

The sanctions shifts in 2026

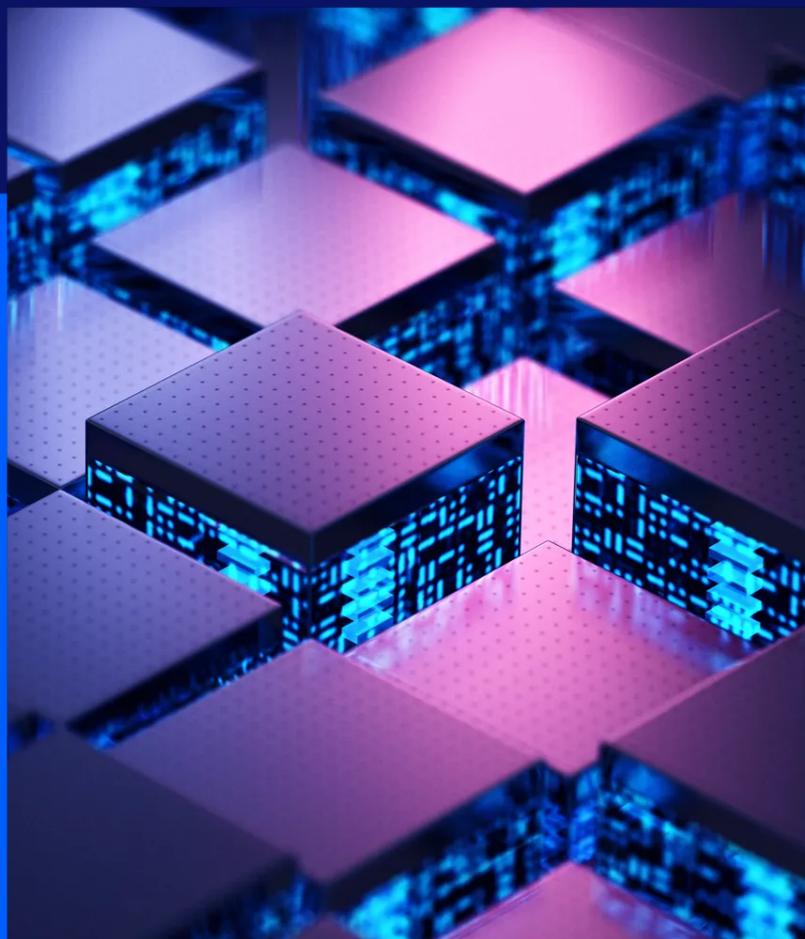
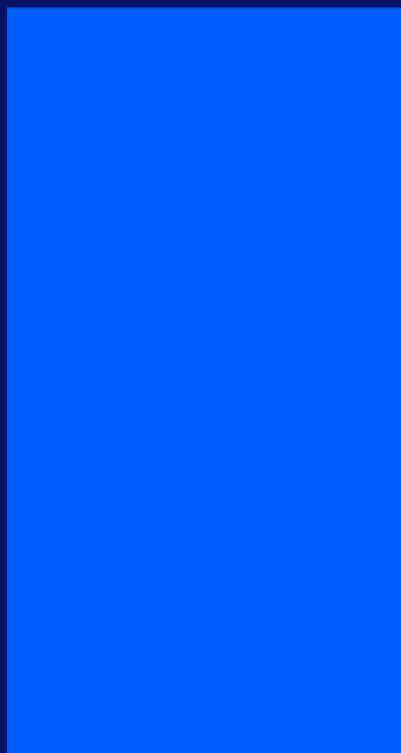


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FOREWORD

Our first sanctions whitepaper, published in 2023, highlighted the key trends we had observed and presented in a series of global sanctions awareness workshops attended by financial institutions and regulators. Several case studies in the paper, written in collaboration with the U.S. Department of State and CRDF Global, used Moody's data and analysis to showcase some of the evasion tactics used at the onset of heightened sanctions following Russia's full-scale invasion of Ukraine.

Ownership opacity remains a key threat to sanctions detection—for regulated entities, this means going beyond published lists to better understand direct and indirect sanctions risks to their business. Shell companies, intermediaries in opaque jurisdictions, circular ownership, and obfuscation of ownership and control are prime instruments used to circumvent sanctions.

The sanctions landscape has continued to develop profoundly, marked by policy changes in response to growing evasion networks designed to obfuscate sanctions detection. Sanctions measures have escalated in scope and severity, accompanied by sharper compliance action and stricter enforcement by global bodies, no doubt a reflection of geopolitical developments. Concurrently, methods used to evade sanctions have evolved. At the time of writing, ongoing peace negotiations could alter the trajectory of existing sanctions regimes. This could add a new layer of complexity and nuance for organizations navigating sanctions requirements, especially if enforcement priorities or policies change.

This updated paper reviews how a dynamic sanctions landscape could continue to shift through escalating enforcement measures and evolving evasion tactics designed to hinder detection. The insights and case studies presented aim to support compliance stakeholders with the knowledge and tools to adapt more confidently in a dynamic sanctions landscape.

A LOOK AT THE ESCALATING SANCTIONS ENFORCEMENT ACTIONS AND PENALTIES

From 2022, government agencies like the US Department of the Treasury's Office of Foreign Assets Control (OFAC), the UK's Office of Financial Sanctions Implementation (OFSI), and the relevant agencies within EU Member States have levied financial penalties, imposed asset freezes, and issued enforcement actions in relation to violation of Russia sanctions programs.

Countries and territories have also imposed [autonomous sanctions](#) or enforced another jurisdiction's autonomous sanctions in addition to multilateral sanctions regimes, such as those of EU and UN.¹

Other bodies or organizations that enforce Russia sanctions or export controls include:

- The US Department of Commerce's Bureau of Industry and Security (BIS), which enforces trade sanctions-related restrictions
- The US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), which has a mandate to safeguard the US financial system from illicit activity and counter financing of terrorism and money laundering
- The UK's Office of Trade Sanctions Implementation (OTSI) enforces trade sanctions

The OFSI's Annual Review for 2024-25, published in October 2025, reported a total of £28.7 billion in assets reported frozen to OFSI under the Russian sanctions program.² OFSI also meted out Russia-related penalties totaling £637,750, while OFAC imposed at least \$242.5 million in civil penalties—including the statutory maximum civil financial penalty of \$216

¹ Autonomous sanctions are restrictive measures that a national government (or single governing entity) imposes independently, without a mandate from an international body, to pursue its foreign policy objectives. Multilateral sanctions are restrictive measures that multiple governments, regional entities, or international organizations impose.

²[OFSI Annual Review 2024 to 2025: Effective Sanctions](#), 15 October 2025

million on a San Francisco venture capital firm for violating OFAC's Russia sanctions and failing to comply with a subpoena.³

The Council of the EU has adopted 19 sanctions packages against Russia since February 2022 and sanctioned over 2,700 individuals and entities.⁴

Russia's macroeconomic outlook has also shifted in recent years. In its October 2025 World Economic Outlook, the International Monetary Fund (IMF) projected Russia's real GDP growth would slow to 0.6% in 2025, compared with the 4.3% growth recorded in 2024.⁵ In its subsequent January 2026 outlook, IMF revised Russia's 2026 economic growth forecast to 0.8%, down from the 1.0% published in October 2025.⁶

Enforcement priorities

The drive behind tougher enforcement actions follows extensive sanctions packages targeting major sectors of Russia's economy, like the [energy sector](#), and shutting off circumvention routes through intermediaries or third countries. In January 2026, the EU formally adopted a new regulation that would reduce the region's reliance on Russian pipeline gas and liquified natural gas (LNG). The regulation would prohibit the import of Russian pipeline gas and LNG into the EU, with full bans taking effect in 2027. It would also introduce stringent penalties for non-compliance.⁷

Future sanctions could focus on closing evasion loopholes with additional controls on trade, financing, and secondary sanctions, alongside continued rigorous enforcement.

Growing transparency requirements for large Russian-backed transactions

The 12th sanctions package adopted by the EU in December 2023 introduced Article 5r—an expanded reporting mandate designed to increase the oversight of EU-based entities with a Russian nexus.⁸ [With effect from July 2024](#), EU financial institutions are obliged to report any transaction above €100,000 involving entities that are more than 40% Russian-owned. The expanded disclosure supports the EU's broader efforts to close sanctions evasion channels and promote increased visibility of financial flows linked to Russian-owned entities.

Export controls and trade sanctions

Various export control measures and trade sanctions against Russia tightened further over 2025, as global authorities expanded regulations and trade restrictions curtailing Russia's military industry and the export of restricted dual-use technology. These included export controls on Russia, which banned specific categories of goods from being supplied to Russia or third countries whose final destination was Russia, while controls like the Affiliates Rule enacted by BIS in September 2025 were used as a more general mechanism to close enforcement loopholes.⁹

The second phase of implementation of the Affiliates Rule will begin in November 2026. Once fully implemented, it will extend export controls to entities at least 50% or more owned by

Key industries affected by sanctions

- Military-industrial complex
- Energy
- Finance (including cryptocurrency)
- Trade
- Transport and shipping
- Advanced technology and dual-use goods
- Luxury goods
- Intellectual property rights
- Consulting & professional services

³ [Counter Terrorism Designations; The U.S. Department of the Treasury's Office of Foreign Assets Control Assesses a Civil Monetary Penalty against GVA Capital, Ltd.](#), 12 June 2025

⁴ [EU sanctions against Russia](#), 18 December 2025

⁵ [World Economic Outlook, October 2025: Global Economy in Flux, Prospects Remain Dim](#), 14 October 2025

⁶ [World Economic Outlook Update, January 2026: Global Economy: Steady amid Divergent Forces](#), 19 January 2026

⁷ [Russian gas imports: Council gives final greenlight to a stepwise ban](#), 27 January 2025

⁸ [Russia's war of aggression against Ukraine: EU adopts 12th package of economic and individual sanctions](#), 18

December 2023

⁹ [Department of Commerce Expands Entity List to Cover Affiliates of Listed Entities](#), 29 September 2025

entities listed on BIS' [Military End-User List](#), [Entity List](#), and certain Specially Designated Nationals (SDNs).

According to Moody's November 2025 analysis, the Affiliates Rule, when fully implemented, could increase the number of impacted entities to nearly 21,000 from 4,000, with over half of these entities based in Russia.¹⁰ Finance, scientific Research & Development (R&D), and engineering would be among the most affected Russian industries.

While not all entities named on these lists are connected to Russia sanctions, the rule seeks to tighten the pipeline of critical goods and technology available to Russia's military-industrial base and crack down on evasion networks.

Secondary sanctions

US [Executive Order \(EO\) 14114](#), which came into effect in December 2023, [extended secondary sanctions](#) to foreign financial institutions (FFIs) that knowingly or unknowingly facilitated significant transactions involving Russia's military-industrial complex. By targeting indirect facilitators, including those operating via third countries, the EO significantly widened the reach of US enforcement.

Section 311 of the USA PATRIOT Act

[Section 311](#) of the USA PATRIOT Act empowers the US Department of the Treasury to impose special measures on foreign jurisdictions, financial institutions, or transactions deemed of primary money laundering concern. These measures range from enhanced recordkeeping and beneficial ownership requirements to prohibiting correspondent banking relationships. The provision aims to safeguard the US financial system from illicit finance and terrorist funding risks. By leveraging access to US dollar clearing, Section 311 exerts significant extraterritorial influence, compelling global compliance. While Section 311 is not part of a sanctions program, these sanction-like measures present additional compliance risks to FFIs. Its application has become a cornerstone in international efforts to combat financial crime, as shown by recent enforcement actions from FinCEN leveraging Section 311 in cases involving trade-based money laundering, drug trafficking networks, and convertible virtual currency scams.

Curtailing the Russian shadow fleet

The Russian energy sector and oil trade remain a target of sanctions actions to curb Russia's revenue sources— governments and global bodies introduced oil price caps and sanctions on vessels, owners, and related entities believed to be connected to the Russian shadow fleet.

From 2024 to 2025, sanctions on vessels increased significantly, supported by globally coordinated actions from US, UK, EU, Australia, Canada, and others. These calculated enforcement measures were subsequently extended to penalize third countries facilitating Russia's oil trade and shadow fleet operations. The two distinct phases in vessel designations globally can be split into its introduction in 2024 and the subsequent growth in 2025.

¹⁰ [The new US export control rule that could impact trading with thousands of entities](#), 15 December 2025

Phase 1: Introduction of sanctions on targeted vessels in 2024

- In June 2024, EU adopted the 14th sanctions package, which imposed sanctions on targeted vessels for the first time.¹¹ In December 2024, Switzerland and UK also imposed sanctions on the Russian shadow fleet, marking a turning point for shadow fleet designations an enforcement tool in sanctions.

Phase 2: Global coordinated sanctions increase in volume and speed in 2025

- The US started the year with sweeping sanctions on over 180 vessels, maritime insurers, energy officials, and Russian oil producers.¹² EU accelerated sanctions on the shadow fleet with the adoption of the 16th, 17th, 18th, and 19th sanctions packages. Switzerland mirrored most of EU's vessel designations in EU's packages. Similarly, Canada, New Zealand, and Australia introduced vessel sanctions on Russia's shadow fleet in 2025.
- By the end of 2025, multiple jurisdictions—including US, EU, UK, Switzerland, Canada, Australia, and New Zealand—imposed vessel designations on the shadow fleet.

The sanctions packages adopted in the past year highlight a rise in targeted measures aimed at restricting Russia's oil and energy sectors and shadow fleet operations. According to the European Council, since the introduction of oil price caps and energy-related sanctions, Russia's oil and gas revenues have dropped nearly 80% compared to before the war.¹³ However, it remains challenging for authorities to close evasion loopholes promptly—and with surgical precision—when bad actors utilize new or increasingly sophisticated tactics to circumvent sanctions.

EMERGING SANCTIONS EVASION TACTICS

As enforcement has tightened, bad actors have adapted by using tactics such as trade-based schemes, shell companies in third countries, cryptocurrency channels, and obscured or diluted ownership structures to evade list-based sanctions. Following up on our previous whitepaper, which covered ownership-based methods and shell company activity in sanctions evasion, this section will focus on the methods used to evade sanctions in trade and Special Economic Zones (SEZs).

Trade-based tactics

Physical sanctions evasion tactics in trade may involve manipulating paperwork and transporting goods through third countries and intermediaries. Such tactics make sanctions detection challenging, as illicit trade flows may be hidden behind layers of fragmented or false data and complex cross-border movements. Sometimes, the stated end-user, end-use or origin of a good is false, further hindering detection of suspicious evasion activity.

False invoicing

Fraudulent invoices (i.e. under-invoicing and over-invoicing shipments) and shipping documents can be used to facilitate illicit financial payments and goods transfers under the guise of legitimate trade. Banned goods can also be mislabeled, repackaged, or hidden among other goods in shipping containers to avoid being flagged at customs for further scrutiny.

Transshipment of goods using third countries

In order to circumvent sanctions export or import restrictions, bad actors may funnel restricted goods using transshipment hubs through third countries. This is usually done to obscure a paper and physical trail of restricted goods, which makes it harder for compliance teams to identify the true origin, destination, and beneficiaries of this transaction.

¹¹ [Russia's war of aggression against Ukraine: comprehensive EU's 14th package of sanctions cracks down on circumvention and adopts energy measures](#), 24 June 2024

¹² [Treasury Intensifies Sanctions Against Russia by Targeting Russia's Oil Production and Exports](#), 10 January 2025

¹³ [EU sanctions against Russia: questions and answers](#), 18 December 2025

For instance, Shipping Company A in Country B transships restricted chips to Russia by sending products to Country C, which is listed as the final destination on documentation, but is in fact used as an intermediary destination before goods are diverted to Russia.

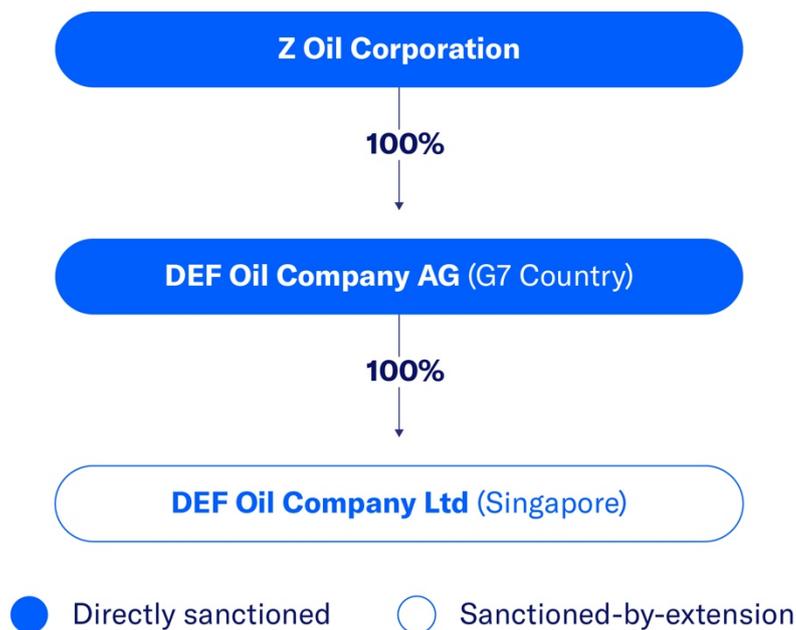
Bad actors may also transship goods using subsidiary networks to distance high-risk activities from related entities that are subject to tighter sanctions regimes. The case study provided in Figure 1 illustrates how a fictitious sanctioned company, **DEF Oil Company AG** based in a G7 country, could leverage its foreign trading arm, **DEF Oil Company Ltd**, to engage in Russian-related trading activities that **DEF Oil Company AG** is legally prohibited from undertaking under the G7 and EU oil price caps and direct sanctions.

DEF Oil Company Ltd is owned by a sanctioned entity, which makes it sanctioned by extension. As **DEF Oil Company Ltd** operates in Singapore, a third-country environment outside G7 and EU oil price caps, and is not directly sanctioned, the structure could provide a pathway for **DEF Oil Company Ltd** to engage in transactions—such as buying or selling Russian oil above the price cap—that **DEF Oil Company AG** cannot conduct. Regulators and counterparties could reasonably question whether the Singapore entity's operations are truly legally separate, or whether its activities effectively circumvent sanctions. The combination of sanctioned upstream ownership, potential downstream control, and a strategically located trading arm illustrates how corporate structures could mask indirect sanctions exposure and facilitate trade-based evasion. Aside from sanctions risks, similar arrangements could raise broader compliance concerns around corporate control and governance.

FIGURE 1 Case study of how a fictitious company could use subsidiary networks to facilitate trade-based sanctions evasion

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Case study: Using subsidiary networks to facilitate trade-based sanctions evasion



Complex trade-based sanctions circumvention methods are often designed to avoid triggering the usual risk signals to compliance teams. The ability for organizations to identify potential [sanctions risk exposure](#) through beneficial ownership data, network graphs, and consolidated sanctions lists can provide organizations with a more holistic view of risk in their counterparty networks or customers to inform decision-making and risk mitigation.

Special Economic Zones (SEZs)

The EU recently moved to restrict business with SEZs in Russia, adopting new bans on designated SEZs in Russia in its 19th sanctions package.¹⁴ These SEZs may pose a sanctions evasion risk due to its relatively opaque nature for registered businesses and how attractive these zones are to critical technology and goods, which otherwise face strict export controls in the Russian sanctions program.

¹⁴ [EU adopts 19th package of sanctions against Russia](#)*, 23 October 2025

STAYING AHEAD OF AN EVOLVING SANCTIONS CURVE

Where AI and compliance intersect

Adoption of AI in risk and compliance has accelerated. In [Moody's latest survey with 600 global risk and compliance leaders](#), more than half of respondents are currently actively using or trialing AI. The research uncovered the following top three areas seeing the greatest impact of AI:

- Fraud detection, transaction monitoring, and risk identification
- Screening and know your customer (KYC) workflows
- Automation of manual tasks and operational efficiency

Looking at the application of AI in sanctions compliance, it can be used to augment existing compliance frameworks to streamline lower-tier alert resolution, which would free up additional resources for compliance teams to focus on complex, higher-risk investigations.

FIGURE 2 Findings on the advantages of AI from Moody's study on AI in risk and compliance

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Advantages of AI

Findings from Moody's study



A recent [Federal Reserve System](#) study reinforces the potential of AI in sanctions screening: In an assessment of how large language models (LLMs) performed in fuzzy matching techniques,

LLMs reduced sanctions screening false positives by 92% and increased detection rates by 11% compared to the best-performing fuzzy matching baseline.

Agentic AI also presents a new frontier for the risk and compliance function: The same Moody's study highlighted that [awareness of agentic AI is growing and adoption is accelerating](#), with a caveat that necessary data governance guardrails should be in place as agentic AI evolves. Taking a phased implementation approach would help organizations scale AI capabilities for risk management and compliance safely.

Maxsight™ agents for sanctions

Moody's Agentic Solutions in [Maxsight™](#) introduce configurable AI agents that support risk and compliance workflows like screening and due diligence. These agents can adapt to an organization's risk policies and human-in-the-loop requirements, providing users with the control to choose the appropriate level of automation and oversight.

Moody's Screening Agent can assist compliance teams by evaluating potential matches between submissions and our comprehensive data on sanctions, PEPs, and adverse media. It can help with reducing false positives and classifying likely alerts with a clear explanation to support sanctions investigations so teams can focus on higher-risk cases.

Moody's Due Diligence Agent automates research and structured reporting, synthesizing Moody's comprehensive insights around corporate structures, financial performance, sanctions and watchlists, and more. It supports a more comprehensive picture of risk to inform decision-making and analysis, which could be helpful in cases that may require enhanced due diligence, sanctions evasion analysis, or mapping out potential sanctioned-by-extension risks.

Conclusion

As detailed in this whitepaper, governments have pursued tougher sanctions enforcement—freezing hundreds of billions in assets, imposing bans on hundreds of intermediaries, and coordinating enforcement across jurisdictions, while bad actors have responded with sophisticated evasion networks and tactics. The escalation underscores a fundamental reality: sanctions compliance is a strategic priority in a holistic risk-based approach.

As enforcement evolves, expect continued scrutiny of trade flows, sanctioned by extension entities, and ownership structures. Depending on the trajectory of current peace negotiations and broader geopolitical developments, sanctions regimes may also evolve in markedly different directions: escalating further, easing incrementally, or diverging across jurisdictions. In all scenarios, organizations should be prepared to adapt and comply as jurisdictions enact new regulations or policies. Organizations that leverage quality data and AI to detect anomalous patterns could be better equipped to navigate new sanctions compliance obligations.

GET IN TOUCH

For more information on how Moody's AI-powered capabilities and sanctions solutions can support your compliance program, [get in touch](#) today—we'd love to hear from you.

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