In this release:

- The Summit of Heads of State and Government of the Council of Europe was held in Reykjavik, resulting in an agreement signed on the creation of the Register of Damage Caused by the Aggression of the Russian Federation Against Ukraine. This is the first real step of Ukraine’s partners, bringing closer to working out the legal basis for obtaining access to the frozen Russian assets and their subsequent confiscation for the reconstruction of Ukraine.

- The Prime Minister of Belgium Alexander De Croo said that the country had frozen Russian assets worth EUR 180 billion and intended to use part of the taxes on these assets for the reconstruction of Ukraine.

- Members of the European Parliament in the Committee on Civil Liberties, Justice and Home Affairs voted to introduce proposals to the draft Asset Recovery and Confiscation Directive 2022/0167 (COD), which will speed up the freezing and confiscation of criminal assets across the EU.

- The G7 leaders at the Hiroshima summit announced they remain united in the introduction of coordinated sanctions and other economic activities aimed at further undermining Russia’s ability to conduct illegal aggression in Ukraine, and would continue to search, freeze, arrest and, in appropriate cases, confiscate the assets of sanctioned persons.
• The US, UK and Australia have announced new restrictive measures targeting those helping the Kremlin to wage war against Ukraine by circumventing sanctions and tightened export controls.

• According to the media, more than EUR 200 billion of assets of the Russian Central Bank have been frozen in the EU. These are new data after the 10th package of EU sanctions was introduced, which obliged banks to submit reports on frozen sovereign assets of the Russian Federation.

• The U.S. Departments of Commerce and Justice have jointly launched the Disruptive Technology Strike Force to prevent Russia and countries like China and Iran from illegally obtaining advanced US technology. The Strike Force recently announced criminal charges against individuals who supply source code for software and hardware stolen from US technology companies to China.

• The US monitors possible loopholes to circumvent sanctions – the U.S. Department of Justice is investigating whether Binance Holdings Ltd. or its officials helped Russians circumvent sanctions and transfer money through the world’s largest cryptocurrency exchange.

• In Ukraine, the future of Sense Bank (formerly Alfa Bank), controlled by the sanctioned Russian oligarch Mikhail Fridman, has finally been decided. On May 29, 2023, the Verkhovna Rada adopted the Law “On Amending Certain Legislative Acts of Ukraine on Improving the Procedure for Withdrawing Banks from the Market during Martial Law”, which will allow nationalizing Sense Bank.

• Law enforcement agencies exposed the scheme of the sanctioned oligarch Dmytro Firtash and the directors of gas DSOs controlled by him. According to the investigation, the DSOs “purchased” fuel from an affiliated company but received no more than 30% of the gas paid for. According to preliminary estimates, the amount of damage in 2016-2022 may be more than UAH 18 billion. The assets of DSOs are currently under the management of Naftogaz structures.

• The President Volodymyr Zelenskyi signed a decree on the introduction of sanctions on legal entities and individuals, including VS Energy International NV (Netherlands), owner of several electricity DSOs in Ukraine and VS Energy Latvia. Further implementation of the introduced sanctions is expected.
1. EU is “waking up” after winter: the first real steps that approach the irreversibility of punishment for the aggressor

1.1. At the summit in Reykjavík, a decision was made to create a Register of Damage

**Description of the situation**

On 16-17 May, Reykjavík hosted the Summit of Heads of State and Government of the Council of Europe, which ended Iceland’s six-month presidency of the Council of Europe and the next presidency was handed over to Latvia. As expected, the decisions of the summit should be really effective and ensured accountability for the crimes committed by the Russian armed forces in Ukraine.

And the summit in Reykjavík fulfilled its mission. Based on the results of the work, it was announced that the Register of Damage caused by the Russian Federation’s aggression against Ukraine would be created by entering into an enlarged partial agreement. 44 countries and the European Union have joined or declared their intention to join the Register created by the participants of the Summit of Heads of State and Government of the Council of Europe.

The European Union, represented by the President of the European Council, Charles Michel, and the President of the European Commission, Ursula von der Leyen, has provided a substantial contribution towards the startup costs. The Register will be located in The Hague (Netherlands), with a satellite office in Ukraine. The register is created for an initial period of three years and will serve as a record of evidence and claims, information about damage, loss or injury caused by Russian aggression against Ukraine. It paves the way for a future international comprehensive compensation mechanism for victims of Russian aggression. It is planned that the Register will become operational from August this year.

As noted by the Prime Minister of Ukraine, Denys Shmyhal: “We invite other states, from all corners of the world, to join the Register of Damage as a sign of support for the important issue of Russia’s accountability for its war against Ukraine. The Register is an important milestone on the road to justice and reparations for Ukraine and the Ukrainians who have suffered so much from this war. The hard work begins now – we need to ensure that the Register becomes operational soon, so that victims of Russian aggression could submit their claims. We also emphasize that the establishment of the Register is only the first step towards the establishment of a comprehensive compensation mechanism that will ensure that Russia pays full reparations to Ukraine in accordance with international law, including by means of its internationally located assets. We look forward to working with our partners on this important issue.”

**Analysis**

**Resolution CM/Res(2023)3** (Resolution establishing the Enlarged Partial Agreement on the Register of Damage Caused by the Aggression of the Russian Federation Against Ukraine) is the document that records the decision of the Council of Europe by entering into an enlarged partial agreement on the creation of the Register of Damage.

The Statute of the Register is attached to the Resolution, which, *inter alia*, defines the following:

- the Register shall serve as a record, in documentary form, of evidence and claims information on damage, loss or injury caused, on or after 24 February 2022, in the territory of Ukraine within its internationally recognised borders, extending to its territorial waters, to all
natural and legal persons concerned, as well as the State of Ukraine, including its regional and local authorities, state-owned or controlled entities, by the Russian Federation’s internationally wrongful acts in or against Ukraine (paragraph 1 of Article 1);

- the Register shall receive and process information on claims of damage and evidence; categorise, classify and organise such claims, assess and determine the eligibility of claims for inclusion in the Register and record the eligible claims for the purposes of their future examination and adjudication. The Register shall not have any adjudication functions with respect to such claims, including determination of responsibility and allocation of any payments or compensation (paragraph 1 of Article 2);

- the work of the Register, including its digital platform with all data about claims and evidence recorded therein, is intended to constitute the first component of a future international compensation mechanism to be established by a separate international instrument in co-operation with Ukraine (hereinafter “a Compensation Mechanism”). The exact form of a future Compensation Mechanism is to be determined, but may include a claims commission and compensation fund mandated to examine and adjudicate claims and/or pay compensation for damage, loss or injury caused by the Russian Federation’s internationally wrongful acts in or against Ukraine... (paragraph 5 of Article 2);

- any member or observer State of the Council of Europe and the European Union, as well as any other State that has voted in favour of the United Nations General Assembly Resolution A/RES/ES-11/5, may join the Register as a Participant by notification addressed to the Secretary General of the Council of Europe (paragraph 1 of Article 4).

Therefore, the creation of the Register of Damage is the first real step closer to working out the legal grounds for obtaining access to the frozen assets of the Russian Federation and their subsequent confiscation for the reconstruction of Ukraine. But there is a lot of work ahead for both Ukraine and the countries that have joined or intend to join the Register.

As the Deputy Minister of Justice of Ukraine, Iryna Mudra noted: “We have already moved from political declarations to legally binding documents. Actually, the agreement signed in Reykjavik is a document that imposes certain obligations on the signatory countries... Ukraine will play a key role in this matter. It is because the executive director can only be a candidate proposed by Ukraine. In addition, Ukraine submits its candidacy to the board of this register, and will also be presented at the conference of the parties.”

In turn, Belgium found an alternative way to transfer funds from Russian assets frozen in that country to Ukraine, while the EU is looking for legal mechanisms to confiscate them. The Prime Minister of Belgium, Alexander De Croo announced during the meeting with the President of Ukraine, Volodymyr Zelenskyy that his country had currently frozen Russian assets worth EUR 180 billion and intends to send a portion of the taxes received on these assets to the reconstruction of Ukraine.

*The Brussels Times* quoted De Croo: “Belgium is seeking to work out a legal framework with the European Commission. We want to play a leading role in this. Using this money for Ukraine’s war effort and for its reconstruction makes perfect sense, both economically and morally.”
1.2. European Parliament votes to speed up the confiscation of criminal assets

**Description of the situation**

Members of the European Parliament in the Committee on Civil Liberties, Justice and Home Affairs voted to introduce proposals to the draft Asset Recovery and Confiscation Directive 2022/0167 (COD), which will speed up the freezing and confiscation of criminal assets across the EU as well as quick compensation to victims.

As noted in the European Parliament, the broad EU sanctions against Russia after its invasion of Ukraine showed the need for more stringent sanctions and improved asset tracking. Between 2010 and 2014, only 2.2% of proceeds of crime were frozen in the EU, and only 1.1% of these proceeds were confiscated. In December 2021, the European Parliament called for the harmonization of the EU regime on asset recovery and confiscation, and in the EU Strategy to tackle Organised Crime (2021-2025) the European Commission proposed to strengthen these rules.

The proposal for changes to the legislation on the seizure of criminal assets will allow to:
- make confiscation of criminal assets across the EU faster and more efficient;
- also cover the illegal circulation of nuclear materials and crimes under the jurisdiction of the International Criminal Court;
- better identify assets to enforce broad sanctions against third countries.

Along with this proposal, MEPs are also working on a law that would harmonize the definition and penalties for the violation of restrictive measures.

As Romanian MEP Lóránt Vincze said: “It is of utmost importance that criminals are deprived of their gains, limit their capacity to reinvest them into the legal economy and to make sure that engaging in criminal activities does not pay. Extending the directive’s scope to additional pertinent crimes strengthens competent authorities in identifying, freezing and managing assets, widens the access asset recovery offices have to relevant databases, prioritises compensating victims and improves cooperation among relevant national authorities and EU agencies.

At the time of preparing the review, the draft document was awaiting the position of the European Parliament in the first reading.

**Analysis**

Compared to the current legislation, the new directive will also cover firearms trafficking, certain crimes committed within a criminal organization and breaches of EU sanctions. In their position, the members of the European Parliament propose to also include illegal circulation of nuclear materials, crimes under the jurisdiction of the International Criminal Court, illegal seizure of aircraft and vessels, and sabotage.

The agreed text will close the loopholes by ensuring that assets are quickly frozen with temporary emergency measures where necessary. The proposal also applies to those who evade seizure with the help of a third party and will allow seizure in certain cases where a conviction is impossible, such as in cases of the suspect’s illness or death.

To make cross-border investigations more efficient, the directive harmonizes the powers of asset recovery offices set up by EU member states, granting them access to necessary information such as registers of beneficial owners, information on securities and currency,
customs data and annual financial statements of companies. Finally, to prevent the degradation of assets, EU member states will have to create special offices to manage confiscated assets.

The members of the European Parliament also want to ensure that victims receive compensation before confiscation, especially in cross-border cases, and to allow confiscated assets to be used for social or public interest purposes.

The proposal of the members of the European Parliament concerns the confiscation of assets as part of criminal offenses. Considering that the EU does not yet have legal mechanisms for the civil confiscation of frozen assets of the Russian Federation, and the war crimes of the Russian Federation in Ukraine fall under the jurisdiction of the International Criminal Court, and the circumvention of sanctions is proposed as a criminal offense by the EU – in the event of the adoption by the European Parliament and the entry into force of new legislation in the EU, part of frozen Russian assets in EU countries can be quickly identified, confiscated and sent to victims of aggression in Ukraine.
2. News of the sanctions front: free world looks for opportunities to combat the circumvention of restrictions

Description of the situation

The Group of Seven (G7) summit was held in Hiroshima, Japan, on 19-21 May, during which the leaders of the world’s richest economies made public a series of new sanctions and export controls aimed mainly at stopping the supply of military technology that was flowing to Russia despite the restrictions.

G7 leaders released a statement on Ukraine and said they remained united in imposing coordinated sanctions and other economic measures to further undermine Russia’s ability to conduct illegal aggression. In particular, they will:

- expand sanctions to prevent the Russian Federation from accessing inputs in support of sectors key to its military industrial base, ensure that exports of all items critical to Russia’s aggression are restricted, including exports of industrial machinery, tools, and other technology that Russia uses to rebuild its war machine;

- further prevent the evasion and circumvention of restrictive measures against Russia (in particular, targeting entities transporting material), continue to work through the Russian Elites, Proxies, and Oligarchs (REPO) Task Force and the Enforcement Coordination Mechanism to enhance the effectiveness of restrictive measures;

- engage with third-countries through which restricted G7 goods, services, or technology may be provided to Russia to strengthen third-countries’ understandings of G7 measures.

- call on third parties to immediately cease providing material support to Russia’s aggression, or face severe costs. G7 will reinforce coordination to prevent and respond to third parties supplying weapons to Russia and continue to take actions against third-country actors who materially support Russia’s war.

- work to further curtail Russia’s use of the international financial system to further its war in Ukraine, in particular, by preventing third-country branches of Russian banks from being used to avoid sanctions.

- continue to limit Russia’s energy revenue and future extractive capabilities, building on the measures that have been taken so far, including export bans and the price cap for seawar Russian-origin crude oil and refined oil products; continue efforts to reduce Russia’s revenue from metals and remain committed to upholding the price caps on Russian oil and petroleum products;

- reduce reliance on civil nuclear and related goods from Russia, including working to assist countries seeking to diversify their supplies.

- continue to work closely together to restrict trade in and use of diamonds mined, processed or produced in Russia and engage with key partners with the aim of ensuring effective implementation of future coordinated restrictive measures.

Simultaneously with the loud political statements of the G7 leaders regarding increased sanctions pressure on the Russian Federation, specific actions have come.

The UK bans imports of Russian diamonds (USD 4 billion 2021), as well as imports of Russian-origin copper, aluminium and nickel.
Alongside these trade measures, the UK Government is also preparing new individual designations – targeting an additional 86 people and companies from Russia’s military industrial complex, and those involved in key revenue streams such as energy, metals, and shipping. They include those supporting the Kremlin to actively undermine the impact of existing sanctions, as the UK continues to work with G7 partners to tackle all forms of sanctions circumvention.

**Australia** also announced that it is introducing new financial sanctions against 21 legal entities and three individuals (it has already sanctioned 1,000 legal entities and individuals), in particular, the new sanctions lists include subsidiaries of Rosatom; a Russian entity created to take over Ukraine’s Zaporizhzhia Nuclear Power Plant; the largest petroleum company Rosneft and the steel company Severstal.

On 19 May, the US also introduced a new package of restrictions. As noted in the press release of the U.S. Department of the Treasury, the sanctions against 22 individuals and 104 legal entities from more than 20 countries (jurisdictions) are aimed at those who try to circumvent or evade the sanctions. Sanctions also target other economic measures against Russia, the channels Russia uses to acquire critical technology, its future energy extraction capabilities and financial services sector.

In addition, OFAC expanded sanctions restrictions to target new sectors of the Russian economy and limit Russia’s access to new categories of goods. These sectoral decisions focus on sectors key to the military-industrial complex of the Russian Federation. Moreover, the U.S. Department of State identified and blocked the property of almost 200 individuals and legal entities. These prohibitions include the making of any contribution or provision of funds, goods or services by or for the benefit of any blocked person, and the receipt of any contribution or provision of funds, goods or services from any such person.

In addition, the USA is introducing measures regarding the reporting on state assets of the Russian Federation – OFAC is amending the directive issued under executive order of the President of the USA concerning prohibitions related to transactions involving the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, and the Ministry of Finance of the Russian Federation (the same obligations have been introduced in the 10th package of sanctions by the EU).

Meanwhile, the European Commission has announced already the 11th package of EU sanctions, which will mainly target the enforcement of sanctions and the fight against their circumvention. The European Commission gives a clear signal that the sanctions pressure will increase precisely in the matter of compliance with existing restrictions and prevention of circumvention.

In her statement, the president of the European Commission, Ursula von der Leyen, noted the improvement of the existing instruments, in particular, there will be more goods banned for transit. For example, advanced technological products or aircraft parts that go through third countries to the Russian Federation will no longer fall into the hands of the Kremlin. It is also possible to restrict exports to certain third countries through which sanctioned goods enter Russia, but the tool will be a last resort and will be used carefully, after a thorough risk analysis and approval by EU member states. The third element in the package is the prohibition of “shadow” organizations originating from Russia and third countries that deliberately circumvent sanctions.
Meanwhile, according to new data, the European Union has frozen more than EUR 200 billion (USD 215 billion) of Russian central bank’s assets, according to Bloomberg, underscoring the importance of discussions about how to utilize such funds to help rebuild war-torn Ukraine. As a reminder, in the 10th package of sanctions, the EU made amendments to Regulation 269/2014 (freezing of assets) and Regulation 833/2014 (sectoral sanctions), which provide for the submission of reports on frozen sovereign and private assets of the Russian Federation.

These data were confirmed by Christian Wiegand, the spokesman for the European Commission, to Bloomberg and he said that the Commission was closely cooperating with Sweden, which presides over the EU, “to promote discussions” regarding the proposed options for using the frozen assets of the Central Bank of the Russian Federation. The EU also continues to discuss this issue with international allies “to ensure the necessary coordination at the international level”, but “these considerations are complex both legally and technically”.

The EU is separately considering powers to seize the private assets of sanctioned Russians in the event of a criminal offence, expanding the list of crimes such as money laundering and corruption to include evasion of EU sanctions.

Analysis

Analysts of the Financial Times conducted a study and found out that export goods from the EU, which fell under sanctions, worth more than USD 1 billion disappeared during transit to economic partners of the Russian Federation. Public figures showed that only about half of the USD 2 billion worth of controlled dual-use goods supplied from the EU actually reached their designated destinations in Kazakhstan, Kyrgyzstan and Armenia.
Goods that can potentially be used for the military or intelligence services and are subject to export control most likely came to the Russian Federation directly from the EU under the guise of transit.

The discrepancy in the records certifies that the Russian Federation circumvented the sanctions through intermediaries, agents or suppliers which indicated fake destinations in EU customs declarations. The scheme helped Moscow retain access to key European goods, including aviation components, optical equipment and turbines.

As you know, in February, the EU banned the transit of dual-use goods through the Russian Federation and, therefore, they cannot enter the Russian Federation directly from the EU. But officials in the Baltic states believe that the ban is not enough and are pushing for tougher restrictions, including a complete ban on the transit of goods from the EU, covering not only dual-use goods but also other categories of sanctioned and restricted goods.

Atlantic Council analysts provide interesting facts in their research on the effectiveness of global sanctions:

- According to Ukrainian intelligence for 2022, 40 of the 52 components recovered from the Iranian Shahed-136 drone shot down in Ukraine last fall were manufactured by 13 different American companies, and the remaining 12 – in Canada, Switzerland, Japan, Taiwan and China. The case showed that imposing sanctions and export controls on Russian defence companies is not enough. Iran not only supplied drones to Russia, but certain organizations and individuals in countries such as Switzerland and Liechtenstein procured materials on behalf of Russia;

- Finland, Switzerland, Cyprus, United Arab Emirates, India and Singapore are just some of the locations linked to individuals and entities included in the latest sanctions of the U.S. Department of the Treasury against Russia. These organizations and individuals assisted Russia in circumvention or provided materials for Russia’s military procurement.

Among the sanctioned persons is the Swiss-Italian businessman Walter Moretti and his colleagues from Germany and India, who sold advanced technologies to Russian state enterprises. Trade Initiative Establishment (TIE), Liechtenstein, and its network consisting of two companies and four individuals procured semiconductor manufacturing equipment for sanctioned Russian entities since 2012;

- Third countries from Russia’s closest neighbours have stepped up to fill the technology deficit in Russia caused by other countries’ compliance with export controls. Central Asian and Caucasian countries had a significant surge in electronic component exports to Russia, while Türkiye, Serbia and Kazakhstan supplied semiconductors.

Even if the exported electronic components are not intended for military use, the Russians were able to recover semiconductors and electronic components for military use even from refrigerators and dishwashers. The sudden increase in exports of electronics from Central Asia and the Caucasus to the Russian Federation can only be explained by Russia’s efforts to re-profile them for military use.
Indicators of electronics exports from the countries of the Caucasus, Central Asia and Türkiye to the Russian Federation

![Graphs showing electronics exports](image)

*Source: Atlantic Council, TradingEconomics, based on UN Comtrade*

- In response to Russia’s attempts to obtain technology by all possible means, the U.S. Departments of Commerce and Justice jointly launched the Disruptive Technology Strike Force. The purpose of the Strike Force is to prevent Russia and hostile nations such as China and Iran from illegally obtaining advanced US technology. Strike Force recently announced criminal charges against individuals who supply source codes for software and hardware stolen from US technology companies to China.

Strike Force embodies the United States’ nationwide approach to investigating sanctions evasion and export controls. The Department of Justice’s prosecutorial and investigative examination, combined with the ability of the Department of the Treasury to identify and block sanctions evaders in the US financial system, will strengthen the impact of the Department of Commerce’s export controls and enhance their investigations and enforcement.

At the same time, the Atlantic Council launched a database of sanctions against Russia, which tracks the level of coordination among Western allies on sanctions against Russian entities, individuals, ships, aircraft and shows where gaps still remain.

*The New York Times* published an article on how Russian airlines received spare parts for aircraft through third countries during the long period of the sanctions, bypassing the sanctions. In particular, in the case of violation of US export control and international money laundering, Russian citizens Oleg Patsula, who lives near Miami, and his business partner were arrested. They are accused of helping circumvent sanctions imposed on Russia Airlines by supplying aircraft parts and electronics through a network of companies in Florida, Türkiye and Russia. This case illustrates the global networks that are trying to help Russia circumvent sanctions.
As the publishing house notes in its article, data collected and analyzed by Import Genius, an American trade data aggregator, show that aircraft parts worth tens of millions of US dollars were sent to Russian airlines that were under US sanctions, including Rossiya Airlines, Aeroflot, Ural Airlines, S7 Airlines, Utair and Pobeda.

The data cover more than 5,000 individual shipments of aircraft parts to Russia during eight months of 2022, from simple propellers to a Honeywell-branded aircraft engine starter worth USD 290,000.

However, the U.S. Department of Justice is investigating whether Binance Holdings Ltd. or its officials have violated sanctions related to Russia’s invasion of Ukraine. Specifically, whether the company was used to allow Russians to bypass US sanctions and transfer money through the world’s largest cryptocurrency exchange. This is reported by Bloomberg.

As noted by the publishing house, Binance has eliminated gaps in its regulatory framework and is negotiating a settlement with US regulators, but the timing or potential amounts of the settlement are unknown.

Consequently, Ukraine’s allies are consolidating their efforts and continuing economic pressure on the aggressor and those assisting to circumvent the restrictions. At the same time, the reality is still different because it is very difficult to track all the channels used by sanctioned persons to circumvent sanctions, especially for dual-use goods that are used for both civilian and military purposes.
3. Confiscation of assets of sanctioned persons in Ukraine: problems and prospects

Description of the situation

Ukrainian law enforcement agencies have finally reached the caste of big businessmen. First of all, we are talking about the sanctioned oligarch Dmytro Firtash, who is in Austria awaiting extradition to the USA, and the managers of the operators of gas distribution networks controlled by him through the RGK holding company (he actually controls 20 city and regional gas companies, which corresponds to 70% of the DSO networks of Ukraine).

The Security Service of Ukraine, together with the Economic Security Bureau of Ukraine, exposed a large-scale scheme of embezzling “blue fuel” from the gas transportation system of Ukraine. According to the investigation, the DSOs controlled by Firtash “purchased” fuel from a company controlled by him. But in reality, they received no more than 30% of the paid volume of gas.

According to the data of the forensic and economic examination, only during 2021, the illegal activities of the participants caused losses to the state of more than UAH 4.2 billion. Moreover, according to preliminary estimates, the total amount of damage during 2016-2022 may be more than UAH 18 billion. According to the investigation materials, the officials of Firtash’s regional gas companies embezzled more than 70% of the funds intended for the procurement of gas.

The investigation obtained evidence of the businessman giving instructions to company managers, connection between them, mechanisms for withdrawal of funds and attempts to hide traces of illegal activities.

Therefore, there is hope that the criminal assets of the sanctioned person will be confiscated, in the case of proving his guilt in the framework of criminal proceedings. At the same time, the civil confiscation procedure cannot be applied to Firtash, because the sanctions against Firtash and his henchmen were introduced in June 2021, that is, before the amendments to the Law “On Sanctions”.

As you know, back in May 2022, the Pecherskyi District Court arrested and handed over the corporate rights of 26 DSOs to ARMA for management. Then the government transferred these assets to the management of the structures of NJSC “Naftogaz of Ukraine”. The reason for the arrest is UAH 1.5 billion in non-payment of rental fee for the use of networks. According to Mind, referring to its sources in Naftogaz, the purpose of the current process of “consolidation” of the companies is to attract foreign investors. It is likely that funding for their development will be provided by the BlackRock fund, which is the world’s largest asset management company (the Ministry of Economy of Ukraine has already entered into an agreement with BlackRock to support the Development Fund of Ukraine, with the aim of attracting private and public capital for the implementation of large-scale business projects).

The state has finally decided on the fate of Sense Bank (formerly Alfa Bank) controlled by the sanctioned Russian oligarch Mikhail Fridman. On 29 May, the Verkhovna Rada of Ukraine adopted the Law “On Amending Certain Legislative Acts of Ukraine on Improving the Procedure for Withdrawing Banks from the Market during Martial Law”, which will allow the state to nationalize Sense Bank.
The law provides for the procedure for withdrawing banks owned by sanctioned persons from the market in such a way that the discontinuance of their participation in the state banking system does not harm the interests of bank clients and their investors.

The act is aimed only at systemic banks with sanctioned owners, to which Sense Bank belongs, and is aimed at countering risks, in particular by granting the National Bank of Ukraine powers under certain circumstances related to the application of sanctions to the bank and/or owners of a qualifying holding in the bank to make a decision about:

- prohibition for a sanctioned person (individual and/or legal entity) to acquire or increase a qualifying holding in the bank;
- withdrawal of a systemically important bank from the market (nationalization), taking into account a number of features, for example, even in the absence of signs of insolvency (in the event of applying blocking sanctions to the bank or the owner of a qualifying holding in it);
- a norm is established, which provides for the possibility of compensating individuals for the losses, which they suffered as a result of the liquidation of a bank or the withdrawal of a systemically important bank from the market, exclusively at the expense of the aggressor state.

On 12 May, President Volodymyr Zelenskyy signed a decree on the introduction of sanctions against legal entities and individuals, including VS Energy International NV (Netherlands), to which a number of distribution system operators (regional energy companies) in Ukraine registered and VS Energy Latvia.

According to Ekonomichna Pravda, law enforcement officers tried at least three times to seize the Ukrainian assets of VS Energy International NV but had no success: in April 2022, the court declared that the existence of legal grounds for the seizure of property was not proven.

In addition to assets in electricity distribution and supply, VS Energy has a hotel business in Ukraine, in particular Premier Hotels & Resorts group. It has four hotels in the capital as well as hotels in Lviv, Kharkiv, Bukovel and Odesa. In addition, the group owns a share of the Dneprospetsstal plant in Zaporizhzhia, Metrograd and Metropolis shopping centers in Kyiv.

According to the State Bureau of Investigation, non-public beneficiaries of the VS Energy group are Russian businessman Mikhail Voevodin, known in criminal circles by the nickname Misha “Luzhnetsky”, ex-president of CSKA FC Yevgeny Giner as well as deputy chairman of the State Duma of the Russian Federation Alexander Babakov.

In May 2022, the group stated that since 2014, Giner, Voevodin and Babakov had no relationship with Ukrainian regional energy companies, and their beneficiaries were Marina Yaroslavska, Oleg Sizerman (Germany), Valts Vigants, Vilis Dambins and Arthurs Altbergs (Latvia). All the nominal owners of VS Energy listed above were also included in the new sanctions list.

There is hope that the law enforcement officers have finally received indisputable evidence of the control of the sanctioned persons, namely Giner, Voevodin and Babakov over the Ukrainian assets of VS Energy and the fate of these assets will be decided in favour of the state of Ukraine.

That is, despite the fact that it is publicly known about the real owners of significant assets in Ukraine (regional gas companies and regional energy companies), the problem of nominations in Ukraine remains until now because the end leads to the beneficiaries through companies
registered in the British Virgin Islands (Firtash) and the Seychelles (Babakov), and requires a legislative solution.

An interesting project was developed by researchers from StateWatch with the support of YouControl – the first register of Ukrainian assets of Russian oligarchs. This register is definitely needed and includes lists of Ukrainian companies controlled by Russian rich people from the Forbes list. The public can read the lists of Russian property in Ukraine and find out about the fate of these assets (arrested, transferred to management or confiscated).

**Analysis**

To defeat the aggressor, Ukraine must ensure maximum efficiency in all areas of work, including confiscation of the assets of those who facilitated and supported the armed aggression of the Russian Federation against Ukraine.

Ukraine works very hard in the international arena, so that partner countries increase the sanctions pressure on the aggressor, and advocates the introduction of mechanisms for the confiscation of Russian criminal assets. At the same time, is our own effectiveness of the sanctions policy ensured?

According to the Ministry of Economy of Ukraine, the key areas of Ukraine’s work on sanctions policy for 2023 will be, in particular:

- identifying assets of sanctioned persons in Ukraine and their subsequent confiscation to the state’s revenue;
- developing a sanctions IT system, including its integration with the EU systems and the sanctions coalition;
- strengthening sectoral sanctions against Russia;
- assessing the effectiveness of the sanctions already in effect, including an analysis of budget revenues from the confiscation of Russian assets, the economic impact of sectoral sanctions and the impact on supply chains and regional trade;
- improving global coordination with partners on sanctions policy, implementing the recommendations developed by the Yermak-McFaul “Group”.

There is no doubt that all these areas should be implemented as soon as possible, because at this time, when the process of adopting sanctions is streamlined, everything is much more difficult with their implementation.

Thus, since the amendments to the Law “On Sanctions” (since 24 May 2022), the National Security and Defense Council of Ukraine has already adopted 38 decisions regarding more than 7,000 legal entities and individuals, according to which the “blocking of assets” sanction has been applied. As can be seen from the lists of the National Security and Defense Council of Ukraine, sometimes sanctions are imposed on 200 to 300 entities at the same time. Among them, assets (information about which is available in the registers) of 230 to 250 entities were found.

As of the end of May 2023, the Ministry of Justice submitted 20 lawsuits to the High Anti-Corruption Court of Ukraine for the collection of assets of sanctioned persons to the state’s revenue, of which the court upheld 19 (17 decisions entered into force). These are publicly known cases of confiscation of the assets of sanctioned Russian oligarchs Deripaska, Shelkov, the Rotenberg brothers and other putin’s henchmen to the state’s revenue (more information can be found here).
Such statistics may indicate the difficulty of identifying the assets of sanctioned persons (draft law No. 9235 is under consideration by the Verkhovna Rada of Ukraine, in which the Ministry of Justice requests permission to grant it access to bank secrets of sanctioned persons, which should facilitate the identification of assets). After all, the decisions of the National Security and Defense Council of Ukraine on imposing the “blocking of assets” sanction on a certain individual or legal entity do not indicate exactly what kind of property such an entity owns. This creates additional loopholes to bypass sanctions.

Moreover, in contrast to partner countries, criminal liability for circumventing sanctions has not yet been introduced in Ukraine (draft law No. 8384 was supposed to resolve this issue, but has not yet been adopted by the Verkhovna Rada of Ukraine).

Thus, after almost a year and a half of large-scale armed aggression, there is still no effective mechanism for blocking the assets of sanctioned persons in Ukraine.

Moreover, there is no single public authority responsible for finding and identifying such assets. The law provides for the fact that the Ministry of Justice has the right to involve other governmental authorities in the identification and search of assets subject to the “blocking” sanction. But it is clear that such assets should be identified before the “blocking” sanction is imposed, and not after the Ministry of Justice addresses the competent authorities with relevant requests. The problem exists in the capacities of the responsible public authorities, in particular the human resources.

The first step in improving the state sanctions policy should be the adoption of by-laws to the Law “On Sanctions”, in particular in terms of implementing such a type of sanction as “blocking of assets”, where the mechanism of blocking the assets of sanctioned persons should be clearly defined.

Secondly, to improve national legislation that will create effective identification of Russian assets, including through the introduction of legislative mechanisms for informing about the assets of sanctioned persons as an effective way to identify them.

Third, to introduce criminal liability for sanctions circumvention, including with regard to the persons who help reregister the assets of sanctioned persons (law firms, consulting companies, asset management companies, lawyers, etc.).