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Untapped Potential at the European Public Prosecutor's Office

Expand the Mandate to Include Sanctions Enforcement

Elie Cavigneaux

Sanctions are a key instrument in the European Union's foreign and security policy. Although their enforcement depends on the Union's ability to act legally as well as politically, prosecutions remain constrained by national borders. For this reason, France and Germany proposed in 2022 that the mandate of the European Public Prosecutor's Office (EPPO) be expanded to cover violations of EU sanctions. That initiative failed to gain sufficient support in the Council, nor was the problem solved by the 2024 directive defining offences and penalties. The change of government in Hungary and the review of EPPO's mandate scheduled for 2026 offer an opportunity to revisit the issue.

In 2024, the EU adopted Directive 2024/1226, which established criminal offences and minimum penalties for violations of its sanctions. This was a significant step towards harmonising the approaches of the respective member states. The EU had already made a start in 2022, classifying the circumvention and violation of EU sanctions as criminal offences to be harmonised across the Union.

Until 2024, the inconsistent handling of sanctions violations was largely attributable to the different legal frameworks of the EU member states. A 2021 study by the Eurojust-supported Genocide Network highlighted significant differences in legal classification, jurisdiction and penalties between the member states. In November 2022 the member states reached political agreement on a proposal from the European Commission, to include sanctions violations in the list of "EU crimes" under Article 83(1) TFEU (which includes terrorism, money laundering, corruption and currency counterfeiting). That created a legal basis for harmonising this aspect of criminal law, and in particular for setting minimum standards.

The directive was adopted in April 2024. It lays out harmonised rules to be applied by the competent authorities of each EU member state. Importantly, it defines what constitutes a sanctions violation, including the shipment or re-export of prohibited goods, as well as the use of financial arrangements to conceal the origin or destination of financial transactions. Actions intended to circumvent sanctions also

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German Institute for International and Security Affairs

constitute criminal offences. The directive specifies minimum prison sentences for serious infringements, as well as administrative and financial penalties for businesses. It stipulates that legal entities — as well as individuals — may be prosecuted (in Germany still only as an administrative offence).

Despite these developments, effective enforcement remains a significant challenge, in terms of numbers of investigations, prosecutions and convictions. Although legal harmonisation is progressing, thanks to the directive, prosecutions are likely to remain fragmented and national (in particular with regard to resources, prioritisation, cooperation and intensity of investigations). The European Union Agency for Criminal Justice Cooperation (Eurojust) notes in its 2025 Annual Report that cross-border judicial cooperation is frequently hampered by differences in procedures and prosecutorial engagement. With regard to the prosecution of sanctions violations, the practical effectiveness of harmonised EU criminal law instruments remains very limited.

As the few known investigations into illegal exports to Russia demonstrate, sanctions violations tend to entail transnational financial, supply and concealment structures that necessitate coordinated prosecutions across multiple jurisdictions. The relevant cases, including those in Germany, involve multi-stage, cross-border export and concealment networks involving shipments across multiple states (including third countries) and the use of intermediaries.

The complexity of breaches of EU sanctions is exemplified by the handling of the luxury yacht "Dilbar" which is linked to the Russian oligarch Alisher Usmanov. Investigations in multiple EU member states and third countries were required to trace ownership structures and asset flows. The countries involved included Germany (measures to secure the vessel and investigations relating to ownership structures), France (enforcement measures to freeze assets in the context of EU sanctions), Italy (measures to verify and secure assets) and Spain (investigations relating to ownership and usage).

The intricate nature of the investigation illustrates the need for complementary institutional arrangements and raises the question of expanding the jurisdiction of the European Public Prosecutor's Office.

EPPO and sanctions violations: Potential and limitations

A milestone in European integration

EPPO was established by the Council Regulation of 12 October 2017, on the basis of Article 86 TFEU, and has been fully operational since 2021. It is the first EU entity to be given its own powers to initiate criminal proceedings. EPPO is also the only genuinely supranational dimension introduced under the Treaty of Lisbon. Its establishment was facilitated by the work of Eurojust which has since 2002 gradually convinced the member states' justice ministries of the benefits of joint criminal prosecutions. Whereas Eurojust merely coordinates cooperation between national judicial authorities, EPPO possesses its own investigative and prosecutorial powers.

Although EPPO represents a potentially powerful prosecution service, its sole task to date is to prosecute offences affecting the EU's own finances: all revenue, expenditure and assets attributable to the budgets of the Union and its institutions, bodies, offices and agencies. The relevant offences include cross-border VAT fraud in excess of € 10 million, as well as misappropriation of EU funds. The scope of EPPO's activities is defined in Directive 2017/1371 on the fight against fraud to the Union's financial interests by means of criminal law (the PIF Directive, from the French "protection des intérêts financiers"), which defines the relevant criminal offences and establishes a harmonised minimum standard of criminal law. EPPO's competence over cases involving criminal organisations is restricted to those where the primary purpose of the

alleged act was to commit an offence listed in the PIF Directive.

The issue of sovereignty is clearly the reason why it took so long to establish EPPO. In 2013, the European Commission proposed a highly centralised, quasi-supranational model: a single prosecutorial authority reporting directly to the College of European Public Prosecutors in Luxembourg. This was rejected by the member states, which were reluctant to cede sovereignty over their criminal jurisdiction.

EPPO was finally established in 2017 under the enhanced cooperation framework (initially involving 20 of the 27 member states), as a two-tier hybrid model. The central level is based in Luxembourg and supported in particular by the College of European Public Prosecutors. The decentralised level consists of the so-called delegated European prosecutors, who are integrated into the respective national judicial systems of the participating EU member states, where they conduct investigations and bring charges.

Following Russia's full-scale invasion of Ukraine in 2022, the question of the effectiveness of EU sanctions loomed ever larger in Brussels, and with it the debate over expanding the mandate of the newly established EU Public Prosecutor's Office.

The Franco-German initiative of 2022

The EU's first package of sanctions against Russia was adopted on 23 February 2022, immediately after Moscow recognised the separatist entities in Donetsk and Luhansk. This marked the beginning of a massive expansion of existing sanctions that had been in place since March 2014. A second, much more extensive package followed on 24 February, the day the invasion began. Although the European response was swift and politically coordinated from the outset, a structural problem soon became apparent. The sanctions were implemented (and circumvented) differently in the different member states, and enforcement was weak. There was a lack of credible deterrence.

On 29 November 2022, the French and German justice ministers published a joint opinion piece calling for EPPO's jurisdiction to be expanded to cover sanctions violations. It was not enough to impose sanctions: they also had to be policed. This, the ministers argued, required coordinated investigations and prosecution of violations. Transferring the necessary powers to EPPO appeared to offer an efficient means to enforce European decisions and values. In conclusion, they called on the Commission to put forward appropriate proposals and asked the other EU member states for their support.

A relevant approach

The Franco-German initiative is relevant because EPPO was specifically designed to handle complex cross-border cases, particularly in the economic sphere. This creates potential added value for enforcement of EU sanctions.

Until EPPO was established to guard the Union's financial interests it was difficult even to assess the scale of the losses involved, because jurisdiction and prosecution were fragmented across the member states. National authorities identified and prosecuted cases within their respective jurisdictions, such as intra-Community carousel fraud, but they were always seeing only a fragment of the overall picture.

In 2021, the European Anti-Fraud Office (OLAF) identified € 527.4 million in recoverable EU funds lost to irregularities, fraud or customs offences. EPPO, by contrast, was investigating VAT cases worth € 45 billion in 2025. The discrepancy suggests structural underreporting at the EU level. Unlike OLAF, EPPO was able to determine the actual loss using bank records, witness statements and seizures. Incidentally, according to EPPO's 2026 annual report, Germany is one of the member states most seriously affected by VAT fraud, with around 300 ongoing investigations and estimated losses exceeding €10 billion. By way of comparison, France has just over 150 ongoing investigations and estimated losses of around € 5 billion.

The link between sanctions violations and VAT fraud is often overlooked (along with the associated money laundering). Both offences frequently employ the same complex trading structures. For example, prior to 2022 Russia was already setting up shell companies within the EU to establish potential circumvention networks. Such structures correspond to the typical patterns of VAT fraud, in particular "carousel fraud" where fictitious supply chains are created for purposes of tax fraud. For example, Company A sells goods VAT-free to Company B in another member state; Company B resells them with VAT, and then disappears without passing the tax on to the authorities. The same goods are then sold on again, via further intermediaries, to a company linked to A — often across borders and VAT-free. VAT is systematically skimmed off with each turn of the carousel.

While EPPO already possesses jurisdiction in cases where sanctions evasion is accompanied by VAT fraud or misuse of EU funds, breaches with no connection to the EU's own financial interests fall outside its remit. To date, there is no documented case in which EPPO has initiated investigations or a prosecution in connection with the sanctions regime against Russia.

The hurdle of unanimity for mandate expansion

The Franco-German proposal to expand EPPO's mandate failed to gain traction. Although it had been established under enhanced cooperation, such a decision would have to be taken unanimously by the European Council after consulting the European Parliament (pursuant to Article 86(4) TFEU). The process can be initiated by a group of member states or by the Commission.

While a qualified majority could amend the PIF Directive — but not the 2017 EPPO Regulation — to include sanctions-related offences, that would not be sufficient to grant EPPO additional powers. To extend EPPO's mandate in practice, it would have to be argued that the offences in question already fell within the scope of the Union's financial interests, or the consent of all member states (including those not currently participating in the enhanced cooperation) would have to be obtained (as per Article 86(4) TFEU).

The lack of unanimity in the Council was not solely attributable to the position of Hungary under Viktor Orbán. Other participants in the enhanced cooperation had their own doubts about expanding the mandate. This applied, for example, to the Netherlands, which in 2024 drafted a non-paper on strengthening European cooperation on sanctions enforcement without mentioning EPPO. Nevertheless, the recent change of government in Budapest could prove decisive.

The current significance of EPPO in the context of sanctions

A new political dynamic

Even in the absence of progress on its mandate, EPPO's membership has grown steadily. It was established by 20 member states in 2017. By 2022, the year of the Franco-German initiative, another two had joined. Poland and Sweden signed up in 2024, making a total of 24 participating member states. Ireland and Denmark have opt-out clauses: Hungary now intends to join.

Immediately after joining EPPO, Poland used its Council Presidency to advance the discussion on prosecution of breaches of EU sanctions, at the informal meeting of justice and home affairs ministers on 30 and 31 January 2025.

Péter Magyar announced that Hungary would be joining EPPO at his first press conference as prospective prime minister, in April 2026. This opens up new horizons. Budapest's participation would in principle be irreversible, as there is no mechanism to withdraw from enhanced cooperation. This could prove significant in the future if Hungary were to shift back to a pro-Russian stance, especially if EPPO's mandate is expanded to cover sanctions violations.

Maintaining the political momentum for a sanctions-related mandate expansion is especially relevant given that EPPO's mandate is due to be evaluated by the European Commission in 2026 and if necessary revised (as laid out in Regulation 2017/1939).

Increased activity since 2021

EPPO has seen gains in its efficiency and credibility. It certainly represents an improvement on the prior system of national prosecutions, and has significantly reduced the number of parallel prosecutions and conflicts of jurisdiction. Centralised case management and coordination of national investigations has enhanced the utilisation of prosecutorial capacity.

EPPO's annual reports show dynamic growth in its activities, following the start-up phase. For instance, the 2025 report (covering activities in 2024) recorded 2,666 ongoing investigations into offences worth an estimated € 28.8 billion. A year later, the March 2026 report saw the number of investigations up by 35 per cent to 3,602, and the estimated value at stake more than doubled, to € 67.3 billion. The "Moby Dick" case attracted great attention in February 2026. This major investigation into a cross-border financial fraud network (primarily involving VAT) was coordinated by EPPO and uncovered total losses estimated at around € 520 million; the courts confiscated assets worth approximately € 40 million. As the case demonstrated, EPPO is gaining traction in the fight against increasingly professional and transnational economic crime.

In light of such successes, various proposals for expanding EPPO's mandate have been discussed. Environmental crime and corruption have been mentioned, but the greatest opportunities currently lie in the sphere of sanctions violations. The latter meets two key conditions: sanctions have direct economic and security significance for the EU, and European law already provides a legal framework (such as the aforementioned EU Directive 2024/1226 on the definition of criminal offences and penalties for the violation of Union restrictive measures). Furthermore, Directive 2024/1260 on asset recovery and confiscation significantly expanded the possibilities to seize and confiscate proceeds of crime. This underscores the growing strategic importance of effective enforcement of EU sanctions, in particular in the context of the discussions about moving from "freezing to seizing" Russian assets.

Greater awareness of breaches of EU restrictive measures

Although there have been no new moves to expand the jurisdiction of EPPO since 2022, the Commission has worked to maintain interest in sanctions enforcement. Together with the member states, it has created a coherent European criminal law framework (Directive 2024/1226) that could one day serve as the basis for an expanded EPPO mandate. If EPPO was given responsibility for sanctions violations, it would be able to conduct investigations and initiate prosecutions without having to deal with excessive legal differences between member states (as is already the case for offences covered by the PIF Directive). Instead it would be able to rely on a harmonised European criminal law framework.

In 2024, the European Parliament signalled its interest in the issue as it cooperated actively to pass the aforementioned directive on enforcement of EU sanctions. Within the Parliament, the liberal Renew Europe group has also regularly advocated for EPPO's mandate to be expanded to cover sanctions violations.

In 2025, the Parliament and the Council decided to expand Europol's mandate to cover breaches and circumvention of EU sanctions. Cooperation between Europol and OLAF was strengthened the same year. Both moves underscore the EU's ongoing interest in combating sanctions offences at the operational level — and open up opportunities for EPPO to further deepen its already close cooperation with Europol and expand its role in this area.

Germany established the Central Office for Sanctions Enforcement (ZfS) in 2023, as

a federal body responsible (alongside the customs administration) for coordinating and strengthening the administrative implementation of international sanctions, in particular the EU's. That responsibility had hitherto rested primarily with Germany's Länder, which limited the effectiveness of controls. The ZfS centralises information, supports complex financial investigations, and facilitates the tracing and freezing of assets. Its establishment signals a strengthening of Germany's commitment to effective implementation of European sanctions.

Interaction with the EU's anti-fraud architecture

Closer integration of financial, trade and security information repositories and systematic closure of the opportunities for circumvention and evasion would allow the EU to significantly enhance its ability to implement sanctions. The sanctions issue is driving discussions and developments in the sphere of European anti-fraud architecture, in particular around the interactions between OLAF, EPPO and other control and coordination mechanisms.

On 5 May 2026, the Council of the EU agreed on new rules to combat VAT fraud, including a further institutionalisation of cooperation between OLAF and EPPO. The aim is to improve coherence between administrative investigations and criminal prosecutions in the area of financial crime.

In parallel, the EU's new Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) in Frankfurt am Main and the future EU Customs Authority based in Lille are being expanded. This opens up opportunities to structurally improve and strategically realign the European Union's enforcement of sanctions.

Recommendations

The debate over EPPO's mandate in Brussels and the member states should be based on the premise that punishing sanctions violations strengthens Europe's foreign and security policy and bolsters the rule of law. EPPO appears to be well-equipped to prosecute complex offences such as sanctions violations, while at the same time keeping the entire field in view. Given EPPO's positive record on VAT fraud, it can be assumed that its cross-border approach would enable it to uncover previously undetected cases.

Germany and France should invest political capital in reviving the idea of expanding EPPO's mandate. The future head of EPPO, who is due to take up his post in November 2026, is German; France is as committed as Germany to supporting Ukraine and enforcing credible European sanctions.

As specified in the 2017 EU Regulation, EPPO's mandate will be reviewed in 2026 and revised as necessary. Paris and Berlin — together with Warsaw and possibly also Budapest — should use this opportunity to revisit the issue. They should support the European Commission and encourage the Lithuanian EU Council Presidency in the first half of 2027 to promote the cause. Lithuania might be more inclined than the Irish Council Presidency in the second half of 2026 to support a further strengthening of EPPO, especially in the context of European security and resilience policy. The issue could also be placed on the agendas of an upcoming Franco-German Ministerial Council and the Weimar Triangle (Berlin, Paris and Warsaw).

Over and above the immediate ramifications of the war in Ukraine, the European Union needs to develop a coherent and effective system for sanctions enforcement. EPPO should be at the heart of this, as it is currently the only EU institution with the power to turn investigations into criminal prosecutions and penalties. The European added value would lie in creating an integrated architecture that overcomes the hitherto fragmented enforcement structures, closes systemic enforcement gaps and sustainably improves the EU's capacity to act in the areas of finance, customs and sanctions. This would enhance the credibility of European Union's foreign policy while simultaneously strengthening its own security.

Elie Cavigneaux is a Visiting Fellow in the EU/Europe Research Division at SWP.

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SWP
Stiftung Wissenschaft und Politik
German Institute for International and Security Affairs

Ludwigkirchplatz 3—4
10719 Berlin
Telephone +49 30 880 07-0
Fax +49 30 880 07-100
www.swp-berlin.org
swp@swp-berlin.org

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