

Recommendations of the non-profit expert platform on strengthening the resilience of the Czech Republic/EU

In the immediate aftermath of the Russian aggression in Ukraine, the public advocacy platform called Reconstruction of the State organized an expert debate, which resulted in a set of recommendations, formulated together with other organizations - Datlab Institute, European Values, AMO and Lexperanto - on how the Czech Republic and the EU should strengthen their resilience to non-democratic regimes. These organizations formed the coalition “Odolnější Česko” (Resilient Czechia) and since then they have been advocating for systemic changes based on their recommendations. They have also been assisting the state in mapping Russian influence in the Czech Republic (and potentially in the EU).

Basic recommendations:

1. **Approval of a law sanctioning gross violations of human rights and corrupt behavior**, i.e. the introduction of the Czech equivalent of the so-called Magnitsky Act.
2. **Analysis for better application of sanctions** - to extend the existing procedures and tools for detecting Russian ties in the Czech Republic and the EU.
3. **Cooperation at the EU level for better application of sanctions** - coordination between member states (their Financial Intelligence Units) and using robust analytical tools that enable mapping of Russian influence.
4. **More effective AML legislation**, including strengthening the quality of data in the register of beneficial owners. Also pressure to comply with AML legislation - many Member States interpret and apply the existing AML Directives very loosely (e.g. Cyprus).
5. **Amendments to other relevant legislation in order to eliminate shortcomings in its application in practice** (e.g. allowing the withdrawal of funds intercepted in the Czech Republic in so-called "flow-through accounts" suspected of being the result of criminal activity).
6. **Introduction of rules to cut off companies from tax havens from public money** - in line with the Czech government's programme statement, adopt rules to restrict the provision of public funds to offshore companies throughout the supply chain.
7. **Tougher conditions for property owners and recipients of public money** (e.g. a stricter beneficial ownership registration regime for foreign legal entities - owners of real estate, following the UK model).
8. **Effective use and adequate strengthening of existing state capacity in the fight against money laundering** - in particular within Financial Intelligence Units, but also, for example, within the ministries, which deal with the screening of foreign investments.

Proposal for reinforcing of coordination of cooperation within the European Union in the area of enforcement of EU sanctions imposed in connection with the invasion of Ukraine by the Russian Federation

1. It is necessary to appropriately configure the framework for cooperation and communication between the Financial Intelligence Units (FIUs) of the EU Member States and the European Commission in order to up specific forms of cooperation and communication between these authorities in the area of application of sanctions.
2. The approach of FIUs in all Member States to the enforcement of sanction regulations must be clarified and "harmonized", in particular relation to ownership shares in legal entities, especially in the case of cross-border corporate ownership structures.
3. It should be clarified what "freezing of assets" means in relation to share interests in legal persons and arrangements. Without a uniform procedure for freezing voting rights and dividend payments of companies in the ownership structure of which sanctioned persons can be found, the adopted sanctions will be of little effectiveness.
4. The application of sanctions to the share interest of sanctioned persons in legal persons and arrangements must be surgically precise so as not to disrupt the EU internal market and the functioning of the ownership structures of companies within the European Union.
5. It must be clarified how to enforce sanctions against persons who own share interests in companies in the European Union indirectly through companies in tax havens.

Detailed wording of the Proposal for reinforcing of coordination of cooperation within the European Union is available on-line:

https://www.rekonstrukcestatu.cz/download/FMuRdg/proposals-for-reinforcing-cooperation-in-the-eu-in-application-of-antiru-sanctions_04072022.docx.pdf

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