



## Imposition of Monetary Penalty – Tracerco Limited

1. On 19 May 2022 the Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, imposed a monetary penalty of £15,000.00 in accordance with s146 of the Policing and Crime Act 2017 (“PACA”) against Tracerco Limited (“Tracerco”) for contravention of regulation 5 of the Syria (European Union Financial Sanctions) Regulations 2012 (“the UK Regulations”). Tracerco is a UK registered company and a United Arab Emirates based subsidiary of Johnson Matthey. Tracerco provide measuring products and services to the oil and gas industry.
2. The penalty related to 2 payments Tracerco made to Syrian Arab Airlines (“SAA”) for an employee to take flights home between May 2017 and August 2018. The total value of the transactions was £2,956.43. Tracerco booked the flights through a UAE travel agency and then refunded that agency for the flights, therefore Tracerco made funds available for the benefit of a person designated under the above regime in breach of regulation 5 of the UK Regulations.
3. Tracerco made a voluntary disclosure in this case, and the penalty included a reduction of 50% in line with the process set out in OFSI’s published guidance on monetary penalty case assessments.
4. OFSI imposed a monetary penalty because it was satisfied, on the balance of probabilities, that Tracerco breached the above prohibition imposed by financial sanctions legislation and either knew or had reasonable cause to suspect that it was in breach of that prohibition.
5. Any person who has a penalty imposed on them by OFSI has the right to a review under s147 of PACA. Under these provisions, the minister may
  - a. Uphold the decision to impose the penalty and its amount,

- b. Uphold the decision to impose the penalty but substitute a different amount, or
  - c. Cancel the decision to impose a penalty
6. Tracerco did not exercise its right to a ministerial review. The penalty was paid on 16 June 2022.

## **Detail**

7. In May 2011, the European Union (including the UK) imposed restrictive measures against those identified as being responsible for the violent repression against the civilian population in Syria. The restrictive measures set out in Council Regulation (EU) No 36/2012 implemented by the UK Regulations impose asset freezes on those persons and entities responsible for violent repression against the civilian population in Syria, persons and entities benefiting from or supporting the regime, and natural or legal persons and entities associated with them. Those restrictive measures also impose prohibitions on making funds or economic resources available to or for the benefit of the aforementioned persons. SAA was designated on 24 July 2012 as it is a public company controlled by the Syrian regime and provides financial support to the regime. The provision of new funds to SAA may in turn be used to fund the Syrian regime's violent repressive activities and prolong the conflict. Therefore, the provision of funds for the benefit of SAA undermined the purposes and effectiveness of the Syria sanctions regime, which is and was, a high strategic priority for the UK.
8. On 9 January 2020 Johnson Matthey submitted a breach report on behalf of Tracerco detailing 4 payments that had been made over 4 years. The report related to the making available of funds for the benefit of SAA. OFSI considered that Tracerco knew or had reasonable cause to suspect that the payments would breach financial sanctions restrictions. This is because Tracerco and Johnson Matthey work in the region so it would be reasonable to expect they would be aware of the ongoing political situation in Syria and the importance of the financial sanctions regime, Tracerco held relevant information at the relevant time and Johnson Matthey has a group compliance function in place which would have applied to Tracerco.
9. During its investigation, OFSI used the information powers contained in the UK Regulations to obtain further information from Tracerco. Tracerco fully cooperated with OFSI and promptly provided all of the information requested.
10. OFSI considered 2 of the 4 payments which were made by Tracerco prior to the

introduction of PACA to be breaches of financial sanctions but they could not be the subject of a monetary penalty because they occurred prior to the introduction of PACA. However, they were taken into account as being part of a pattern of breaches by Tracerco which was an aggravating factor.

11. OFSI considered that the 2 payments which occurred after the introduction of PACA were breaches for which it was reasonable and proportionate to impose a monetary penalty. New funds being made available for the benefit of SAA which may in turn be used to fund the Syrian regime's repressive activities was considered an aggravating factor as it undermined the Syria sanctions regime. As the payments were voluntarily disclosed, Tracerco received a 50% discount on the monetary penalty amount.
12. OFSI considered that the breaches were of an indirect nature, were not deliberate and were of a low value to be mitigating factors. OFSI also considered it had had no previous interactions with Tracerco regarding breaches of financial sanctions (although OFSI notes that this is not evidence of such breaches having not occurred), the steps Johnson Matthey took to improve their group's compliance function after the breaches had been reported, and their full cooperation with OFSI throughout its investigation as further mitigating factors.

### **Note on Compliance**

13. The payments that constituted breaches of financial sanctions were flights for an employee of Tracerco to Syria as part of an employment remuneration package. Although these payments were made as part of an employee's remuneration package, they were still breaches of financial sanctions regulations. Companies and individuals must ensure that they carry out financial sanctions due diligence on all transactions they undertake, not just those relating to customers or suppliers.
14. Tracerco is a UAE based subsidiary of Johnson Matthey that is a UK registered company. UK financial sanctions can also apply to the actions of UK companies abroad. All companies with a UK nexus, not just traditional financial institutions, must make sure they comply with the restrictions in place, and this is especially important when operating internationally.
15. Tracerco made the payments through a UAE based travel agency. It is not sufficient for any company to rely on a third party to undertake financial sanctions checks on their behalf, and the company committing the breach will be liable for any breach that occurs.

The risks of relying on a third party are elevated when that company is not a UK company and is not, therefore, required to comply with UK financial sanctions.

16. Information on which persons are designated under each financial sanctions regime is published by OFSI and is available as a consolidated list on our website. OFSI also issues e-mail alerts to notify recipients each time the consolidated list is updated.

17. If you know or have reasonable cause to suspect that you have committed a breach, you should inform OFSI as soon as practicable.