



Guidelines

Relating to the implementation of financial sanctions¹ against certain persons, entities, bodies and groups within the framework of combating terrorism financing

¹ In this guide, the term "sanctions" is used interchangeably with the term "restrictive measures". For the purposes of this guide, these terms shall have the same meaning.



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General comments:

- The recommendations issued in this guide are to be considered non-exhaustive and of a general nature for the purpose of implementing financial sanctions within the framework of combating terrorism financing.
- The recommendations set out in this guide are not legally binding and should not be read as recommending any action which would be incompatible with applicable European or national laws. The guide is not intended to replace the obligation to consult applicable law. Only the latter is legally binding.
- It therefore follows that the guide shall not substitute applicable law or the handling of individual requests.
- The Ministry of Finance is responsible for keeping the guide up-to-date and invites users to send their suggestions by email to the following address: sanctions@fi.etat.lu
- Users are also invited to communicate by email any difficulties they may encounter in the implementation of a financial sanctions regime.
- The guide is available for download from the [Ministry of Finance's website](#), under the International Financial Sanctions section.
- This guide does not specifically address financial restrictive measures that are not related to the financing of terrorism. In respect of such measures, users are asked to refer to the Ministry of Finance's guide entitled "Guidelines relating to the implementation of financial restrictive measures (sanctions) imposed against third countries, entities or individuals". This guide is also available for download from the [Ministry of Finance's website](#), under the International Financial Sanctions section.
- It is highly recommended to subscribe to the Ministry of Finance's newsletter to receive the latest updates in matters of financial sanctions. The link for subscribing is available on the [website of the Ministry of Finance](#).
- This guide contains unofficial translations of certain articles of Luxembourg laws from the original French version to English. In case of discrepancies between the French version and its English translation, the French version prevails.



1. Restrictive financial measures

Within the framework of combating terrorism financing, Luxembourg differentiates between three financial restrictive measures regimes applicable in Luxembourg:

Restrictive measures at United Nations' level: These relate to restrictive measures put in place by the United Nations Security Council Resolutions ("UNSC Resolutions") under chapter VII of the Charter of the United Nations, that countries are required to transpose into their national legislation and implement. With respect to policy areas that fall within the competence of the European Union, the transposition of the UNSC resolutions by the European Union removes the need for national transposition.

Restrictive measures at European level: These are one of the EU's tools to promote the objectives of the Common Foreign and Security Policy (CFSP) and are adopted by an EU CFSP decision. Where such decisions have an impact on policy areas that fall within the competence of the European Union, they are implemented by an EU Council or Commission Regulation. Unlike decisions, which do not provide for direct obligations to be imposed on stakeholders, EU Regulations are directly applicable in Luxembourg and do not require national transposition. They generally enter into force on the day following their publication in the Official Journal of the European Union.

In Luxembourg, the designation of States natural and legal persons, entities or groups appearing on a list annexed to an act of the European Union or of the United Nations and the determination of the restrictive measures in financial matters, which apply, shall be made automatically by reference to that list.²

Restrictive measures at national level: In addition to the automatic transposition into national law of UN and EU designations referred to above, a grand-ducal Regulation may impose restrictive measures against States, natural and legal persons, entities or groups in order to ensure the defence of the national and external security or vital interests of the country.³

Such reference is valid for States, natural and legal persons, entities or groups in these lists under the European Union's police and judicial cooperation in criminal matters.

2. Overview

UNSC resolutions	Content	Transposition
UNSC Resolution 1988 (2011), as amended	Reiterates the 'Afghanistan' section of UNSC Resolution 1267 (1999) ⇒ Member States are to freeze without delay the funds and other financial assets or economic resources of the listed individuals and/or entities.	Regulation (EU) 753/2011 of 1 st August 2011 Automatic transposition allowed by the Law of 19 December 2020 ⁴

² Art. 4(2) of the Law of 19 December 2020.

³ Art. 5 of the Law of 19 December 2020.

⁴ Art. 4(2) of the Law of 19 December 2020.



UNSC Resolution 1989 (2011), as amended	Reiterates the 'ISIL (Da'esh), Al-Qaida ⁵ ' section of UNSC Resolution 1267 (1999) ⇒ Member States are to freeze without delay the funds and other financial assets or economic resources of the listed individuals and/or entities.	Regulation (EU) 881/2002 of 27 May 2002 Automatic transposition allowed by the Law of 19 December 2020 ⁶
UNSC Resolution 1373 (2001)	⇒ Member states are required, among other things, to implement a framework enabling the freezing of assets at national level.	2001/931/CFSP of 27 December 2001 Regulation (EU) 2580/2001 of 27 December 2001 Law of 19 December 2020 ⁷
EU Regulations imposing additional restrictive measures		
Council Regulation (EU) 2016/1686 of 20 September 2016 imposing additional restrictive measures directed against ISIL (Da'esh) and Al-Qaeda and natural and legal persons, entities or bodies associated with them	Travel ban on individuals and asset freeze on individuals and entities that are identified as being associated with ISIL (Da'esh)/ Al-Qaida.	Law of 19 December 2020 ⁸

Moreover, in accordance with the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended, the Financial Intelligence Unit⁹ has the authority to *freeze*¹⁰ the assets and give the instruction not to carry out the operations relating to the transaction or the customer to the professionals¹¹. Following the recent updates introduced by the Law of 10 August

⁵ Resolutions 2253 (2015) and 2368 (2017).

⁶ Art. 4(2) of the Law of 19 December 2020.

⁷ Art. 5 of the Law of 19 December 2020.

⁸ Art. 4(2) of the Law of 19 December 2020.

⁹ See section 4 below.

¹⁰ Unofficial translation of the term "blocage" which is different of freezing ("gel") in the context of restrictive measures.

¹¹ Law of 12 November 2004, Article 5. (Cooperation requirements with "the FIU," "the authorities "and "the self-regulatory bodies"), paragraph 3a, ("The provisions of paragraph 1, point (b) and paragraph 3 apply even in the absence of a suspicious transaction report made by the professional according to paragraph 1, point (a) and paragraph 1a.)".)



2018 concerning the organization of the Financial Intelligence Unit, the FIU *freezing* instruction is no longer limited in time. It should also be noted that the FIU *freezing* instruction is possible even in the absence of a suspicious transaction report.¹²

3. List of the main competent authorities in matters relating to financial sanctions in Luxembourg and self-regulatory bodies¹³

3.1. The Ministry of Foreign and European Affairs and in particular the Directorate for European Affairs and International Economic Relations are competent for the **overall coordination of the implementation of international restrictive measures**¹⁴ taken by the United Nations Security Council and/or the European Union. They work together with other national authorities responsible for the implementation of restrictive measures.

⇒ **Contact details: Directorate for European Affairs and International Economic Relations**
9, rue du Palais de Justice
1841 Luxembourg
Tel: (+352) 247-82300
Fax: (+352) 22 20 48
Mail: secretariat.d2@mae.etat.lu
Website: <https://maee.gouvernement.lu/fr.html>

3.2. The Ministry of Finance is the competent authority for all matters relating to the implementation of financial sanctions. Such competence includes in particular (a) dealing with any questions regarding the implementation of financial restrictive measures from the natural and legal persons, entities or groups targeted, as well as from natural and legal persons called upon to apply them; (b) dealing with any questions and disputes regarding homonyms¹⁵; (c) dealing with any questions and disputes regarding unintended consequences of the financial restrictive measures on assets; and (d) exceptionally granting authorisations exempting from the imposed prohibitions and restrictive measures. In addition, (e) the Ministry of Finance may inform natural and legal persons of the implementation of prohibitions and restrictive measures via its website¹⁶.

⇒ **Contact details: Ministry of Finance**
Directorate for Multilateral Affairs, Development and Compliance
3, rue de la Congrégation
L-2931 Luxembourg
Tel: (+352) 247 82656
Fax: (+352) 46 62 12
Email: sanctions@fi.etat.lu
Website: [Ministry of Finance's website](#)

⇒ Who can contact the Ministry of Finance in matters of financial sanctions implementation?

¹² <https://justice.public.lu/fr/organisation-justice/crf.html>.

¹³ Art.6 of the Law of 19 December 2020.

¹⁴ [Arrêté grand-ducal du 28 mai 2019 portant constitution des Ministères](#).

¹⁵ As regards the matter of homonyms, please refer to the "Lists – Databases" section.

¹⁶ Art. 6(1) of the Law of 19 December 2020.



- (i) Any natural or legal persons of Luxembourg nationality or residing in Luxembourg and their lawyers¹⁷;
- (ii) All natural or legal persons of foreign nationality or who do not reside in Luxembourg but whose assets have been frozen in Luxembourg, and their lawyers¹⁸.

3.3. The Commission de Surveillance du Secteur Financier (“CSSF”) is competent for the **prudential supervision** of persons of the financial sector falling under the scope of its competences. On the basis of Article 33 of CSSF Regulation no. 12-02, these persons are required to keep informed the CSSF when natural and legal persons, entities or groups are involved in a transaction or business relationship subject to prohibitions or restrictive measures in financial matters in the framework of the fight against terrorism financing are identified. The "Financial crime" section of CSSF's website contains useful information on this matter.

⇒ **Contact details: Commission de Surveillance du Secteur Financier**

283, route d’Arlon

L-1150 Luxembourg

Tel: (+352) 26 25 1 – 1

Fax: (+352) 26 25 1- 2601

Email: direction@cssf.lu

Website: www.cssf.lu

3.4. The Commissariat aux Assurances (“CAA”) is the supervisory authority responsible for the supervision of natural and legal persons falling within its competence for the purposes of the implementation of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters. In accordance with the article 31 of the CAA Regulation 20/03 dated 30 July 2020 on the fight against money laundering and terrorism financing, these persons have to apply restrictive measures and inform without delay the competent authorities in financial sanctions matters. A copy of this reporting has to be addressed to the CAA.

⇒ **Contact details: Commissariat aux Assurances**

7, boulevard Joseph II

L-1840 Luxembourg

Tel: (+352) 22 69 11 – 1

Fax: (+352) 22 69 10

Email: caa@caa.lu

Website: www.caa.lu

¹⁷ The Ministry of Finance may request a copy of the mandate.

¹⁸ Idem.



3.5. The Administration de l'enregistrement, des domaines et de la TVA ("AED") is the supervisory authority in charge of specific categories of persons referred to in art. 1 of the Law of 10 August 2018, as amended.

⇒ Contact details: Administration de l'enregistrement, des domaines et de la TVA

1-3, avenue Guillaume
L - 1651 Luxembourg
Tél: (+352) 247-80800
Fax: (+352) 247-90400
Email: info@aed.public.lu
Website: <https://pfi.public.lu/>

3.6. The Institut des réviseurs d'entreprises ("IRE"): Following the article 6 paragraph (2) and (5) of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters, the IRE is responsible for the supervision of the persons falling within its competence for the purposes of the implementation of this Law. The IRE has the same powers as those attributed to them by articles 8-2a, 8-10, 8-11, 8-12 and 8-13 of the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended. Following the article 6 paragraph 1 of the above mentioned Law, persons falling within the competence of the IRE who are required to implement the restrictive measures provided for in this Law shall inform the Finance Minister of the execution of each restrictive measure taken in respect of a State, natural or legal person, entity or group designated in accordance with this Law and the implementing regulations, including attempted transactions. For the purposes of implementing this Law, the Finance Minister is competent to deal with matters relating to the enforcement of financial restrictive measures on the part of the persons obliged to apply them and falling within the competence of the IRE.

⇒ Contact details: Institut des réviseurs d'entreprises

7, rue Alcide de Gasperi
L-1615 Luxembourg
Adresse postale : B.P. 2056 L-1020 Luxembourg
Tél: (+352) 29 11 39 1
Email: contact@ire.lu
Website: www.ire.lu

3.7. The Ordre des Experts-comptables ("OEC"): Following the article 6 article (1) of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters, persons falling within the competence of the OEC and who are obliged to apply restrictive measures provided by the above mentioned Law, shall inform the Finance Minister of the execution of each restrictive measure taken in respect of a State, natural or legal person, entity or group designated in accordance with this Law and the implementing regulations, including attempted transactions. For the purposes of implementing this Law, the Finance Minister is competent to deal with matters relating to the enforcement of financial restrictive measures on the part of the persons obliged to apply them and falling within the competence of the OEC.

Following the article 6 paragraph (2), the OEC is responsible for the supervision of the persons falling within its competence for the purposes of the implementation of this Law. This supervision is performed by a specific control of the compliance with professional obligations in AML/CFT matters. During these controls and in case of detection of persons, entities or



groups involved in a transaction or in a business relationship subject to prohibitions or restrictive measures in financial matters, it is verified that the professional has informed the Ministry of Finance.

Following the article 6 paragraph (5) of the above mentioned Law, the OEC has the same powers as those attributed to them by articles 8-2a, 8-10, 8-11, 8-12 and 8-13 of the Law of 12 November 2004 on the fight against money laundering and terrorist financing, as amended.

The section “LBC/FT” of the OEC website contains useful information on this matter.

⇒ **Contact details: Ordre des Experts-Comptables**

7, rue Alcide de Gasperi

L-1615 Luxembourg

Tél: (+352) 29 13 33

Email: contact@oec.lu

Website: www.oec.lu

- 3.8.** The **Ordres des avocats** established by the Law of 10 August 1991 on the legal profession, as amended, are the self-regulatory bodies responsible for the supervision and the control of lawyers who carry out in Luxembourg the activities referred to in point (12) of Article 2(1) of the Law of 12 November 2004 on the fight against money laundering and terrorist financing. Since the entry into force of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters, the Ordres des avocats have additional powers of supervision and sanctions, coherent with those in the Law of 12 November 2004, as amended. To this end, they ensure an effective monitoring of the implementation of financial restrictive measures by the lawyers and take the necessary measures to that end.

⇒ **Contact details: Ordre des avocats du Barreau de Luxembourg**

2A, boulevard Joseph II

L - 1840 Luxembourg

Tél: (+352) 46 72 72-1

Fax: (+352) 22 56 46

Email: aml@barreau.lu

Website: <https://www.barreau.lu>

- 3.9.** The **Chambre des Notaires** is the self-regulatory body defined in the article 2 (9) (c) of the Law of 19 December 2020 on the implementation of restrictive measures in financial matters. The Chambre des Notaires shall be responsible for the supervision of the persons falling within its competence for the purposes of the implementation of this Law (art.6 (2)).

⇒ **Contact details: Chambre des Notaires du Grand-Duché de Luxembourg**

53, boulevard Joseph II

L-1840 Luxembourg

Tél: 44 70 21

Fax: 45 51 40

Email: info@notariat.lu

Website: <http://www.notariat.lu/>

- 3.10.** The **Chambre des huissiers de justice** referred to in Chapter VIII of the Law of 4 December 1990 on the organisation of the court bailiffs, as amended, is the self-regulatory



body responsible for the supervision of the bailiffs for the purposes of the implementation of restrictive measures in financial matters.

⇒ **Contact details: Chambre des huissiers de justice**

65 rue d'Eich

L-1461 Luxembourg

Tél: (+352) 44 13 33 1

Email: conseil@huissier.lu

Website: www.huissier.lu

4. Financial Intelligence Unit ("FIU")

The FIU¹⁹ is the national authority responsible²⁰ for receiving and analysing suspicious transaction reports and other information regarding suspicious facts that might amount to money laundering, associated predicate offences or terrorism financing. It has the necessary authority and capacity to freely carry out its functions, including the autonomous decision to analyse, request and disseminate specific information to the services and authorities which are competent for fighting money laundering and terrorist financing.

The obligation to report, without delay, all suspicious transactions to the FIU is based, in particular, on article 5, paragraph (1) a) of the Law of 12 November 2004, as amended, on the fight against money laundering and terrorism financing.

According to these provisions, “ The professionals, their directors (dirigeants, members of the authorised management) and employees are obliged to cooperate fully with the Luxembourg authorities responsible for the fight against money laundering and terrorist financing “and self-regulatory bodies, [...] are required to: inform promptly, on their own initiative, the Financial Intelligence Unit (...) when they know, suspect or “have reasonable grounds to suspect that money laundering, an associated predicate offence or terrorist financing” is being committed or has been committed or attempted, in particular in consideration of the person concerned, its development, the origin of the funds, the purpose, nature and procedure of the operation. This report must be accompanied by all supporting information and documents having prompted the report. “All suspicious transactions, including attempted suspicious transactions, shall be reported, regardless of the amount of the transaction.” The obligation to report suspicious transactions shall apply regardless of whether those filing the report can determine the predicate offence.”

“With regard to combating terrorist financing, the obligation to report suspicious transactions set forth in paragraph 1, point (a) shall also applies to funds where there are reasonable grounds to suspect or they are suspected to be linked or related to, or to be used for terrorism, terrorist acts, by “a terrorist or terrorist” groups or by those who finance terrorism.”

¹⁹ See Articles 74-1 et seq of the [Law of 7 March 1980, as amended](#), on the organisation of the judicial system.

²⁰ Idem.



⇒ **Contact details: Cellule de Renseignement financier (*Financial Intelligence Unit*)**

41B bd. Franklin D. Roosevelt

L-2450 Luxembourg

Tel: (+352) 47 59 81-2447

Fax: (+352) 26 88 48 61

E-mail: crf@justice.etat.lu

Website: <https://justice.public.lu/fr/organisation-justice/crf.html>

5. Obligation to cooperate with the authorities²¹

Natural and legal persons who have to apply financial restrictive measures, are obliged to cooperate with the national authorities responsible for implementing these measures. They have to provide the national competent authorities with any information which may be relevant such as i.a. details pertaining to any accounts frozen, data on the identity of designated persons, details of incoming transfers resulting in the crediting of a frozen account, attempts to circumvent existing financial sanctions and cases of homonyms.

The national authorities may use the information they receive only for the purposes for which it was provided, namely ensuring the effective implementation of the restrictive measures. Such implementation also involves sustained cooperation with international and transnational authorities such as the European Commission, the Council of the European Union, the EEAS²², the relevant United Nations sanctions committees, the competent authorities of other Member States and police, customs and legal authorities.²³

6. The value and binding nature of the various legal acts imposing financial sanctions

6.1. UNSC resolutions – CFSP Decisions

UNSC Resolutions or CFSP Decisions are binding for Member States.

⇒ **Please note:** The designation of States, natural and legal persons, entities or groups appearing on a list annexed to an act of the European Union or of the United Nations and the determination of the restrictive measures in financial matters, which apply, shall be made automatically by reference to that list. This reference also applies to States, natural and legal persons, entities or groups included in these lists under the European Union's police and judicial cooperation in criminal matters.²⁴

²¹ See also section on "The obligation to freeze, without delay, funds and economic resources".

²² The European External Action Service, <http://www.eeas.europa.eu/>.

²³ See "Restrictive Measures (sanctions): Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), – IV (Role of economic operators and citizens), paragraph 41; V (Use of information by competent authorities), paragraphs 42 and 43.

²⁴ Art.4(2) of the Law of 19 December 2020.



Natural and legal persons who are required to implement the restrictive measures may consult the UNSC Resolutions on the following website: <https://www.un.org/securitycouncil/content/resolutions-0>

CFSP Decisions are available on the following website: <https://eur-lex.europa.eu/homepage.html?locale=en> and <https://www.sanctionsmap.eu/#/main>

6.2. EU Regulations

An EU Regulation is a rule that is binding on citizens of the EU and/or natural or legal persons residing, having their registered office in the EU, or operating in or from EU territory. An EU Regulation is binding in its entirety and directly applicable in all Member States without need for transposition into national law by the national authorities.

EU Regulations may be consulted on the following websites: <http://eur-lex.europa.eu/>²⁵ and <https://www.sanctionsmap.eu/#/main>

6.3. Laws/Grand-Ducal Regulations

A law or Grand-Ducal Regulation issued to implement a law becomes effective following its publication in the Official Gazette.²⁶ They are applicable to citizens of Luxembourg, both natural and legal persons, and any other natural or legal person operating in or from Luxembourg.

The laws and Grand-Ducal Regulations can be consulted on the following website: <http://legilux.public.lu/>

Natural and legal persons who are required to implement the restrictive measures may as well consult the [Ministry of Finance](#) as well as the [CSSF's website](#).

6.4. No retroactivity

EU Regulations, laws and Grand-Ducal Regulations have no retroactive effect.

7. The territoriality clause of EU Regulations

EU Regulations should apply only in situations where links exist with the EU. The European Union will refrain from adopting legislative instruments that, having extra-territorial application, would be in breach of international law. In general, EU Regulations shall apply:²⁷

- Within the territory of the European Union, including its airspace²⁸.

²⁵ See also Section 15. Lists – Databases for consolidated lists of financial sanctions targets.

²⁶ The law or the Grand-Ducal Regulation will enter into force four full days after its publication, including the publication date, unless it states a longer or shorter deadline.

²⁷ Also see the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Section II-J (Jurisdiction), paragraphs 51 and 52.

²⁸ **Territory of the Union** ⇒ The Territory of the Union means the territories of the Member States to which the Treaty on European Union and the Treaty on the Functioning of the European Union is applicable, under the conditions laid down in the Treaties, including the airspace of the Member States. Territories that are expressly



- On board of any aircraft or any vessel under the jurisdiction of a Member State. It therefore follows that natural and legal persons, entities or groups falling within the scope of the EU Regulation and which own or control vessels or aircraft registered outside the European Union must make every effort to ensure that such vessels or aircraft comply with the EU Regulations.
- To any person inside or outside the territory of the European Union who is a national of a Member State.
- To any legal person, entity or group, within or outside the European Union, which is incorporated or constituted under the law of a Member State²⁹.
- To any legal person, entity or group in respect of any business concluded in whole or in part within the European Union. It follows that any non-European legal person, entity or group established in a non-European country must apply EU Regulations in respect of any business carried out in whole or in part within the European Union. Any other interpretation would mean allowing the non-European entity to conduct a transaction in the EU that is prohibited to EU citizens.

However, entities subject to the laws of a country outside the EU and established outside the EU shall not be bound by EU Regulations. That said, where the registered office of such entities is established in the EU and where such entities are acting under the direction of such registered office, the latter may be held liable.

8. Various language versions

The Court of Justice of the European Union ("CJEU") considers that the wording used in one language version of a provision of EU law cannot serve as the sole basis for the interpretation of that provision, or be made to override the other language versions in that regard.³⁰

The interpretation of a provision of EU law must take into account the context, the objects, the purpose and the wording of the rules of which it forms part.³¹

9. Fight against money laundering and terrorism financing and financial sanctions

Although there are areas of convergence between the legal provisions on the fight against money laundering and terrorism financing, (AML/CFT) and the legal provisions relating to financial sanctions, it is important to bear in mind that the legislation and obligations are not identical.

In short, the AML/CFT legal provisions impose identification (*know your customer*), customer due diligence and risk assessment requirements on professionals in order to ensure that funds

excluded by the Member States are outside the territory of the Union and are listed in the corresponding annex of the abovementioned treaties. As a result these territories do not have to implement EU Regulations.

²⁹ Idem.

³⁰ CJEU 5 December 1967 Van de Vecht, 19/67.

³¹ CJEU 21 February 1984, St. Nikolaus Brennerei, 337/82, Rec. P. 1051, point 10, CJEU 17 October 1995, Leifer and others, C-83/94, Rec. P. I-3231, point 22.



originating from and/or received by their clients are not proceeds of a criminal activity or being used to finance terrorism/terrorists.

However, in implementing the financial sanctions' legislation, natural and legal persons who are required to implement them are required to prevent the circumvention of financial sanctions that would result in funds or economic resources being made available to a designated natural or legal person, entity or group.

It should be noted that the funds in question **may** be the proceeds of an entirely legitimate activity.³²

It therefore follows that IT or other systems put in place in order to detect activities that may constitute a money laundering or terrorism financing offence may not always suffice to detect breaches of financial sanctions legislation and vice versa. The legislation relating to financial sanctions may therefore impose additional obligations on natural and legal persons who are required to implement them with respect to the identification of the parties to a transaction and the monitoring of such transactions.

By the same reasoning, the verification of, by means of example, a Politically Exposed Persons (PEP) database, may not necessarily allow to detect a possible breach of financial restrictive measures.

10. Technical and IT issues

The obligation to implement financial sanctions shall remain in force even in the event of technical or IT issues and such issues cannot justify the breach of financial restrictive measures.

The Ministry of Finance recommends that it is notified as soon as possible of any issues that may be encountered, whether technical or IT-related, when implementing a financial sanctions regime so that the Ministry may assess each situation on a case-by-case basis to determine the appropriate course of action, which may include changes to procedures or to applicable legislation.

11. Remedies

11.1. Non-contentious remedies – Requests for de-listing

³² If, on the other hand, the funds are suspected of being the proceeds of a criminal activity or if there are reasonable grounds to suspect that money laundering, an associated predicate offence or terrorist financing is being committed or has been committed or attempted, then the professional must submit a suspicious transaction report to the Financial Intelligence Unit. This obligation is additional to the one of freezing the funds and notifying the competent authorities of such asset freeze.



Existing legal texts	Delisting procedure	Who to contact
Regulation (EU) ³³ and Council Decision	✓	EU Council General Secretariat 175, rue de la Loi B-1048 Brussels – Belgium sanctions@consilium.europa.eu Specific case³⁴ : European Commission 'Restrictive measures' 200, rue de la Loi B-1049 Brussels – Belgium
UNSC Resolutions 1267 (1999), 1989 (2011), 2253 (2015).	✓	Office of the Ombudsperson to the ISIL (Da'esh) and Al-Qaida Sanctions Committee Room DC2-2206 United Nations New York, NY 10017 United States of America Tel: +1 212 963 2671 Fax: 1 212 963 1300/3778 E-Mail: ombudsperson@un.org https://www.un.org/securitycouncil/ombudsperson *If a person is delisted from the UN sanctions list, relevant amendments are made to the corresponding legal acts of the EU. On 20 July 2017, the Security Council adopted resolution 2368 (2017), by which it reaffirms that the Focal Point mechanism established in resolution 1730 (2006) may receive exemption requests submitted by, or on behalf of, an individual, group, undertaking or entity on the ISIL (Da'esh) & Al-Qaida Sanctions List, or by the legal representative or estate of such individual, group, undertaking or entity ³⁵ and also may receive, and transmit to the Committee for its consideration, communications from: (a) individuals who have been removed from the ISIL (Da'esh) & Al-Qaida Sanctions List;

³³ See Regulation (EU) N°881/2002 of 27 May 2002, Article 7; Regulation (EU) 753/2011 of 1st August 2011, Article 11. Also see the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Annex I, paragraphs 19 and 20 and "Restrictive Measure (sanctions): Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section A (Designation and identification of persons and entities subject to targeted restrictive measures), III (De-listing), paragraphs 18-22.

³⁴ Regulation (EU) N°881/2002 of 27 May 2002, Article 7 and 7a.

³⁵ Please cf also to Resolution 2083 (2012).



		(b) individuals claiming to have been subjected to the measures outlined in paragraph 1 above as a result of false or mistaken identification or confusion with individuals included on the ISIL (Da'esh) & Al-Qaida Sanctions List. ³⁶ https://www.un.org/securitycouncil/sanctions/delisting
UNSC Resolution 1988 (2011) and other UNSC Resolutions ³⁷	✓	Focal Point for De-listing ³⁸ Security Council Subsidiary Organs Branch Room DC2 2034 United Nations New York, N.Y. 10017 United States of America Tel. +1 917 367 9448 Fax. +1 917 367 0460 Email: delisting@un.org https://www.un.org/securitycouncil/sanctions/delisting *Petitioners may submit de-listing requests either through the focal point process outlined in resolution 1730 (2006) , or through the State of their residence or citizenship. *If a person is removed from the UN sanctions list, relevant amendments are made to the corresponding legal acts of the EU.
Luxembourg grand-ducal Regulation	✓	Ministry of Finance Directorate of multilateral Affairs, Development and Compliance 3, Rue de la Congrégation L-2931 Luxembourg Email : sanctions@fi.etat.lu

11.2. Contentious remedies

11.2.1. Against an EU Regulation

The Court of Justice of the European Union

L - 2925 Luxembourg

Tel. switchboard: (352) 4303.1

Fax: (352) 4303.2600

http://curia.europa.eu/jcms/jcms/Jo2_7022/en

An application for the annulment of an act imposing financial restrictive measures is heard in the General Court of the EU. An appeal to the judgment of the General Court is heard by the Court of Justice of the European Union (CJEU).

³⁶ Please cf also to Resolution 2161 (2014).

³⁷ With the exception of Resolutions 1989 (2011), 1267 (1999), 2253 (2015).

³⁸ Established pursuant to Resolution 1730 (2006) of the Security Council.



It should be noted that the annulment of the acts imposing restrictive measures (against a person, entity, groups or bodies) does not take effect immediately after the judgment made by the General Court unless explicitly stated in the judgment. The effects of any acts that have been annulled in the first instance are maintained until expiry of the period for bringing an appeal to the CJEU (two months and ten days from notification of the judgment). During that period, the competent EU institution can remedy the infringements established and adopt, new restrictive measures with respect to the natural and legal persons, entities, or groups concerned by the annulment. Alternatively, the competent institutions can appeal, in which case the restrictive measures remain in full force pending the outcome of the appeal. After the aforementioned period of two months and ten days, if the EU institutions do not bring an appeal and if the infringements established by the General Court are not remedied, the restrictive measures against this person or entity will end.³⁹

11.2.2. European Union Legal Aid

In order to ensure effective access to justice, legal aid shall be granted for proceedings before the General Court of the European Union. Legal aid shall cover, in whole or in part, the costs involved in legal assistance and representation by a lawyer in proceedings before the General Court. The cashier of the General Court shall bear those costs. Any natural person who, because of their financial circumstances, is wholly or partly unable to meet the costs referred to above shall be entitled to legal aid. Their financial circumstances shall be assessed, taking into account objective factors such as income, capital and the family situation. Legal aid shall be refused if the action in respect of which the application is made appears to be manifestly inadmissible or manifestly unfounded.

An application for legal aid may be made before or after the action has been brought before the General Court. The application needs not be made through a lawyer.

The application for legal aid must be accompanied by all information and supporting documents making it possible to assess the applicant's financial circumstances, such as a certificate issued by the competent national authority attesting to his financial circumstances.

If the application is made before the action has been brought before the Court, the applicant must briefly state the subject matter of the proposed action, the facts of the case and the arguments in support of the action. The application must be accompanied by supporting documents to that end.

Further information is available on the following website:
https://curia.europa.eu/jcms/jcms/Jo2_7039/en/

11.2.3. Against a Grand-Ducal Regulation

An application for the annulment of an act imposing financial restrictive measures following a designation under the national regulation is heard in the "Tribunal Administratif". An appeal to the judgment of the "Tribunal Administratif" is heard by the "Cour Administrative". *"The recourse has no*

³⁹ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section A (Designation and identification of persons and entities subject to targeted restrictive measures), III (De-listing), paragraph 22.



suspensive effect unless the president of the Tribunal or the judge who replaces him decides otherwise.”⁴⁰ It should also be noted that “[...], during the delay for appeal and during the instance of appeal, the execution of judgements annulling or reforming contested decisions is suspended”.⁴¹ The time limit for recourse is three (3) months starting from the publication of the legal act or in the event of no publication, starting from the date of the notification to the applicant or the date the applicant was informed.⁴²

12. Applications for authorisation and other applications

12.1. Procedure

In accordance with the Article 6 (1) of the Law of 19 December 2020 “[...] the Minister responsible for Finance is competent to deal with matters relating to the enforcement of financial restrictive measures on the part of the natural and legal persons, entities and groups concerned, as well as on the part of the natural and legal persons obliged to apply them. The Minister responsible for Finance is also competent to exceptionally issue authorisations derogating from the prohibitions and restrictive measures imposed if the resolutions and acts referred to in article 1 allow such derogations and under the conditions provided for therein.”

Applications for authorisation in accordance with the exemptions specifically provided for under European and/or national legislation, as well as any queries regarding implementation of international financial sanctions should be sent by email to sanctions@fi.etat.lu or by mail to Ministry of Finance, Directorate of multilateral Affairs, Development and Compliance, 3, rue de la Congrégation, L-1352 Luxembourg. Once the application is submitted, the Ministry of Finance shall acknowledge receipt thereof to the applicant.

12.2. Processing time

The Ministry of Finance shall notify applicants of its decision as soon as possible. However, the processing time depends on the complexity of the application and the status of the case. Incomplete applications will not be processed until all required paperwork is received. Furthermore, depending on the complexity of the case, additional consultations within the relevant government departments and with the European Commission Services are often necessary.

12.3. Supporting documents/forms

⁴⁰ Unofficial translation of the article 11(1) of the [Law of 21st June 1999](#) on procedural rules before administrative courts. The French text reads as follows : « *Le recours n’a pas d’effet suspensif s’il n’en est autrement ordonné par le président du tribunal ou par le juge qui le remplace.* »

⁴¹ Unofficial translation of the article 45 of the [Law of 21st June 1999](#) on procedural rules before administrative courts. The French text reads as follows : « *Pendant le délai et l’instance d’appel, il est sursis à l’exécution des jugements ayant annulé ou réformé des décisions attaquées.* »

⁴² Unofficial translation of the article 16 of the [Law of 21st June 1999](#) on procedural rules before administrative courts. The French text reads as follows : « *Le délai d’introduction est de trois mois à partir de la publication de l’acte attaqué ou, à défaut de publication, de la notification ou du jour où le requérant en a eu connaissance.* »



With respect to applications for authorisation concerning transfers of frozen funds and/or any related notifications, users are asked to use the form available for download from the [Ministry of Finance's website](#), under the International Financial Sanctions section.

12.4. Expenses in respect of applications

The costs of processing applications shall be borne by the Ministry of Finance.

12.5. Can a copy of the authorisation be sent to third parties?

Notwithstanding the applicable rules concerning confidentiality and professional secrecy, applicants may transfer a copy of the authorisation to third parties that have an apparent connection with the transaction. The Ministry of Finance should be consulted prior to forwarding the document to parties that have no obvious connection with the transaction (for example, foreign government authorities). In case of doubt, the Ministry of Finance should be consulted.

12.6. Modification and validity of an authorisation

Authorisations are issued on the basis of the information and documents submitted during the application process. It follows that applicants are required to a) keep the Ministry of Finance informed of any changes that are likely to alter the assessment parameters on the basis of which the authorisation was issued and (b) where necessary, submit a new application with all of the necessary and/or useful supporting documents and information. If the authorisation is issued on the basis of information that proves to be false, the authorisation shall be considered null and void. In the event of a change in circumstances on the basis of which the authorisation has been issued, the Ministry of Finance may withdraw or amend the authorisation.

12.7. Removal from the financial sanctions lists of a person and/or entity for which the authorisation has been issued

In the event of the removal from the financial sanctions lists of a person and/or entity for which the authorisation has been issued, it shall no longer be necessary to request authorisation to perform transactions involving such person and/or entity. The authorisation shall therefore expire on the date of actual removal from the list.⁴³ It is recommended to keep a copy of the authorisation and any documentation relating thereto in the event of inspections or queries relating to the period during which the authorisation was still valid.

12.8. What should I do if an authorisation is refused?

The Ministry of Finance shall provide the reasons for its refusal. In the event of refusal, the applicant is strictly prohibited from carrying out the underlying transactions. If, however, the applicant would

⁴³ See also the "Remedies" section.



like the Ministry of Finance to reconsider its decision, it must provide an analysis on the basis of new facts and information and submit any relevant documentation.

12.9. Miscellaneous

It is important to notify the Ministry of Finance of any cases of emergency circumstances (for example, humanitarian emergency⁴⁴).

A duly formulated application for authorisation within the context of a specific financial sanctions regime does not exempt the applicant from the requirement to submit prior notification or obtain prior authorisation, which might be provided for in other legislation, not relating to financial sanctions, whether at national or European level.

The authorisation procedure does not negate the need for ordinary procedures to determine the validity of claims against a designated person or entity, and an authorisation does not confer title.⁴⁵

Applications or queries relating to financial sanctions imposed by other Member States or third countries do not fall under the competencies of the Luxembourg Ministry of Finance; applicants should therefore contact the competent authorities of such Member States or third countries.

Lastly, it should be noted that should an entity be licensed by a Luxembourg or foreign authority, it does not mean that such entity cannot be subject to financial sanctions.

13. The freezing of funds and economic resources

13.1. Funds, economic resources; freezing and making them available – Definitions, scope of application and examples

⇒ Please note: Except if otherwise indicated in the text, the definitions below are based on standard definitions. Only the applicable legal provisions are binding.

Funds ⇒ "funds" means financial assets and benefits of every kind, including but not limited to:

- (a) cash, cheques, claims on money, drafts, money orders and other payment instruments;
- (b) deposits with financial institutions or other entities, balances on accounts, debts and debt obligations;
- (c) publicly- and privately-traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts;
- (d) interest, dividends or other income on or value accruing from or generated by assets;
- (e) credit, right of set-off, guarantees, performance bonds or other financial commitments;

⁴⁴ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial restrictive measures), XI (Guidance when considering requests for exemption), paragraph 86a.

⁴⁵ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), XI (Guidance when considering requests for exemptions), paragraph 82.



- (f) letters of credit, bills of lading, bills of sale;
- (g) documents evidencing an interest in funds or financial resources.⁴⁶

Freezing of funds ⇒ “freezing of funds” means preventing any move, transfer, alteration, use of, access to, or dealing with funds in any way that would result in any change in their volume, amount, location, ownership, possession, character, destination or other change that would enable the use of the funds, including portfolio management.⁴⁷

Economic resources ⇒ “economic resources” means assets of every kind, whether tangible or intangible, movable or immovable, which are not funds but can be used to obtain funds, goods or services.⁴⁸

Freezing of economic resources ⇒ “freezing of economic resources” means preventing their use to obtain funds, goods or services in any way, including, but not limited to, by selling, hiring or mortgaging them.⁴⁹

Entry into force of the asset freeze ⇒ The existing legislation shall determine whether transactions initiated prior to the entry into force of financial sanctions shall be carried out. In the absence of any specific provision, transactions shall be frozen, even if they were initiated before the entry into force of the financial sanctions. Any contractual provision to the contrary shall be null and void.⁵⁰

Making funds and economic resources available to listed persons⁵¹ ⇒ Making funds and economic resources available can take several forms and has been broadly interpreted by the CJUE. For example, economic resources can be made available by way of payment for goods and services, as a donation, in order to return funds previously held under a contractual arrangement, and as a swap. The fact that economic resources are made available against payment of a consideration which may be regarded as adequate is therefore irrelevant.⁵² In case of doubt, the Ministry of Finance must be contacted.

Making funds or economic resources indirectly available to listed persons ⇒ In order to establish whether funds have been made indirectly available, one must first determine whether there is "ownership", "possession" or "control".⁵³ If this is the case, making funds or economic resources

⁴⁶ Also see the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Section III (Standard wording for legal instruments), paragraph 60.

⁴⁷ Idem.

⁴⁸ Also see the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Section III (Standard wording for legal instruments), paragraph 61.

⁴⁹ Idem.

⁵⁰ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), III (Scope of financial restrictive measures), paragraph 33.

⁵¹ The term "listed" referring to persons, groups, entities and bodies is used interchangeably with the term "designated".

⁵² See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VII (Economic Resources), paragraph 59.

⁵³ See the "Ownership, possession and control" section.



available to non-listed entities or groups, but which are owned or controlled by a listed person, entity or group, will in principle be considered as making them indirectly available to the listed person, entity or group regardless of the number of intermediaries, their place of residence and notwithstanding the existence of legally separate contractual undertakings. Even if the intermediary is not an entity owned or controlled by the designated entities or persons, it may, however, make funds indirectly available for the benefit of a listed person. Each case should therefore be considered on its individual merits and the Ministry of Finance must be contacted in case of any doubt.

It is the responsibility of the natural and legal persons who are required to implement the restrictive measures to provide the information necessary to determine, on a case-by-case basis using a risk-based approach, that the funds or economic resources concerned will not be used by or benefit that listed person. The criteria to be taken into account include, among others:

- the date and nature of the contractual links between the entities concerned;
- the relevance of the sector of activity of the non-listed entity for the listed person or entity;
- the characteristics of the funds or economic resources made available, including their potential practical use by, and ease of transfer to, the listed entity or person.⁵⁴

Examples of the asset freeze measures ⁵⁵⇒ (1) The debiting of frozen accounts is prohibited; (2) The crediting (including the accrual of interest) of frozen accounts is not prohibited, but the amount concerned shall also be frozen⁵⁶; (3) Transfers are blocked in the place in which they are located at the time of their identification; (4) Cheques deposited are credited to accounts and the corresponding amount is frozen; (5) Cheques drawn on accounts are suspended pending authorisation or refusal; (6) Withdrawal and payment cards are deactivated; (7) Clearing (incl. set-off) is prohibited⁵⁷; (8) Purchase and sale transactions are blocked; (9) The provision of goods is prohibited notwithstanding pre-existing contractual obligations⁵⁸; (10) Proceeds from loans and credit facilities, received and not yet disbursed, will no longer be granted or disbursed.

The freezing and closure of accounts ⇒ It should be noted that the freezing of bank accounts does not impose an obligation to close such accounts. In fact, the closure of a frozen account is subject to prior authorisation. In this respect, consideration should be given to whether it would be better not to close the account, for the following two reasons: (a) To prevent the financial exclusion of the

⁵⁴ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section VIII (Ownership and Control), paragraphs 66-68.

⁵⁵ For information purposes only. Only the existing legislation has authoritative status.

⁵⁶ See Regulation (EU) N°881/2002 of 27 May 2002, Article 2a, paragraph 4; Regulation (EU) N° 753/2011 of 1st August 2011, Article 6, paragraph 1, sub-paragraph a); Regulation (EU) N° 2580/2001 of 27 December 2001, article 5, paragraph 1.

⁵⁷ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VI (Funds), paragraph 47.

⁵⁸ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), III (Scope of financial restrictive measures), paragraph 33.



designated person or entity; (b) To allow the competent authorities to continue monitoring the finances of the designated person and/or entity.

Transfer of rights ⇒ Non-designated creditors of a designated person or entity may, without authorisation, transfer to any non-designated person their financial claims against the designated person or entity. The designated person, entity or group, however, needs an authorisation to transfer his or her financial claim against any other person, entity or group to any other person.⁵⁹

Proportionality and fundamental rights ⇒ A decision to freeze assets is taken with respect for the principle of proportionality and the fundamental rights of the individual⁶⁰. Freezing measures are not punitive measures.⁶¹ It follows that it is neither the purpose nor the effect of these measures to submit those persons to inhumane or degrading treatment. In the absence of precise rules on this matter in existing legislation, a natural or legal person who, in good faith and in case of emergency, has not been able to comply with freezing measures due to the obligation to prevent inhumane or degrading treatment must report without delay to the Ministry of Finance.

Basic expenses ⇒ Basic expenses are defined as expenses necessary to satisfy the basic needs of the designated natural or legal persons, entities or groups, and include in particular payments for foodstuffs, rent or mortgage, medicines and medical treatment, taxes, insurance premiums and public utility charges.⁶² The Ministry of Finance shall assess each application on a case-by-case basis to determine whether or not the expenses can be considered as basic.

Unnecessary expenses ⇒ Any unnecessary expenses (e.g. numerous subscriptions for the same purpose, expenditure on luxuries, unnecessary travel costs) are subject to a prior authorisation procedure and are assessed on a case-by-case basis.

Expenses linked with a real and effective defence of the designated person ⇒ Financial restrictive measures do not affect the right to a real and effective defence. The EU Regulations contain specific provisions for the release of funds intended exclusively for the payment of reasonable professional fees and the reimbursement of incurred expenses associated with the provision of legal services.⁶³ It therefore follows that the release of lump sums or sums that are not justified is not authorised. In

⁵⁹ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VI (Funds), paragraph 46.

⁶⁰ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), Section X (Exemptions), paragraph 76.

⁶¹ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), Section III (Scope of financial restrictive measures), paragraph 32. Also see the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Annex I.

⁶² See "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", paragraph 83 (Standard wording 1.a)) as well as the exemptions provided for in Regulations (EU) 2580/2001, 881/2002 and 753/2011. The UNSC Resolutions also provide for similar exemptions. See <https://www.un.org/securitycouncil/sanctions/information>.

⁶³ See Regulation (EU) N°753/2011 of 1st August 2011, article 5, paragraph 1, sub-paragraph b); Regulation (EU) N°881/2002 of 27 May 2002, article 2a, paragraph 1, sub-paragraph ii).



order to allow the Ministry of Finance to determine whether there are grounds for releasing funds, applicants must submit:

- A copy of the mandate granted by the client;
- A copy of publicly available documents relating to the case at hand;
- In the event of a request for reimbursement: copies of paid invoices;
- Otherwise, a summary of time spent and costs incurred (time sheets);
- Copies of airline tickets, hotel expense receipts and other similar documents;
- Copies of any other relevant documents.

Personal use of economic resources ⇒ It follows that the personal use of economic resources (e.g. living in one's own house or driving one's own car) by a designated person is not prohibited. In summary, assets which are only suitable for personal use or consumption, and therefore cannot be used by a designated person to obtain funds, goods or services, do not fall within the definition of 'economic resources'. No authorisation is therefore required to make them available to a designated person. In this spirit, domestic supplies of utilities such as gas, electricity, water and telephone lines are not prohibited by the EU Regulations, owing to their consumptive nature and consequent lack of transferability.⁶⁴ However, if use of economic resources amounts to an economic activity which could result in the designated person obtaining funds, goods or services (e.g. if the designated person seeks to let his or her house or his or her car), it will require prior authorisation.⁶⁵

The right to work ⇒ Financial restrictive measures do not affect a designated person's right to work. However, payment for that work requires an authorisation. Authorisation in such circumstances should normally require payments to be made to a frozen account. Any payment in cash should be authorised explicitly. Deductions for social security and taxes may be authorised under the exemption for basic expenses (see above). An authorisation is also required to make welfare benefits available to a designated person (for example, unemployment benefits).⁶⁶

Designated legal entities ⇒ When a legal entity is designated, its continued existence as such is not prohibited. In the case of a business, freezing its assets will affect its operation and have direct consequences for third parties such as employees, creditors and others that may not have caused the listing of the entity. Business conducted with such an entity will generally involve either making funds or economic resources available to it and require thus prior authorisation. In order to again operate freely without any restrictions, de-listing is required.⁶⁷

13.2. Ownership, possession and control

⁶⁴ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VII (Economic Resources), paragraph 61.

⁶⁵ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures) VII (Economic Resources), paragraphs 53-55.

⁶⁶ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), X (Exemptions), paragraph 77.

⁶⁷ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), Section IX (Designated legal entities), paragraphs 73-75.



The term "freeze" does not mean confiscation, transfer of ownership or seizure.⁶⁸

The funds and economic resources may also be owned by non-designated individuals or entities. Consequently, it is necessary to examine the notions of "ownership", "possession" and "control". Each requests for authorisation is assessed on the basis of the fulfilment of the criteria of ownership, possession and control.

Ownership ⇒ The right to use, enjoy and dispose of property fully and freely subject only to such limitations as are prescribed by law.

In the case of **joint ownership** by a designated person and a non-designated person, the assets must be frozen. It is up to the non-designated person or entity to request an authorisation to use such frozen assets and / or to sever the joint ownership so that that person's share can be unfrozen. Joint ownership of the funds does not negate this requirement of the non-designated person to request prior authorisation, even though third-party property as such is not frozen by the EU Regulations.⁶⁹

Possession ⇒ Possession is a factual state of exercising control over an object, whether owning the object or not. A person may be in possession of property, although possession does not always imply ownership. If the possessor is a designated person, the assets should be frozen at the time of implementation of the restrictive measure, even if the person in possession of the property is not the owner thereof.

Control ⇒ Control is either a legal notion or is based on facts. Control is found to exist if (a) a rule establishes it, regardless whether the control is exercised or not; and (b) in practice, a person has the power to enjoy all or part of the ownership rights.⁷⁰ In both cases, assets must be frozen upon implementation of the restrictive measure.

⁶⁸ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), II (Administrative and judicial freezing, seizure and confiscation), paragraph 28; Section III (Scope of financial restrictive measures), paragraph 32; Section VI (Funds), paragraphs 44, 48; and the "Assets freeze explanation of terms document approved by the Al-Qaida Sanctions Committee on 24 February 2015; paragraph 11; https://www.un.org/securitycouncil/sites/www.un.org.securitycouncil/files/eot_assets_freeze_-_english.pdf

⁶⁹ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), III (Scope of financial restrictive measures), paragraphs 35 and 36; Section VI (Funds), paragraph 45; Section VII (Economic resources), paragraph 56.

⁷⁰ A designated person is considered as controlling funds without owning them if he or she has received powers to represent another non-designated person, allowing him or her to order the transfer of funds he or she does not own. The same applies where a designated person is a guardian for a minor, and therefore has the power to administer the bank account of a non-designated minor, who is the legal owner of the account. See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), III (Scope of financial restrictive measures), paragraph 34.



Holding or controlling should be construed as comprising all situations where, without having a title of ownership, a designated person or entity is able lawfully to dispose of or transfer funds or economic resources he, she or it does not own, without any need for prior approval by the legal owner.⁷¹

The freezing measures do not require persons that hold or control economic resources owned by a designated person or entity to return such economic resources to their owner, and no authorisation is required to continue such holding or controlling. However, since such economic resources are frozen, any new contractual arrangement concerning their use or any dealing with them requires prior authorisation.⁷²

Overview

	Assets controlled by the owner (= designated person)	Assets held or controlled by another person (=non-designated person) who is not the owner.	Joint ownership of the assets (The owners are not all designated)
Will the assets be frozen or not? * Assets = Funds or economic resources	Assets must be frozen.	Assets must be frozen. *No prior authorisation required to continue holding or controlling the funds or economic resources.	Assets must be frozen. In order to their respective share of the assets, the other owners must request prior authorisation or sever the joint ownership.

The release of frozen assets or the release of non-frozen assets to a designated person ⇒ Taking into consideration the notions of ownership, possession and control, it may be considered that the release of frozen assets or the release of non-frozen assets to a designated person may take place when that person has acquired ownership of the assets or holds or controls such assets.

It is therefore necessary to assess and determine the appropriate course of action for each situation on a case-by-case basis with the assistance of the Ministry of Finance.

13.3. Legal entities – Definitions of ownership and control

Owning a legal person, group or entity ⇒ means being in possession of 50% or more of the proprietary rights of a legal person, group or entity, or having a majority interest therein.⁷³

⁷¹ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), III (Scope of financial restrictive measures), paragraph 34.

⁷² See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VI (Funds), paragraph 44 and VII (Economic Resources), paragraph 60.

⁷³ See definition in Council Regulation (EC) No 2580/2001 of 27 December 2001, article one, paragraph 5).



Controlling a legal person, group or entity means any of the following:⁷⁴ ⇒ **(a)** having the right or exercising the power to appoint or remove a majority of the members of the administrative, management or supervisory body of such legal person, group or entity; **(b)** having appointed solely as a result of the exercise of one's voting rights a majority of the members of the administrative, management or supervisory bodies of a legal person, group or entity who have held office during the present and previous financial year; **(c)** controlling alone, pursuant to an agreement with other shareholders in or members of a legal person, group or entity, a majority of shareholders' or members' voting rights in that legal person, group or entity; **(d)** having the right to exercise a dominant influence over a legal person, group or entity, pursuant to an agreement entered into with that legal person, group or entity, or to a provision in its Memorandum or Articles of Association, where the law governing that legal person, group or entity permits it being subject to such agreement or provision; **(e)** having the power to exercise the right to exercise a dominant influence referred to in point (d), without being the holder of that right⁷⁵; **(f)** having the right to use all or part of the assets of a legal person, group or entity; **(g)** managing the business of a legal person, group or entity on a unified basis, while publishing consolidated accounts; **(h)** sharing jointly and severally the financial liabilities of a legal person, group or entity, or guaranteeing them.

If any of these criteria are satisfied, it is considered that the legal person, group or entity is controlled by another person or entity, unless the contrary can be established on a case-by-case basis.⁷⁶ The fulfilment of the above criteria of ownership or control may be refuted on a case-by-case basis.⁷⁷

It should be noted that a legal person that is owned or controlled by a designated person or entity may not necessarily be included in the list of designated persons or entities. Natural and legal persons who are required to implement the restrictive measures may therefore request access to any relevant documents or information that would allow them to determine the identity of the persons that ultimately own or control the legal person.

A natural or a legal person who is aware that a non-listed entity is owned or controlled by a listed person or entity has to inform the competent authority of the relevant Member State and the Commission either directly or through the Member State.⁷⁸

13.4. Legal entities – Typology

13.4.1. Designated legal persons that own and/or control a subsidiary

As a shareholding is regarded as an asset, the listed person may not redeem its shareholding to generate profits. No further payments shall be made for the benefit of the listed person (for example, dividend payments). The freezing of funds does not, however, affect voting rights or any legal conventions in general. The non-designated subsidiary may not, however, continue its business

⁷⁴ See definition in Council Regulation (EC) No 2580/2001 of 27 December 2001, article one, paragraph 6).

⁷⁵ Including, for example, by means of a front company. See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VIII (Ownership and control), paragraph 63.

⁷⁶ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VIII (Ownership and control), paragraph 64.

⁷⁷ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VIII (Ownership and control), paragraph 65.

⁷⁸ See "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section B (Financial Restrictive Measures), VIII (Ownership and control), paragraph 71.



activity insofar as such activity involves making funds indirectly available to the designated parent company. It is therefore necessary to exercise increased due diligence in respect of business transactions with the subsidiary and to assess each situation on a case-by-case basis with assistance from the Ministry of Finance.

13.4.2. Branches of a designated company

A branch is a place of business and is not a separate legal entity distinct from the designated parent company; as a consequence the freezing will also affect the assets of branches⁷⁹.

13.4.3. Legal persons controlled by a designated natural person

As the legal person is regarded as an asset, the funds of such legal persons will be frozen.

13.4.4. Joint-venture

First of all, reference should be made to the legal text establishing the financial restrictive measures. If the legal text does not contain any specific conditions relating to joint-ventures, reference should be made to the agreement establishing the joint-venture in order to determine, on a case-by-case basis, whether the activity of the latter is for the benefit of a listed person (either on a daily basis or occasionally, for example, through the payment of dividends). The Ministry of Finance shall assess each situation on a case-by-case basis based on the information provided in the application.

13.5. The obligation to freeze, without delay, funds and economic resources

Once natural and legal persons who are required to implement the restrictive measures become aware that a person is listed, the funds and economic resources of that person must be frozen without delay.⁸⁰ Natural and legal persons who are required to implement the restrictive measures must also inform the Ministry of Finance without delay of asset freeze measures taken, together with any relevant information relating thereto. The natural or legal person should provide the Ministry of Finance with any additional information that may help the Ministry of Finance to decide on the outcome of the blocked transaction.

It is prohibited to make funds and/or economic sources available to the designated persons, directly or indirectly. The Minister responsible for Finance is competent to exceptionally issue authorisations

⁷⁹ Art.3 of the Law of 19 December 2020.

⁸⁰ With regards to the meaning of the phrase "without delay", see the FATF Recommendations, General Glossary: The phrase 'without delay' is defined as ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Sanctions Committee or the 1737 Sanctions Committee). For the purposes of resolution 1373 (2001), the term 'without delay' means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a terrorist organisation. In both cases, the term 'without delay' should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organisations, and those who finance terrorism, and to the financing of proliferation of weapons of mass destruction and the need for global, concerted action to interdict and disrupt their flow swiftly."



derogating from the prohibitions and restrictive measures imposed if the underlying legal act establishing the prohibition allow such derogations and under the conditions provided for therein.⁸¹

13.6. Informing the designated person of the asset freeze

Natural and legal persons who are required to implement the restrictive measures are advised to inform the designated person (a) that he or she has been included on the financial sanctions list;; (b) that he or she may request exceptional authorisation to perform a specific transaction from the Ministry of Finance provided that applicable legal provisions allow for such authorisation and in accordance with the conditions laid down by the latter. The designated person as well as the natural and legal persons who are required to implement the restrictive measures, however, are strictly prohibited from attempting to circumvent or circumventing or facilitating the circumvention of the financial restrictive measures in any manner whatsoever.

13.7. No claims clause

The EU Regulations may include a waiver of recourse clause aimed at preventing applications seeking an extension of time or payment of a guarantee/counter-guarantee and protecting European natural and legal persons whose guarantees/counter-guarantees are called as a consequence of the termination of an agreement caused by sanctions.⁸² It is the responsibility of the natural and legal persons to determine whether it is appropriate to apply this clause, insofar as this only leads to a temporary suspension of the contractual obligations. In any event, this clause may not be invoked to withdraw the guarantees/counter-guarantees or to refuse to execute them in cases where transactions have not been suspended as a result of sanctions.

14. Limitation of liability

14.1. In the event of the natural and legal persons' compliance with the financial restrictive measures

In the case of EU designations, the freezing of funds and economic resources or the refusal to make funds or economic resources available, carried out in good faith on the basis that such action is in accordance with the legal provisions, shall not give rise to liability of any kind on the part of the natural or legal person or entity or group carrying out such action, or its directors or employees, unless it is proven that the funds and economic resources were frozen or withheld as a result of negligence.⁸³ The burden of proof of negligence lies with the person seeking to establish liability.

In the case of national designations, the limitation of liability is excluded in case of gross negligence.⁸⁴

⁸¹ Art.6(1) of the Law of 19 December 2020.

⁸² See also the standard wording included in the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Section III G.

⁸³ See standard wording included in the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", Section III F.

⁸⁴ Art.8 of the Law of 19 December 2020.



14.2. In the event of the natural and legal persons' non-compliance with the financial restrictive measures

According to existing EU Regulations, the financial sanctions shall not give rise to any liability of any kind on the part of the natural and legal persons, entities or groups who made funds or economic resources available if they did not know, and had no reasonable cause to suspect, that their actions would infringe the prohibition in question.⁸⁵

This is about limiting the liability of natural and legal persons who have acted in good faith. Good faith assumes that the natural and legal persons had exercised due diligence before the transaction could start or continue. If the natural and legal persons are unable to demonstrate the necessary due diligence he/she cannot therefore plead good faith.

In any event, if the natural or legal person becomes aware that he/she has not complied with the legal provisions, he/she must contact the Ministry of Finance without delay in order to redress the situation. If necessary, such natural and legal persons are advised to seek independent legal advice.

15. Lists – Databases

Consolidated lists of designated persons and entities are published by the European Commission and the United Nations on their respective websites. These lists facilitate the tracking and investigation process; however, in case of discrepancies between these lists and applicable legal provisions, the applicable legal provisions shall prevail.

The lists may be consulted on the following websites:

For the European Commission: <https://sanctionsmap.eu/#/main>
https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions_en

For the United Nations: <https://www.un.org/securitycouncil/content/un-sc-consolidated-list>

In addition, it is highly recommended to subscribe to the [Ministry of Finance's](#) newsletter.

16. Homonyms

A situation of homonyms exists where:

- A person has the same first name and surname as a listed person, including cases where the first name and surname cannot be discerned from each other.
- A person has a first name and surname that differs slightly from the listed person's surname due to the possible use of different alphabets.

⁸⁵ See standard wording included in the "Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy", section III F. See also Regulation N° 753/2011 of 1st August 2011, Article 7, paragraph 2.



In a situation of homonyms, accounts are monitored and all transactions suspended. Such situations should be brought without delay to the attention of the Ministry of Finance for its assessment.

It is not sufficient that the name and surname of the person concerned are identical to those of the listed person in order to conclude that it is the same person. On the contrary, other identifiers may clearly demonstrate that they are indeed two different people. By way of example, such identifiers may reveal a different geographic location, different occupations or professions, different dates of birth, or different passport numbers.

Any natural and legal persons that are confronted with a situation of homonyms must gather additional identifiers without delay before making any decision and keep a written record of the results of their enquiries. If, after gathering such identifiers, it can be clearly demonstrated that they are not the same person, the Ministry of Finance need not be contacted.

In case of any doubt, the natural and legal persons have to contact the Ministry of Finance and suspend any transactions on the account until the situation is sufficiently clarified. The limited availability of identifiers cannot, alone, justify dealings with a designated person or entity.⁸⁶

17. Sanctions for breaching the financial restrictive measures

As per article 10 of the Law of 19 December 2020: *“Without prejudice to the application of the more severe penalties provided for, where applicable, by other legal provisions, failure to comply with the restrictive measures adopted pursuant to this Law shall be punished by imprisonment for a term of eight days to five years and a fine of between EUR 12 500 and EUR 5 000 000 or by one of these penalties only. Where the offence has resulted in substantial financial gain, the fine may be increased to four times the amount of the offence.”*

18. Summary of websites to be consulted (for guidance only)

Website	Link
The Ministry of Finance	https://mfin.gouvernement.lu/fr/dossiers/2018/sanctions-financieres-internationales.html
The Ministry of Foreign and European Affairs	https://maee.gouvernement.lu/fr/directions-du-ministere/affaires-europeennes/organisations-economiques-int.html
Commissariat aux Assurances	http://www.caa.lu
Commission de Surveillance du Secteur Financier	https://www.cssf.lu/en/financial-crime/

⁸⁶ "Restrictive measures (sanctions) – Update of the EU Best Practices for the Effective Implementation of Restrictive Measures", Section A (Designation and identification of persons and entities subject to targeted restrictive measures), II (Claims concerning mistaken identity), paragraph 9.



Administration de l'enregistrement, des domaines et de la TVA (AED)	https://pfi.public.lu/fr/blanchiment/sanctions-financieres-internationale.html
Institut des réviseurs d'entreprises (IRE)	https://ire.lu/item/R%C3%A8glementation---13/Sanctions%20financi%C3%A8res%20internationales---9066
Ordre des Experts-Comptables (OEC)	https://oec.lu/myeteam/index.htm#HTML/253182
FIU	https://justice.public.lu/fr/organisation-justice/crf.html
Official Gazette	http://www.legilux.public.lu
Official Journal of the European Union⁸⁷	http://eur-lex.europa.eu/homepage.html
Consolidated list of sanctions – EU	https://ec.europa.eu/info/business-economy-euro/banking-and-finance/international-relations/restrictive-measures-sanctions_en https://www.un.org/securitycouncil/content/un-sc-consolidated-list <i>These lists are available for download in PDF, XML, and CSV and allow comparing the clients of the natural and legal persons as well as other party involved in a transaction or a business relationship, against the list of States, natural and legal persons, entities and groups subject to restrictive measures in financial matters.</i>
Consolidated list of sanctions – United Nations	https://www.un.org/securitycouncil/content/un-sc-consolidated-list <i>These lists are available for download in PDF, XML, and HTML and allow comparing the clients of the natural and legal persons as well as other party involved in a transaction or a business relationship, against the list of States, natural and legal persons, entities and groups subject to restrictive measures in financial matters.</i>
United Nations Security Council Resolutions	⇒ https://www.un.org/securitycouncil/sanctions/1267 [Resolution 1267 (1999) and 1989 (2011) concerning ISIL (Da'esh), Al-Qaida and associated individuals and entities] ; ⇒ https://www.un.org/securitycouncil/sanctions/1988 [Resolution 1988 (2011)] ; ⇒ https://www.un.org/sc/ctc/ [the Counter-Terrorism Committee, established pursuant to Resolution 1373 (2001)]; ⇒ https://www.un.org/securitycouncil/content/un-sc-consolidated-list
EU Best Practices	https://data.consilium.europa.eu/doc/document/ST-8519-2018-INIT/en/pdf
EU Guidelines	https://data.consilium.europa.eu/doc/document/ST-5664-2018-INIT/en/pdf
GAFI – FATF	http://www.fatf-gafi.org/

⁸⁷ The consolidated versions of the legal acts published on the Official Journal are not legally binding and are not always updated to include the most recent amendments to the legal act. It is therefore necessary to take into account those amendments that were published after the date of the consolidated act.