

# FINANCIAL SANCTIONS



Financial sanctions are restrictions put in place by the UN, EU or UK to achieve a specific foreign policy or national security objective. They can:

- limit the provision of certain financial services
- restrict access to financial markets, funds and economic resources.

Financial sanctions are generally imposed to:

- **coerce a regime**, or individuals within a regime, into changing their behaviour (or aspects of it) by increasing the cost on them to such an extent that they decide to cease the offending behaviour.
- **constrain a target** by denying them access to key resources needed to continue their offending behaviour, including the financing of terrorism or nuclear proliferation;
- **signal disapproval**, stigmatising and potentially isolating a regime or individual, or as a way of sending broader political messages nationally or internationally; and/or
- **protect the value** of assets that have been misappropriated from a country until these assets can be repatriated

It is a criminal offence not to comply with a financial sanction unless you have an appropriate licence or authorisation from the [Office of Financial Sanctions Implementation](#) (link is external). Their website contains information about current financial sanctions, including the consolidated list of all those subject to asset freezes or sanctions under UK law.

## WHO NEEDS TO COMPLY WITH FINANCIAL SANCTIONS?

All ICB members should consider whether they need to check their clients against the lists of persons/entities who are sanctioned. It is important that such a decision is made as a result of a careful consideration of your practice risk profile and client demographic, rather than through a lack of understanding of your obligations and the risks posed to your practice.

Financial sanctions apply more broadly than simply to the persons subject to them. The following outlines where financial sanctions apply and who needs to comply with them.

- EU financial sanctions (including where they implement UN sanctions) apply within the territory of the EU and to all EU persons, wherever they are in the world.
- UK financial sanctions apply within the territory of the UK and to all UK persons, wherever they are in the world.
- All individuals and legal entities who are within or undertake activities within the UK's territory must comply with the EU and UK financial sanctions that are in force.
- All UK nationals and UK legal entities established under UK law, including their branches, must also comply with UK financial sanctions that are in force, irrespective of where their activities take place.
- All EU nationals and legal entities established under EU law must comply with the EU financial sanctions that are in force, irrespective of where their activities take place.

HM Treasury Office of Financial Sanctions Implementation (OFSI) maintains two lists of those subject to financial sanctions.

### **The 'consolidated list'**

<https://www.gov.uk/government/publications/financial-sanctionsconsolidated-list-of-targets>

The consolidated list includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions which are implemented through EU regulations. OFSI publishes the consolidated list to help businesses and individuals comply with financial sanctions.

OFSI aims to update the consolidated list within one working day for all new UN, EU and UK listings coming into force in the UK, and within three working days for all other amendments. Where the UK's Linking Regulations have to be updated, OFSI will add new listings to the consolidated list as soon as the update comes into effect.

The UK's consolidated list does not contain listings imposed by non-EU countries or those imposed at the national level by other EU member states.

### **List of entities subject to capital market restrictions**

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/ukraine-list-of-persons-subject-to-restrictive-measures-in-view-of-russias-actions-destabilising-the-situation-in-ukraine>

OFSI maintains a separate list of entities subject to specific capital market restrictions. These entities are not contained on the consolidated list.

For more information on the restrictions that apply to these entities please see the Ukraine (Sovereignty and Territorial Integrity) regime page on GOV.UK:

<https://www.gov.uk/government/publications/financial-sanctions-ukraine-sovereignty-andterritorial-integrity>

EU financial sanctions regimes have two reporting components to them. The first is a general obligation that applies to everyone. The second is a more targeted obligation that applies to specified businesses and professions.

General reporting requirement EU regulations require natural and legal persons, entities and bodies to supply OFSI as soon as practicable with any information that would 'facilitate compliance' with the regulations. Any information provided will only be used for the purposes for which it was provided or received.

This requirement applies to natural and legal persons, entities and bodies in the UK or under UK jurisdiction and not just to credit or financial institutions or to individuals working for them.

There is a separate reporting requirement for a relevant business or profession, which as an ICB member, you are required to comply with.

You must report to OFSI as soon as practicable if you know or have reasonable cause to suspect that a person:

- is a designated person

- has committed an offence under the regulations.

You are required to report this information, or other matter on which your knowledge or suspicion is based, if it came to you in the course of carrying on your business.

When reporting to OFSI you must include:

- the information or other matter on which the knowledge or suspicion is based
- any information you hold about the person or designated person by which they can be identified

If you know or have reasonable cause to suspect that a person is a designated person and that person is a customer of your institution, you must also state the nature and amount or quantity of any funds or economic resources held by you for that customer. Further information and guidance is available by following the following link to OFSI.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/685308/financial\\_sanctions\\_guidance\\_march\\_2018\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685308/financial_sanctions_guidance_march_2018_final.pdf)