



**Observatoire ARGA**

Report on Sanctions and Compliance for 2025

## **Politically Motivated Asset Freezes and Risks for Banks: Analytical Review**

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Paris, 18 November 2025

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## Executive Summary

This report documents the systemic growth of politically motivated asset freezes (PMAF), carried out under the guise of anti-money laundering (AML/CTF) and sanctions compliance. It concerns a practice in which instruments originally intended to protect the financial system from genuine risks of money laundering and terrorist financing are used by state and quasi-state actors as tools of pressure against entrepreneurs, investors, media and civil society. As a result, banks and financial intelligence units (FIUs) become involved in politically motivated persecution schemes, often without access to full case information or an independent risk assessment.

Asset freezing within PMAF is increasingly applied in cases featuring the following characteristics:

- prior to the initiation of formal proceedings, when a criminal case is either not yet opened or remains at the pre-investigative stage, yet accounts are already frozen;
- in the absence of economic damage, meaning no actual victims, no loss of funds or other indicators of harm — undermining the fundamental “risk-based approach”;
- without a clearly defined predicate offense, with requests lacking a specific legal qualification and relying instead on vague formulations such as “suspected money laundering”;
- on the basis of false or misleading FIU requests containing incomplete, distorted or deliberately politicized information;
- in parallel with politically motivated criminal investigations, where financial measures serve as an additional lever of pressure on targets and their associates;
- combined with mechanisms of international pursuit, including the use of Interpol channels and cross-border requests to freeze assets in banks in the EU, the United Kingdom, Switzerland, the UAE and other jurisdictions.

Such practices create for international financial institutions a situation of “captured compliance,” in which formal adherence to AML/CTF and sanctions regulations results in de facto participation in politically driven prosecutions. For banks, this translates into heightened legal, regulatory and reputational risks — including potential litigation from clients — and for FIUs, an erosion of trust in their independence and professional risk assessment capabilities.

Observatoire ARGA possesses unique expertise through its ongoing defense of entrepreneurs, investors, journalists and activists from CIS countries facing cross-border asset freezes. Since 2023, the organization has submitted annual reports to the INTERPOL General Assembly, building an analytical base on transnational abuses of sanctions and AML frameworks. Based on real cases, court materials, banking correspondence and FIU requests, Observatoire ARGA reconstructs typical abuse patterns and develops practical criteria for early detection.

This report draws on that accumulated practice and includes:

- a regional analysis of five countries demonstrating how PMAF mechanisms are embedded in the political-legal systems of Kazakhstan, Uzbekistan, Russia, Kyrgyzstan and Azerbaijan, and which institutional features heighten abuse risks;

- a conceptual description of PMAF as a separate risk category, distinct from classic money laundering and traditional sanctions violations, introducing the concepts of CFR (Constructed Financial Risk), CFC (Coerced Financial Compliance) and EJI (Extra-Jurisdictional Influence);
- a typology of schemes classifying the main abuse models (from pre-investigation freezes to shadow sanctions mirroring and crypto mislabeling) with identification of key actors and common triggers;
- 12 anonymized cases from ARGA’s practice illustrating diverse PMAF configurations in corporate disputes, cases involving NGOs, journalists and politically active individuals;
- a red-flags table enabling banks and FIUs to promptly identify suspicious requests and scenarios indicative of potential political motivation;
- a risk map for banks and FIUs showing comparative levels of systemic intensity and severity of PMAF practices across jurisdictions;
- recommendations for OFAC, EU DG FISMA, FATF, FIUs and international banks aimed at introducing additional safeguards against the politicization of financial compliance, strengthening quality requirements for requests and developing international standards for filtering politically motivated alerts.

## Methodology

### 1. **Case-based analysis: 12 real anonymized cases from ARGA practice (public and NDA).**

The core of the analysis consists of twelve specific cases handled by ARGA within its human rights and advisory work. Client names, banks and counterparties have been replaced or aggregated, while the factual structure of events, documents and timelines remains intact. The sample includes both cases already partially reflected in the public domain and matters covered by non-disclosure agreements (NDA), allowing the combination of open-source information with non-public practice.

### 2. **OSINT: analysis of FATF, OECD, HRW, Amnesty International and international media materials.**

An open-source intelligence (OSINT) approach is additionally employed, including systematic review of FATF, OECD, Human Rights Watch, and Amnesty International reports, as well as publications in leading international media. Particular attention is paid to documents recording abuses of AML/CTF instruments, sanctions and cross-border financial pressure. These materials serve as contextual background for comparing individual ARGA cases with broader regional and global trends.

### 3. **Financial verification: analysis of KYC/EDD procedures and automatic freezing algorithms.**

For each case, financial verification is conducted, including review of KYC (Know Your Customer) and EDD (Enhanced Due Diligence) procedures applied by banks and fintech platforms. Automatic freeze algorithms, triggers built into transaction monitoring systems, and internal compliance correspondence (where available) are examined separately. This

helps distinguish mechanical system activations from situations where freeze decisions were made under external administrative or political pressure.

**4. Cross-jurisdictional comparison: freezing practices in the EU, UK, CH, UAE.**

The report employs cross-jurisdictional comparative analysis, contrasting asset-freezing practices in the European Union, United Kingdom, Switzerland and the United Arab Emirates. Differences in regulatory approaches, evidentiary standards, requirements for FIU requests, and appeal mechanisms are reviewed. This comparison makes it possible to determine in which systems politically motivated freezes are most easily disguised as standard AML/CTF procedures and where more resilient institutional safeguards against abuse exist.

**5. Double-source verification: every claim supported by at least two independent sources.**

A key methodological principle is double-source verification of all significant claims. Facts in each case are confirmed, where possible, by at least two independent sources — including documents (court decisions, FIU requests, banking records), participant testimony, media publications and international reports. This reduces the risk of relying on one-sided narratives and increases the reliability of conclusions regarding the politically motivated nature of asset freezes.

## Regional Overview

**1. FIUs in CIS countries have lost independence and operate as extensions of security agencies.**

Instead of functioning as neutral financial filters, financial intelligence units in several instances are integrated into the hierarchy of law enforcement bodies and follow their priorities. This results in politically selective transmission of materials, the use of FIU requests to pressure “undesirable” individuals, and the absence of effective external oversight mechanisms over their decisions.

**2. Sanctions and AML discourse is used as a substitute for overt political charges.**

Where direct political accusations (extremism, “undermining the constitutional order,” etc.) trigger international criticism, authorities increasingly shift prosecution into the economic domain. Targets are presented as “money launderers,” sanctions violators or participants in suspicious transactions, enabling political motivation to be masked under the formal language of compliance while reducing reputational costs externally.

**3. Cross-border freeze requests are sent to EU/UK/CH/UAE banks without evidence.**

FIUs and law enforcement bodies in CIS states increasingly rely on international cooperation channels to initiate asset freezes abroad, while providing insufficient factual material. In many cases, requests contain minimal justification, vague language, and are not supported by court decisions or evidence of actual damage — yet still trigger automatic freeze procedures in foreign banks.

**4. Freeze-before-investigation has become the dominant practice.**

Instead of treating asset freeze as an exceptional measure based on established facts, authorities frequently apply it at the earliest stage — before a case is opened or before a comprehensive financial examination is conducted. Thus, the measure becomes an instrument of preliminary punishment and pressure, where financial blockade precedes any substantive investigation and effectively replaces the presumption of innocence.

#### 5. **A stable ecosystem of financial pressure is emerging.**

At the intersection of law enforcement agencies, FIUs, regulators and affiliated beneficiaries, a connected infrastructure is taking shape in which freeze measures are used to redistribute assets, suppress dissent and control business. Banks, compelled to act on such signals under formal compliance frameworks, become part of this system, while financial restrictions evolve into a key long-term instrument of pressure on independent entrepreneurs, media and civil society.

## Key Definitions

**Politically Motivated Asset Freezing (PMAF)** — asset freezing on political grounds, disguised as AML/CTF.

This refers to a practice in which state bodies use financial compliance instruments to pressure opponents — entrepreneurs, journalists, NGOs and investors — while formally citing “suspected money laundering” or “sanctions-related risks.” Externally, such measures appear to be standard procedures, but their initiation is not based on proven financial crimes; instead, it serves to coerce, isolate or pressure individuals.

**Constructed Financial Risk (CFR)** — artificially created financial risk without factual basis.

CFR refers to situations where risk is “constructed” administratively: no victims, no damage, no court decisions or documented predicate offenses exist, yet an appearance of threat to the financial system is created. CFR is used as justification for freeze measures and the launch of KYC/EDD procedures, even when no real grounds for suspicion are present.

**Coerced Financial Compliance (CFC)** — coercive pressure on banks leading to automatic freeze.

CFC describes a mechanism in which banks lose the ability to perform independent risk assessment and are forced to implement freeze requests automatically under threat of regulatory consequences, criminal liability, or sanctions-related claims. As a result, compliance is transformed from a system-protection tool into an instrument of external coercion, with decisions driven not by a risk-based approach but by administrative pressure.

**Extra-Jurisdictional Influence (EJI)** — extension of state authority beyond national borders through financial instruments.

EJI denotes situations where a state uses AML/CTF mechanisms, FIU requests, or international channels (including Interpol and banking cooperation) to influence individuals abroad without following extradition procedures, mutual legal assistance frameworks, or judicial oversight. Financial instruments thus become a tool of cross-border control, enabling the export of political pressure into other jurisdictions.

# Typology of Abuses

## 1. **Freeze-before-investigation**

The application of freeze measures when a criminal case has not yet been initiated or remains under preliminary review. Asset blocking serves as preventive punishment and pressure rather than as a protective measure. In some cases, financial blockade precedes any expert examinations, undermining the presumption of innocence and creating conditions for forced behavior — from asset surrender to compelled return to the country.

## 2. **Empty requests from financial intelligence units**

FIUs issue requests to banks that lack description of a predicate offense, evidence of damage, court rulings, or identifiable transactions. Formulations are limited to broad statements about “suspected money laundering” or “potential sanctions violations.” Such requests give banks the impression of legal necessity and trigger automatic freezes, despite the absence of lawful grounds.

## 3. **Strategic asset blocking**

Targeted use of freeze measures in corporate conflicts, business disputes, or asset redistribution processes. Here, financial instruments are deployed to weaken the target’s position, restrict access to working capital, block foreign accounts, or create conditions for forced transfer of ownership. Freeze becomes a tool of economic leverage rather than an AML measure.

## 4. **Shadow sanctions mirroring**

Replication of sanctions logic without formally placing a person on sanctions lists. State bodies or FIUs create an impression of sanction exposure (“proximity to sanctioned persons,” “risk of circumvention”), compelling banks to apply precautionary measures similar to sanctions regimes even without legal status. This allows sanctions discourse to function as a political tool.

## 5. **Freezing facilitated through Interpol**

Combination of freeze measures with international search mechanisms. Through requests, notices or NCB channels, pressure is exerted on banks in foreign jurisdictions — particularly within the EU, UK, Switzerland and UAE. Interpol may not confirm the existence of a Red Notice, yet the very fact of contact acts as both a psychological and regulatory trigger for freezing.

## 6. **Misclassification based on cryptocurrency indicators**

Transaction blocking and asset freezing based on assumed links to illicit flows without conducting chain analysis. Monitoring algorithms trigger automatically, while FIU requests rely on surface-level data, overlooking fund origin, wallet flows and absence of criminal connections. This creates high false-positive risk and facilitates politically motivated use of crypto narratives.

## 7. **Politically driven initiation**

Freeze is triggered not by financial risk but by external factors — civic activity, investigative work, public criticism of authorities, or affiliation with opposition figures. In such cases, financial measures serve purposes unrelated to AML/CTF — isolation, punishment, coercion or deterrence. Political motivation is masked behind compliance terminology, making such schemes especially difficult for international banks to detect.

## Country Analysis

### Kazakhstan

In Kazakhstan, politically motivated asset freezing has become the most structured and institutionalized practice in the region. Freeze-before-investigation is effectively standard procedure: accounts are blocked even before a criminal case is opened — often during preliminary review or following an anonymous report. This preventive measure functions not as a tool to secure investigation, but as a mechanism of pressure, allowing authorities to immediately paralyze a company's or entrepreneur's financial operations.

The Kazakh FIU systematically sends blanket requests to banks in the EU, Switzerland and the UAE — without describing a predicate offense, detailing specific transactions or specifying the alleged damage. In many cases, requests include only vague formulations such as “possible tax evasion” or “indications of money laundering,” which create an illusion of high risk and trigger automatic freeze procedures in foreign banks. Meanwhile, neither court rulings nor financial expert reports are typically presented, even internally.

Freeze measures are widely used in corporate conflicts, especially in construction, logistics, extraction and raw-material processing sectors. Blocking operational capital often halts business activity, derails contracts and leads to the forced sale of shares at a reduced price. A recurring scenario is observed: an economic or tax inspection is initiated, followed by asset freezing, after which pressure begins to restructure ownership, transfer control or compel the individual to return for “negotiation.”

In certain regions of Kazakhstan, a stable ecosystem of financial pressure is emerging, involving law enforcement, the FIU, local business networks and administrative actors. Freeze becomes not a targeted measure but part of broader strategies for asset redistribution and elimination of economically independent players. Despite the absence of formal sanctions, banks in the EU and UAE interpret such signals as high-risk due to opacity, which strengthens transborder coercion and significantly complicates legal defense for affected clients.

### Uzbekistan

In Uzbekistan, asset freezing has become one of the key instruments of internal political-economic competition and is predominantly used in cases where financial accusations serve to remove opponents or redistribute influence. Freeze measures are applied not only domestically but also internationally — mainly in the UAE, Turkey and EU jurisdictions, where assets of entrepreneurs, their families and affiliated companies are located. This external projection of pressure enables financial leverage even against individuals who have left Uzbekistan, making asset freezing an alternative to extradition or criminal prosecution.

Political persecution is consistently masked under economic rhetoric: individuals are accused of “foreign financing,” “tax evasion,” “illegal entrepreneurship” or “money laundering.” In many

cases these accusations remain declarative and are not supported by expert findings or confirmed high-risk transaction data. Framing cases as economic instead of political allows authorities to avoid international scrutiny, since they can formally classify them as financial investigations.

The Uzbek FIU sends blanket requests to foreign banks often without specifying a predicate offense, describing transactions, providing estimated damage, or citing procedural documents. Such requests create an illusion of mandatory compliance, particularly when accompanied by language referencing “high external interference risk” or “financing of unlawful activity.” As a result, accounts are often frozen automatically — prior to fact-checking and without enabling the client to submit an explanation. Even in the absence of court orders or evidence, unfreezing assets can take months or years, leading to loss of operational control, failed transactions and business collapse.

In many cases, asset freezing is used as an instrument of ownership reallocation: a review or media attack is initiated, followed by a cross-border freeze, after which the owner is offered to “resolve the issue” by surrendering shares or relinquishing assets. This creates a durable mechanism of pressure on major businesses and family offices, particularly those linked to former political circles. Despite stated reforms, lack of independent judicial oversight and transparent procedures leaves international banks vulnerable to participation in politically motivated freezes.

## **Russia**

In Russia, politically motivated freeze measures have taken on a complex and technologically structured form, characterized by the simultaneous use of financial, criminal-procedural and international pressure instruments. A defining feature is the systematic linkage between asset freezing and the use of Interpol channels: freezes are imposed in parallel with initiating international search procedures, including cases where grounds for a Red Notice are absent or later rejected. The mere initiation of Interpol contact functions as both a psychological and regulatory trigger, prompting banks in the EU, UK, Switzerland and UAE to implement automatic freezes—even without legal confirmation.

Another mechanism of financial pressure is the designation of individuals and legal entities as “foreign agents.” Once listed, financial blockade is applied even without criminal proceedings: accounts belonging to entrepreneurs, journalists, NGOs, research centers and regional media are frozen. In some cases, restrictions are introduced preventively—before publication of the foreign-agent designation—indicating coordination between regulatory and enforcement bodies. Financial isolation results in immediate operational collapse: donations, grants, contractor payments and salaries are frozen simultaneously.

FIU requests originating from Russia frequently contain distorted or incomplete information, lacking references to predicate offenses, expert assessments or documented damages. Instead, they rely on vague formulations such as “sanctions circumvention risk,” “potential financing of destructive activity,” or “association with prohibited entities.” International banks interpret such signals as high-risk indicators, and combined with political context, these triggers lead to automatic freezing without prior clarification.

Transborder freeze measures serve multiple functions:

– **forced return to Russia** — freezing is used as an alternative to extradition, compelling business migrants to return for “cooperation” with investigators;

– **pressure on independent media** — financial suffocation halts investigations, silences publications and eliminates outlets without overt repression;

– **control over business assets** — freezes are applied in corporate disputes and asset redistribution processes, particularly in sectors involving exports and state contracting.

Simultaneously, banking instruments grow in importance as an extension of political control: freezing is often accompanied by travel bans, property searches and threats of asset seizure against family members. Even after proceedings are terminated, reversal of freeze orders takes considerable time, making financial consequences effectively irreversible. The combination of administrative, financial and international mechanisms forms a stable model of cross-border coercion, threatening the independence of international compliance processes and creating systemic risk for the global banking sector.

## **Kyrgyzstan**

In Kyrgyzstan, asset freezing has emerged as an auxiliary tool of pressure in cases involving political or socially significant dimensions. NGOs, journalists and independent media engaged in anti-corruption investigations or public criticism of state authorities are particularly vulnerable. Freeze measures are imposed prior to formal charges and without completed financial examinations, turning them into pre-punitive mechanisms that restrict access to legal defense. In many cases, asset blocks coincide with administrative actions, searches or detentions, amplifying cumulative pressure.

Economic restrictions are used to destabilize operational functionality: active accounts are suspended, grant inflows halted, foreign transfers blocked and contracts with international partners frozen. Even short-term freeze orders cause project shutdowns, salary delays and contract termination, making freezing an effective tool of “financial suffocation” without the need for outright bans or forced liquidation. In some instances, restrictions are quietly lifted without explanation, indicating discretionary application and lack of procedural transparency.

Although the practice is less systemic than in Kazakhstan or Russia, its frequency is increasing, while legal remedies remain weak. Absence of independent judicial oversight, growing involvement of security agencies in regulating media and NGOs, and politicization of financial scrutiny create a risk of future institutionalization. If the trend continues, Kyrgyzstan may shift from episodic cases to a stable model in which financial instruments regulate civic space and restrain critical actors.

## **Azerbaijan**

In Azerbaijan, politically motivated asset freezing has developed into the most systematic and institutionally consolidated model among the countries reviewed. Financial instruments are not applied sporadically but function as part of a stable state strategy aimed at controlling civic space and suppressing independent actors. Charges of “money laundering,” “smuggling,” and “illegal entrepreneurship” are brought against media outlets, human rights defenders, opposition politicians and independent NGOs regardless of whether financial violations have been substantiated. In many cases, accusations follow investigative publications, public criticism or participation in international cooperation projects.

Freeze measures serve as a core mechanism for disabling civil-sector activity: external bank accounts, grant inflows, partner funds and personal accounts of staff are frozen. This results in an immediate shutdown of programs, dismissal of personnel and termination of projects — even

without court decisions. In some cases, financial restrictions persist for years despite the absence of charges or the completion of audits, rendering consequences effectively irreversible.

Cross-border freezes are executed through offshore banking networks and intermediary structures, including accounts in Turkey, the UAE and Cyprus. Such configuration complicates appeals: access to documentation is limited, regulators refer to external requests, and banks maintain freezes pending formal confirmation — which often never arrives. As a result, organizations remain in a state of “permanent freeze,” lacking mechanisms to restore financial operations.

Financial measures are integrated into a broader control system that includes NGO registration rules, restrictions on foreign funding, criminal prosecution, and pressure on defense lawyers. In many cases, freeze functions as the first stage in a repressive sequence: funds are blocked, followed by tax or criminal proceedings, then administrative sanctions and judicial prohibitions. This model makes financial tools the central mechanism for suppressing critical voices while minimizing reputational exposure internationally, since actions are formally framed as AML/CTF rather than political persecution.

Thus, in Azerbaijan, asset freezing performs not only an operational function but a structural one — ensuring long-term control over the independent sector and preventing institutional recovery.

## Case Examples

### Kazakhstan

#### **KZ-1: Entrepreneur — tax proceedings, freeze before examination, motive: corporate conflict.**

The company’s accounts were frozen on the basis of preliminary tax inspection materials, without completion of financial-economic expert review and without any assessment of alleged damages. The freeze was imposed at an early stage, before initiation of a full criminal case, effectively paralyzing business activity: supplier payments were halted, contract performance schedules were disrupted, and partner obligations were breached. The freeze was used as leverage in a corporate conflict between co-owners. The owner was forced to accept a share-structure adjustment to unfreeze accounts and resume operations. The criminal case was later closed due to absence of wrongdoing, yet financial consequences — loss of ownership share, broken contracts and deterioration of credit history — proved irreversible. Unfreezing took more than eight months despite lack of evidence and case closure.

#### **KZ-2: Manufacturing owner — strategic freezing of foreign assets, motive: pressure on ownership.**

The Kazakh FIU submitted blanket requests to banks in the EU and UAE without specifying a predicate offense, relevant transactions, damage amount or court rulings. These requests were interpreted as high-risk signals, resulting in the automatic freezing of working capital belonging to a foreign subsidiary producing goods for export markets. The freeze became part of a coercive strategy aimed at transferring control over the company: blocked funds halted raw-material procurement, contract execution and payroll. The owner faced bankruptcy risk and was compelled to negotiate transfer of ownership to affiliated structures. Despite lack of proof and refusal by the European bank to confirm legal grounds, the freeze persisted due to the absence of FIU withdrawal. Following ownership transfer, the freeze was gradually lifted — demonstrating its use as a strategic instrument rather than a genuine financial-risk safeguard.

## **Uzbekistan**

### **UZ-1: Former partner of a political figure — freeze in UAE — motive: asset redistribution.**

Following a corporate conflict with an influential political actor, the entrepreneur's assets were frozen in UAE accounts upon request from Uzbekistan's FIU. The request contained no description of a predicate offense, no court decision and no estimate of alleged damages — only reference to “possible indicators of illicit enrichment.” The freeze halted operations of the foreign holding and delayed partner transactions. For 11 months, the entrepreneur was unable to obtain documentation explaining the basis of the freeze. After intervention by international legal counsel and inquiries to UAE regulators, the freeze was lifted due to lack of evidence. However, during the freeze period, the business lost market share, and a portion of assets inside Uzbekistan was transferred to new owners as part of a “pre-trial settlement.”

### **UZ-2: NGO activist — “foreign funding” accusation — motive: suppression of civic activity.**

Freezing was applied simultaneously to the personal and organizational accounts of an activist working on government procurement transparency. The freeze preceded formal charges and was justified by claims of “destabilization risk” and “potential foreign financing,” without citing transactions, amounts or sources. As a result, the NGO lost access to grant funds, ongoing programs were halted and international commitments suspended. Attempts to appeal were obstructed by lack of formal notification and inability to obtain copies of the FIU request. After six months the freeze was partially lifted without explanation, but organizational activity was already paralyzed — demonstrating how freeze measures can suppress civil actors even in the absence of criminal prosecution.

## **Russia**

### **RU-1: Business migrant — freeze + Interpol — motive: forced return.**

Immediately after a criminal case was opened in Russia, two measures were launched in parallel: an Interpol request and an asset freeze. Although no Red Notice was issued (the NCB submitted a request without confirming wanted status), banks in several EU countries treated the request itself as high-risk and automatically froze accounts. The individual lost access to funds required for living and business operations, creating severe financial and psychological pressure. For a year, the client sought clarification on the freeze's legal basis, yet the FIU provided no evidence of damage or predicate offense. The criminal case was later dismissed as unfounded, but access to assets was restored only partially: some accounts remained frozen pending “official confirmation” from Russian authorities that never arrived. This case exemplifies how the combination of Interpol mechanisms and freeze measures can act as a substitute for extradition and coercive return.

### **RU-2: Media outlet — “foreign agent” designation → freeze — motive: halting investigations.**

After an independent media outlet was designated as a “foreign agent,” financial restrictions were imposed without criminal charges or formal accusations. Both corporate and personal staff accounts were frozen, including those of journalists and accounting personnel. The freeze caused immediate financial isolation: freelancer payments ceased, grants were suspended, contractor agreements terminated, investigative plans cancelled and multiple reporting projects closed. Appeals were hindered by non-transparent notification procedures — banks cited “regulatory signals,” while FIU documentation offered no predicate offense description. Over the following months, several staff members were forced to leave the country due to loss of income and criminal

liability risks. The freeze effectively terminated operations without formal prohibition, illustrating how financial measures serve as a substitute for direct repression of independent media.

## **Kyrgyzstan**

### **KG-1: Journalists — freeze before charges.**

A group of independent journalists investigating corruption in procurement and budget spending faced simultaneous freezing of personal and professional accounts. The FIU request cited “suspected financing of illegal activity” without defining a predicate offense, transaction details or fund origin. The freeze preceded charges and lacked court authorization, functioning as pre-emptive punishment. The freeze lasted more than six months, resulting in halted publication, inability to pay rent and contractors, project cancellation and partial staff exit. Repeated requests for legal basis received no response — banks referenced “risk signals,” while authorities invoked “investigative confidentiality.” The freeze was later partially lifted without justification, but reputation and operational capacity were irreversibly damaged. This case demonstrates the use of financial leverage to suppress independent media outside criminal procedure.

### **KG-2: Entrepreneur — blockade of working capital — motive: business control.**

The freeze targeted an entrepreneur involved in a commercial dispute with a group linked to regional officials. Restrictions applied to working capital resulted in immediate operational shutdown: supplier payments halted, salaries delayed and contracts disrupted. The FIU request contained a vague reference to “probable financial discipline violations” without specifying transactions or damages. For several months, the client could not access documentation detailing the basis for the freeze, as the investigation was “under review.” The case was later reclassified as a civil dispute, yet financial restrictions were used to force ownership restructuring. After signing a share-transfer agreement, the freeze was removed within two weeks — clearly demonstrating its instrumental nature.

This case illustrates how financial tools can be used to control business outside criminal law and how lack of transparent appeal mechanisms leaves entrepreneurs vulnerable even absent wrongdoing.

## **Azerbaijan**

### **AZ-1: Investigative journalist — freeze following publication on corruption.**

A journalist who published an investigation on government procurement violations and links between officials and contractors faced account blocking just ten days after release of the material. The basis cited was “suspected money laundering,” yet the FIU request contained no high-risk transaction data, damage assessment or fund-origin description. The freeze was imposed without charges and without a court order — strictly as an administrative measure.

The freeze had immediate consequences: the journalist could not pay for legal representation, continue investigative work or move freely due to lack of access to funds, while also facing interrogations and pressure from law-enforcement bodies. Appeals were hindered by opaque procedures: the bank referenced internal protocols and “external risk signals,” while authorities cited investigative secrecy. The freeze remained in place for more than eight months despite no evidence and was lifted without explanation — confirming its preventive and punitive intent. The

case illustrates the use of financial tools to neutralize investigative journalism without overt repression.

**AZ-2: Human rights NGO — external account freeze — motive: removal of civil society.**

A human rights organization monitoring court processes and supporting political detainees faced asset freezing across foreign accounts, including those in the EU and Turkey. The freeze affected both organizational and project-specific funds, including pre-approved international grants. The official rationale was “probable misuse of foreign funding for unlawful purposes,” with no supporting audit reports, transaction evidence or confirmed damages.

The freeze effectively paralyzed the NGO: legal assistance programs stopped, lawyer payments were suspended, partnership agreements collapsed and staff salaries ceased. Parallel to the freeze, mass tax inspections, administrative fines and office-property seizures were initiated. The organization was not given a copy of the FIU request, preventing legal challenge in foreign jurisdictions. After 18 months some restrictions were lifted, but operational capacity was never restored and the NGO ultimately closed.

This case demonstrates the systemic application of financial measures in Azerbaijan: freeze functions not as response to financial risk but as a tool for dismantling civil society, with cross-border enforcement making consequences long-term and nearly irreversible.

## International Cases

**INT-1: Entrepreneurial family — CIS FIU → EU freeze — lifted due to lack of evidence.**

Asset freezing was initiated after a European bank received a request from a CIS-sector FIU containing only the phrase “possible tax evasion,” with no predicate offense, damage estimates, court rulings or audit results. Despite missing facts, the EU bank automatically applied a freeze under internal high-risk alert protocols.

The freeze targeted personal family savings and company liquidity, derailing an investment deal and preventing fulfilment of partner obligations. Clients were denied access to the FIU request; the bank cited regulatory constraints and the need for “additional validation.”

After independent financial review and formal requests for documentation, it was confirmed that the initiating state possessed no evidence and could not provide materials. Eight months later the freeze was lifted due to “absence of supporting data,” but losses were substantial — partners withdrew, credit lines were closed, and reputational impact carried forward. The case highlights vulnerabilities of EU freeze automation when external jurisdictions transmit unverified alerts, and the lack of reverse-verification mechanisms prior to freezing.

**INT-2: Investor — USDT transaction freeze without chain analysis.**

An investor working with USDT on crypto platforms faced transactional freezing based on presumed links to high-risk flows. The monitoring algorithm flagged funds solely because one historical address in the chain appeared in a database associated with illicit activity. No chain-analysis — technical tracing of asset movement — was performed, and source-legitimacy of funds was never independently verified.

Freeze was applied automatically: access to assets was cut off, the investor could not close a deal, and received a generic notification with no clear grounds. Attempts to contact the platform yielded template responses citing “additional verification,” with no timeframes for review.

Only after independent analysts prepared a detailed transaction-history audit proving legal fund origin was the freeze lifted. The process lasted over three months, causing lost profit, contract termination risks and reduced liquidity.

The case demonstrates:

- high false-positive risk in automated crypto-AML systems,
- absence of mandatory chain-analysis prior to sanction-type freezes,
- susceptibility to mislabeling due to legacy “tainted” addresses deep in transaction chains,
- the need for verification standards preventing politically motivated or technically flawed freezing.

## RISK MAP — BANKS AND FINANCIAL INTELLIGENCE UNITS (FIUs)

Country	Risk for Banks	Risk for FIU	Scheme Types	Systemity Level
Kazakhstan	<b>VERY HIGH</b>	<b>HIGH</b>	1, 2, 3, 5, 6	<b>Systemic</b>
Uzbekistan	<b>HIGH</b>	<b>VERY HIGH</b>	1, 3, 4, 7	<b>Systemic</b>
Russia	<b>CRITICAL</b>	<b>CRITICAL</b>	1, 2, 4, 5, 6, 7	<b>Strongly Systemic</b>
Kyrgyzstan	<b>MEDIUM</b>	<b>MEDIUM</b>	1, 3, 5	<b>Partially Systemic</b>
Azerbaijan	<b>VERY HIGH</b>	<b>VERY HIGH</b>	1, 2, 3, 5	<b>Systemic</b>

### Red Flags Table

№	Red Flag	Essence	Bank Risk	FIU Risk
1	<b>Freeze-before-investigation</b>	Asset freeze prior to investigation	<b>Critical</b>	<b>High</b>
2	<b>No economic damage</b>	Absence of harm or loss	<b>High</b>	<b>Medium</b>
3	<b>Blank FIU requests</b>	No predicate offense described	<b>Critical</b>	<b>Critical</b>
4	<b>Sanctions-shadowing</b>	Artificial sanctions association	<b>High</b>	<b>High</b>
5	<b>Parallel Interpol pressures</b>	Freeze combined with Interpol leverage	<b>High</b>	<b>High</b>
6	<b>Crypto mislabeling</b>	No chain-analysis performed	<b>High</b>	<b>Medium</b>
7	<b>Political triggering</b>	Freeze triggered by civic activity	<b>Critical</b>	<b>High</b>

## Recommendations

### OFAC

- **Second-layer verification for all CIS-origin requests**

Introduce mandatory secondary review of asset-freeze requests originating from jurisdictions with politically influenced law enforcement. Review should assess predicate offense, evidentiary basis and compliance with sanctions/AML standards.

- **No freeze without evidence**

Reject implementation of asset freezes where no documented financial damage, high-risk transaction data or court decisions are provided. Automatic execution increases the risk of OFAC facilitating politically motivated persecution.

- **Introduce PMAF-risk as an analytical category**

Add PMAF-risk (politically motivated asset-freeze risk) into the signal assessment system to formalize filtering of requests that may not relate to genuine AML/CTF threats.

## EU DG FISMA — Sanctions Unit

- **Predicate offense requirement**

Require foreign FIUs and state bodies to provide a clear description of underlying offenses with evidence components, instead of generalized “suspicion of money laundering” statements.

- **FIU-requests processed only after expert screening**

Establish a mandatory pre-screening procedure involving sanctions, financial and legal specialists to prevent automatic execution.

- **Classify selected CIS FIUs as high-risk sources**

Designate certain FIUs as high-risk due to lack of independence and systemic misuse, enabling application of enhanced filters and elevated verification standards.

## FATF

- **Include PMAF in country assessments (MER & Follow-up)**

Integrate politically motivated freeze measures into Mutual Evaluation Reports as indicators of AML instrument abuse.

- **Mandatory political-context review of predicate offenses**

Recommend that states consider political context when predicate offenses are used for coercion rather than crime prevention, as this undermines AML/CTF credibility.

## International Banks (EU/UK/US/UAE/CH)

- **Enhanced EDD protocol for CIS-linked requests**

Develop strengthened verification processes for freeze requests from politically exposed jurisdictions, requiring documented justification and evidence.

- **Political context as a mandatory risk factor**

Incorporate attributes such as journalism, activism, opposition-linked business and corporate conflict into risk-assessment as indicators of potential political motive.

- **Rejection of blank requests**

Do not execute requests lacking evidence, criminal description, transaction records or audit materials; return for clarification or decline formally.

## FIUs in Other Jurisdictions

- **Evidence of damage required**

Before executing freeze orders, request proof of economic loss, expert assessments or court rulings to prevent FIU channels from serving as political pressure conduits.

- **Independent chain-analysis and verification**

Use external datasets, partner FIUs and OSINT-based cross-checks rather than relying solely on unilateral information from enforcement bodies.

- **Reject requests without predicate offense**

Decline execution of freeze requests that do not specify a predicate crime — consistent with AML standards and essential for reducing transborder abuse.

## Conclusion

Politically motivated freeze schemes constitute an emerging category of cross-border threats that undermine trust in the global financial security system. Originally designed to prevent money laundering and terrorist financing, AML/CTF mechanisms are increasingly deployed outside their legitimate scope — as covert tools of pressure against entrepreneurs, journalists, investors, NGOs and politically active citizens. This goal substitution erodes core regulatory principles: presumption of innocence, risk-based approach, proportionality of measures and FIU independence.

The use of asset freezing prior to investigation, the issuance of blank requests to foreign banks, shadow sanctions mirroring, and the combination of freeze with international search procedures generate an effect of exported repression. States lacking legal channels for extradition or prosecution shift pressure into the financial domain, compelling international institutions to become unwitting participants in politically driven campaigns. As a result, banks and regulators face escalating complicity risk, while citizens may lose access to assets without judicial protection.

This report by Observatoire ARGAs demonstrates that PMAF practices are not isolated disruptions: in several countries a stable ecosystem has formed in which freezing is used systematically — to redistribute ownership, neutralize independent media, suppress NGOs and force business migrants to return. This trend strengthens through automated compliance systems and the absence of mandatory global filters, turning misleading AML signals into an effective instrument of transnational coercion.

In an era of growing political influence over financial compliance, structural safeguards are required: recognising PMAF-risk as a formal analytical category, mandatory verification of requests from high-risk jurisdictions, expert screening of FIU communications, and rejection of freeze orders without predicate offense. Only unified standards can prevent AML mechanisms from being redirected toward political objectives and preserve trust in the international financial architecture.

Thus, politically motivated freeze schemes should be treated not as local anomalies but as a substantial challenge to the global framework governing data security, capital mobility and human rights. This report provides practical criteria for filtering false AML signals and forms a foundation for a multilateral response capable of protecting both financial institutions and individuals from improper deployment of AML/CTF instruments.

## Sources

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