially be targeted. According to official statistics, in 2019, Russia's foreign direct investment in the EU was estimated at €136 billion. While [Belgium](#) and Luxembourg have blocked billions, other member states have released almost negligible figures (Greece froze only €212,201 and Malta €222,470). In addition, not all Russian funds that have entered the EU are linked to sanctioned individuals, and it is not always easy to identify them, as assets are often hidden behind complex company structures or intermediaries.

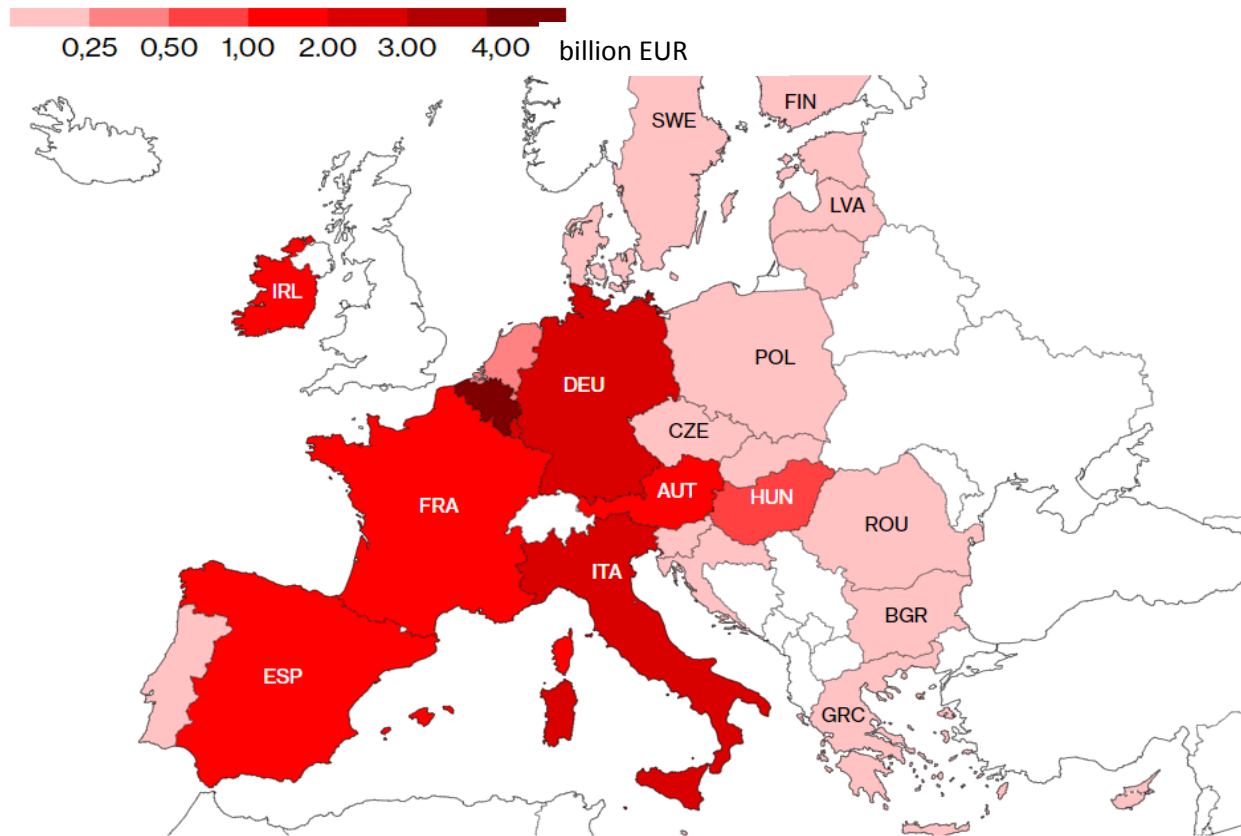
The total number of frozen assets in the EU has more than tripled since April 2022, and this is in addition to the blocking of significant assets of the Central Bank of the Russian Federation, but the EU relies on information provided by Member States and the frequency of updates provided by different governments is not uniform.

Information on frozen Russian assets by country (excluding assets of the Russian Central Bank)

Countries	Frozen assets, USD billion	Frozen assets, billion in national currency	Date of last public update
EU (by country)			
Austria	1.91	EUR 1.8	22.11.2022
Belgium	3.54	EUR 3.5	24.02.2023
Bulgaria	0.012	EUR 0.011	16.12.2022
Cyprus	0.91	EUR 0.086	21.04.2022
Czech Republic	0.011	EUR 0.011	16.12.2022
Estonia	0.022	EUR 0.021	23.11.2022
Denmark	0.005	EUR 0.005	08.08.2022
Finland	0.21	EUR 0.2	21.01.2023
France	1.38	EUR 1.3	22.11.2022
Germany	5.64	EUR 5.32	18.02.2023
Hungary	0.98	HUF 350	16.12.2022
Ireland	1.91	EUR 1.80	22.11.2022
Italy	2.44	EUR 2.30	12.09.2022
Latvia	0.09	EUR 0.08	09.06.2022
Lithuania	0.02	EUR 0.02	04.12.2022
Luxembourg	2.65	EUR 2.5	12.09.2022
Netherlands	2.81	EUR 2.65	29.09.2022
Poland	2.99	PLN 12	20.07.2022
Portugal	0.019	EUR 0.018	02.12.2022
Slovakia	0.005	EUR 0.005	16.12.2022
Spain	1.06	EUR 1	22.11.2022
Sweden	0.03	EUR 0.03	21.04.2022
EU (total)	23	EUR 23.1	17.02.2023
USA	1.05	USD 1.05	31.08.2023
United Kingdom	22.07	GBP 18.39	10.11.2022
British Overseas Territories	9	USD 9	26.10.2022
Switzerland	8.3	CHF 7.5	01.12.2022
Liechtenstein	0.21	CHF 0.20	18.08.2022
Kazakhstan	0.02	USD 0.02	23.05.2022
Canada	0.09	CAD 0.12	23.12.2022
REPO (Russian Elites, Proxies, and Oligarchs Task Force)	58	USD 58	24.02.2023

Source: KSE and Yermak-McFaul Group [research](#) based on open source data

The amount of Russian assets frozen in the EU after February 24, 2022



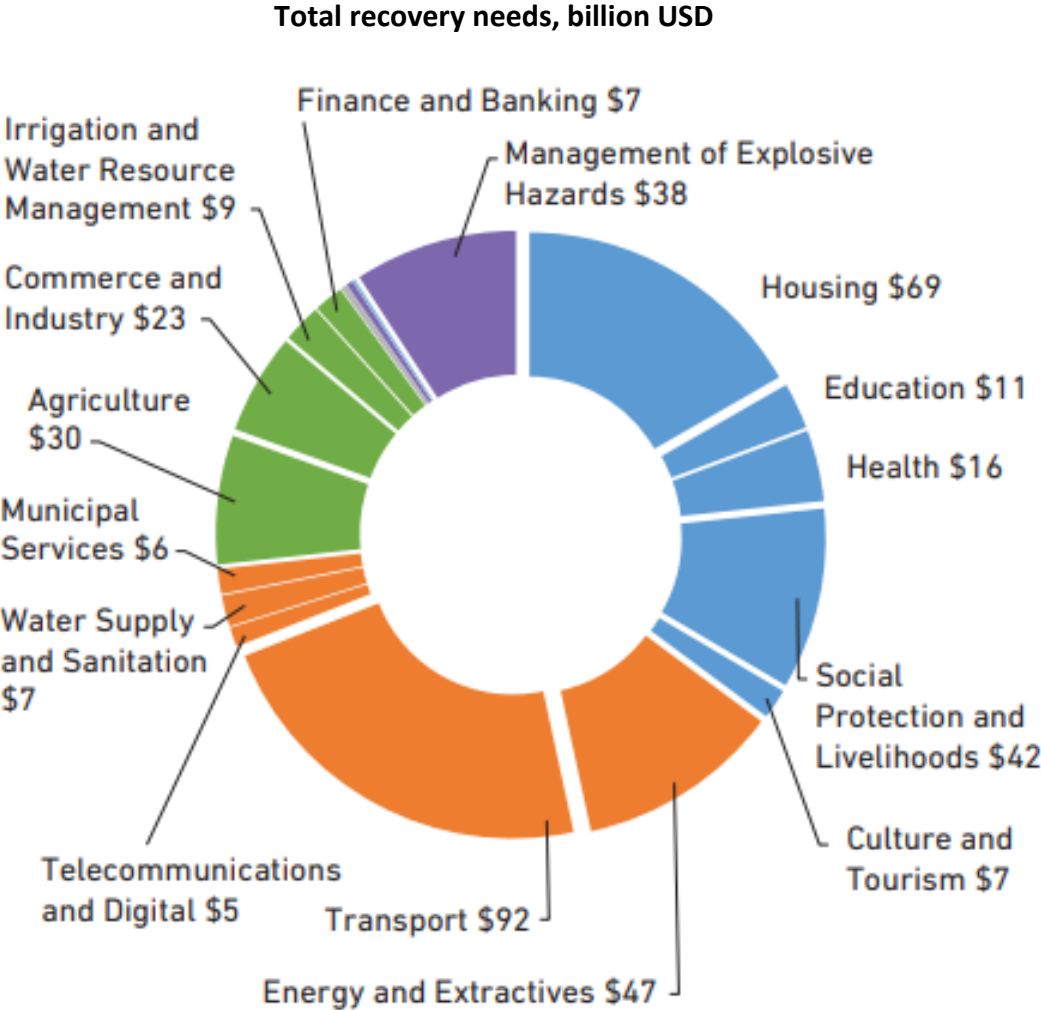
Source: Bloomberg reports

Thus, it is the Freeze and Seize Task Force, established by the EU and the G7 countries at the beginning of Russia's large-scale invasion of Ukraine, and the REPO (Russian Elites, Proxies, and Oligarchs Task Force), which should intensify their work to find the "underwater part of the iceberg of hidden Russian money" and identify those who help sanctioned persons hide such assets. In particular, by coordinating the actions of Ukraine's partner states in the search, freezing and confiscation of Russian assets.

At the same time, as Iryna Mudra, Deputy Minister of Justice of Ukraine, noted in an interview with [Forbes](#) regarding the decision of the International Criminal Court in The Hague to issue an arrest warrant for Putin for the illegal deportation of Ukrainian children: "...the ICC's decision on Putin is unprecedented in many respects and can become a catalyst for many processes. For example, it can influence the creation of an international compensation mechanism. Many countries are wary of the idea of confiscating Russia's frozen assets. But it's one thing to have doubts when it comes to the aggressor, and another to have doubts when it comes to a war criminal. The ruling also affects the extension/lifting of sanctions: it is now impossible to lift them until Russia complies with the court's decision.

In the meantime, there are no legal mechanisms for the confiscation of Russian assets, and various options for their use are being proposed, including [an experimental mechanism to use them in favour of Ukraine as collateral to attract private investment for reconstruction.](#)

At the same time, a new joint assessment [released](#) on March 24 by the Government of Ukraine, the World Bank Group, the European Commission and the United Nations increased Ukraine's recovery and reconstruction needs to **USD 411 billion**, which is 2.6 times the projected GDP of Ukraine in 2022. This estimate covers the period from February 24, 2022 to February 24, 2023. The reconstruction costs are expected to stretch over 10 years and combine both public and private funds.



Source: [Ukraine Rapid Damage and Needs Assessment](#)

Note: the needs relate to the total estimated needs for 2023-2033

The needs assessed for the next decade take into account inflation, market conditions, sharp price increases in regions of massive construction, rising insurance premiums, and a future shift to less energy-intensive, more sustainable, inclusive and modern projects. According to the assessment, the greatest needs are in transport (22%), housing (17%), energy (11%), social protection and livelihoods (10%), explosive ordnance disposal (9%) and agriculture (7%). The largest increase in the level of destruction was recorded in the energy sector, where the level of destruction increased more than fivefold compared to June 2022.

However, as the assessment authors note, the level of damage has not increased as much as expected due to several factors. The first is that the most intense fighting continues to be limited to areas that have already suffered significant damage. Also, certain needs of Ukraine have already been addressed by the government with the support of partners. For example, in the healthcare sector, more than 500 damaged healthcare facilities have been partially or fully repaired. The energy and transport sectors have received equipment, materials and funding for rapid repairs. Another factor was the ability to maintain the functioning of the government and the delivery of basic public services, which helped limit the growth of recovery and reconstruction costs.

3. The Ukrainian government is considering how to effectively manage confiscated Russian assets: SPFU vs ARMA

Background

Today, discussions are ongoing among Ukrainian government circles on how to effectively resolve the fate of seized/confiscated Russian and Belarusian assets so that they can work for the benefit of Ukraine. The amount of seized and confiscated criminal assets is growing, and the question of what to do with these assets is acute: transfer them to market management, leave them in state ownership, or put them up for privatisation.

Ukraine has an institution that operates on the model of managing seized assets (Asset Recovery and Management Agency, ARMA). If seized property is transferred to ARMA by a court decision, the Agency either looks for a manager for the property or, if the property is perishable, sells it at auction. However, there are many questions about the transparency of such auctions, as public activists have repeatedly [stated](#).

Another state authority to which confiscated assets are transferred in accordance with a court decision is the State Property Fund of Ukraine (SPFU), which decides whether to privatise such assets or transfer them to management (lease, concession or other means). According to the Head of the SPFU, Rustem Umerov, in an interview with [Forbes](#), it is planned to transfer the assets managed by the ARMA to the SPFU: "*We hope that the relevant law will be submitted to the Parliament and adopted in the near future. The Fund has already started consultations with the Verkhovna Rada, Cabinet of Ministers and ARMA on the transfer of management functions to the SPFU. The adoption of the law in general may take about a month. It is not yet known how many assets are concentrated in ARMA.*"

To improve the asset management procedure, the Government of Ukraine plans to adopt a [Strategy for the Management of Confiscated \(Seized/Recovery/Sanctioned\) Assets](#).

Analysis

These initiatives of the Government of Ukraine may indicate a desire to bring order to the management of assets confiscated from sanctioned persons, as well as some competition between the SPFU and the ARMA, which actually perform similar work. As the Head of the SPFU, Rustem Umerov, notes: "*ARMA's strategy is to give everything to the market for management. Our strategy is to give part of it to the market, and to keep the rest, if the manager does not meet the KPIs, in the state's management.*"

However, it is difficult to say whether such actions will be beneficial to the overall cause, as judging by the active work of the Ministry of Justice in recent years, the number of assets confiscated under the special procedure of the Law "On Sanctions" is growing (see infographic), and they should start working for the state quickly.

Among such significant assets is the confiscation of the Ocean Plaza shopping mall (the value of which, according to preliminary estimates by the SPFU, may be around USD 160 million)

from the structures of the Russian oligarch Rotenberg and his family members. According to the [High Anticorruption Court \(HACC\)](#), shares in the authorised capital of two Ukrainian business entities that own the shopping mall were confiscated (after confiscation, the state's share will be 65%, the share of Ukrainian businessmen Vasyl Khmelnytskyi and Andrii Ivanov - 35%).

Another initiative from lawmakers to improve the procedure for applying sanctions and monitoring their implementation is the draft Law "On Amendments to Certain Legislative Acts of Ukraine on the Application of Sanctions" (registration No. [8392](#) of January 27, 2023), which is being prepared for the second reading.

According to the draft law, MPs propose to create a State Register of Sanctions and improve the procedure for HACC's judicial review of sanctions cases. In particular, it is proposed to extend the timeframe for consideration of sanctions cases, as well as to give the court the right to announce only the introductory and resolution parts (abridged decision) in the court session, which will significantly speed up the final stage of the case, since, given the large volume of court decisions in this category of cases, its announcement may take from 2 to 8 hours.

In addition, there is currently no unified information base that would allow for a quick and convenient search of sanctioned entities for those public authorities and other entities that are currently implementing the state sanctions policy. For example, notaries, state registrars, primary financial monitoring entities, private and public enforcement officers, etc., when performing their duties in verifying entities applying for certain actions (registration, notarial, enforcement, financial, etc.), are obliged to refer to each individual decision of the National Security and Defence Council (NSDC) enacted by a presidential decree and posted on the official website of the President's and/or NSDC's Internet page. Thus, the absence of a unified database of sanctioned entities complicates the process of sanctions implementation.

So, these initiatives are definitely needed.

In turn, the NACP (National Agency for Corruption Prevention) launched the War & Sanctions [Portal](#), whose main tasks are to:

- ✓ inform foreign governments and the general public about the sanctions that have already been imposed on Russia and call for more sanctions against those who support the war;
- ✓ to see which countries have not yet imposed sanctions on a particular person, regardless of the fact that he or she is already under sanctions in other countries (this should help to synchronise sanctions lists faster and limit the possibility of circumventing sanctions);
- ✓ to publish information about people who support Russia's war against Ukraine, which may prompt them to think twice and stop cooperating with Russia.

The portal also allows users to report assets of sanctioned persons. Frozen assets can contribute to the future recovery of Ukraine. Among other things, the portal publishes lists of individuals and legal entities that are International Sponsors of War. These are foreign companies and individuals who, despite the international recognition of Russia as an aggressor state and the sanctions restrictions imposed, continue to cooperate with it.