Sanctions in a Snap:
Developments in Sanctions
EU Edition

Sanctions and Export Controls Update

Hughes Hubbard's "Sanctions in a Snap" is intended to provide a clear and concise summary of recent and important developments from the European Union (EU) and its member states. We hope you find it helpful in assessing EU economic sanctions and export controls risks against the current EU regulatory framework and enforcement priorities.

Highlights from December 2025 include the introduction of a new designation criterion under the Belarus sanctions regime for individuals undermining democracy, the rule of law, stability and security; the use of Article 122 TFEU to immobilize Russian Central Bank assets in the EU; and the gradual phaseout of EU imports of Russian gas. This edition also provides updates on member states' implementation of EU Directive 2024/1226 seeking to criminalize and harmonize EU sanctions enforcement, as well as new EU and national guidance and enforcement actions.

EU Regulatory Developments

New Belarus Sanctions Criterion

On 15 December 2025, through Regulation (CFSP) 2025/2601, the EU added a new listing criterion to Article 2 of Regulation 765/2006 targeting individuals, entities and bodies that benefit from, participate in, or facilitate actions or policies attributable to the Republic of Belarus that threaten or undermine democracy, the rule of law, stability, or security within the EU and its member states. Under this expanded designation criterion, the EU can impose restrictive measures on those who plan, direct, support or otherwise facilitate foreign information manipulation and interference.

The new designation criterion also enables sanctions against actors involved in activities that disrupt the functioning of democratic institutions, economic operations or essential public services within the EU. It also covers individuals or entities responsible for unauthorized entry into the territories of the member states.

Finally, the criterion encompasses actions aimed at interfering with, damaging or destroying critical infrastructure, including widespread or systematic conduct that results in significant disruption of such infrastructure.

This criterion echoes Regulation 2024/2642 of 8 October 2024 on restrictive measures in response to Russia's destabilizing activities, thereby seeking to further align the Russia and Belarus sanctions regimes.

Blocking of Russian Central Bank Assets

On 12 December 2025, the EU adopted Regulation 2025/2600 under Article 122(1) TFEU to address serious economic difficulties caused by Russia's war of aggression against Ukraine. The regulation prohibits any direct or indirect transfer of assets or reserves of the Central Bank of Russia or entities

Hughes Hubbard & Reed LLP ● A New York Limited Liability Partnership
One Battery Park Plaza ● New York, New York 10004-1482 ● +1 (212) 837-6000

acting on its behalf, such as the Russian National Wealth Fund. It also includes reporting obligations and a "no claims" clause, shielding EU operators from enforcement of claims or decisions linked to these measures by Russia or related entities.

Unlike for sanctions adopted under Regulation 833/2014, which require unanimous renewal every six months, measures under Article 122 are adopted by a qualified majority and do not require involvement by the European Parliament. This emergency mechanism was introduced to prevent a potential veto by certain member states, which could force the return of immobilized assets to Russia, particularly amid discussions on the use of these assets to finance the war efforts, as well as the reconstruction, of Ukraine.

While the measure is designed to be temporary, under the new regulation, the immobilization of the Russian assets will remain in place by default until three cumulative conditions are met: (i) Russia ends its war of aggression against Ukraine; (ii) Russia provides reparations sufficient to allow for reconstruction without harming EU economic stability; and (iii) its actions no longer present serious economic risks to the EU. The EU Commission (Commission) will review these conditions annually and, if satisfied, propose lifting the measures to the Council for its approval.

Gradual Phaseout of EU Imports of Russian Gas

On 17 December 2025, the European Parliament adopted a legislative resolution that formally approves the proposal for a regulation of the European Parliament and of the Council on phasing out Russian natural gas imports, improving monitoring of potential energy dependencies and amending Regulation (EU) 2017/2938. These measures form part of the broader REPowerEU strategy to fully end EU dependency on Russian energy.

The gradual ban on Russian liquefied natural gas (LNG) and pipeline gas will operate as follows:

- For short-term supply contracts, the prohibition of Russian gas imports will apply from 25 April 2026, for LNG and 17 June 2026 for pipeline gas.
- For long-term contracts, the prohibition of Russian gas imports will apply from 1 January 2027 for LNG and 30 September 2027, for pipeline gas, provided there is sufficient storage within member states, and at the latest on 1 November 2027.

The adopted position also includes enhanced monitoring mechanisms and prior authorization requirements designed to prevent circumvention and ensure transparent tracking of gas imports, as well as maximum penalties for noncompliance by operators (i.e., at least 3.5% of the company's total worldwide annual turnover for the preceding financial year, or €40 million, or 300% of the estimated transaction turnover, which shall be calculated on the basis of the volume of the natural gas involved and the "day ahead" contract prices on the Title Transfer Facility market).

The proposed regulation will now have to be formally endorsed by the Council at one of its next meetings in January before publication in the Official Journal.

While the regulation is not per se an economic sanctions instrument, it is strategically linked to EU trade and energy security policy and complements other measures aimed at diminishing economic ties with Russia.

Implementation of the EU Sanctions Criminalization Directive

Following the Commission's infringement proceedings of 24 July 2025, against 18 member states for failing to complete full implementation, Italy and Romania have advanced their respective implementations of Directive 2024/1226 (the Directive). As explained in our previous client alert, the Directive introduces EU-wide minimum criminal standards for sanctions violations, but member states may adopt more-stringent penalties depending on the circumstances.

On 11 December 2025, the Italian Council of Ministers adopted a draft legislative decree to transpose the Directive. The decree is expected to be signed soon by the president of the republic and will take effect 15 days after its publication in the Official Journal. For individuals, violations of economic sanctions will be punished by imprisonment for two to six years and fines ranging from €25,000 to €250,000. For companies, the violation of a restrictive measure has been introduced as a new criminal offense, which may trigger the liability of legal entities under Legislative Decree 231/2001. The decree will also include a specific provision on penalties: Legal persons may face fines of up to 5% of their annual turnover or €40 million where the amount cannot be determined. These figures are significantly higher than the other penalties currently applicable under the decree, which are capped at €1.5 million.

On 16 December 2025, Romania completed the transposition of the Directive with the adoption of Law 224/2025, published in the Official Journal on the same date and effective from 19 December 2025. For individuals, penalties for violation of sanctions range from one to five years imprisonment and in aggravated cases — particularly those involving trade of certain military goods — up to 12 years' imprisonment. Legal entities face fines of up to approximately €160,000 (835,000 Romanian lei).

EU Guidance Updates

EU Updates Diplomats, Diamonds and Dual-Use FAQs

On 17 and 19 December 2025, the European Commission updated its FAQs on sanctions against Russia. The revised guidance covers:

- **Traceability and certification requirements for rough and polished diamonds** applicable to imports from 1 January 2026.
- **Notification and authorization obligations for Russian diplomats** traveling to EU member states.
- Interpretative guidance of Article 5ah, confirming that EU operators must avoid any direct or indirect contribution to the economic or technological environment of **Russian Special Economic Zones (SEZs) that support the Russian military-industrial base**:
    - Part A SEZs of Annex LII (Alabuga, Technopolis Moscow): EU companies must fully withdraw from all existing ownerships or participations in entities located in this area (including branches, representative offices or joint ventures) as well as ending contractual arrangements relating to goods, services, technology, intellectual property or trade secrets transfer/licensing or financing, and more generally any other form of economic involvement linked to Part A SEZs.
        - Withdrawal should be conducted so as not to confer any benefits on Russian actors. Operators may request authorization under Article 5ah(7)(d) to continue certain activities when those are strictly necessary for divestment, and such requests will be assessed by the relevant NCAs on a case-by-case basis. Buyers must not be sanctioned parties and must not undermine the objectives of Regulation 833/2014 or facilitate circumvention thereof.
    - Part B SEZs of Annex LII: Existing participations or arrangements may continue, but no new investments, extensions or expansions are permitted.

Irish Central Bank Issues First Sanctions Guidance

On 1 December 2025, the Irish Central Bank issued its first Financial Crime Bulletin, which includes sanctions compliance guidance for financial services firms in Ireland. The bulletin significantly strengthens expectations around sanctions compliance, placing financial sanctions on the same supervisory footing as Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT). It calls for firms to implement more robust screening systems, high-quality data and stronger governance while aligning Irish requirements with EU developments such as the EU new Anti-Money Laundering Authority (AMLA) and the broader AML Package. The bulletin also highlights the heightened risk exposure of international card schemes and cross-border payments, which can serve as channels for sanctions evasion and therefore require enhanced monitoring and risk assessments.

Enforcement Highlights

EU General Court Upholds Commission's Retroactive Derogations from the Blocking Statute

On 10 December 2025, the General Court of the European Union ruled that the Commission may, under exceptional circumstances, authorize EU companies to act in ways that would normally be prohibited under EU law to comply with U.S. secondary sanctions and that such authorizations can be applied retroactively when justified by public interest (here, where "necessary to safeguard the stability and functioning of the EU's financial markets") and consistent with the principles of legal certainty or legitimate expectations (Case T-518/23).

The case concerned Regulation (EC) No 2271/96, known as the EU Blocking Statute, which seeks to counter the extraterritorial application of third-country laws — such as U.S. sanctions against Iran — by prohibiting EU companies from complying with them. Article 5, however, empowers the European Commission to grant derogations where noncompliance would cause serious harm to the company or the EU. This mechanism addresses situations where EU businesses face conflicting legal obligations and risk severe penalties under U.S. law.

In this matter, the General Court rejected all challenges brought by Middle East Bank (MEB) against two Commission decisions dated April 2023 and June 2024, respectively, authorizing Clearstream Banking, Germany's sole central securities depository, to comply with U.S. secondary sanctions regarding securities held for MEB. These authorizations were issued with retroactive effect: The first authorization was granted retroactively from the date of Clearstream's application for the derogation in February 2021, and the second from the expiration date of the first authorization. The issue was whether the retroactive effect of the authorization was lawful.

The court reaffirmed that EU measures should not generally apply retroactively but may do so exceptionally if two conditions are met: (i) an overriding public interest justifies retroactivity, and (ii) legitimate expectations are respected. Applying this test, the court found the Commission's reasoning sufficient. The first authorization was delayed for political reasons unrelated to Clearstream, and retroactivity was necessary to shield it from U.S. sanctions during that period. The second ensured continuity of this protection while the application for renewal was processed.

The court dismissed the MEB's arguments that the retroactivity lacked a legal basis, holding that the absence of an explicit provision does not preclude retroactivity where the conditions for retroactive application are met. It also rejected reliance on the Commission's 2018 guidance, which is reflective of the general rule (of non-retroactivity) but does not exclude exceptions to the general rule. Further, the court did not find any breach of procedural rights: third parties targeted by foreign sanctions have no entitlement under the EU Blocking Statute to be notified of authorizations granted to EU companies. Finally, claims that the authorizations were overly broad failed, as they applied only where compliance with U.S. law was required and excluded transactions exempted by U.S. sanctions laws.

Select Member State Enforcement Actions

- Estonia, 1 December 2025: In 2025, Estonian courts issued multiple convictions for breaches of EU sanctions targeting Russia, illustrating both individual and corporate accountability for such violations. Offences ranged from small-scale **imports** of Russian cigarettes (Adilov Mubariz) to exports of **dual-use and military-relevant equipment**, including resonance testing machines (Alus Grupp OÜ/Taras Potapov) and **propulsion systems, thermal cameras and other technical goods** to Russian military end users (Marine Technics Baltia OÜ/Daniil Haitin). The cases involved the use of false end-user certificates and complex routing via third countries to circumvent restrictions. Penalties included suspended prison terms, corporate fines of up to €160,000 and measures to prevent asset transfers or company windups, highlighting Estonia's active enforcement of EU sanctions and export controls.

- **France, 19 December 2025**: After a six-week criminal trial before the Paris Criminal Court, the criminal trial against Lafarge SA and eight former executives concluded. The defendants were tried on charges of terrorist financing through the company's Syrian subsidiary for payments made to armed groups — including Daesh (ISIS) — between 2013 and 2014 in order to keep Lafarge's cement plants operating amid the Syrian civil war (including so-called security payments, i.e., €3.1 million in direct payments to Daesh to allow for access to the plant and €1.9 million for purchases of various materials from suppliers controlled by Daesh. In addition to the criminal penalties, the Parquet National Anti-Terroriste (PNAT — National Antiterrorism Prosecution Service) is seeking the joint and several liability of the two main executives and is requesting a customs fine amounting to €4.57 million for failing to comply with international financial sanctions as defined by Article 459 of the French Customs Code. The court is scheduled to deliver its verdict on 13 April 2026.

Anne Hukkelaas Gaustad | Partner
Hughes Hubbard & Reed LLP
4 rue Cambacérès | 75008 Paris
Office +33 (0) 1 44 05 80 57 | Cell +1 (202) 304-0103
anne.gaustad@hugheshubbard.com | bio

Marie-Agnès Nicolas | Partner
Hughes Hubbard & Reed LLP
4 rue Cambacérès | 75008 Paris
Office +33 (0) 1 44 05 80 23 | Cell +33 06 81 56 81 42
marieagnes.nicolas@hugheshubbard.com | bio

Lorenza Nava | Associate
Hughes Hubbard & Reed LLP
4 rue Cambacérès | 75008 Paris
Office +33 (0) 1 44 05 80 34 | Cell +33 (0) 6 70 72 92 92
lorenza.nava@hugheshubbard.com | bio

With the valuable assistance of our intern Chigiti Wanjiru Ngina.