

THE GLOBAL TRADE LAW JOURNAL

Volume 3, Number 4

July–August 2026

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European Union Deems Russia a “High-Risk Third Country” for AML Purposes

Peter Burrell, Simon Osborn-King, Rita D. Mitchell,
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In this article, the authors discuss a new regulation adopted by the European Commission that adds Russia to the EU’s list of high-risk third countries with strategic anti-money laundering or counter financing of terrorism deficiencies.

Firms regulated in the European Union (EU) for anti-money laundering (AML) purposes must now treat any relevant business relationship or transaction with a Russian nexus as involving a high-risk third country and apply enhanced due diligence (EDD) measures, as a result of the European Commission’s adoption of Delegated Regulation (EU) 2026/46.

In particular, Delegated Regulation (EU) 2026/46 amends Delegated Regulation (EU) 2016/1675 to add Russia to the EU list of high-risk third countries with strategic AML or counter financing of terrorism deficiencies. The EU’s high-risk list is the trigger for mandatory EDD measures under Article 18a of Directive 2015/849.

The measure entered into force on 29 January 2026 and applies across the EU to all “obliged entities”¹ under Directive (EU) 2015/849 (as amended).

Mandatory EDD Measures for “Higher-Risk Third Countries”

Under Article 18a of Directive 2015/849, obliged entities must now, at a minimum, apply the following measures where the relationship or transaction involves a Russian nexus:

- Obtain additional information on the customer and the beneficial owner(s), the intended nature and purpose of the relationship, and on specific transactions as relevant.

- Establish and verify source of funds and source of wealth of the customer and beneficial owner(s).
- Secure senior management approval to establish or continue the relationship.
- Apply enhanced ongoing monitoring, including increased frequency and depth of reviews and control triggers.
- Strengthen controls for correspondent relationships and payment flows, where applicable, and assess exposure via intermediaries or complex structures.

A Russian nexus includes, but is not limited to, Russian customers or counterparties, Russian beneficial owners, goods or services provided to/from Russia, and transactions involving Russian financial institutions.

Obligated entities should ensure that their group-wide AML policies are implemented consistently across EU entities, and should also align the policies of branches and majority-owned subsidiaries outside the EU to the extent permitted under local law.

Contrast with the UK Position

In contrast to the EU position, in the UK under the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended) (the UK MLRs), the definition of a “high-risk third country” is drawn directly from the Financial Action Task Force “call for action” or “increased monitoring” lists. Russia is not currently on either of those lists and is therefore not a high-risk third country for the purposes of the UK MLRs. Firms that are only regulated in the United Kingdom and not in the EU for AML purposes must still apply a robust risk-based approach and may need to apply EDD based on other risk factors, but there is no automatic trigger solely by virtue of a Russian nexus at this point in time.

Practical Steps for Compliance

EU-regulated obliged entities may therefore wish to consider undertaking the following steps to ensure compliance with the new requirements:

- *Risk Assessment and Onboarding.* Updating jurisdictional risk ratings to reflect Russia’s high-risk status and embed Russia into any EDD checklists;
- *Know-Your-Customer Reviews.* Reviewing and remediating existing relationships with a Russian nexus as against Article 18a measures, as prioritised in line with a risk-based approach;
- *Governance.* Confirming senior management oversight and management information on Russia-related business exposure; and
- *Training and Communications.* Training relevant business units and functions on the new changes and the firm’s revised procedures.

Notes

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1. Defined under Article 2 of Directive 2015/849 as including credit institutions, financial institutions, auditors, external accountants and tax advisors, notaries and other independent legal professionals acting in financial and real estate transactions, trust or company service providers, estate agents for high-value property lettings, high-value dealers, providers of gambling services, art dealers, and art intermediaries involved in storing or trading art in free port transactions.