



Annual review

April 2019 to March 2020



Four years since OFSI's inception, we have achieved a lot in our short time as the UK authority for implementing and enforcing financial sanctions.

The following milestones and responsibilities show how far we've come on delivering what ministers have asked of us:

- OFSI has engaged widely across sectors and produced extensive guidance to help compliance
- we have increased our international engagement – sharing best practices and providing technical assistance across the globe
- we have managed and improved the consolidated list of sanctions targets helping our stakeholders to keep on top of their obligations
- the licensing application process has been streamlined to be more effective
- we have created and implemented a successful civil monetary penalty system, ensuring accountability for serious breaches of financial sanctions
- we have continued to manage the UK's counter-terrorism (CT) sanctions regimes and reports, ensuring matters such as counter-terrorism financing are understood by industry
- we contributed to the Sanctions and Anti-Money Laundering Act (2018) (Sanctions Act) regime design and statutory guidance – helping shape the UK's future autonomous sanction regimes

OFSI is now widely acknowledged as being at the forefront of sanctions implementation. The scale of our inter-governmental interactions has shown

that OFSI has been relied on to give timely advice and technical assistance on financial sanctions.

Countering economic crime is a major focus for the government – our work on implementing and enforcing sanctions has contributed significantly to this and to the wider efforts to tackle abuse of the UK’s financial system.

This year, OFSI has continued to deliver on preparations for the end of the transition period and to engage stakeholders on the changes taking place as the UK moves to autonomous sanctions regimes. Looking to the years ahead, OFSI will continue to champion financial sanctions compliance both at home and abroad, and to ensure that the UK’s autonomous financial sanctions regimes are understood and enforced.

Compliance and enforcement

Robust enforcement of financial sanctions helps to maintain the integrity of, and confidence in, the UK financial sector. Sanctions play a central role in supporting government priorities and foreign policy objectives, including countering terrorism and the proliferation of chemical weapons. OFSI tackles non-compliance with financial sanctions and takes all potential breaches of financial sanctions seriously.

OFSI conducts an evidence-based assessment on every reported breach by considering the specific facts of each case. These investigations lead to a range of actions depending on the nature of the breach. This usually includes issuing warning letters, assessing that a breach has not occurred, and directing companies to our published guidance. Although we do not publicise this, all of this work helps improve compliance with financial sanctions across the UK.

In certain circumstances however, a breach is deemed so serious that the imposition of a monetary penalty becomes the most appropriate action. In 2019 to 2020, OFSI imposed three monetary penalties. In line with our guidance, we [publish the details of all cases where a monetary penalty is imposed](#).

Monetary penalties

Telia Carrier UK

On 9 September 2019, OFSI issued a £146,341 civil monetary penalty against telecommunications provider Telia Carrier UK for breaching regulations 4 and 6 of the Syria (European Union Financial Sanctions) Regulations 2012.

- The penalty was imposed for indirectly facilitating international telephone calls to SyriaTel, a designated entity
- It is the first penalty OFSI has issued for providing economic resources; economic resources can cover a wide variety of tangible and intangible resources and can be provided to a designated entity directly and indirectly

Standard Chartered Bank (SCB)

On 18 February 2020, OFSI issued two civil monetary penalties of £7.69 million and £12.78 million against Standard Chartered Bank for breaching Article 5(3) of EU Council Regulation 833/2014 and Regulation 3B of The Ukraine (European Union Financial Sanctions) (No.3) Regulations 2014.

- The penalties were imposed as SCB made a series of loans to Denizbank A.Ş., which at the time of the loans was majority owned by Sberbank, a Russian bank subject to restrictive measures under the EU Ukraine (Sovereignty and Territorial Integrity) regime
- SCB disclosed the loans to OFSI and cooperated fully with the investigation, resulting in a 30% reduction to the final penalty – this reduction was over £11 million, showing that OFSI values voluntary disclosure
- This case illustrates how financial sanctions regulations differ in each regime and the importance of understanding the specific prohibitions and exemptions

These monetary penalties against SCB represent the biggest imposed by OFSI to date since it obtained the power to impose civil monetary penalties through the Policing and Crime Act (2017) (PACA). OFSI calculates the value of penalties proportionately and considers any aggravating and mitigating factors in compiling this calculation. Details of OFSI’s approach to issuing monetary penalties can be found in the [Monetary Penalty guidance](#).

The civil monetary penalties levied against Standard Chartered Bank is the largest penalty for financial sanctions in UK history

Monetary penalties are pursued as a civil outcome to breaches of financial sanctions, which are a criminal offence. In some circumstances, it may be more appropriate to launch a criminal investigation as part of the response to a breach. In such cases, OFSI refers the matter on to the relevant law enforcement agency and supports any criminal investigation.

Statistics

In the year 2019 to 2020 OFSI received 140 reports of potential financial sanctions breaches. This is an increase from 99 reports in 2018 to 2019 and 122 reports in 2017 to 2018. OFSI's statistics are based on the year in which a report is received, rather than the year in which the potential breach activity occurred.

Additionally, OFSI has highlighted areas of non-compliance and used these as a basis for communicating targeted messages to the relevant stakeholders as part of a strategic approach. Notably, OFSI experienced an increase in breach reports after issuing an alert with the NCA and circulating its blog on dealing with sanctioned entities.

The total value of breaches reported to OFSI in 2019 to 2020 was £982.34 million. This represents a substantial increase from the value of breaches reported in 2018 to 2019 (£262.33 million).¹

Trends

In 2019 to 2020, OFSI identified that more breaches were reported for the Libyan regime than other regimes. However, given that the majority of frozen assets in the UK are held under the Libya regime this is to be expected and does not necessarily indicate a specific compliance issue.

Although the majority of breaches continue to be reported by the banking and financial services sectors, OFSI has received a number of breach reports from across various sectors including legal, charity, insurance, energy and travel.²

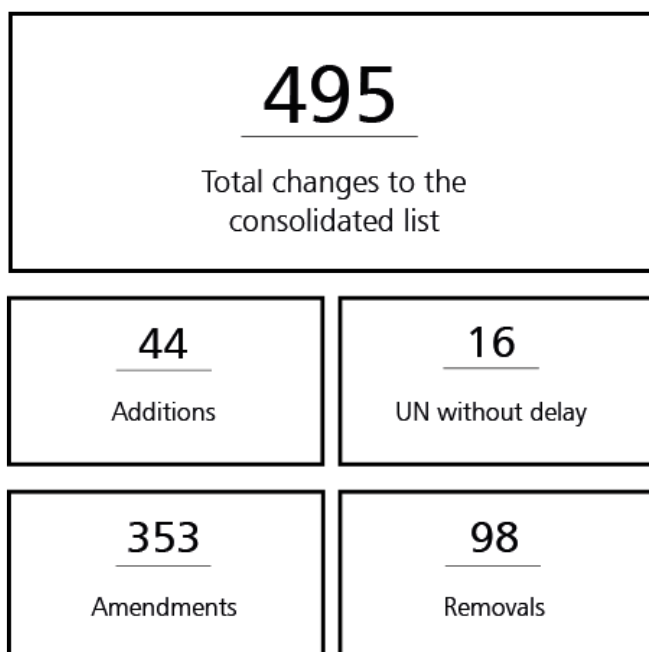
Looking ahead

OFSI continues to work to improve financial sanctions compliance across all sectors in the UK. As well as taking proportionate enforcement action in response to breaches, OFSI will continue to use the 'lessons learnt' from such breaches to carry out targeted outreach and engagement across various sectors, so that businesses, charities and individuals can develop and improve their compliance.

OFSI continues to develop its enforcement strategy and approach, as it matures as an organisation, to ensure we play our part in fighting this aspect of economic and financial crime.

Financial Sanctions Regimes

In 2019 to 2020, OFSI enhanced the accessibility and functionality of the consolidated list, reflecting broader technical advancements and responding to feedback from stakeholders. A new fuzzy search function was also integrated to enable users to quickly and easily search the consolidated list to find asset freeze targets based on any identifying information contained within their listing.

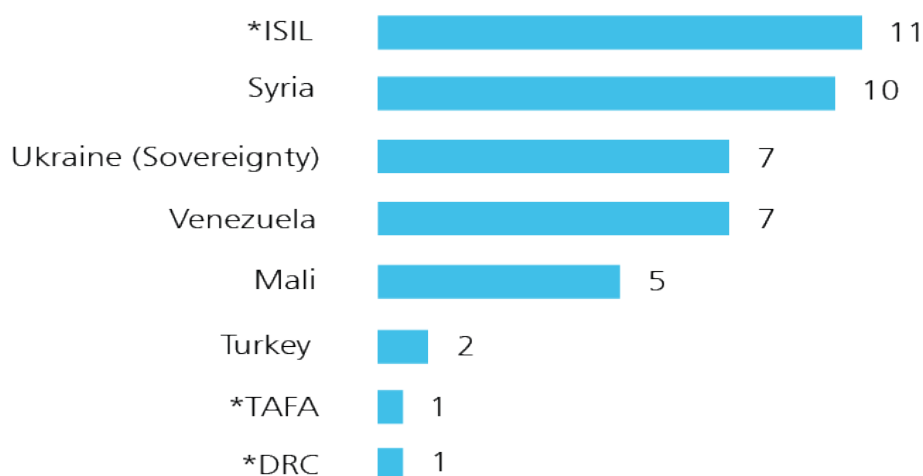


Source: Office of Financial Sanctions Implementation.

¹All reported breaches are investigated and the transaction values may be revised during that investigation. In some cases, the investigation may establish that there has not been a breach of financial sanctions restrictions, and therefore the true value of breaches which have occurred is likely to be lower than this figure. Furthermore, the total value of breaches can be affected by a small number of transactions with a large value.

² It is also worth noting that, due to the complexities and timelines of many financial sanctions breach cases, cases will not always be closed during the financial year they are reported. Therefore, compliance cases will remain open from previous reporting years.

Additions to the consolidated list



*ISIL - the (Da'esh) and Al-Qaida organisations, *TAFSA - Terrorist Asset Freezing etc. Act 2010, *DRC - Democratic Republic of the Congo

Source: Office of Financial Sanctions Implementation.

Changes to the Consolidated List

As of 24 March 2020, there were a total of 2127 designated persons (1535 individuals and 592 entities) subject to an asset freeze across 32 regimes on the consolidated list.

OFSI added 44 new designated persons (DP) to the consolidated list of asset freeze targets in the financial year 2019 to 2020, 43 of which implemented European Union (EU) and United Nations (UN) legislation, with 1 designation under the UK Terrorist Asset-Freezing etc. Act 2010 (TAFSA).

With additions, amendments and removals, there were just under 500 changes to the OFSI consolidated list in 2019 to 2020.

Without Delay

Under PACA, 16 UN listings were implemented without delay, within one working day. Implementing listings without delay helps reduce the risk of asset flight, ensures the UK meets its international security obligations and provides industry with time critical information.

New sanctions regimes 2019 to 2020

Regime	Date (EU)	Listings	Reason
Cyber Attacks	17/05/2019	0	Targeting those that are responsible for cyber-attacks or attempted cyber-attacks, who provide financial, technical or material support for such attacks or who are involved in other ways. Sanctions may also be imposed on persons or entities associated with them
Nicaragua	14/10/2019	0	Targeting those responsible for serious human rights violations or the repression of civil society in Nicaragua, as well as persons associated with them
Turkey	12/11/2019	2	Targeting those responsible for Turkey's unauthorised drilling activities in the Eastern Mediterranean

Source: Office of Financial Sanctions Implementation.

Looking ahead

Keeping businesses informed and updated about financial sanctions designations, legislation and regimes continues to be a priority for OFSI. During the transition period, the consolidated list has continued to operate as usual. At the end of the transition period, at 11pm on 31 December, the consolidated list will be updated with identifying information from the Foreign, Commonwealth and Development Office's (FCDO's) UK Sanctions List. Any removal or additions resulting from FCDO designation decisions will also be made at this point. The format of the consolidated list will remain consistent with the current model. Subscribers will be kept informed of changes to the list through our e-alert service.

Asset Freezing

Each year OFSI carries out a review of frozen assets held by UK institutions. Anyone who holds frozen assets (including funds and economic resources) is required to report them to OFSI. OFSI strives for continuous improvement of its processes and has continued to work with stakeholders to ensure that reports submitted for the Frozen Assets Review are accurate.

Frozen Asset Review – 2019 to 2020

Financial sanctions regime	Frozen funds in the UK, £*
Libya	11,809,000,000
Iran (nuclear proliferation)	460,400,000
Syria	160,500,000
Ukraine (Sovereignty)	21,100,000
Yemen	3,500,000
Others**	9,400,000
Total	12,463,900,000

*Figures are rounded to the nearest £100,000

** Regimes where the value of total frozen assets is below £3.5 million, or for which OFSI received no returns, have been grouped as 'Others'

Source: Office of Financial Sanctions Implementation.

As of September 2019, nearly £12.5 billion of frozen funds were held by UK businesses. This figure includes the value of funds or economic resources frozen in the UK as well as those overseas where these funds or economic resources

are subject to UK financial sanctions legislation. It does not include the value of properties. There were 16 properties held in the UK in September 2019 which were subject to an asset freeze according to Land Registry records.

The quantifiable amount of frozen funds in the UK can fluctuate for numerous reasons. These include new sanctions regimes coming into force, regimes being lifted, or certain financial activity being licensed. The above figure does not therefore provide a complete picture of assets held in the UK by persons or entities sanctioned under specific regimes. Sanctions can be applied on the same individual or entity by several jurisdictions simultaneously.

Counter-terrorism financial sanctions

OFSI continues to report quarterly to Parliament on its operation of the UK's domestic asset-freezing regime under TFAA. Those reports can be found here:

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

The reports also cover the UK's implementation of the UN's ISIL (Da'esh) and Al-Qaida asset freezing regime (ISIL-AQ) and the operation of the EU's asset freezing regimes under EU regulation (EC) 2580/2001 and 1686/2016.

Terrorist Asset Freezing etc Act 2010 (TFAA)

OFSI is responsible for domestic financial sanctions under TFAA and the implementation of UN and EU counter-terrorism financial sanctions which are imposed against individuals and groups who reside in the UK.

Between 1 April 2019 and 31 March 2020, HM Treasury renewed the designations of 18 individuals and entities. This included delisting 1 TFAA entity (Hizballah Military Wing) but designating the entirety of the Hizballah group. This aligns with the decision made by HM Government in 2019 to proscribe the Hizballah organisation under the Terrorism Act 2000.

The Hizballah Military Wing continues to be subject to the financial sanctions imposed by Council Regulation (EC) No 2580/2001.

Anti-Terrorism, Crime and Security Act 2001 (ATCSA)

On 18 January 2020, The Treasury imposed a new freezing order under the Anti-Terrorism Crime and Security Act 2001 on the murderers of Alexander Litvinenko. This freezing order meant that Andrey Lugovoy and Dmitri Kovtun are subject to the financial sanctions imposed in the January 2020 Freezing Order. Details can be found here: <https://www.gov.uk/government/publications/financial-sanctions-uk-freezing-orders>.

Counter Terrorism Act 2008 (CTA)

No directions have been made under this Act during the reporting period. Schedule 7 of the CTA 2008 allows the Treasury to give directions to credit and financial institutions operating in the financial sector and can impose requirements in relation to transactions or business relationships.

CT General Licences

There are currently 4 general licences which are in operation. These are published on the OFSI website. These can be used without making an application to OFSI, although they do carry a mandatory reporting requirement if they are used. These general licences are being reviewed to ensure that they remain fit for purpose and that they conform with the new CT sanctions regulations when they come into force.

Looking forward

After the transition period, Part 1 of TFA will be replaced with The Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019. This sanctions regime aims to further the prevention of terrorism in the UK or elsewhere and protect UK national security interests. It will ensure the UK implements its international obligations under UN Security Council Resolution 1373.

Further detail on the Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019 can be found here:

<https://www.gov.uk/government/collections/uk-counter-terrorism-sanctions>

The remaining two CT Sanction regimes to come into effect under the Sanctions and Anti-Money Laundering Act 2018 (Sanctions Act), will be managed and operated by FCDO. Of these:

- the first is the ISIL (Da'esh) and Al-Qaida (United Nations Sanctions) (EU Exit) Regulations 2019. This sanctions regime imposes certain measures against those for the time being named on the UN's ISIL (Da'esh) and Al-Qaida Sanctions List. When these regulations come into force they will replace, with substantially the same effect, relevant existing EU legislation and related UK legislation
- the second is the Counter-Terrorism (International Sanctions) (EU Exit) Regulations 2019. This regime is intended to provide for part of the UK's counter-terrorism sanctions regimes after the UK leaves the EU. It aims to further the prevention of terrorism in the UK and elsewhere by bringing together elements of several existing sanctions regimes

Outreach and engagement

The 2019 to 2020 financial year has been dominated by EU exit, and this has driven our engagement effort.

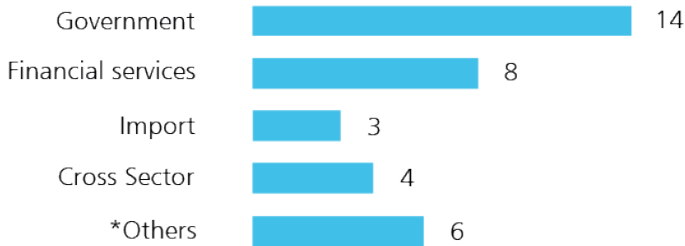
Events

Over the last 12 months, in preparation for the UK implementing autonomous sanctions regimes under the Sanctions Act, OFSI adjusted the way it managed its domestic outreach and engagement. Joint events with other government departments were conducted to bring cohesive transition period guidance to industry. Although this approach meant we attended fewer private sector events than in the previous financial year of 2018 to 2019, the feedback from government roundtables has been positive. Of particular note were several targeted EU Exit briefings OFSI held in conjunction with FCDO and the Department of International Trade (DIT) to help prepare businesses for exiting the EU and the transition period.

Alongside these, we have continued core meetings and events. These included the Tri-Sector Working Group where HM Government works closely with the financial sector and NGOs to help manage risk and exposure, and bimonthly engagement with the banking industry through its trade association, UK Finance.

35

The number of individual OFSI engagements in 2019 to 2020 across various sectors



*Others includes maritime, non-governmental organisations, legal and professional services

Source: Office of Financial Sanctions Implementation.

Guidance

As part of our preparation for, and work during, the transition period, we have worked very closely with government departments across Whitehall on the financial sanctions elements of the Sanctions Act. OFSI has been involved in the design of all financial sanctions across the new Sanctions Act regimes to help ensure they are effective and implementable. We have contributed to statutory guidance for each regime laid, written criminal offence reports and updated our GOV.UK pages ahead of leaving the EU. We continue to work with FCDO to produce an administrative list (UK Sanctions List) which will have trade, transport and immigration, as well as financial sanctions designated persons and entities listed under the Sanctions Act. The UK Sanctions List will run in parallel to the existing OFSI consolidated list of financial sanctions targets. OFSI's consolidated list will continue to be maintained for OFSI's stakeholders and to ensure consistency in implementation.

In January 2020, OFSI published its autonomous [UK financial sanctions general guidance](#) ahead of leaving the EU to allow industry to prepare for the changes it may need to make. This guidance

applies to any new sanctions regimes that the UK introduces under the Sanctions Act during the transition period, such as the Global Human Rights regime. During the reporting period, we also published our first sectoral guidance piece on Russian financial sanctions which will apply when the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) come into force.

These new guidance documents sit alongside our existing guidance documents including our general guidance, monetary penalties guidance, charity and import/export guidance. At the end of the transition period, a number of these guidance products will be replaced by Sanctions Act-related guidance products.

Looking ahead

As part of our maturing strategic communications approach, OFSI will focus on specific topics to highlight in each quarter in 2020 to 2021.

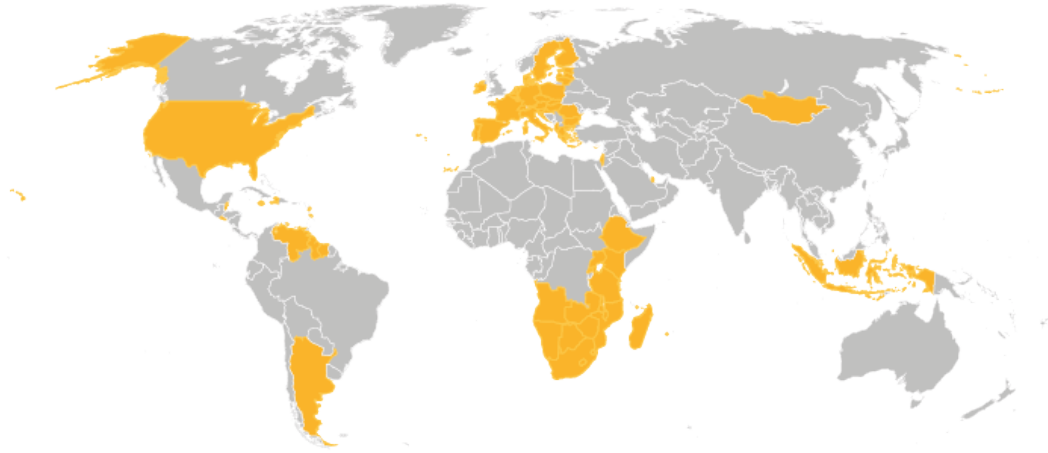
The Libya regime was our first focus. This was driven by feedback from other OFSI teams as it is our most active licensing regime and a regime where we have often seen consistent non-compliance across various sectors. We started by publishing a blog in December on [dealing with sanctioned entities](#), using Libya as a case study. This blog received positive feedback and OFSI received several relevant breach reports, due to

companies reviewing their compliance approach and carrying out specific compliance activity as a direct result of the blog on ownership and control. Using this momentum, we worked with the NCA to issue a bespoke Red Alert to targeted stakeholders to be aware in their dealings with specific sanctioned entities in relation to Libya.

Moving into the reporting year for 2020 to 2021, our next campaign will focus on the maritime sector where we will be publishing sector specific guidance with supporting blogs and targeted events to run later in the year.

In 2019-20 domestic and international engagement increased by 20%

International engagement



OFSI's engagement spanned 6 continents and 83 countries

International engagement

OFSI has near-doubled the number of jurisdictions it has engaged with over the past financial year from 42 in 2018 to 2019 to 83 in 2019 to 2020. We have worked with allies and partners on every inhabited continent.

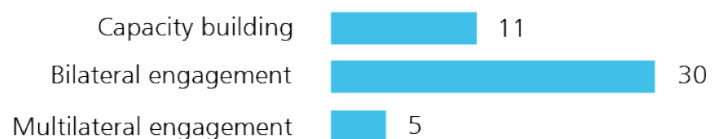
Both independently, and in collaboration with colleagues across government, we have been pursuing closer co-operation with other jurisdictions to identify common priorities which help improve sanctions implementation multilaterally. Wherever possible, we have also been sharing our own experiences and challenges from the past 4 years through the 49 international public and private sector events and meetings undertaken since the last annual review. It has also been mutually beneficial to understand the work of other jurisdictions and entities in turn.

With its core functions established and now embedded, this year OFSI has been promoting the UK's high standards of financial sanctions implementation through our technical assistance efforts. There has been a particular, though by no means exclusive, focus on sanctions-related counter-terrorism and counter-proliferation

matters as well as the effective implementation of UN sanctions "without delay".

Whether through presentations, workshops, panel events, formal and informal meetings or simply day-to-day international engagement, OFSI will deepen the co-operation we have established and embark on new relationships. We will do so by expanding further our engagement in Asia and the Pacific so that we can continue to make a strong contribution bilaterally and multilaterally to the Global Britain vision.

Types of engagement



Source: Office of Financial Sanctions Implementation.

Licensing

This year has seen a consolidation of licensing, with efforts to engage with applicants ensuring licensed activity is captured in as few new licences and amendments as possible. This is to ensure efficient and robust implementation of licensing across all financial sanctions regimes in the UK.

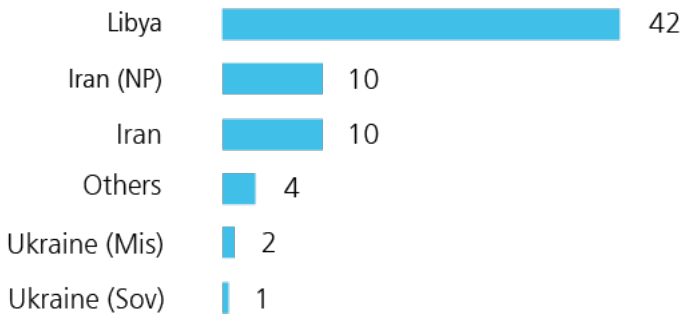
OFSI:

- answers questions on specific applications
- communicates licensing decisions
- provides guidance on general queries
- prioritises urgent cases where necessary

In the financial year 2019 to 2020, OFSI issued 40 new licences and made 69 licence amendments across 10 financial sanctions regimes. 2 authorisations were also issued.³

69

The number of amended licences issued by OFSI



*Iran (NP) - Nuclear Proliferation, *Ukraine (Mis) - Misappropriation, *Ukraine (Sov) - Sovereignty

Source: Office of Financial Sanctions Implementation.

Humanitarian cases

OFSI issued 2 new licences for humanitarian purposes in 2019 to 2020. OFSI recognises the importance and time-sensitive nature of the work of Non-Governmental Organisations (NGOs) and

charitable organisations and prioritises urgent and humanitarian cases.

We work side-by-side with other government departments to ensure fast and effective coordination. In this period, OFSI has deepened cross-government dialogue to improve clarity on complementary responsibilities regarding humanitarian cases. This has included OFSI personnel providing training to colleagues in the FCDO and the Department for International Trade (DIT) on the licensing process to facilitate an improved mutual understanding of OFSI's work. As part of this work, OFSI is working across government to facilitate the sharing of information to resolve humanitarian cases more effectively. However, OFSI's processing time of these applications depends heavily on proactive engagement and input from applicants.

We strongly encourage all NGOs either working in high-risk sanctioned countries, or alongside other organisations working in countries affected by sanctions, to consider at an early stage whether their activity needs a licence from OFSI in order to carry out their work lawfully.

Trends in Data

The volume of licence applications received continues to vary each year and is affected by a number of factors. These include delisting of designated persons and entities, increased awareness of the legal requirements for a licence, and the expiration of existing licences.

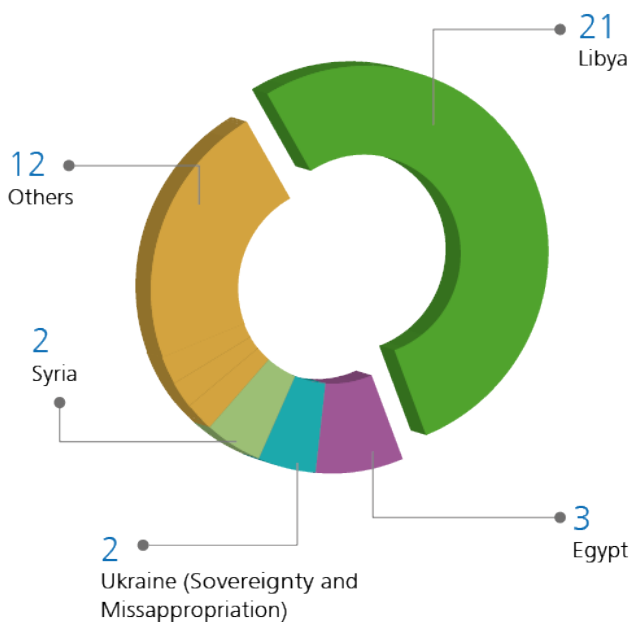
When compared to last year's annual review, there has been a reduction in the number of licences and amendments granted across the majority of regimes. In particular, the Tunisia regime has seen 0 licences or amendments issued during this review period, when compared with the 5 licences issued in 2018 to 2019. Also notable is the reduction for new Ukraine (Sovereignty) regime licences dropping from 5 in the 2018 to 2019 period to 1 during this review period. These reductions are attributable to delistings of designated persons that have occurred under these regimes.

³ Authorisations may only be issued under certain regimes and permit activity while not specifying a DP.

Compared to the 2018 to 2019 period the proportion of licence amendments granted has increased.

The overall reduction in the number of licences and increase in proportion of the number of amendments may be indicative of the fact that many licences issued since OFSI's creation continue to be applicable and are used by stakeholders. This would suggest that licences are effective and are used by relevant financial institutions and applicants without the need for issuing entirely new licences to implement permitted payments. OFSI engages with applicants to ensure that all licensable aspects of an application are captured in any licence issued and that amendment requests are handled in the same timely manner as applications for new licences.

Number of new licences issued



Source: Office of Financial Sanctions Implementation.

The Libya regime has also seen a reduction in the number of new licences issued from 30 in 2018 to 2019 to 20 in this review period. However, there has been a modest increase in the number of amendments granted from 39 to 42 over the same period. OFSI licences may be granted for a range of activities, including payment of funds into a frozen account. When assessing every application, OFSI carefully considers the policy intent of the



33%

Decrease in licences issued for the Libya sanctions regime

Libya financial sanctions regime which aims to protect and preserve frozen assets misappropriated during the former regime of Muammar Qadhafi.

Looking ahead

Now that the UK has left the EU, OFSI has worked to retain the current robust licensing framework during the transition period, while seeking opportunities to further enhance its efficiency. Regulations under the Sanctions Act will come into effect at the end of the transition period; until such time the existing EU and UK regulations remain in effect. Any UK sanctions regimes introduced by FCDO during the transition period will be licensed by OFSI under the relevant Sanctions Act regulations.

OFSI has introduced a new application form for licences requested under the Sanctions Act regulations. The new form includes references to licensing grounds applicable under the Sanctions Act regulations to maintain consistency in the application process after the transition period. Once the Sanctions Act regulations are in effect, existing licences issued by OFSI will continue to be valid until such a time that the licence expires or is revoked. Although licences issued under EU law will remain valid after the transition period, licence holders can use the new Sanctions Act application form when they need to request an amendment from a licence issued with an EU law basis to a UK law basis.

The Sanctions Act gives the government greater flexibility regarding licensing including the ability to grant general licences. These will permit multiple individuals or entities under certain regimes to undertake certain legitimate financial activity which would otherwise be prohibited by sanctions legislation. There will not be an application process for general licences. General licences will be issued by OFSI following engagement with relevant government

departments to deliver government policy. At the end of the transition period, OFSI may only issue general licences in respect of: non-UN designated persons; and certain UN designated persons only under an appropriate derogation. A general licence will carry obligations to keep records and notify OFSI of use.



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