



OFSI helps to ensure that financial sanctions are properly understood, implemented and enforced in the United Kingdom

The Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, was set up in March 2016 to be a centre of excellence for financial sanctions. Our objectives are to raise awareness of financial sanctions, to assess and address suspected breaches and provide a professional service to the public and industry.

This report provides an overview of OFSI's activities in 2017-18, as well as looking to the future.

The UK's approach to sanctions

The UK, as a leader in the international community, plays an important role in developing and agreeing sanctions. We are committed to ensuring they are a robust, proportionate, and effective tool to take

concerted action in response to world events. We expect this to continue once the UK leaves the EU as part of the deep [partnership](#)¹ the UK has proposed with the EU on foreign policy and national security.

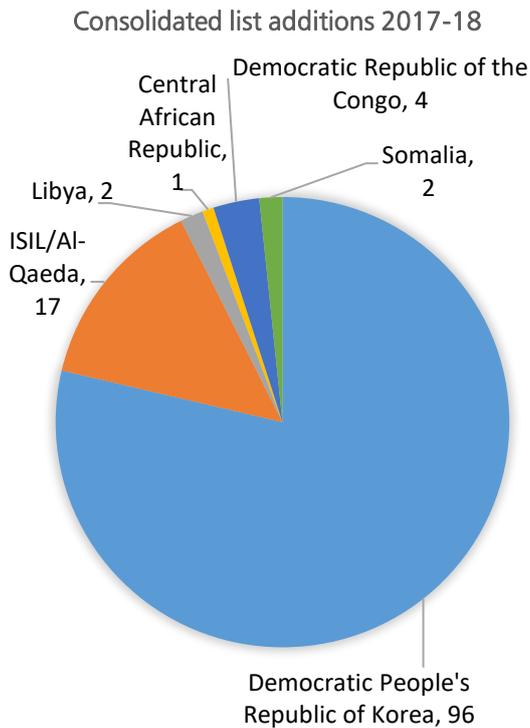
As the competent authority for financial sanctions, OFSI implements the UK's international obligations at a domestic level, helping ensure businesses and individuals understand their responsibilities. We do this in a number of ways including providing timely information, issuing licences, and investigating breaches of financial sanctions.

Central to this is providing clear information on the targets of financial sanctions in each regime.

¹ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/705687/2018-05-0_security_partnership_slides__SI__FINAL.pdf

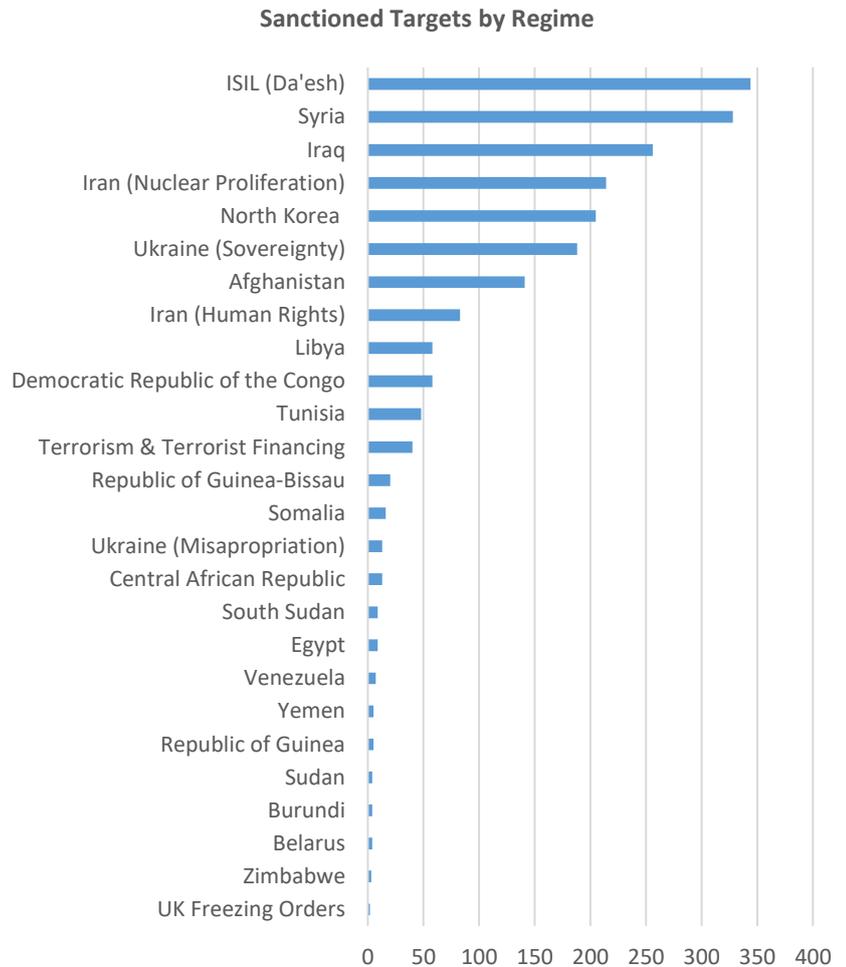
UN and EU financial sanction regimes

In 2017-18, the UK implemented 29 financial sanctions regimes. International sanctions were imposed for reasons including preventing terrorist financing, preventing nuclear proliferation, human rights abuses and the violation of national sovereignty, as well as the misappropriation of assets.



On 3 April 2018, 2,077 people and entities were targets in 26 financial sanctions regimes and appeared on OFSI's Consolidated List. We added 122 new targets to the list over the 2017-18 financial year, primarily in the DPRK and ISIL regimes.

In 2017-18 the UK brought in 'avoidance of delay' provisions for UN sanctions as part of the Policing and Crime Act 2017. These provisions allow the UK to implement new UN sanctions regimes and listings immediately on the relevant resolution being adopted, reducing the risk of asset flight and ensuring the UK meets its international obligations. Since then OFSI has implemented 18 avoidance of delay listings and ensured that up to date



information is available to help businesses charities and individuals manage their risk.

Looking ahead

Keeping business informed and updated about financial sanctions legislation and regimes will continue to be a priority for OFSI's service.

A regime has recently been created for Burma in response to widespread human rights violations by its military and security forces. The first financial sanctions listings were added to this regime in June 2018.

In response to stakeholder feedback, we are improving the search facility in the Consolidated List in 2018-19, introducing fuzzy searches to make it easier to check for name matches.

UK counter-terrorism asset freezes

As well as our international sanctions obligations, OFSI is responsible for implementing domestic asset freezes under three UK Acts of Parliament.

Terrorist Asset Freezing etc. Act 2010

OFSI reports to Parliament quarterly on its operation of the UK's asset freezing regime under the Terrorist Asset-Freezing etc. Act 2010. These reports break down the listings under each regime and any licences issued. The reports can be found on [GOV.UK](https://www.gov.uk)².

Anti-Terrorism, Crime and Security Act 2001

On 22 January 2016, the day after a report was published about the murder of Alexander Litvinenko in 2006, HM Treasury imposed asset freezes on Andrey Lugovoy and Dmitri Kovtun who were accused of murdering Litvinenko. The order lasted for two years. On 19 January 2018 HM Treasury made a new order under ATCSA 2001 which came into effect on 22 January 2018. It can be read on the [GOV.UK](https://www.gov.uk) [legislation pages](#)³.

Counter Terrorism Act 2008

There are currently no asset freezes made under this Act.

Asset freezing

When financial sanctions include an asset freeze, any assets owned, held or controlled by the target of the sanctions must be frozen. OFSI does not freeze the assets itself; it is the responsibility of the person or institution which holds the assets to ensure they comply with the law.

An asset freeze does not result in a change in legal ownership – and the assets are not seized. They remain frozen until the sanctions are lifted. If legal proceedings prove that the assets were misappropriated, the UK stands ready to assist with returning such assets to the appropriate individual, entity or government.

There is an annual review of frozen assets held by UK institutions. Anyone that holds frozen assets (including funds, properties

and other assets) is required to report them to OFSI.

As of September 2017, £12.8 billion of frozen funds were held by UK businesses.

This figure excludes the value of other frozen assets or properties. There were 16 properties held in the UK in September 2017 which are subject to an asset freeze according to Land Registry records.

The value of funds held under each regime reflects the frozen funds held by UK institutions in September 2017. The amount can change year on year as funds are unfrozen and currencies fluctuate. It is not a whole picture of the assets of persons or entities sanctioned under that regime. Sanctions are applied by many nations at once, and other jurisdictions will also hold assets under the same regimes.

Financial sanctions regime	Frozen funds in the UK, £*
Libya	12,061,000,000
Iran (nuclear proliferation)	502,500,000
Syria	161,100,000
Egypt	24,400,000
Ukraine (Sovereignty)	18,200,000
Others	9,200,000
Total	12,776,400,000

**Figures are rounded to the nearest £100,000*

Compliance and enforcement

OFSI takes action in every instance of reported non-compliance. OFSI undertakes civil enforcement itself and supports law enforcement agencies in criminal investigations.

In 2017-18⁴ OFSI received 122 reports of suspected breaches of financial sanctions, with a reported value of around £1.35 billion. OFSI uses 'reports received' as a first approximation snapshot of non-compliance

² <https://www.gov.uk/government/collections/operation-of-the-uks-counter-terrorist-asset-freezing-regime-quarterly-report-to-parliament>

³ <http://www.legislation.gov.uk/uksi/2018/60/contents/made>

⁴ OFSI has previously published calendar year figures for this statistic. This financial year figure includes part of the 2017 figure previously released – it is not additional to this. As part of this report and in future we will move to a financial year reporting cycle.

in a given period. It is important to note that subsequent investigation may discover that some are not in fact breaches, and the value of a suspected breach may go up or down as we investigate and discover the full facts of each case.

The reasons for and seriousness of breaches of financial sanctions vary considerably. The value of an individual breach may not in itself indicate the seriousness of the offence – for example, a technical error causing a breach is still a breach and its value recorded, but the facts of the case may not be as serious as, for example, a deliberate attempt to break the law. Our compliance strategy, which we

published in this period in our [monetary penalty guidance](#)⁵, takes the seriousness of breaches into account. We consider the facts of each case individually and ensure a reasonable and proportionate



response.

OFSI can impose monetary penalties for serious breaches. These powers apply only to cases where the offence occurred after 1 April 2017, when the law was introduced – the powers are not retrospective. We did not impose a penalty in 2017-18 but are investigating a number of cases where a penalty may be an appropriate response.

Looking ahead

It is likely that OFSI will impose monetary penalties in 2018-19. We will continue to consider the full range of potential action in every case. The majority of cases, as now,

will be resolved by enforcement activity short of a penalty.

Reporting to OFSI

There is a duty on everyone under EU law (which currently applies directly in the UK) to report information which may facilitate compliance with the EU regulations to the national competent authority for financial sanctions. For some entities, it may be an offence not to do so.

In August 2017, we extended the scope of the criminal offence for not reporting from 'relevant institutions' to 'relevant businesses and professions'. The

reporting obligation does not impact on legal privilege. The Sanctions and Anti-Money Laundering Act 2018 provides the framework for these reporting requirements and offences to continue once the UK leaves the EU. You can read more about reporting to OFSI, and find the form to do so, [on the OFSI web page](#)⁶.

Licensing

OFSI licences and authorisations enable individuals and businesses to carry out necessary transactions, that would otherwise be against the law. Each financial sanctions regime has a different set of licensing grounds which are published on our regime pages. Grounds for licensing include basic needs, humanitarian aid, and payment of legal fees.

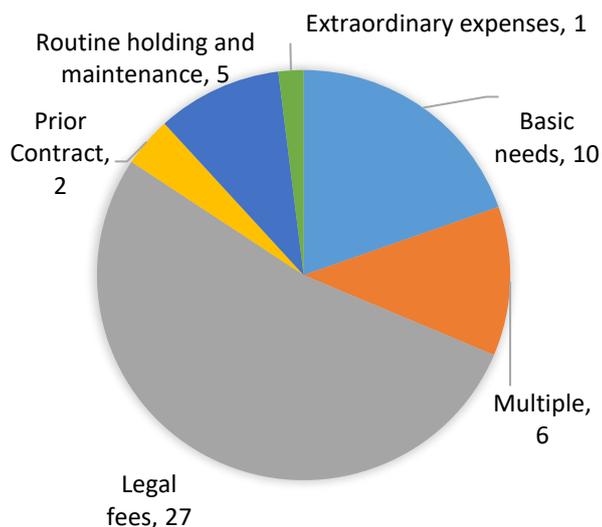
Assessing a licence application and issuing a licence is a serious undertaking, as it may allow funds which have been frozen to be released. The frozen funds may have been misappropriated from their rightful owner, or may belong to a designated person who should not have access to funds under the terms of their designation.

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suspected breaches of financial sanctions reported to OFSI in 2017-18.

⁵https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/708990/Monetary_Penalties_Guidance_web.pdf

⁶ <https://www.gov.uk/guidance/suspected-breach-of-financial-sanctions-what-to-do>

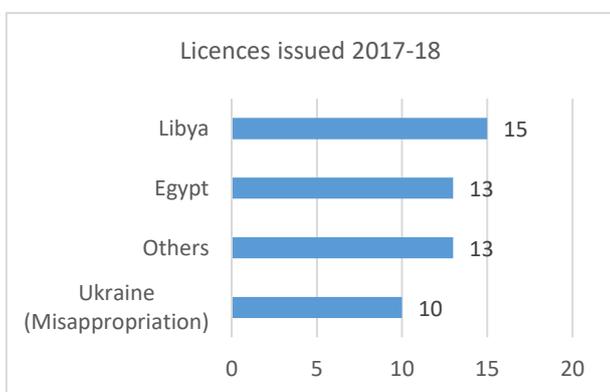
Grounds for licences issued, 2017-18



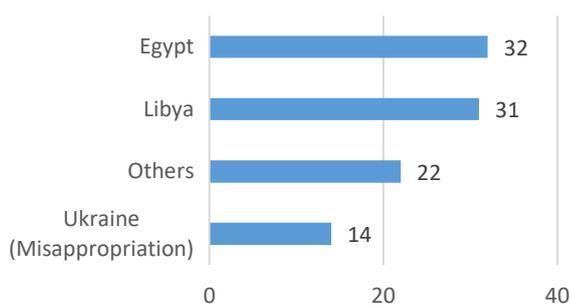
Each licence requires considerable evidence assessment, and some authorisations must be reported to the other EU member states and the EU Commission or to the UN.

OFSI issued over 50 new licences in 2017-18, the majority of which were for payment of legal fees, and nearly 100 amendments. We issued 3 authorisations and 5 amendments to authorisations over the period.

Licences issued 2017-18



Amendments issued 2017-18



OFSI continues to work internally to streamline processes and externally to

highlight what information stakeholders need to provide to process their licence applications as smoothly as possible.

Looking ahead

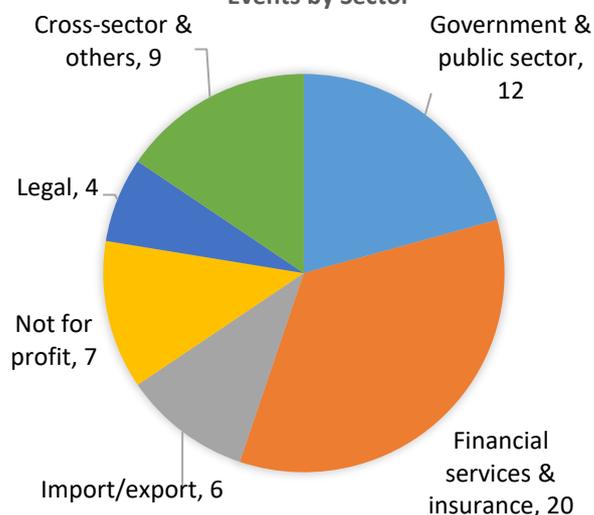
Building on our publication of the *FAQs Guidance for the Charity Sector* in October 2017, we will continue to work closely with the charity sector and the Department for International Development to raise awareness of the potential availability of licences and authorisations in 2018-19. We realise that sanctions can sometimes have an impact on the provision of humanitarian aid in sanctioned countries and so prioritise licence applications where we are advised of a risk of harm or a threat to life.

Raising awareness

OFSI helps ensure people understand their financial sanctions obligations by producing guidance and FAQs, speaking at conferences and events, and raising awareness through the internet. In 2017-18 we responded to stakeholder feedback to provide more clarity in our guidance, and created bespoke products for key issues and sectors.

This is part of our ongoing focus to help businesses comply with the law and manage their own risk effectively. Over the last financial year, we have engaged with high-priority sectors – financial services, NGOs, export and import and legal – as well as had initial engagement with new sectors,

Events by Sector



to understand their perspectives and ensure we took their views into account.

We spoke at more than 60 public events over this period in the UK, Europe and the US, raising awareness about what it means to comply with financial sanctions and making businesses aware of changes to the legal framework.

International engagement

As well as participating in events around the UK, we have been active on the international stage to help reinforce OFSI's role as a centre for excellence, share best practice with our partners and allies, and promote UK leadership in financial sanctions implementation.

To achieve these aims, OFSI has engaged with partners through multilateral groupings such as the EU, UN, G7, OECD and E3 (UK, France and Germany). We have undertaken extensive bilateral engagement with the Crown Dependencies, the Overseas Territories, EU member states and with partners ranging from the US and Canada to Turkey and India. In addition, we regularly exchange information and share our experience with many jurisdictions around the world.

Digital Engagement

We improved our wider communications in 2017-18, enabling us to reach more people. We revamped our e-alert service, providing more information in the initial email and easier links to notices and GOV.UK pages. We sent out 119 notifications during the period to over 20,000 subscribers. You can subscribe for notifications [on GOV.UK](https://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new?preferences=true).⁷

We have set up an [OFSI blog](https://ofsi.blog.gov.uk/)⁸ and [LinkedIn](https://www.linkedin.com/showcase/office-of-financial-sanctions-implementation/)⁹ page to keep stakeholders up to date on operational news and key issues. We

average around 90,000 unique page views on our website each month, and nearly half a million people have viewed the asset freeze target page over the period.

We have published several guidance and FAQ documents over the last financial year in response to stakeholder feedback.

Guidance issued 2017-18	
Monetary penalties for breaches of financial sanctions: guidance	April 2017
Financial sanctions: general guidance	Updated August 2017
Financial sanctions in the UK: a quick guide	September 2017
FAQs guidance for the charity sector	October 2017

Looking ahead

We plan on publishing more targeted guidance in 2018-19, and will continue to ensure stakeholders are informed of any changes to legislation over this period. A key focus for OFSI will be maintaining its central role in global sanctions implementation as the UK prepares to leave

the EU and enhancing its capability further by developing our relationships with other competent authorities in the Crown Dependencies, Overseas Territories and beyond.

EU Exit

The Sanctions and Anti-Money Laundering Act received Royal Assent in May. It will give the UK the framework that it needs to implement sanctions after we leave the EU.

The secondary legislation is now being written and stakeholder guidance will be produced in due course.



⁷ <https://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new?preferences=true>

⁸ <https://ofsi.blog.gov.uk/>

⁹ <https://www.linkedin.com/showcase/office-of-financial-sanctions-implementation/>