

A satellite view of the Earth from space, showing the Americas and surrounding oceans. The image is the background of the entire page.

VinciWorks

**SANCTIONS AT WORK:  
A GUIDE TO COMPLIANCE**

**Ensuring Your Business Complies  
With Sanctions Regimes**

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# PART ONE: AN INTRODUCTION TO SANCTIONS

## WHAT ARE SANCTIONS?

Sanctions are a diplomatic tool used to promote international peace and security and to combat violations of international law and terrorism. They achieve this by applying economic pressure on a country or regime by restricting dealings with the regime, as well as with certain individuals and entities. The goal of using sanctions is to pressure a regime to change its behaviour regarding political, military, or social issues.

There are different types of sanctions. Financial sanctions are freezes on assets of companies or individuals. Other types of sanctions include arms embargoes, trade sanctions and travel bans.

But in general, sanctions are legal limitations put in place by individual countries like the United Kingdom or the United States, or by international institutions, such as the United Nations (UN) and the European Union (EU). They may include various forms of trade barriers, from tariffs and restrictions on financial transactions to broad embargoes.

## DIFFERENT TYPES OF SANCTIONS

### Financial sanctions

Financial sanctions prohibit dealings of

specified types with any sanctioned person, entity or government. Financial sanctions can vary from comprehensive prohibitions on financial conduct, such as prohibiting the transfer of funds to a sanctioned country and the freezing of government or corporate assets, to targeted asset freezes on individuals, such as those associated with terrorist groups. Financial restrictions can also be put in place to restrict making payments to or from a sanctioned person or entity.

### Arms embargoes

These are imposed on arms-related material, such as military equipment, ammunition, weapons and technology. For instance, these items would be included on a military list. Arms embargoes can also be imposed on some dual-use items. This refers to goods, software or technology which can be used for both civilian and military purposes. Dual-use items can include raw materials and



components. They can also include items that may be used in the production or development of military goods, such as machine tools and chemical manufacturing equipment.

### Export controls

Export controls cover a range of goods including certain commercial, military or dual-use civilian equipment which could be used for nuclear proliferation or internal repression. Licences from a government authority are required to export these items.

### Import controls

There are three types of import controls:

- Bans - where no import of raw materials or goods is allowed from sanctioned targets, i.e. certain products from Iran, Syria, North Korea, Russia and Crimea.
- Quotas - where the volume of goods is restricted, i.e. textiles and clothing from Belarus and North Korea or steel products from Kazakhstan.
- Surveillance - where the import of goods is monitored with licences, i.e. firearms.

### Trade sanctions

Targeted commodity sanctions are aimed at specific commodities to ensure that the financial benefits do not fall into the hands of parties deemed to be illegitimate and, in particular, of those engaged in armed conflict.

### Travel bans

These are applied on named individuals who are prevented from travelling to certain countries. They are usually applied in combination with trade sanctions, arms embargoes and financial sanctions on named individuals and entities, such as travel bans on Syrian officials.

## EXAMPLES OF SANCTIONS

Critics sometimes say that sanctions don't work, or that they aren't an effective tool to create change in rogue regimes. Academic studies which have looked at sanctions show they result in meaningful behavioural change by the targeted country around 40% of the time. While this is not a high number, sanctions remain an important part of international diplomacy. Here are some recent examples of sanctions which helped the countries imposing them achieve their foreign policy objectives.



### Iran

Targeted sanctions helped bring Iran to the negotiating table in 2015 and to agree to scale back its nuclear activities.



### Albania

After Albania imprisoned five members of an ethnic Greek group, Greece suspended EU aid to the country. Ultimately, Albania reduced the sentences and released two, and Greece resumed aid.



## Guatemala

In 1993, President Jorge Serrano attempted to dispose of Guatemala's constitutional rights and rule by decree. The United States and European nations threatened sanctions, which ultimately helped force him out of power.

## El Salvador

When El Salvador was on the verge of releasing prisoners accused of killing US citizens, the US imposed sanctions that coerced the country to reverse its decision.

## Malawi

Following a significant cut in international aid, the African country adopted new policies that improved its human rights standards. When multi-party democracy was introduced in 1993, aid was resumed.

## South Korea

The United States threatened sanctions against South Korea, fearing that the nuclear plant it was acquiring from France would ultimately be used to make nuclear bombs. The deal never went through.

## CASE IN POINT: SANCTIONS ON RUSSIA

Since Russia launched its invasion of Ukraine at the end of February 2022, the West has imposed significant sanctions on Russia, Belarus, and Vladimir Putin's oligarchs who fund his war. The conflict

has also marked unprecedented international cooperation between Western allies unseen since the days of the Cold War.

Sanctions on Russia are designed to hurt the country's economy and make it more difficult to wage war. One out of every nine Russian companies have been impacted by sanctions.

The IMF predicts the Russian economy will contract around 10-15% as a result of these sanctions. Russia is a G20 economy. Russia was part of the G8 until 2014 when it was removed following the first invasion of Ukraine and ongoing occupation of Ukraine's Crimea region. Hundreds of billions of dollars of Russia's central bank assets have been frozen, and the West has either banned Russian energy imports or is rapidly moving away from them.

Russian GDP contracted by 3% in April 2022, and retail sales fell by an annual rate of nearly 10%, double the 5% fall forecast. Mining and energy sectors have been severely constricted by being shut off from foreign markets. Because Russia can't get parts though from the West, domestic car output shrank 61% because assembly lines can't be serviced.

Banking and payments have been severely impacted, and this is probably one of the most important areas for businesses to look at when it comes to sanctions

compliance. Because Russia has been cut off from the SWIFT banking system and so many assets of oligarchs have been frozen, those individuals and businesses are scrambling around to find other places and other ways to use their money.



## PART TWO: COMPLYING WITH SANCTIONS

### CASE IN POINT: PAYONEER

Payoneer is a firm specialising in business-to-business cross-border payments. It is used by global leaders like Airbnb, Amazon, Google and Upwork to facilitate cross-border wire transfers, online payments, and debit card services. The company also offers facilities for small and medium-sized businesses to send payments anywhere in the world, quickly and cheaply.

But this business model recently hit the wall of sanctions compliance. Sending money anywhere in the world might be a good marketing slogan, but it's also a violation of international sanctions. In July 2021, Payoneer was fined \$1.4 million by the US sanctions authority, the Office of Foreign Assets Control (OFAC) for over 2,200 violations of multiple sanctions regimes.

In the settlement agreed to by Payoneer, they admitted to processing payments for parties located in Crimea, Iran, Sudan and Syria, all countries subject to US sanctions. They also processed 19 payments on behalf of individuals sanctioned by the US.

This meant sanctioned individuals were able to engage in over \$800,000 worth of transactions. The fine comes at a tricky

time for Payoneer, who began trading on the Nasdaq exchange the month before, with a valuation of \$3.3 billion.

The sanctions failings relate to Payoneer failing to focus on sanctioned locations, and having no system in place for monitoring IP addresses or flagging addresses from sanctioned locations. OFAC noted that Payoneer had reason to know the location of sanctioned users.

OFAC found multiple sanctions control breakdowns from weak algorithms that allowed close matches on the sanctions list to go unflagged, failing to screen for Business Identifier Codes, even when these were included on sanctions lists, and allowing flagged and pending payments to be automatically released without review during backlog periods.



If Payoneer hadn't settled, it would have been looking at over \$4 million in sanctions. Other actions the company took included firing its chief compliance officer, retraining compliance staff and putting in place more checks within its system.

## HOW BUSINESSES SHOULD COMPLY

All businesses must comply with international sanctions. The first step to sanctions compliance is to understand where your business is exposed to sanctions. This will depend on where your business is based and the industry in which it operates. There may be different rules depending on your product, your customers, and how they use your merchandise after they buy it.

Every national jurisdiction has its own list of sanctioned regimes. These generally include countries considered national security threats, such as Russia, North Korea, Iran and China, as well as countries with sub-par human rights records or significant corruption. The list of sanctions requirements will vary for each country, depending on the level of sanctions being applied. Multinational companies should be aware of restrictions for each of the jurisdictions for which they operate.

Companies that have operations, clients, suppliers or otherwise do business with a nexus to sanctioned countries must

screen clients against their country's sanctions list. This involves checking a database for the names of individuals, groups or companies. Entities on these lists may be sanctioned due to their geographic location or their partnerships and alliances.

Businesses must understand what sanctions they are required to screen for and be able to prove that they are acting in compliance. Failure to do so can lead to significant fines.

Sanctions lists can be searched easily online. Links will be provided in the resources at the end of the course.

These lists include each target's name, aliases, known identification details like address, date of birth and passport number, and other information relevant to their identification.

## HOW TO UNDERTAKE A SANCTIONS CHECK

New customers must be screened for sanctions as part of the onboarding process. Existing customers and third parties should also be screened on a regular basis in order to comply with the changing landscape. You can use a third-party solution which tracks the different sanctions lists, or you can do a check yourself: everything is published and available online.



If the name of an individual or entity you are dealing with matches an entry on the sanctions list, this is known as a name match. If there is a name match, but you are satisfied that the individual does not match the description, you do not need to take further action. An example of this would be if the names are the same but the dates of birth or countries of residence are different.

If the individual or entity you are dealing with matches all the information on the sanctions list, this is likely a target match.

If a client or potential client appears as a target match, or if you are unsure, it must be reported immediately. Relevant firms must have a clearly defined senior management responsibility for sanctions compliance. That function will be required to evaluate the match and determine the next steps.

## **ACTIONS TO CHECK NOW**

- ? Do you have an updated sanctions policy?**
- ? Have you undertaken a sanctions risk assessment this year?**
- ? Do you have regular annual training for all staff?**
- ? Do you have more frequent training for high risk-staff?**
- ? Does your client and supplier onboarding system screen for sanctions compliance?**
- ? Do you regularly communicate who is responsible for dealing with sanctions in the business?**

## PART THREE: LAWS ON SANCTIONS

### SANCTIONS COMPLIANCE IN THE UK

The Sanctions and Anti-Money Laundering Act 2018 provides the main legal basis for the UK to impose, update and lift sanctions. Some sanctions measures apply through other legislation, such as the Immigration Act 1971, the Export Control Order 2008 and the Terrorist Asset-Freezing etc. Act 2010.

You must make a report to the Office of Financial Sanctions Implementation (OFSI) if you suspect a customer of their firm is a designated person under the financial sanctions regime. You have responsibilities under this regime to safeguard the UK. Breaching the financial sanctions requirements can result in criminal prosecution or a fine.

Businesses can be fined up to 50% of the total breach value, or up to £1m, whichever is greater, alongside prison time for individuals.

You can act for someone who's on the sanctions list, but you must apply for a licence from the Office of Financial Sanctions Implementation (OFSI) before you start work.

The financial sanctions regime prevents you from doing business or acting for listed individuals, entities or ships (without

a licence). You should check the financial sanctions lists before offering services or undertaking transactions for clients. If an individual is on the sanctions list and subject to an asset freeze, you may not deal with those funds or make resources available to that person.

### NEW SANCTIONS LAWS IN THE UK

In the wake of the Russian invasion of Ukraine, the UK government rushed through the Economic Crime (Transparency and Enforcement) Act which became law on 15 March 2022. These measures include a new register of foreign owners of UK property. Entities who do not declare their beneficial owner will face restrictions in selling their property or face prison. Unexplained Wealth Orders (UWOs) are also being strengthened, with those who hold property in the UK in a trust will be considered an asset's holder. Law enforcement will have more time to implement UWOs and be protected from litigation costs if the order is successfully challenged.



Other key changes include:

- Requirements on foreign legal entities seeking to sell their property during the six-month transition period to identify their true owners to Companies House
- Overseas entities must declare if any of their beneficial owners are under UK sanctions
- New powers to enhance data sharing between HMRC and Companies House
- Amending the 'false filing' offence into a two-tier offence. The first being an offence of providing false or misleading information 'without reasonable excuse' which can result in an unlimited fine. The second is an 'aggravated' offence of knowingly doing so which can result in a prison sentence
- New measures will also increase fines for certain offences within the Act and reduce the transition period during which overseas entities must register with Companies House from 18 to 6 months

## INCREASED PENALTIES FOR SANCTIONS VIOLATIONS

One vital change to know about is for sanctions compliance. Failure to comply with UK financial sanctions, such as those on Russia, can constitute a criminal offence and result in a fine or imprisonment. Under current sanctions law, the UK's

sanctions watchdog, the OFSI, cannot impose a monetary penalty unless the OFSI is satisfied the person who breached sanctions 'knew' or had 'reasonable cause to suspect' their conduct breached a sanction.

The Economic Crime Act replaced this knowledge requirement with a strict liability offence, meaning the person's intent is irrelevant. If a sanction was breached, the OFSI can impose a monetary penalty. The knowledge aspect will remain a defence for a criminal case, meaning an individual or company can plead ignorance in court, but it will not be a defence against the OFSI's ability to impose a civil fine.

Further, the OFSI can now 'name and shame' companies suspected of sanctions breaches, even if a fine has not been imposed.

Additionally, given the increase in scope of Unexplained Wealth Orders (UWO), any business holding assets of someone subject to a UWO could face increased scrutiny from authorities of their own due diligence and financial crime controls.

Finally, the Act allows ministers to 'fast-track' the imposition of sanctions. Meaning individuals or companies could face sanctions at short notice, requiring businesses to rapidly adapt to new rounds of sanctions imposed by the UK, which will closely follow or may even

supersede those imposed by the US and EU. In short, the Economic Crime Act makes sanctions compliance a top priority.

## SANCTIONS COMPLIANCE IN THE US

The Office of Foreign Assets Control (OFAC) of the US Department of the Treasury is the main body in charge of administering and enforcing economic and trade sanctions.

The US Departments of State, Commerce, and Defense also play significant roles in monitoring and enforcing sanctions laws.

Secondary restrictions: The US employs secondary sanctions – a way of forcing those outside its jurisdiction to comply with its sanctions even when they don't involve a US nexus. By threatening restrictions against those who break its ranks, secondary sanctions force businesses to effectively choose between doing business with the sanctioned entity or with the US.

Embargoes: The US maintains several comprehensive sanctions, or embargoes, that prohibit all trade with a specific country or region. Among these is its embargo against Cuba.

Breaches of OFAC sanctions can be subject to fines of millions of dollars and prison sentences as long as 30 years. Violations of the International

Emergency Economic Powers Acts or the Trading with the Enemy Act come with fines of hundreds of thousands of dollars per violation.

Firms that have paid massive fines for sanctions violations include BNP Paribas, which paid nearly \$9 billion for violating sanctions against Sudan, Iran and other countries, as well as UniCredit Bank, ZTE Corporation, Standard Chartered, Crédit Agricole and Société Générale.

Firms holding blocked sanctioned property must report the incident to OFAC within 10 business days from the date the property was blocked.

Any financial transfers that were rejected due to sanctions requirements must also be reported to OFAC.

In addition, firms conducting international financial transactions must maintain a log of prohibited transactions, and a report of blocked property must be filed with OFAC annually.

## EXAMPLES OF SANCTIONS BREACHES

All businesses must comply with sanctions laws. Failure to do so is a criminal offence. In recent weeks, new laws in the UK have made breaching sanctions rules a strict liability offence.

This means there's no requirement for the business to have intended to breach

sanctions. The fact that it happened is enough for a monetary penalty to be levied.

The Policing and Crime Act 2017 gives the Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, the power to impose monetary penalties for sanctions breaches, and publish the reasons why.

Here, we review some recent cases to understand where these businesses went wrong with their sanctions compliance.

### **Raphael & Sons Bank, fined £5,000 for allowing a £200 transaction**

Raphael & Sons Bank were fined £5,000 by the OFSI for dealing with funds belonging to a designated person without a licence. The value of the transaction was only £200.

The original fine was £10,000, but Raphaels Bank made a disclosure to OFSI when it became aware that a breach of financial sanctions had taken place, and the fine was halved to £5,000.

Raphael's Bank dealt with funds belonging to a designated person despite having access to their passport details, which clearly identified the individual by both name, date of birth and nationality.

The regime under which the individual was designated is one where sanctions are

applied because of the misappropriation of Egyptian State funds. The bank's actions allowed the individual to utilise funds that should have been frozen. Despite the value of the transaction being £200, the breach directly contravened the policy intention of the asset freeze.

### **Telia Carrier UK, fined over £145,000 for breaching Syrian sanctions**

This phone company was originally issued a £300,000 fine for indirectly facilitating international telephone calls to SyriaTel, a sanctioned entity. Following a review by the minister, this was reduced.

This case illustrates that 'economic resources' can cover a wide variety of tangible and intangible resources and can be direct or indirect. It also illustrates that companies need to be able to recognise when they are in breach of the regulations and stop and take immediate action to report their activity to the OFSI.

Companies should take care to make sure they carry out appropriate financial sanctions screening and checks, and act on this information in the correct way.

### **Standard Chartered Bank, fined over £20m for Ukraine breaches**



In July 2014, the European Union (including the UK) imposed restrictive measures against those responsible for the Russian invasion of Crimea.

The sanctions are intended to prevent certain Russian banks, companies, and their subsidiaries from accessing EU primary and secondary capital markets (including access to loans). Specifically, any EU person is prohibited from making loans or credit or being part of an arrangement to make loans or credit available to sanctioned entities.

Standard Chartered Bank made a series of 102 loans to Denizbank A.Ş. between 2015 and 2018. At the time the loans were made, Denizbank A.Ş. was almost wholly owned by Sberbank of Russia. Sberbank was subject to EU sanctions designed to target those undermining Ukraine's sovereignty and territorial integrity. As Sberbank's majority-held subsidiary, the restrictions also applied to Denizbank A.Ş.

The value of loans which breached sanctions amounted to nearly £100m. OFSI assessed that Standard Chartered Bank was aware of the sanctions regime and the need to take compliance steps and had initially ceased all trade finance business with Denizbank A.Ş. when Denizbank A.Ş. became a sanctioned entity. However, Standard Chartered Bank had then sought to introduce dispensations enabling such loans to be made where they considered an exemption was applicable. OFSI assessed that these dispensations were not appropriately put in place, and the subsequent operation of the dispensations enabled loans to be made which were not within any exemption and therefore were in breach of the EU Regulation.

However Standard Chartered did undertake their own investigative report, and after a review by the minister, decided that they did not wilfully breach the sanctions regime, had acted in good faith, had intended to comply with the relevant restrictions, had fully cooperated with OFSI and had taken remedial steps following the breach.

# PART FOUR: HOW THE UK DECIDES ON SANCTIONS FINES

All businesses could be fined for breaching sanctions. Since 2022, breaching sanctions is a strict liability offence, meaning there is no requirement for the intent to breach sanctions. The act of breaching is enough to trigger a financial penalty.

The Treasury may impose a monetary penalty on a person if it is satisfied, on the balance of probabilities, that the person has breached a prohibition, or failed to comply with an obligation that is imposed by or under financial sanctions legislation.

The amount of the penalty is to be such amount as the Treasury may determine but it may not exceed the permitted maximum.

- £1,000,000
- 50% of the estimated value of the funds or resources
- In any other case, the permitted maximum is £1,000,000

If a monetary penalty is payable, the Treasury may also impose a monetary penalty on an officer of the body if it is satisfied, on the balance of probabilities, that the breach or failure in respect of which the monetary penalty is payable by

the body took place with the consent or connivance of the officer, or was attributable to any neglect on the part of the officer.

This means separate penalties could be imposed on a legal entity and the officers who run it. It is also possible for OFSI to impose a monetary penalty on one person involved in a case and for another to be prosecuted criminally.

## HOW OFSI RESPONDS TO SANCTIONS BREACHES

OFSI can respond to a potential breach of financial sanctions in several ways, depending on the case. They may:

- Issue a warning
- Refer regulated professionals or bodies to their relevant professional body or regulator in order to improve their compliance with financial sanctions



- Publish information pertaining to a breach, even where no monetary penalty is imposed
- Impose a monetary penalty
- Refer the case to law enforcement agencies for criminal investigation and potential prosecution
- Undertake several of these actions in any particular case

'Balance of probabilities' is the civil standard of proof and means OFSI consider that, on the evidence, the occurrence of the breach was more likely than not. This means OFSI does not seek to prove facts beyond reasonable doubt (the criminal standard), but to make a judgement on whether it is more likely than not that they are true.

Civil monetary penalties can be applied to persons for breaches of financial sanctions with no requirement for OFSI to demonstrate that the person knew or had reasonable cause to suspect the conduct amounted to a breach of sanctions. However, OFSI will still need to demonstrate that a breach occurred on the balance of probabilities.

OFSI also has powers to request information under sanctions regulations. Depending on the regulations concerned, these may include powers to request information in order to establish the extent of funds and economic resources owned, held or controlled by or on behalf of a

designated person; to monitor compliance or detect evasion; or to obtain evidence of the commission of an offence. It is an offence not to comply with a requirement to provide information or an OFSI request for information.

## WHO DO UK SANCTIONS APPLY TO?

A breach does not have to occur within UK borders for OFSI's authority to be engaged. To come within OFSI's enforcement of sanctions, there has to be a connection to the UK, which is called a UK nexus.

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

If OFSI come across breaches of financial sanctions in another jurisdiction, they may use their information-sharing powers to pass details to relevant authorities.

## HOW AN OFFENCE IS COMMITTED

A relevant factor is whether the person committing the breach knew or suspected that their conduct amounted to a breach of financial sanctions. Broadly, the more aggravating factors there are, the more

likely the OFSI is to impose a monetary penalty. The more serious the breach, and the worse the conduct of the individuals, the higher any monetary penalty is likely to be.

Mitigating factors may reduce a monetary penalty imposed or lead the OFSI to not take enforcement action. Mitigating factors are taken into account when deciding how to proceed with a case.

OFSI will consider, for example, whether the breach appears to be deliberate; whether there is evidence of neglect or a failure to take reasonable care; whether there has been a systems and control failure or an incorrect legal interpretation; whether the person seems unaware of their responsibilities; or whether there has simply been a mistake.

It is possible for a mistake to cause a breach of financial sanctions regulations, for example, making funds available to a designated person. Even without the knowledge that the action would be a breach or provide any reasonable cause to suspect this, the matter would still meet the legal standard for HM Treasury to impose a monetary penalty.

Repeated, persistent or extended breaches by the same person will be considered as an aggravating factor. This is particularly true when the person is

unresponsive to a previous warning and makes further breaches of financial sanctions.

## HOW ASSET FREEZES WORK

If the financial sanction takes the form of an asset freeze, it is generally prohibited to: deal with the 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; or engage in actions that directly or indirectly circumvent the financial sanctions.

For example, relevant firms are required to notify HM Treasury if they have dealings with a designated person, hold frozen assets or if they suspect that a person has committed a financial sanctions offence. Failure to comply with reporting obligations is an offence.

## VOLUNTARY DISCLOSURE

OFSI values voluntary disclosure. Voluntary disclosure of a breach of financial sanctions by a person who has committed a breach may be a mitigating factor when they assess the case. It may also have an impact on any subsequent decision to apply a monetary penalty. If multiple parties are involved in a breach, the authorities expect voluntary disclosures from each party.

OFSI expects breaches to be disclosed as soon as reasonably practicable after discovery of the breach. Although OFSI considers it reasonable for a person to take some time to assess the nature and extent of the breach, or seek legal advice, this should not delay an effective response to the breach.

In practice, it is better to contact the OFSI early to inform them of a breach or potential breach.

Failure to provide information on breaches can be a criminal offence in its own right. In some circumstances, financial sanctions regulations require relevant firms to give information.

## DECIDING ON PENALTIES

OFSI uses the terms 'serious' and 'most serious' to decide on the severity of the breach and conduct of each person involved.

'Most serious' type cases may involve a very high value, particularly poor, negligent or intentional conduct or severe or lasting damage to the purposes of the sanctions regime. The most serious cases are likely to attract a higher monetary penalty

OFSI will assess these matters on a case-by-case basis. If the penalty threshold is reached, that is, on the balance of probabilities, there has been a breach,

OFSI may impose a penalty. However they have discretion not to do so.

Generally, OFSI will impose a level of monetary penalty that is clearly and consistently related to our view of the impact of the case and the value of the breach (which may be estimated). Voluntary disclosure may be a mitigating factor in our assessment of the case. It may also reduce the level of monetary penalty they impose. Conversely, OFSI will treat a failure to provide requested information as an aggravating factor in a case.

OFSI also has broad powers to require information from anyone. It may be a criminal offence in its own right not to provide it. They may issue a penalty if, for example, OFSI has specifically demanded information that has not been provided, or their demand for information has been refused.

OFSI will normally publish details of all monetary penalties it imposes. It may also publish breaches even when a penalty has not been imposed, such as where there are compliance lessons.

## RIGHT TO REVIEW

Before imposing a monetary penalty on a person, HM Treasury, through OFSI, must inform the person of its intention to do so. Representations to OFSI may be made at this stage, including on matters of law, the



facts of the case, their interpretation of the facts, and whether the penalty is fair and proportionate. A person may also make representations on the effect that publication of the imposition of a monetary penalty would have on them or their company.

After this stage, a review may be requested. Reviews are carried out by the Economic Secretary to the Treasury or an appointed senior civil servant. The review will not normally be a way of introducing new material, and no further material is required from the person. It reviews the decisions OFSI have taken based on the material they have used to assess the case, after the person has had an opportunity to introduce any material they wish to at the representations stage. After reviewing the case, the Minister or senior official will make a decision.

If the issue is still not resolved, the person can appeal to the Upper Tribunal, but only after a review by the minister. During the appeal, the person who has been subject to a monetary penalty will be required to produce sufficient evidence to convince the independent tribunal that a penalty should not have been imposed.

## COMPLIANCE LESSONS FROM SANCTIONS FINES

Restrictions set out in financial sanctions regimes vary between regimes, which means different jurisdictions pose

different sanctions compliance risks.

Some restrictions, for example an asset freeze, are broad.

Companies should take care to make sure they carry out appropriate financial sanctions screening or checks, and act on the results in the correct way. 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.

OFSI does not mandate a particular standard of financial sanctions compliance. It is good practice for firms to continuously review their own due diligence and compliance processes, as appropriate to the risks that they manage, to ensure that breaches of financial sanctions are either prevented or recognised early and appropriate action is taken.

OFSI values voluntary disclosure. Co-operation is a sign of good faith and makes enforcing the law simpler, easier, quicker and more effective. OFSI will make up to a 50% reduction in the final penalty amount for a prompt and complete voluntary disclosure of a breach of financial sanctions in 'serious' cases.



## VINCIWORKS' SANCTIONS COMPLIANCE SOLUTIONS

The field of economic sanctions has been growing increasingly complicated in recent years. As events in Russia, Iran, China and other countries grab global headlines, businesses are struggling to stay on top of changes. Our resources include a library of free guides, policy templates, on-demand webinars and blogs to help your organisation get to grips with the latest sanctions.

[Sanctions Resource Page](#)

## ONLINE TRAINING

All businesses are required to screen for sanctions compliance when conducting due diligence, but in particular, regulated entities should make sure everyone is up to speed on the new sanctions rules. Our courses will teach users to understand global sanctions regimes for different jurisdictions and how they affect your business. Users will learn how to apply processes for customer screening, to identify red flags and report them, and how to make sense of recent sanctions changes. For businesses also operating under EU sanctions, VinciWorks will shortly be releasing a specific EU version of the sanctions course. Please contact us for more information.

[Learn More](#)



## ABOUT VINCIWORKS

We are a creative and driven team working hard each day to reinvent the impact that compliance tools and training can make.

Too many businesses are using boring, tedious and cumbersome processes to train their staff and maintain compliance. We know you can do better, and to prove it, we have been developing compliance training, tools and resources to help any organisation of any size to change the status quo. VinciWorks offers compliance training, software and resources relating to ESG, anti-money laundering, GDPR and data protection, anti-bribery, sanctions and more. We exist to cover every organisation's compliance needs.





VinciWorks

[www.vinciworks.com/sanctions](http://www.vinciworks.com/sanctions)

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