



Office of Financial  
Sanctions Implementation  
HM Treasury

# UK FINANCIAL SANCTIONS

General guidance for  
financial sanctions under the  
Sanctions and Anti-Money Laundering Act 2018

This guidance is produced by the Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, which is the authority for the implementation of financial sanctions in the UK.

It outlines your obligations under financial sanctions as well as OFSI's approach to licensing and compliance issues. It takes into account relevant case law and guidance at the date of publication.

This guidance is general in nature so you should also refer to the relevant, up-to-date legislation as well as specific OFSI guidance where it is available.

Please note that each case will be considered on the facts and the specific legal requirements that apply. Please note that OFSI cannot issue definitive guidance on how a UK court might interpret these laws.

Finally, this guidance does not represent legal advice. If you are unsure about your obligations in a given case, you should consider taking independent legal advice.

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# 1 Overview of financial sanctions

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## 1.1 Why do we have financial sanctions

Financial sanctions are restrictions put in place by the UN 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.

## 1.2 Who is involved in making and implementing sanctions

**The United Nations (UN)** imposes financial sanctions and requires member states to implement them through Resolutions passed by the UN Security Council. You can read more about the UN's work on financial sanctions on their website:

<https://www.un.org/sc/suborg/en/sanctions/information>

**The United Kingdom (UK)** imposes financial sanctions. These are implemented through a combination of statutory instruments (UK regulations) and primary legislation:

- Sanctions and Anti-Money Laundering Act 2018 (Sanctions Act)
- Counter Terrorism Act 2008 (CTA 2008)
- Anti-Terrorism, Crime and Security Act 2001 (ATCSA 2001)

## UK government departments and agencies involved in sanctions

Department	Role
Foreign, Commonwealth and Development Office (FCDO)	Responsible for the UK's international sanctions policy, including all international sanctions regimes and designations  Negotiates all international sanctions
HM Treasury (Office of Financial Sanctions Implementation - OFSI)	OFSI is the authority responsible for implementing the UK's financial sanctions on behalf of HM Treasury
Department for International Trade (Export Control Joint Unit)	Implements trade sanctions and embargoes
Department for Transport	Implements transport sanctions, including controlling movement of ships and aircraft in UK waters and airspace
Home Office	Implements travel bans
HM Revenue & Customs (HMRC)	Enforces breaches of trade sanctions
National Crime Agency (NCA)	Investigates and enforces breaches of financial sanctions

### 1.3 Types of financial sanctions

Financial sanctions come in many forms as they are developed in response to a given situation. The most common types of financial sanctions used in recent years are:

- **Targeted asset freezes:** these apply to named individuals and entities restricting access to funds and economic resources. Someone subject to an asset freeze in the UK will be listed on OFSI's consolidated list:  
  
<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>
- **Restrictions on a wide variety of financial markets and services:** these can apply to named individuals and entities, specified groups, or entire sectors. To date these have taken the form of:
  - investment bans
  - restrictions on access to capital markets
  - directions to cease banking relationships and activities

- requirements to notify or seek authorisation prior to certain payments being made or received
- restrictions on the provision of financial, insurance, brokering or advisory services or other financial services.
- **Directions to cease all business:** these will specify the type of business and can apply to a specific person, group, sector or country.

## 1.4 Who needs to comply with financial sanctions

UK financial sanctions apply to all persons within the territory and territorial sea of the UK and to all UK persons, wherever they are in the world. This means that:

- All individuals and legal entities who are within or undertake activities within the UK's territory must comply with UK financial sanctions that are in force.
- All UK nationals and 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.

### 'Without delay' implementation of UN listings

Under an autonomous UK sanctions regime, where listings are made under a new UN Security Council resolution or sanctions committee, they will have effect in UK law via regulations made under the Sanctions Act 2018. The FCDO will publicise UN listings. OFSI will add all those subject to financial sanctions to the Consolidated List.

# 2 Who is subject to financial sanctions

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## 2.1 OFSI lists

OFSI maintains two lists of those subject to financial sanctions.

### 1. The 'consolidated list'

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

This is a list of all asset freeze targets listed under UK autonomous financial sanctions legislation and UN sanctions ("the Consolidated List"). The individuals and entities listed are known as "designated persons". 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 and UK listings coming into force in the UK, and within three working days for all other amendments.

If you have been de-listed but your name still appears on the Consolidated List, you should email OFSI ([ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk)) with evidence of your de-listing.

### 2. 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-and-territorial-integrity>

## 2.2 Using the Consolidated List

The Consolidated List contains a range of information to aid the identification of designated persons. For an individual this can include their:

- aliases
- date of birth
- passport details
- nationality

- last known address
- employment or role.

You may find that the name of an individual or entity you are dealing with matches one or more entries on the Consolidated List. This is known as a **name match**. However, it does not necessarily mean that the individual or entity you are dealing with is the same one on the list. If you are satisfied that the person or entity is not the same as the one on the list, you do not need to take further action.

If the individual or entity you are dealing with matches all the information on the Consolidated List, this is likely to be a **target match**.

If having consulted the Consolidated List you are still unsure on whether you have a target match, you can contact OFSI for assistance.

### Examples of name and target matches

Situation	Assessment
<p>You have a name match for a person who is listed as a Syrian general, commanding troops in Syria at the start of the civil war.</p> <p>However, the person you are dealing with is aged 15 and was born in the UK.</p>	<p><b>Name match</b></p>
<p>You have a name match for an official from the Government of North Korea.</p> <p>However, the man you are dealing with is a retired teacher with a different date of birth. You've also carried out business with him over the last ten years.</p>	<p><b>Name match</b></p>
<p>You have a close name match for a person subject to a terrorist asset freeze and they have a similar date of birth but a different address.</p>	<p><b>Potential target match.</b> You may have identified a new alias being used to circumvent financial sanctions.</p> <p>You should contact OFSI immediately.</p>

What you are required to do next if you have a target match will depend on the specific sanctions that apply. For asset freezes, this is outlined in Section 3 of this guide.



## 2.2.2 Getting updates

OFSI publishes notices describing changes to financial sanctions on GOV.UK:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

OFSI notifies its subscribers by email whenever a new notice is published. To subscribe to our e-alerts, click here:

<https://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new>

## 2.2.3 Proscription under the Terrorism Act 2000

An organisation may be proscribed ('banned') under the Terrorism Act 2000 if the Home Secretary believes it is involved in terrorism and it is proportionate to do so.

Because proscription involves different restrictions, and because not all proscribed organisations are subject to financial sanctions, the list of proscribed organisations is not included in OFSI's consolidated list.

The list of proscribed organisations is maintained by the Home Office and can be found on GOV.UK:

<https://www.gov.uk/government/publications/proscribed-terror-groups-or-organisations--2>

# Financial sanctions

## 3 restrictions

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You are prohibited from carrying out certain activities or behaving in a certain way if financial sanctions apply. You should always refer to the up-to-date version of the legislation imposing the specific financial sanctions which apply in your case to understand exactly what is prohibited.

OFSI interprets prohibitions widely. This means that while we will not seek to draw in activities that clearly fall outside of a prohibition, OFSI will consider a wide range of actions when assessing if a breach of financial sanctions has taken place.

This section provides an overview of asset freezing, which is the most common form of financial sanction.

### 3.1 Asset freezes

#### 3.1.1 What do they do?

Where the financial sanction is an asset freeze, it is generally prohibited to:

- deal with the frozen funds or economic resources, belonging to or owned, held or controlled by a designated person
- make funds or economic resources available, directly or indirectly, to, or for the benefit of, a designated person
- engage in actions that, directly or indirectly, circumvent the financial sanctions prohibitions

The funds and economic resources are to be frozen immediately by the person in possession or control of them. An asset freeze does not involve a change in ownership of the frozen funds or economic resources, nor are they confiscated or transferred to OFSI for safekeeping.

#### 3.1.2 What must you do?

If you know or have 'reasonable cause to suspect' that you are in possession or control of, or are otherwise dealing with, the funds or economic resources of a designated person you must:

- freeze them
- not deal with them or make them available to, or for the benefit of, the designated person, unless:
  - there is an exception in the legislation that you can rely on; or
  - you have a licence from OFSI
- report them to OFSI (see Chapter 5 of this guide).

Reasonable cause to suspect refers to an objective test that asks whether there were factual circumstances from which an honest and reasonable person should have inferred knowledge or formed the suspicion.

**A breach of these requirements may result in a criminal prosecution or a monetary penalty.**

### 3.1.3 Asset freezing terminology

**Funds** generally means financial assets and benefits of every kind, including but not limited to:

- cash, cheques, claims on money, drafts, money orders and other payment instruments
- deposits with financial institutions or other entities, balances on accounts, debts and debt obligations
- publicly- and privately-traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts
- interest, dividends or other income on or value accruing from or generated by assets
- credit, right of set-off, guarantees, performance bonds or other financial commitments
- letters of credit, bills of lading, bills of sale
- documents showing evidence of an interest in funds or financial resources
- any other instrument of export financing.

**Economic resources** generally means assets of every kind – tangible or intangible, movable or immovable – which are not funds, but may be used to obtain funds, goods or services. This includes but is not limited to:

- precious metals or stones
- antiques
- vehicles
- property

**Goods** generally means items, materials and equipment.

**Crypto assets** – Statutory definitions of “funds” and “economic resources” are wide, as referenced above. Crypto assets are considered to be covered by these definitions and are therefore caught by the financial sanctions restrictions.

**Dealing with funds** generally means moving, transferring, altering, using, accessing, or otherwise dealing with them in any way which would result in any change to their volume,

amount, location, ownership, possession, character, destination or other change that would enable the funds to be used, including portfolio management.

**Dealing with economic resources** generally means using the economic resources to obtain funds, goods, or services in any way, including, but not limited to, by selling, hiring or mortgaging them. The everyday use by a designated person of their own economic resources for personal consumption is not prohibited.

**Making available funds or economic resources, directly or indirectly, to a designated person** - If funds are made available (directly or indirectly) to a designated person, or economic resources are made available (directly or indirectly) that would likely be exchanged, or used in exchange, for funds, goods, or services, this may constitute a criminal offence.

**Making available funds or economic resources for the *benefit* of a designated person** - If funds or economic resources are made available for the benefit of a designated person and they obtain, or are able to obtain, a 'significant financial benefit', this may constitute a criminal offence.

In this case, 'financial benefit' includes the discharge, in whole or in part, of a financial obligation for which the designated person is wholly or partly responsible.

### 3.2 Other financial restrictions

Financial sanctions regimes may include other restrictions in addition to asset freezes. Where these exist, they will be listed on the individual regime pages on GOV.UK:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

#### **Financial assistance, financial services and processing payments:**

For sanctions made under the Sanctions Act, the definition of financial assistance differs from the definition in regimes operating under EU law. Under the Sanctions Act, financial services covers the previously used 'financial assistance', and this does include processing payments.

Financial services means any service of a financial nature, including (but not limited to) payment and money transmission services, charge and debit cards, travellers' cheques and bankers' drafts. Section 61 of the Sanctions Act gives further examples of the meaning of 'financial services' and "financial products".

# 4 Ownership and control

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If a person or entity is designated, their name will be recorded on the Consolidated List. An asset freeze and some financial services restrictions will apply to entities (meaning a body of persons corporate or unincorporated, or any organisation or association or combination of persons) that are owned or controlled, directly or indirectly, by a designated person. Those entities may not be designated in their own right, so their names may not appear on the Consolidated List. However, those entities are similarly subject to financial sanctions.

## 4.1 Ownership and Control

An entity is owned or controlled directly or indirectly by another person in any of the following circumstances:

- The person holds (directly or indirectly) more than 50% of the shares or voting rights in an entity;
- The person has the right (directly or indirectly) to appoint or remove a majority of the board of directors of the entity; or
- It is reasonable to expect that the person would be able to ensure the affairs of the entity are conducted in accordance with the person's wishes. This could, for example, include:
  - Appointing, solely by exercising one's voting rights, a majority of the members of the administrative, management or supervisory bodies of an entity, who have held office during the present and previous financial year;
  - Controlling alone, pursuant to an agreement with other shareholders in or members of an entity, a majority of shareholders' or members' voting rights in that entity;
  - Having the right to exercise a dominant influence over an entity, pursuant to an agreement entered into with that entity, or to a provision in its Memorandum or Articles of Association, where the law governing that entity permits its being subject to such agreement or provision;
  - Having the right to exercise a dominant influence referred to in the point above, without being the holder of that right (including by means of a front company);
  - Having the ability to direct another entity in accordance with one's wishes. This can be through any means, directly or indirectly. For example, it is possible that a designated person may have control or use of another person's bank accounts or economic resources and may be using them to circumvent financial sanctions.

If any of the above criteria are met, and the person who owns or controls the entity is also a designated person, then financial sanctions will also apply to that entity in its entirety (meaning these assets should also be frozen). The prohibitions on making funds or economic resources available directly or indirectly to a designated person, also prohibit making them available to an entity who is owned or controlled, directly or indirectly, by the designated person. The UK Government will look to designate owned or controlled entities/individuals in their own right where possible.

#### **Box 4.A: Ownership and Control example relating to entities**

For example, **Entity X** is not listed on OFSI's Consolidated List. However, your research shows that the majority owner of **Entity X** is designated **Entity Y**.

As the ownership and control criterion has been met, **Entity X** is also subject to the same restrictions as designated **Entity Y**.

#### **Box 4.B: Ownership and Control example relating to individuals**

For example, **Person A** (an individual) is not listed on OFSI's Consolidated List. However, your research shows that **Person A** is a family member or friend of designated **Person B** and there is evidence that **Person B** is using **Person A** to enter into transactions.

As **Person B** is in control of **Person A**, **Person A** is also subject to the same restrictions as designated **Person B**.

### **4.1.2 Minority interests**

If a designated person has a minority interest in another entity, this does not necessarily mean that financial sanctions also apply to them as the ownership and control criteria may not have been met. It will be necessary to consider whether a designated person is in control e.g. because the affairs of the entity are conducted in accordance with the designated person's wishes. If they are, then the ownership and control criteria will be met.

You should remain vigilant to any changes in the stake held by the designated person in case it increases to greater than 50% (or they obtain a majority interest) at which point financial sanctions will also apply to that entity.

### **4.1.3 Joint Interests**

For the purposes of the asset freeze a designated person will be taken to own funds/economic resources even if they are owned jointly with another person, or where the designated person only owns part of them. Additionally, a designated person is taken to own funds/economic resources where the designated person's ownership consists of any interest (whether legal or equitable).

If two or more persons hold shares or rights jointly, each of them will be treated as owning those shares or rights. This also applies to joint arrangements where all holders of shares or rights exercise their rights jointly. In this case, all parties subject to the joint arrangement are considered as owning those shares or rights.

You should consider the above when evaluating the shares or voting rights an individual may have in an entity.

Where the wording above applies, the jointly owned funds/economic resources should be frozen in their entirety.

#### 4.1.4 Aggregation

When making an assessment on ownership and control, OFSI would not simply aggregate different designated persons' holdings in a company, unless, for example, the shares or rights are subject to a joint arrangement between the designated parties or one party controls the rights of another. Consequently, if each of the designated person's holdings falls below the 50% threshold in respect of share ownership **and** there is no evidence of a joint arrangement or that the shares are held jointly, the company would not be directly or indirectly owned by a designated person.

It should be noted that ownership and control *also* relates to holding more than 50% of voting rights, the right to appoint or remove a majority of the board of directors and it being reasonable to expect that a designated person would be able in significant respects to ensure that the affairs of a company are conducted in accordance with their wishes. If any of these apply, the company could be controlled by a designated person.

# 5 Your reporting obligations to OFSI

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## 5.1 UK financial sanctions regimes made under the Sanctions Act

Under UK financial sanctions regimes, there is a reporting obligation that applies to firms in certain sectors.

### 5.1.1 Reporting Obligations

Reporting obligations apply to relevant firms (as defined in the UK regulations and referred to below). There is a requirement for relevant firms to inform OFSI as soon as practicable if it is known or reasonably suspected a person is a designated person or has committed offences under financial sanctions regulations, where that information is received in the course of carrying on their business.

This requirement applies to relevant firms in the UK or under UK jurisdiction including individuals working for them.

When reporting to OFSI you must include:

- the information or other matter on which the knowledge or suspicion is based, and
- 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 (relevant) firm, you must also state the nature and amount or quantity of any funds or economic resources held by you for that customer.

Examples of the kind of information that is required can be found in Table 5.A.

If you are unsure of your reporting obligations, you should seek independent legal advice.

### 5.1.2 Relevant firm

Definitions of relevant firms can be found in the 'Information and records' part of the statutory instrument for each sanctions regime, which can be found here:

<https://www.gov.uk/government/collections/uk-sanctions-regimes-if-theres-no-brexit-deal>

By way of example, relevant firms that are subject to specific reporting obligations as set out in UK regulations made under the Sanctions Act include:

- a person who has permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA 2000) (permission to carry on regulated activity)
- an undertaking that by way of business operates a currency exchange office, transmits money (or any representations of monetary value) by any means, or cashes cheques which are made payable to customers
- a firm or sole practitioner that is a statutory auditor or local auditor



- a firm or sole practitioner that provides by way of business accountancy services, legal or notarial services, advice about tax affairs or certain trust or company services
- a firm or sole practitioner that carries out, or whose employees carry out, estate agency work
- the holder of a casino operating licence
- a person engaged in the business of making, supplying, selling or exchanging articles made from gold, silver, platinum, palladium or precious stones or pearls.

All regulations apply to a United Kingdom person or entity who is outside the United Kingdom.

## 5.2 Other UK financial sanctions regimes

The reporting obligations under ATCSA 2001 can be found in the Schedule to the Orders made under that act. The Orders can be found on GOV.UK:

<https://www.gov.uk/government/publications/financial-sanctions-uk-freezing-orders>

Designations made under the domestic regimes can be found in the following sections of the Consolidated List:

### [UK Freezing Orders](#)

- which includes designations made under ATCSA 2001

If you are unsure of your reporting obligations, you should seek independent legal advice.

## Examples of information to be reported

<p>A designated person or entity</p>	<p>A customer or client of yours is a known or suspected designated person or entity.</p> <p>As well as providing OFSI with any information you hold about the designated person or entity by which they can be identified, if the designated person is a customer or client you must also inform OFSI of the nature, amount, quantity of any funds or economic resources held on behalf of the customer or client, at the time this knowledge or suspicion arose.</p>
<p>Offences</p>	<p>Exact offences will depend on the relevant legislation, but can include:</p> <ul style="list-style-type: none"><li>• making funds or economic resources available to a designated person or entity (except where an exception applies or under licence)</li><li>• dealing with frozen funds or economic resources (except where an exception applies or under licence)</li><li>• activities that circumvent an asset freeze</li><li>• breaching licensing conditions</li></ul>

## Examples of information to be reported

<p>A designated person or entity</p>	<p>A customer or client of yours is a known or suspected designated person or entity.</p> <p>As well as providing OFSI with any information you hold about the designated person or entity by which they can be identified, if the designated person is a customer or client you must also inform OFSI of the nature, amount, quantity of any funds or economic resources held on behalf of the customer or client, at the time this knowledge or suspicion arose.</p>
<p>Funds and economic resources<sup>a</sup></p>	<p>You must include details of the nature, amount or quantity of any funds and economic resources held.</p> <p>Types of funds or economic resources can include but are not limited to:</p> <ul style="list-style-type: none"> <li>• cash</li> <li>• cheques</li> <li>• postal orders</li> <li>• crypto assets</li> <li>• bond futures</li> <li>• precious metals or stones</li> <li>• vehicles</li> <li>• antiques</li> </ul>
<p>Credits to frozen accounts<sup>b</sup></p>	<p>A relevant institution must inform OFSI immediately whenever it credits a frozen account:</p> <ul style="list-style-type: none"> <li>• where it receives funds transferred to it for the purpose of crediting that account</li> </ul>
<p>a See Section 3.1.3 of this guide for a definition of what constitutes funds and economic resources.</p> <p>b A relevant firm does not need to inform OFSI when it credits an account with interest or other earnings.</p>	

### 5.3 How to report

Reports of frozen funds and economic resources, information regarding a designated person, and notifications of credits to frozen accounts should be emailed to: [ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk).

Reports regarding suspected breaches should be submitted to OFSI using the form on GOV.UK:

<https://www.gov.uk/guidance/suspected-breach-of-financial-sanctions-what-to-do>

OFSI will handle all information it receives in compliance with applicable data protection laws.

All reports to OFSI involving a designated person should include their 'Group ID' reference number. The Group ID is a unique identifier for a designated person which can be found in their entry on the Consolidated List available at:

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

### 5.4 Legal professional privilege

All UK regulations make it clear that the reporting requirements do not apply to information to which legal professional privilege is attached. However, OFSI expects legal professionals to carefully ascertain whether legal privilege applies, and which information it applies to. OFSI may challenge a blanket assertion of legal professional privilege where it is not satisfied that such careful consideration has been made.

### 5.5 Reporting offences

A relevant firm that fails to comply with its reporting obligations, as set out in the relevant legislation, will be committing an offence, which may result in a criminal prosecution or a monetary penalty.

### 5.6 OFSI's powers to require information from you

OFSI has statutory powers to require you to produce specified documents and provide information for the purpose of:

- establishing the nature and amount or quantity of funds or economic resources, owned, held or controlled by or on behalf of a designated person
- establishing the nature and amount or quantity of funds or economic resources made available directly or indirectly to, or for the benefit of, a designated person
- establishing the nature of any financial transactions entered into by a designated person

- monitoring compliance with or detecting evasion of any provision of financial sanctions regulations including licensing and reporting conditions and obligations
- detecting or obtaining evidence of the commission of an offence

For a complete list of OFSI's powers to request information, please refer to the legislation underpinning each particular financial sanctions regime.

When requesting information from you, OFSI will specify:

- the legislative basis for the request
- the time period within which the information is to be provided (although if no time period is specified, the information which has been requested must be provided within a reasonable time).

In some circumstances OFSI may specify the manner in which the information should be provided.

**Failure to comply with a request for information, including by failing (without reasonable excuse) to provide the information within the specified time (or, if no time has been specified, within a reasonable time), providing false information, destroying documents or otherwise intentionally obstructing OFSI when exercising these powers is a criminal offence and may result in a criminal prosecution or a monetary penalty.**

## 5.7 Other reporting obligations

Your obligation to report to OFSI is in addition to any other sanctions reporting obligations you may have. These could include reporting required by your regulator (if you have one), or submitting Suspicious Activity Reports (SARs) to the National Crime Agency (NCA) under the Proceeds of Crime Act 2002.

In some cases, you may have specific obligations to report under section 19 of the Terrorism Act 2000.

Please note that reporting to your regulator or submitting a SAR does not meet your reporting obligations under financial sanctions. If you have information to report regarding financial sanctions, this must be sent to OFSI: [ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk).

If you are unsure of your reporting obligations, you should seek independent legal advice.

## 5.8 Onward disclosure

Information received by OFSI shall be disclosed to third parties in accordance with provisions set out in the Information and Records part of regulations pursuant to the disclosure of information regulation. Any such disclosure must be in compliance with applicable data protection laws.

# 6 Exceptions and licensing

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Specific exceptions and licensing powers are contained in the sanctions regulations made under the Sanctions Act and can allow otherwise prohibited transactions and prohibited activity to take place in some circumstances.

A licence is a written permission from OFSI allowing an act that would otherwise breach prohibitions imposed by financial sanctions.

An exception to a prohibition applies automatically in certain defined circumstances as set out in the regulations and does not require you to obtain a licence from OFSI.

The following sections provide a general overview of the standard exceptions and licensing grounds found in financial sanctions legislation. The grounds may vary from regime to regime, so it is important that you check the relevant, up-to-date legislation. This guidance will be updated in due course to reflect the position for some of the sectoral regimes where additional provisions can apply.

## 6.1 Crediting frozen accounts

Asset freezing legislation permits without a licence:

- a relevant firm to credit a frozen account with interest or other earnings due on the frozen account, so long as those funds are frozen immediately.
- a person to transfer funds to a relevant firm for crediting a frozen account where the transfer is in order to discharge obligations that were concluded or arose before the date the person became sanctioned.
- a relevant firm to credit a frozen account with payments from a third party, provided that the incoming funds are also frozen and that it informs OFSI of the transaction immediately without delay (see Chapter 5 of this guide).

## 6.2 Independent person holding legal or equitable interest in frozen funds or economic resources

The legislation creates an exception to allow independent persons to transfer their legal or equitable interests in frozen funds or economic resources to another person, where immediately before the transfer all the provisions in 1-4 below are present:

1. The independent person is not a designated person;
2. The independent person holds the interest in the funds or economic resources;
3. The independent person doesn't hold the interest jointly with a designated person; and
4. The independent person isn't owned or controlled, directly or indirectly by a designated person (see Chapter 4 for meaning of owned or controlled).

### 6.3 Ring-fencing

From 1 January 2019, each large bank must separate core retail banking from the rest of its business, known as ring-fencing, to comply with the Financial Services (Banking Reform) Act 2013. UK sanctions regimes contain an exception permitting banks subject to the ring-fencing legislation to transfer funds from account A in a non ring-fenced body to account B in a ring-fenced body (as defined in the legislation) where accounts A and B are held or controlled (directly or indirectly) by a designated person.

### 6.4 Licensing overview

It is important to note that OFSI can only issue licences where there are specific and relevant licensing grounds enabling us to do so, and where the conditions in those grounds have been met. The available grounds can be found in the legislation underpinning each particular financial sanctions regime:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

OFSI will only consider licensing activities that fall within the licensing grounds set out in the legislation. When considering making an application, you may wish to seek legal advice.

See Table 6.A for more information on OFSI's approach to licensing grounds.

Licences cannot be issued retrospectively. If you have carried out an act that required a licence, without having obtained one beforehand, you may have breached financial sanctions and you should consult Chapters 5 and 7 of this guide immediately.

It is important to note that OFSI only issues licences in relation to its areas of competence; an OFSI licence does not confirm that a particular transaction as a whole is lawful under financial sanctions regulations (for example, in some cases a further licence, such as an export control licence, may be required).

**A licence is a written permission from OFSI allowing an act that would otherwise breach prohibitions imposed by financial sanctions. It does not compel any party, including the financial institutions involved in the payment route, to take any action. It confirms, solely, that the act(s) specified in the licence are allowed by OFSI.**

### 6.5 Licensing grounds: UK regimes

The following table sets out the licensing grounds commonly found in UK regulations as well as OFSI's approach to them. Some licensing grounds cannot be applied to persons designated by the United Nations. As noted above, the exact grounds available can be found in the legislation underpinning each particular financial sanctions regime. OFSI carefully scrutinises all applications made to assess whether they fall under the relevant licensing grounds.

#### OFSI's approach to licensing grounds

Licensing ground	OFSI's approach
Basic needs	<ul style="list-style-type: none"><li>The legislation confirms that the ground is present to enable the basic needs of a designated person, or (in the case of an</li></ul>

	<p>individual) any financially dependent family member of such a person to be met.</p> <ul style="list-style-type: none"> <li>• Expenditure to meet basic needs of an individual should be expenses which are necessary to ensure that designated persons or financially dependent family members are not imperilled.</li> <li>• In respect of a person other than an individual e.g. <b>an entity</b>, the legislation confirms that basic needs <i>includes</i>: <ul style="list-style-type: none"> <li>○ payment of insurance premiums</li> <li>○ payment of reasonable fees for the provision of property management services</li> <li>○ payment of remuneration, allowances or pensions of employees</li> <li>○ payment of tax</li> <li>○ rent or mortgage payments</li> <li>○ utility charges</li> </ul> </li> <li>• The list of basic needs detailed above is not exhaustive but is indicative of the type of basic needs intended to be caught. Therefore, expenditure to meet the basic needs of an entity should be expenses strictly necessary to ensure the continued existence of the designated entity.</li> <li>• Basic needs licences do not necessarily enable a designated person to continue the lifestyle or business activities they had before they were designated.</li> </ul>
Fees for the provision of legal services	<ul style="list-style-type: none"> <li>• Both legal fees and disbursements must be reasonable. It is for the applicant to demonstrate to OFSI that the legal fees and disbursements are reasonable.</li> <li>• In most cases, you can provide legal advice to or act for a designated person without an OFSI licence, however, you cannot receive any payment for that advice without first obtaining an OFSI licence.</li> <li>• OFSI can only authorise payment of reasonable legal fees and disbursements in relation to legal services provided to a designated person. You are strongly encouraged to apply for a licence in advance of providing substantive legal services in order for you to have certainty as to the fees that will be recoverable whilst the designated person remains listed.</li> <li>• In support of your application, you should: <ul style="list-style-type: none"> <li>○ provide an estimate of the anticipated fees and/or fees that have already been incurred;</li> <li>○ provide a breakdown of how the fees will be charged and/or have been charged; and</li> <li>○ identify any disbursements, such as payments for counsel and/or expert witnesses.</li> </ul> </li> <li>• OFSI considers that the Supreme Court Cost Guides or the sums that could be expected to be recouped if costs were awarded, provide a useful starting point for assessing the reasonableness of legal fees and disbursements.</li> <li>• If you are seeking fees of a level in excess of those, you need to demonstrate why those increased fees are reasonable in the given case.</li> </ul>



	<ul style="list-style-type: none"> <li>• Fees and disbursements must relate specifically to the provision of legal advice, involvement in litigation or in dispute resolution.</li> </ul>
Routine maintenance of frozen funds and economic resources	<ul style="list-style-type: none"> <li>• The fees or service charges must be reasonable and result in the routine holding or maintenance of frozen funds or economic resources.</li> <li>• The re-design, refurbishment or redevelopment in order to improve the value of a frozen economic resource is generally not covered, although each application will be considered on a case by case basis.</li> </ul>
Extraordinary expenses	<ul style="list-style-type: none"> <li>• This must be extraordinary in nature (unexpected, unavoidable and not recurring).</li> <li>• It cannot be used where other licensing grounds are more suitable or as a way of avoiding the clear limitations of those other grounds.</li> </ul>
Pre-existing judicial decisions etc.	<ul style="list-style-type: none"> <li>• This enables the use of frozen funds or economic resources that are the subject of a judicial decision or lien which was established before the date of designation and enforceable in the UK. The use of the funds or economic resources must be to implement or satisfy in whole or in part the pre-existing judicial decision or lien and cannot be for the direct or indirect benefit of a designated person.</li> </ul>
Humanitarian assistance activity etc.	<ul style="list-style-type: none"> <li>• This enables payments to facilitate: <ul style="list-style-type: none"> <li>○ any humanitarian activity; or</li> <li>○ where applicable, any activity where its purposes are consistent with the objectives of UN Security Council Resolutions (which will be set out in the applicable Sanctions Act regulations).</li> </ul> </li> <li>• Humanitarian assistance includes the work of international and non-governmental organisations carrying out relief activities for the benefit of the applicable civilian population, which may include the delivery of humanitarian aid or peace-building programmes.</li> <li>• A licence may still be required even if this activity is using government funds.</li> </ul>
Diplomatic missions	<ul style="list-style-type: none"> <li>• This enables anything to be done in order that the proper functions of a diplomatic mission or consular post or an international organisation enjoying immunities in accordance with international law, may be carried out.</li> </ul>
Extraordinary situations	<ul style="list-style-type: none"> <li>• This must be extraordinary in nature (unexpected, unavoidable and not recurring).</li> <li>• This applies to non-UN designated persons and enables anything to be done to deal with an extraordinary situation. This will enable a situation which is extraordinary in nature but does not necessarily involve an expense.</li> <li>• This may, for example, allow for funds to be released to support disaster relief or provide aid in extraordinary situations. It cannot be used where other grounds are more suitable or as a way of avoiding the clear limitations of other grounds.</li> </ul>
Prior obligations	<ul style="list-style-type: none"> <li>• The obligation must have arisen prior to the date of designation and cannot relate to trade provisions (specified in the regulations). In addition, it cannot result in funds or economic resources being made available (directly or indirectly) to the designated person.</li> </ul>

## 6.6 Further details

### 6.6.1 Legal advice

Generally, you won't be prohibited from providing legal advice under an asset freeze. However, the payment for legal services and the provision of legal services on credit do require an OFSI licence.

Also, where sanctions prohibit specific actions, e.g. restructuring of finance, you need to carefully consider whether your advice and support for the client is helping them comply with sanctions or is participating in or facilitating a breach. For example, if it is prohibited to raise capital on financial markets, providing advice on how this affects a business will be permitted. However, preparing documents to raise such capital may amount to an attempt to circumvent sanctions.

### 6.6.2 Court fees

OFSI's view is that both court fees and payments into court, for security for costs, can be licenced under the reasonable legal fees licensing ground. However, OFSI is of the view that a separate licensing ground needs to be identified to pay security for damages into court, depending on the specific circumstances of the case. Court fees which will be invoiced to a designated person client as a disbursement can be paid without a licence only if they are not 'significant'. Whether a court fee is 'significant' is to be considered on the facts.

### 6.6.3 Investments

Generally you cannot invest your frozen funds, the profits from frozen funds, or move frozen funds from one account to another.

The exceptions or existing licensing grounds found in UK regulations are unlikely to allow such activity to be permitted but OFSI will consider each application on a case-by-case basis.

Applications for licences in relation to asset freezes imposed by UK law will need to demonstrate that such activity is in line with the licensing policy for that regime.

OFSI's view is that, in a small number of circumstances, some asset management may be permitted, under the 'basic needs' licensing ground, to ensure that the existence of the business or the frozen assets is not imperilled. When considering licensing requests for asset management, OFSI will consider the nature and state of the assets at the time of any relevant designation. It is highly unlikely that requests for new or expanded activity will be permitted but OFSI deals with every application on a case-by-case basis.

## 6.7 Licensing grounds: other domestic regimes

The UK's other domestic financial sanctions regimes do not have specific licensing grounds and instead contain a general power to issue licences.

OFSI will exercise these powers according to the provisions of the domestic regime in question, taking into account any relevant law and the stated policy objectives of each regime.

The domestic regimes are set out in the following pieces of legislation:

- Anti-Terrorism Crime and Security Act 2001 (ATCSA 2001)
- Counter-Terrorism Act 2008 (CTA 2008)

## 6.8 General Licences

A general licence, issued by OFSI on behalf of HM Treasury, allows multiple parties to undertake specified activities which would otherwise be prohibited by sanctions legislation, without the need for a specific licence.

It is not however, a substitute for a specific licence. There is no legal basis for the issuance of a general licence in place of a specific licence.

In most cases, details of active general licences and accompanying guidance will be made available on OFSI's website.

OFSI does not accept applications for general licences. General licences are issued by OFSI under such conditions as HM Treasury deems appropriate and will usually be considered in response to unforeseen circumstances where it has been decided that issuing a general licence will best support the Government's policy priorities.

For example, a general licence could be used to respond to a situation where it may be necessary for persons to undertake otherwise prohibited financial activity because the Government has introduced an unrelated financial services policy that would otherwise be hindered by sanctions law, provided that it does not contradict the policy intent of the sanctions regime. A general licence is not limited to the derogations (licencing grounds) set out in the relevant legislation (except for UN sanctions regimes, in relation to which a general licence would be limited to the derogations set out in the relevant UN resolution). A general licence can be issued under the counter-terrorism regimes.

HM Treasury can vary, suspend or revoke general licences at any time. OFSI aims to engage with relevant stakeholders before taking such action.

Each general licence will include requirements for prior notification of use, record-keeping and reporting. Prior notification is an administrative exercise only, whereby users provide OFSI with contact information. Prior notification does not constitute any verification by OFSI of correct/incorrect usage of a general licence. Data collected under a general licence as a result of prior notification would be handled in accordance with applicable data protection law. In addition to these standard requirements, general licences may be subject to further requirements. These are determined on a case by case basis.

Requirements will be stated in each general licence. It is the responsibility of any party using a general licence to ensure the activities they undertake fall within the terms of the licence and that they comply with any conditions of the licence.

Breaching the terms of a general licence is a serious offence punishable by a maximum of seven years' imprisonment on conviction on indictment or a fine (or both) (applying to all of the UK) and, on summary conviction, a maximum of twelve months' imprisonment in England and Wales (or, in relation to offences committed before section 154(1) of the Criminal Justice Act 2003 (general limit on magistrates' court's power to impose imprisonment) comes into force, six months) or a fine (or both), a maximum of twelve months' imprisonment in Scotland or a fine (or both), and a maximum of six months' imprisonment in Northern Ireland or a fine (or both).

## 6.8.1 Counter-Terrorism General licences

In addition to issuing licences relating to a specific person designated under any of the Counter-Terrorism regimes, OFSI may also issue general licences, which authorise otherwise prohibited activity by a particular category of persons (who fall within the licence criteria). General licences can be used without making an application to OFSI, although they do carry a mandatory reporting requirement to OFSI if they are used.

These general licences can be found on GOV.UK:

<https://www.gov.uk/government/publications/counter-financing-of-terrorism-general-licences>

## 6.9 Applying for a specific licence

You must provide evidence to support an application and demonstrate that all criteria of the relevant licensing ground (where applicable) have been met. Incomplete applications will not be considered and will be returned to the applicant for re-submission.

OFSI will endeavour to assist applicants who contact us to understand the licensing process as well as our evidentiary requirements. However, we cannot provide legal advice and applicants should consider taking independent legal advice before applying, especially for complicated matters.

OFSI expects that legal and professional advisers will have fully considered the relevant law and formed a view about an application before approaching OFSI for guidance or submitting an application.

OFSI does not charge for licences.

### 6.9.1 Submitting an application

Applicants should use the form available on GOV.UK to apply for a licence from OFSI:

<https://www.gov.uk/guidance/licences-that-allow-activity-prohibited-by-financial-sanctions>

Applicants will generally be required to provide:

- the licensing ground(s) being relied upon in the application including supporting arguments
- full information on the parties involved in the proposed transaction, e.g. the:
  - designated person(s)
  - any financial institution(s) involved (e.g. remitter, correspondent, beneficiary)
  - ultimate beneficiary of the transaction
- the complete payment route including account details
- the amount (or estimated amount) of the proposed transaction

You should always refer to the up-to-date version of the legislation for the relevant sanction regime. Links to these can be found on the relevant financial sanctions regime pages:

#### **Box 6.A: Tips for applicants**

- 1 Read this guide and the up-to-date version of the relevant legislation
- 2 Identify the appropriate licensing ground
- 3 Use the licence application form on our website (you may wish to seek legal advice to support this process)
- 4 Provide a clear description of the payment chain and all parties involved
- 5 Ensure that all relevant information and supporting evidence is included with the application
- 6 Apply for the licence at least four weeks in advance
- 7 Be available to fully engage with OFSI on your application
- 8 Where applicable, make sure your bank is aware of the situation

### **6.9.2 Specificity in licensing**

In line with international best practice, OFSI's view is that compliance with financial sanctions is generally best served through specificity in licensing about the transactions authorised. Licence applicants should therefore be prepared to provide full details of transactions relevant to their application(s), including all parties, sums and payment routes involved directly or indirectly in the proposed transaction(s) as well as any other relevant information which will assist OFSI in considering an application.

### **6.9.3 Counter-terrorism regimes**

If you are seeking a licence under either the ISIL (Da'esh) and Al-Qaida (United Nations Sanctions) (EU Exit) regime, the Counter-Terrorism (International Sanctions) (EU Exit) regime, or the Counter-Terrorism (Sanctions) (EU Exit) regime, you should email OFSI ([ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk)) setting out the full details of the proposed transaction.

For further details, consult the Counter-Terrorism licensing policy page on GOV.UK

**Knowingly or recklessly providing false or misleading information in any licence application is taken very seriously. Doing so may result in a criminal prosecution or a monetary penalty.**

### **6.10 Licensing timeframes**

OFSI aims to engage with applicants on the substance of completed applications for specific licences within four weeks. This does not mean that a licence will necessarily be issued within four weeks.

A completed application is one where OFSI has received all the information we need to enable us to make a decision about whether there is a legal basis to grant a licence. We will send back incomplete applications or ask you for additional information until we are satisfied that your application can be considered complete.

Please note that failure to submit all the necessary information requested by OFSI will result in delays to your application being processed.

You should not assume that a licence will be granted or engage in any activities prohibited by financial sanctions until you have received an appropriate licence from OFSI.

### 6.10.1 Urgent and humanitarian cases

OFSI will prioritise urgent and humanitarian cases, i.e. cases that involve a risk of harm or a threat to life.

If a request is urgent, please say so when submitting your application and explain why.

### 6.10.2 Notification and approvals

Please note OFSI may need to notify, or in some cases seek approval from, the relevant United Nations Sanctions Committee before issuing a licence. These requirements are set out in the relevant UN Security Council Resolutions.

These requirements will lengthen the processing time for such licence applications and may in some cases prevent a licence from being issued.

## 6.11 Amending licences

Requests for an amendment, variation or extension of a licence should be submitted to OFSI by email as soon as it is apparent that a change is required. Full supporting information and arguments should be provided.

If multiple amendments need to be made to a single licence you should group these together into a single request to OFSI.

OFSI cannot extend a licence that has expired. If you hold a licence that has expired you cannot apply for its extension, you will instead have to apply for a replacement licence. In such a scenario, as with any new licence application, OFSI will require full supporting information and a rationale for each proposed payment. As a licence holder, it is your responsibility to identify any amendments to a licence that may be deemed necessary and submit an application or amendment request accordingly.

OFSI aims to engage with applicants on the substance of completed amendment requests within four weeks. This does not mean that an amended licence will necessarily be issued within four weeks. Nor can OFSI cannot guarantee that last-minute amendments, variations or extensions will be authorised within the requested timeframe.

**You must not carry out any action(s) which are not authorised by a valid licence. For example, if a licence has expired or you have reached a cap on permitted spending, further activity may not be lawful.**

Any such actions will be considered a breach of financial sanctions and may result in a criminal prosecution or monetary penalty.

## 6.12 Refusal of a licence

If OFSI refuses to issue a licence, the proposed transaction or activities may not be lawful. OFSI will write to you giving reasons for refusing your application.

We may also refuse your application if you do not require a licence for the proposed transaction or activities.

If you have had an application for a licence refused you have the following options:

- ask OFSI to review the decision
- re-apply with new or supplementary evidence or new supporting arguments
- re-apply under a different derogation (where applicable)
- seek to challenge the decision in court

Under the Sanctions Act, there is a specific provision which means that if you intend to challenge the decision in the courts you need to apply to the High Court, or Court of Session in Scotland, for a review of the decision (Section 38 of the Sanctions Act).

You may wish to seek independent legal advice before taking the matter further.

## 6.13 Other jurisdictions

Licences issued by OFSI only apply to actions subject to UK jurisdiction. If the prohibited activity engages another jurisdiction you should consider what provisions you may need to comply with within their requirements. For instance, if a payment will pass through several jurisdictions you may need to apply for a licence from each of those countries' competent authorities.

When considering licensing requests, OFSI will conduct whatever investigation it deems appropriate in the circumstances, which may include consulting with international partners with an interest.

## 6.14 Complying with a licence

Specific licences issued by OFSI are not published. However, OFSI expects licence holders to share licences with other parties to the transaction. If you are unsure on whether the action you propose to undertake is within the terms of a licence you can seek clarification from OFSI. We aim to respond to such queries within two weeks of receipt.

If you are unsure about the validity of a licence that a designated person or their representative has shown to you, you should email a copy of the licence to OFSI: [ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk).

You should not assume that OFSI agrees with your interpretation of the licence until you receive a response from us.

**Any conduct outside the terms of the licence, such as use of a different payment route or payments in excess of a specific payment cap, is a breach of financial sanctions, and may result in a criminal prosecution or monetary penalty.**

## 6.15 Reporting conditions

Licences issued by OFSI come with conditions that often require information to be reported to OFSI within a specific time frame. A failure to comply with these reporting requirements may result in the revocation, suspension or termination of a licence or further restrictions being included in it. It may also result in a criminal prosecution or monetary penalty.

Legal advisors should proactively engage with their clients about the need to provide information to meet the reporting requirements in licences.

## 6.16 Existing licences issued under previous regimes

Specific licences issued by OFSI which were in effect immediately prior to the entry into force of Regulations made under the Sanctions Act (“Sanctions Act Regulations”) will continue to have effect after the entry into force of the Sanctions Act Regulations. Such existing licences will be treated as if they had been issued under the relevant Sanctions Act Regulations. This means that you can continue to rely on existing licences issued by OFSI, until they expire.

Any applications for new specific licences and for amendments to existing specific licences which have been validly made before the entry into force of Sanctions Act Regulations, but which have not been determined by OFSI by that date, will be treated as applications made under the relevant Sanctions Act Regulations. This means that you will not be required to submit a new application.

## 6.17 Travel to the UK

Designated persons who are not subject to a travel ban and who are planning to visit the UK should apply to OFSI for an appropriate licence authorising any proposed use of funds or economic resources to support themselves while in the country.

If a visa application is also required, the licence application should include a request for permission to pay any visa application fees. The granting of a licence does not guarantee that the person will be granted a visa.

The requirement to obtain a licence before travelling also applies to non-designated persons visiting the UK who are funded, in whole or in part, by a designated person.

Anyone dealing with funds that should be frozen, or who makes economic resources available to a designated person without an appropriate licence will be committing an offence, which may result in a criminal prosecution or a monetary penalty.

**If you are a designated person, you must hold a valid licence for the duration of your stay to allow the use of or access to funds or economic resources, while in the UK.**

**If no valid licence is held, you may be in breach of sanctions regulations.**



## 6.18 Directions

Directions can be issued by OFSI in respect of a statutory requirement and can provide an exception to the requirements.

For example, if the regulations require a UK credit or financial institution to close a bank account it has with a finance institution domiciled in the Democratic People's Republic of Korea, a valid direction from OFSI could provide an exception to this requirement.

Directions can contain certain conditions as OFSI deems appropriate. They may be of definite or indefinite duration, and can be varied, suspended or revoked at any time.

Directions are applied for using the licence application form on the OFSI website. Applications for directions are subject to the same timeframes as licence applications. OFSI also makes the same considerations when assessing a licence application.

Directions do not apply to all regimes. The relevant regulations detail in which regimes directions are applicable. You may wish to seek legal advice to support the application process.

## 6.19 Export licences

If you import or export goods, you need to consider if financial sanctions apply to you. You may need a licence from OFSI as well as from the UK's Export Control Joint Unit (ECJU):

<https://www.gov.uk/government/organisations/export-control-organisation>

# 7 Compliance and enforcement

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OFSI is responsible for monitoring compliance with financial sanctions and for assessing suspected breaches. It also has the power to impose monetary penalties for breaches of financial sanctions and to refer cases to law enforcement agencies for investigation and potential prosecution.

OFSI works with other parts of government, supervisory bodies and regulators to consider all cases reported to it, sharing relevant information accordingly.

OFSI may share information as prescribed by the relevant sanctions legislation and wider UK legislation, including the Data Protection Act 2018.

## 7.1 OFSI's approach to compliance

OFSI's assessment of breaches is informed by our overall approach to financial sanctions compliance. This approach covers the whole lifecycle of compliance in respect of financial sanctions. We take a holistic approach to ensure compliance rather than simply waiting until the law is broken and responding to the breach.

Our approach is summarised by our compliance and enforcement model: promote, enable, respond, and change.

- We will **promote** compliance, publicising financial sanctions and engaging with the private sector
  - an effective compliance approach promotes compliance by reaching the right audiences, through multiple channels, with messages they respond to
- We will **enable** compliance by making it easier to comply, and providing customers with guidance and alerts to help them fulfil their own compliance responsibilities
  - an effective compliance approach enables cost-effective compliance, makes it easy to comply and minimises by design the opportunities for non-compliance
- We will **respond** to non-compliance by intervening to disrupt attempted breaches and by tackling breaches effectively
  - an effective compliance approach responds to non-compliance consistently, proportionately, transparently and effectively, taking into account the full facts of the case, and learning from experience to continuously improve our response
- We do these things to **change** behaviour, directly preventing future non-compliance by the individual and more widely through the impact of compliance and enforcement action.

While a decision to pursue a criminal prosecution for breaches of financial sanctions ultimately lies with the prosecuting authorities, OFSI will consider the following when initially considering the course of action to take:

- whether the breach was self-disclosed fully and promptly
- the level of cooperation with any inquiries
- action being taken to improve future compliance.

## 7.2 Reporting a suspected breach of financial sanctions

Your reporting obligations to OFSI are set out in Chapter 5 of this guide. Where you know or have reasonable cause to suspect that a breach has occurred this must be reported to OFSI as soon as practicable.

A form is available on GOV.UK to report suspected breaches to OFSI:

<https://www.gov.uk/guidance/suspected-breach-of-financial-sanctions-what-to-do>

## 7.3 Penalties for breaches of financial sanctions

Breaches of financial sanctions are a serious criminal offence. The level of penalties for breaches of financial sanctions have been expanded and, for custodial sentences, uplifted by the Policing and Crime Act 2017.

### 7.3.1 Custodial sentences

Offences relating to the principal prohibitions under UK financial sanctions carry a maximum of 7 years' imprisonment on indictment (applying to all of the UK) and, on summary conviction, a maximum of 12 months' imprisonment in England and Wales (or, in relation to offences committed before section 154(1) of the Criminal Justice Act 2003 comes into force, 6 months), 12 months in Scotland, and 6 months in Northern Ireland.

Custodial sentences for ATCSA 2001 and CTA 2008 have been similarly uplifted.

For exact penalties, particularly those relating to different parts of the UK, please consult the relevant legislation.

### 7.3.2 Deferred Prosecution Agreements (DPAs)

Breaches of financial sanctions legislation are included on the list of offences for which a Deferred Prosecution Agreement (DPA) can be made. DPAs are court-approved agreements between an organisation (a corporate body or unincorporated association, but not an individual person) and a prosecutor who is considering prosecuting the organisation for an offence. They only apply to persons in England and Wales.

In order for a DPA to be entered into, the prosecutor must be satisfied that there is sufficient evidence to prove beyond reasonable doubt that a criminal offence has been committed by the organisation. A DPA can be entered into once the organisation is charged with that offence, with the effect that proceedings are automatically suspended subject to certain conditions. If the conditions of the DPA are breached, the prosecution may resume.

### 7.3.3 Serious Crime Prevention Orders (SCPOs)

Breaches of financial sanctions are included on the list of offences for which a Serious Crime Prevention Order (SCPO) may be imposed.

SCPOs are imposed by a court on the civil standard of proof and are designed to prevent an individual or organisation from further engaging in serious crime.

A SCPO does not levy financial penalties but may contain targeted prohibitions, restrictions or requirements that the court considers appropriate for the purpose of restricting or disrupting further involvement in serious crime.

### 7.3.4 Monetary penalties

OFSI has the power to impose monetary penalties for breaches of financial sanctions under powers in the Policing and Crime Act 2017. The maximum value of a monetary penalty may range from 50% of the total breach up to £1m – whichever is the greater value. OFSI takes several factors into account when considering a proportionate penalty value. The value will be based on the facts of each case, with reductions being applied particularly in cases that have been voluntarily disclosed to OFSI.

Please see our guidance on monetary penalties for more information:

<https://www.gov.uk/government/publications/financial-sanctions-faqs>

# 8 Challenging designations

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Those who are subject to financial sanctions can request a reassessment of their listing. The financial sanctions will remain in place while the reassessment is taking place.

## 8.1 UN listings

If you are a designated person who is named in a UN list, you, or a person acting on your behalf, have the right to request the UK Government use its best endeavours to secure the removal of your name from the relevant UN list. You may wish to request such an action if you believe that the reasons for your designation are incorrect.

## 8.2 UK listings

If you are a designated person (other than a person designated under a UN list), you, or a person acting on your behalf, have the right to request a revocation or variation of your designation. You may wish to request a revocation, for instance, if you believe that the reasons for your designation are incorrect, or a variation if, for instance, particular information associated with your designation, such as your date of birth, is incorrect. Other reasons for seeking a revocation could include if you believe your designation is inappropriate having regard to the purpose of the regime, or the likely significant effects of the designation, or it is incompatible with the Human Rights Act 1998.

For further information, including eligibility to apply for a variation or revocation of a designation, submitting a sanction challenge form and other information, [consult the Foreign, Commonwealth and Development Office guidance](#).

## 8.3 Submitting a request

If you have been designated or listed and wish to request the revocation, variation or review of your designation or the removal of your listing, you should complete a review request form. This covers requests for reviews, revocations, variations or removals. There is also further guidance available on the process.

By properly and fully completing the form, you will ensure that you meet the requirements for a valid request. This form can also be completed by another person on the behalf of the designated or listed person, if confirmation of authority is provided.

# 9 Glossary

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**Disclaimer** – The following is a general description of terms used throughout this guide. For exact terms used in context, please see the up-to-date version of the relevant legislation. If you are in doubt about any of the below, please contact OFSI or seek independent legal advice.

**Asset freeze** – A type of financial sanction. Under an asset freeze it is generally prohibited to:

- deal with the frozen funds or economic resources, belonging to or owned, held or controlled by a designated person
- make funds or economic resources available, directly or indirectly, to, or for the benefit of, a designated person
- engage in actions that, directly or indirectly, circumvent the financial sanctions prohibitions.

**Consolidated list** – list maintained by OFSI containing designated persons subject to financial sanctions.

**Dealing with economic resources** – generally means using economic resources to obtain funds, goods, or services in any way, including (but not limited to) by selling, hiring or mortgaging them.

**Dealing with funds** – generally means moving, transferring, altering, using, accessing or otherwise dealing with funds in any way which would result in any change to their volume, amount, location, ownership, possession, character, destination or other change that would enable the funds to be used, including portfolio management.

**Designated person (DP)** – a person subject to financial sanctions.

**Economic resources** – generally means assets of every kind – tangible or intangible, movable or immovable – which are not funds, but may be used to obtain funds, goods or services.

**Exception** – generally found in financial sanctions legislation.

**Funds** – generally means financial assets and benefits of every kind, including but not limited to:

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

- documents showing evidence of an interest in funds or financial resources
- any other instrument of export financing.

**Goods** – generally means items, materials and equipment.

**Licence** – a written authorisation from OFSI permitting an otherwise prohibited act.

**Name match** – the situation where a person you are dealing with partially matches the details of a designated person on the Consolidated List. Unlikely to be a target match.

**OFSI** – Office of Financial Sanctions Implementation, which is part of HM Treasury.

**Ownership** – the possession of more than 50% of the proprietary rights of an entity or having a majority interest in it. Includes both direct and indirect ownership.

**Person** – can be a natural person (an individual), or a legal person, body or entity.

**Proscription** – The Home Secretary’s power to proscribe (ban) an organisation under the Terrorism Act 2000.

**Reasonable cause to suspect** – refers to an objective test that asks whether there were factual circumstances from which an honest and reasonable person should have inferred knowledge or formed the suspicion.

**Statutory instruments (SIs)** – a form of legislation which allow the provisions of an Act of Parliament to be subsequently brought into force or altered without Parliament having to pass a new Act. They are also referred to as secondary, delegated or subordinate legislation.

**Target Match** – the situation where the person you are dealing with matches the details of a designated person on the Consolidated List. Likely to be a confirmed match for that person.

**UK regulations** – See Statutory instruments.

**UK Sanctions List** – list maintained by FCDO of all designated persons subject to sanctions by the UK.