



HM Treasury

Financial Sanctions

17 July 2014

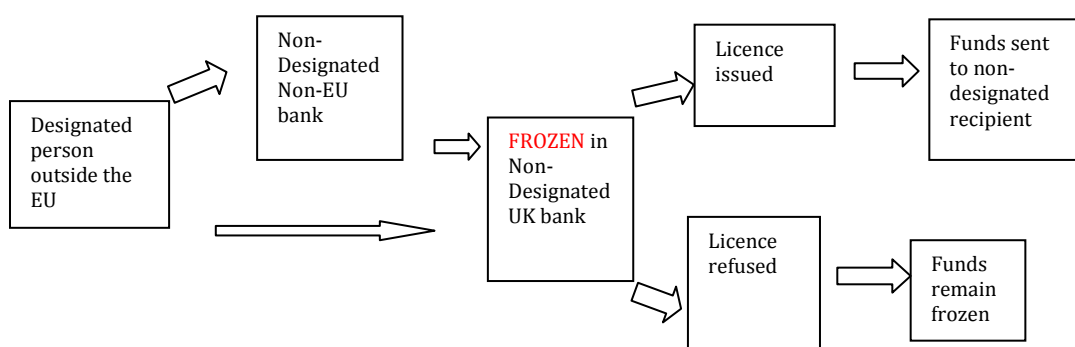
Notification of revision of policy

In light of recent EU case-law, HM Treasury has revised its policy on certain transactions. The change means that any funds arriving in the UK, or in a UK bank anywhere in the world, which have come from, or via, a designated person based outside the EU, will be required to be frozen in a suspense account, or other separate account, on arrival in the UK bank.

In order to release those funds to the intended recipient, a licence will be required from HM Treasury, which you can apply for by following the guidance in part 10.6 of our Frequently Asked Questions¹.

This approach will come into force at **midnight on 31 July 2014**, and any funds received after that date will need to be treated in the way described above.

Here is a diagram which sets out the new policy:



¹ <https://www.gov.uk/government/publications/financial-sanctions-fags>

Questions and answers

Why has the UK changed its policy?

The UK has had to change its view in order to comply with the case-law of the European Court of Justice. This change also brings the UK in line with the policies of other EU Member States.

How do I know whether someone is designated?

You can find a full list of persons, entities and bodies designated in the EU at the following website <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

What if the funds have not arrived directly from a designated entity, but did go through a designated entity earlier in the payment route?

These funds would need to be frozen on receipt, and then licensed to be sent to the recipient. Any funds which have come via a designated person or entity at any stage will need to be frozen.

What are the licensing grounds for releasing the funds?

Details of the licensing grounds can be found in the relevant Regulation and will vary for each country regime. The Regulations for each regime can be found on the gov.uk website (look for "Financial sanctions: Regime-specific lists and releases".)

What was HM Treasury's policy before?

HM Treasury has previously taken the view that when funds are received by a non-designated person in the UK from a designated person outside the EU, they did not need to be frozen and a licence was not required. This existing policy will remain until midnight on 31 July 2014.

Does my existing licence cover this?

It depends on the wording of your existing licence. If you are unsure whether or not your existing licence covers this transaction you can get in touch with HM Treasury on financialsanctions@hmtreasury.gsi.gov.uk

I am not a designated person but I have been receiving funds from designated persons for years with no licence – have I breached sanctions law?

No. This new policy view will come into force at midnight on 31 July 2014. Transactions of this kind which took place before then will not be subject to enforcement action.

If I have a licence to receive funds from a designated person do I still need to apply for prior authorisation or notification?

No. If a designated person is involved at any point in the payment route you should apply to HM Treasury for a licence. This licence would cover the transaction and therefore no prior authorisation or notification would be required.

What if HM Treasury refuse to issue a licence?

When applying for a licence to HM Treasury you should be clear which licensing ground you are depending on and why. However, if HM Treasury did refuse to issue a licence the funds would need to remain frozen.

Has there been any change to the policy regarding receiving funds from designated people and entities *within the EU*?

No. Funds held, owned or controlled by designated persons, entities and bodies within the EU are frozen and therefore would already require a licence to be transferred or dealt with.

I am not designated and I will be receiving funds from a non-designated person outside the EU. However, that person has their account with a designated bank. Will I still need to apply for a licence?

Yes. If the funds have been held, owned or controlled by a designated person, entity or body at any point then a licence will be required. This includes situations where funds have come from, or via, an account belonging to a non-designated person, but within a designated bank.

I have a licence from BIS allowing me to export goods to a designated entity outside the EU. Does that licence also cover me to receive payments from that designated entity?

No. You will need a further licence from HM Treasury to receive payment for the goods from the designated entity.

I work for a financial institution and we don't have facilities to hold funds in a suspense account. What should we do when we receive funds from a designated person or entity?

You will need to freeze the funds when you receive them. This means that the funds need to be kept separate and not dealt with in any way without a licence from HM Treasury. They do not necessarily need to be held in a suspense account.

Please see the FAQs for more information around financial sanctions:

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

Enquiries should be addressed to:

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