



Office of Financial
Sanctions Implementation
HM Treasury

OFSI Annual Review 2022-23

Strengthening our Sanctions





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HM Treasury

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December 2023



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Director's Foreword

The last financial year was a historic and transformative period for the use of financial sanctions at both global and UK levels.

The unprecedented sanctions regime deployed by the UK and its allies in response to Russia's invasion of Ukraine highlighted the fundamental importance of financial sanctions in tackling threats to UK and global security. The range of economic sanctions deployed at speed, and how they are implemented and enforced by the private and public sectors in the UK, have changed substantively.

With the cooperation and engagement of international partners and the private sector, our financial sanctions are now better understood, better implemented – and therefore more effective – than they were previously. We have also substantially improved how we manage and mitigate their unintended consequences of our financial sanctions.

As part of the UK's response to the war in Ukraine, the Office of Financial Sanctions Implementation (OFSI) has



undergone both expansion to meet the increased workload and transformation to deliver a better service and more effective implementation and enforcement of our sanctions.

We are transitioning to a proactive enforcement model, powered by ever greater intelligence-sharing with key partners and allies. The Economic Crime (Transparency and Enforcement) Act 2022 enabled us to strengthen our enforcement capabilities and tackle non-compliance through moving to a strict civil liability basis.

On 5 December 2022, we took up the implementation and enforcement of the oil price cap, in partnership with our G7 allies, Australia and the EU. This further limits Russia's oil revenues and helps provide market stability to energy prices.

Recognising our joint ambitions, we have worked to strengthen our relationships with our key allies and partners. In this reported financial year, we announced our Enhanced Partnership with the United States Office of Foreign Assets Control (OFAC). Under this agreement we will continue to pool our expertise through developing joint approaches to shared challenges.

Alongside the work focussed on the war in Ukraine, other threats to the UK's security and prosperity have not receded. OFSI has played an ongoing role in the use of financial sanctions to mitigate and respond to those threats.

The challenge for the current and future years is to continue to work ever more productively with domestic and international partners to make the crisis-induced improvements to our sanctions system permanent and sustainable, alongside continuing the pace and direction of positive transformation. We cannot be complacent about the threats we face and the need to continue to improve the role of sanctions in our response to them.

Giles Thomson

Director
Office of Financial Sanctions
Implementation and Economic Crime

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The last financial year was a genuinely historic and transformative period for the use of financial sanctions at both global and UK levels.

Introduction

The 2022-23 financial year saw the UK impose broad and severe sanctions against Russia, to challenge its illegal and unprovoked invasion of Ukraine, targeting key individuals, institutions and sectors through financial sanctions. In partnership with the Foreign, Commonwealth and Development Office (FCDO), the UK has heavily restricted Russia's access to the UK financial system, sanctioning all of its major banks and prohibiting new investment. The UK, in partnership with our G7 allies, Australia, and the EU, implemented a price cap on Russian oil and oil product exports, and also implemented trust services sanctions.

The UK also imposed sanctions on both Russia's Central Bank and its Ministry of Finance, striking at the heart of the Russian financial system. Combined with other banks, over 90% of the Russian banking sector has been sanctioned. By 31 March 2023, 130 oligarchs and family members who had a combined net worth of around £145 billion at the time of the invasion have also been sanctioned. Through the use of financial sanctions, the UK has stood in solidarity with the people of Ukraine.

Elsewhere in the world, the UK's financial sanctions have remained a vital tool in countering terrorism, challenging grievous abuses of human rights, and disrupting the activities of hostile states including ransomware. Across 35 regimes and 3883 designations, OFSI implements robust and impactful sanctions against those that seek to undermine the UK's economic security.



These demands have called for an expanded, efficient and empowered financial sanctions capability. This year OFSI has continued to pursue its Strategic Transformation Plan. The financial year 2022-23 saw an increase in OFSI resource. Embedding this new resource, and upskilling existing resource, has been an essential endeavour in meeting the increased demands of the geopolitical environment.

The medium-term outlook indicates continued intensity for financial sanctions. As outlined in the Integrated Review Refresh 2023,

economic statecraft will remain a cornerstone of challenging a more contested and volatile world. The development and transformation of OFSI has placed it in a strong position to navigate this new environment.

Building stronger partnerships with key allies and partners, growing relationships with industry across the globe and using new enforcement capabilities will help guarantee that OFSI can ensure financial sanctions are properly understood, implemented and enforced in the United Kingdom and around the world.

Embedding this new resource, and upskilling current resource, has been an essential endeavour in meeting the increased demands of the geopolitical environment.

Strengthening our Regimes

New prohibitions were applied across UK sanctions regimes to crack down on Russian money and investment. For example, in response to the Belarusian government continuing to actively facilitate Russia's invasion of Ukraine, specific regulations were implemented against the regime. These dealt with money market instruments and securities, granting new loans or entering into new credit arrangements and a prohibition on providing financial services for the exchange of asset management services.

New prohibitions have been put in place on Russia, restricting the provision of trust services, dealing with money market instruments and securities, granting new loans or entering into new credit arrangements including investments in Russia.

The Russia prohibitions are part of the most severe sanctions the UK has ever imposed on any major economy through the FCDO and its implementing partners. OFSI's effective implementation of these unprecedented sanctions is vital to them achieving their fullest impact.

Elsewhere, a new sanctions regime was implemented for Haiti in order to meet the UK's obligations under UN Security Council Resolution 2653 (2022). This will help tackle violence and insecurity in Haiti.

New Ransomware Sanctions

Alongside the Russia regime, in February 2023, the UK sanctioned seven individuals in the first wave of coordinated action against international cyber crime. Through this innovative new regime, these individuals have been associated with the development and deployment of a range of ransomware strains, which have been used to target people and businesses in the UK.



Ransomware poses a significant threat to the UK. Payments to the criminal groups behind these attacks perpetuate this threat to the UK. OFSI has published new public guidance on ransomware, which sets out the implications of these new sanctions.

Consolidated List

OFSI maintains and publishes the consolidated list of asset freeze targets. The list provides identifying information for persons subject to UK financial sanctions to support businesses and individuals in determining whether they are dealing with a designated person. 800 designated persons were added to the consolidated list in the 2022-23 financial year by OFSI.

The list derives from the UK Sanctions List, which is published by the FCDO and provides details of those designated under regulations made under the Sanctions and Anti-Money Laundering Act (SAMLA).

On 31 March 2023, there were 3,883 designated persons subject to an asset freeze across 35 regimes. Of these, a total of 957 UN designated persons were subject to an asset freeze across 15 financial sanctions regimes on the consolidated list.

In response to Russia's invasion of Ukraine, 653 persons were designated under the Russia sanctions regime for the purposes of an asset freeze. This included 574 individuals and 79 entities. In March 2023, all persons listed on the consolidated list under the Russia regime were amended to reflect the imposition of trust services sanctions.

Reporting and Information Sharing

Reporting obligations and information sharing provide government with vital information about the activities of designated persons and the presence of frozen assets – including crypto assets – in the UK. This ensures the integrity of UK sanctions is upheld, and allows OFSI, as well as law enforcement partners, to take action against those who fail to comply.

OFSI has continued to amend legislation to strengthen the UK's sanctions regimes. As of August 2022, cryptoasset businesses are now obliged to report certain information to OFSI when they encounter designated persons in the course of their business, or where they become aware of a breach of financial sanctions regulations. This reporting obligation has strengthened OFSI's ability to tackle those who seek to abuse cryptoassets in an effort to evade sanctions.

In June 2022, through amendments made to SAMLA, enabled by the Economic Crime (Transparency and Enforcement) Act (2022) (ECTE), OFSI made it easier for UK government organisations and regulatory bodies to share information about financial sanctions with HM Treasury.

Strict Civil Liability

Since 2022, OFSI has strengthened its ability to enforce sanctions through new powers made under the ECTE.

The ECTE amended the civil legal test under the Policing and Crime Act 2017 (PCA) for imposing civil monetary penalties for financial sanctions breaches, moving it to a strict civil liability test.

Therefore, for breaches of financial sanctions that are committed on or after 15 June 2022, OFSI can impose civil monetary penalties on a strict civil liability basis. The previous requirement for OFSI to prove that a person had knowledge or reasonable cause to suspect that they were in breach of financial sanctions has been removed, but OFSI will still bear the burden of proof to establish that there was a breach of financial sanctions prohibitions.

This change strengthens OFSI's ability to take appropriate enforcement action against persons and companies that fail to ensure they are not dealing with sanctioned entities or adhering to their obligations. OFSI made some changes to its monetary penalty guidance to reflect the legislative changes, which are also reflected in OFSI's oil price cap guidance. This does not represent a wholesale change to OFSI's overall

enforcement approach, and OFSI will not impose a monetary penalty in every case it finds there to be a breach of financial sanctions.

The ECTE also amended the PCA to introduce greater flexibility in how HM Treasury manages the administrative review process of civil monetary penalties imposed by OFSI. It further introduces a new legal power in the PCA to publicise details of financial sanctions breaches even if no civil monetary penalty has been imposed.

OFSI will continue to assess a whole range of factors in deciding the most appropriate form of penalty.

To ensure OFSI's enforcement is proportionate, OFSI will continue to assess a whole range of factors in deciding the most appropriate form of penalty including how severe the breach is, the conduct of the persons involved, and what is in the public interest.

In scaling up its capability, OFSI is ensuring that it can continue to meet its enforcement responsibilities following the invasion of Ukraine, and continue to push forward the plans

OFSI had prior to the invasion to expand and continue to improve the service OFSI provides to stakeholders. OFSI is continuing to work to move towards a more proactive compliance and enforcement model underpinned by greater intelligence and information sharing.

Enforcement Capability

OFSI remains committed to ensuring that the UK has the strongest possible capability to implement and enforce the UK's financial sanctions regimes. OFSI has scaled up its enforcement capabilities through legislative changes and expanded its team, allowing it to progress a higher number of complex investigations.

OFSI has also intensified its cooperation with international partners on sanctions enforcement, and is working more closely than ever with partner organisations such as the Financial Conduct Authority (FCA) and the National Crime Agency (NCA).

During the financial year 2022-2023, OFSI's Enforcement Unit undertook extensive investigations into a range of suspected breaches. The following data excludes breaches and investigations by OFSI's counter-terrorism and oil price cap units.

As of April 2023, OFSI's Enforcement Unit had 172 cases under live investigation, many of which are complex and remain ongoing.

In 2022-2023, OFSI recorded 473 suspected breaches of financial sanctions (excluding oil price cap and counter-terrorism breaches). This is a significant increase on the 147 cases recorded in 2021-2022. This increase was expected given the scale of increased Russia sanctions, and OFSI's increased enforcement capabilities.

This data refers to the year in which a suspected breach is recorded, rather than the year in which the potential breach activity occurred. Recorded breaches includes cases which are self-reported, reported by a third party, and those independently generated by OFSI.

Over the course of the financial year, OFSI issued 7 warning letters in response to confirmed breaches that OFSI did not consider warranted public enforcement action, and 2 monetary penalties. 51 cases were closed with no further action, 44 of which related to Russia related sanctions breach reports. OFSI does not in all cases provide its view of whether a breach occurred, although many suspected breaches recorded by OFSI are considered not to be breaches of financial sanctions following further investigation.

A number of cases in this period were referred to other agencies, including criminal and regulatory authorities. OFSI does not provide further breakdowns on referrals to criminal authorities.

Mitigating Unintended Consequences

Financial sanctions play a crucial role in achieving the UK's foreign policy objectives, and it is vital that when implemented, OFSI strives to mitigate impacts for those delivering humanitarian aid, as well as legitimate business.

Conflict zones are fragile environments and are often areas most likely to be exposed to sanctions risk. This is why OFSI prioritises the humanitarian sector through regular engagement. The Tri-Sector Group is one such avenue and brings together key government and private sector stakeholders to ensure the implementation of Counter Terrorism Financing measures, including sanctions, mitigates risk.

OFSI recognises the unintended consequences that could emerge in humanitarian supply chains due to their potential interactions with, or proximity to, designated individuals, entities and governments. OFSI introduced the Humanitarian Activity General Licence to ensure aid could reach those who needed it, in respect of Ukraine. In January 2023, the UK transposed the UN humanitarian cross-cutting exemption into The Sanctions (Humanitarian Exception) (Amendment) Regulations 2023, providing flexibility for aid delivery across all UN regimes. Other general licences have been issued to support aid delivery across the world, such as the Syria Humanitarian licence which supported earthquake relief efforts.

In November 2022, OFSI issued a General Licence to allow, under certain conditions, agricultural-related transactions in response to Russia's impact on global food supplies and rising prices. It supported basic needs relating to the conflict in Ukraine and this sweeping action enabled specified humanitarian organisations and their delivery partners to carry out necessary activities in execution of life-saving aid, and demonstrates the flexibility of OFSI's General Licence powers and rapid response to prioritising humanitarian concerns.

Annual Frozen Asset Review

2022 to 2023

Each year OFSI undertakes a frozen asset review, requiring all persons holding or controlling assets (including funds and economic resources) frozen as a result of UK financial sanctions to report the nature and value of these assets to OFSI. £21.6 billion* of funds were reported to OFSI as frozen as at 30 September 2022, an increase of £9.2 billion since 2021. This figure includes the value of funds frozen in the UK as well as overseas where those funds or economic resources are subject to UK financial sanctions legislation.

Regime	2022 Value (£)
Libya	12,861,800,000
Russia	7,984,500,000
Belarus	622,800,000
Syria	163,200,000
Iran (Nuclear)	4,200,000
Other	6,400,000
Total	21,643,000,000

* This figure does not include the value of all assets reported to OFSI as part of the annual frozen asset review due to difficulties in defining their values with accuracy. This may include the contents of safety deposit boxes or tangible assets.

Frozen Asset In-Year Reporting

February 2022-October 2023

In addition to the Frozen Asset Review undertaken on an annual basis, relevant firms are also obliged to report to OFSI as soon as practicable, information concerning funds or economic resources belonging to, owned, held, or controlled by a designated person. This is known as Frozen Asset In-Year Reporting.

As part of Frozen Asset In-Year Reporting, as of October 2023, £22.7 billion worth of assets frozen in relation to the Russia regime have been reported to OFSI since February 2022.

£22.7 BILLION
RUSSIAN ASSETS REPORTED
FROZEN

The importance of Frozen Asset In-Year Reporting is that it enables OFSI to build a picture of the value of assets as they were frozen, rather than monitoring changes over time. The In-Year Reporting figure provided above for Russia comprises the value of all reported frozen assets, including bank accounts, payments, real estate, bullion, and other tangible and intangible assets.

OFSI records a cumulative value of frozen assets at the time of freezing and does not determine or record subsequent changes. As such, the published values reported as part of In-Year Reporting are likely to be higher than their actual values as the assets subsequently depreciate. This decline in value over time may be driven by the depreciation of traded equity instruments since frozen holdings were first reported to OFSI; subsequent determinations of, or changes in, asset ownership; or assets where their value is approximate being excluded from the yearly review of frozen assets.

Across all financial sanctions regimes, the total value of frozen funds or economic resources reported to OFSI is susceptible to fluctuation. Reasons include: changes in share, market, or currency values, and new designations or sanctions being lifted, or licensed financial activity. Therefore, the value of frozen assets reported to OFSI as part of both the Annual Frozen Asset Review or as part of Frozen Asset In-Year Reporting does not provide a complete picture of assets frozen as a result of UK financial sanctions.

Strengthening our Implementation

Together with government partners, OFSI actively monitors sanctions evasion and methodologies. OFSI applies this information to support effective and robust enforcement and improve its preventative domestic and international engagement.

In July 2022, OFSI contributed to a NCA-issued Red Alert, together with the Joint Money Laundering Intelligence Taskforce, on evasion typologies. The purpose of the alert is to provide information from law enforcement to the legal and financial services sectors on some of the common techniques designated persons and their UK enablers are suspected to be using to evade financial sanctions to promote awareness and trigger preventative action.

OFSI and the NCA have also enhanced their joint work around understanding sanctions risks and threats. This includes working together on guidance products in response to what they see and on commonalities in financial crime, where they can more robustly protect the UK's economy.

The UK's membership of the REPO (Russian Elites, Proxies, and Oligarchs) taskforce is another notable area of successful and extensive multilateral cooperation to exert unprecedented pressure on sanctioned Russians. The members of the REPO Task Force have successfully blocked or frozen more than USD \$58 billion worth of sanctioned Russian assets, tracked sanctioned Russian assets across the globe, and heavily restricted sanctioned Russians from the international financial system.

OFSI is also cracking down on increased third-country facilitation of circumvention by sharing information and intelligence, including through the new Enforcement Coordination Mechanism (ECM). Going forward, OFSI's key focus will be on establishing information sharing principles, with a particular focus on financial intelligence and enforcement data; outreach/engagement with the private sector; and coordinated third-country engagement to deliver strong, consistent messages on sanctions implementation.

Licensing

OFSI works closely with the FCDO and other HMG colleagues to ensure OFSI's licensing response fulfils the strategic aims of the Russia sanctions regime. 2022 to 2023 was a landmark year for OFSI's Licensing Unit.

Decisions were taken on 503 cases, up from 170 in the previous reporting period. Not all cases are closed with the issuance of a licence or rejection of an application; OFSI has closed applications for a number of other reasons, including a significant number of withdrawals following the issuance of a General Licence or where UK financial sanctions are considered not to be engaged (see Licensing decisions table).

In response to the huge increase in the scale of financial sanctions following Russia's invasion of Ukraine, OFSI has worked to harness the potential of its general licensing powers introduced in UK sanctions regimes in 2021. General Licences have been a valuable tool to ensure that the UK government's policy objectives are met whilst protecting the interests of UK businesses and industry. It has been a particularly useful tool where OFSI saw common themes impacting a number of applicants. OFSI issued 28 in this reporting period, compared to 16 in the previous financial year (please see table for split by regime).

The Legal Fees General Licence was introduced to enable the UK legal sector to continue to represent clients. A version of this licence was reissued in April 2023; this reset the

caps, made some changes following feedback from industry and excluded legal fees and expenses for cases involving defamation or malicious falsehood, in line with the policy position set out in HM Treasury's Written Ministerial Statement of 30 March.

As outlined above, OFSI's Licensing Unit continues to manage a substantially larger licensing caseload than in previous years. OFSI has introduced process and policy changes, alongside both temporary and permanent increases in resourcing, which will support in progressing cases received going forward. Many licence applications are complex and take time to assess. However, OFSI will consider issues of personal basic needs and/or humanitarian issues at stake, which are of material impact or urgency, or which are deemed to be of particular strategic, economic or administrative importance when prioritising its casework.

Specific Licences issued by regime

<u>Regime</u>	<u>22/23</u>	<u>21/22</u>
Russia	164	11
Libya	74	99
Counter terrorism	13	10
Global Anti Corruption	9	<5
Iran	<5	9
Belarus	8	<5
Syria	<5	7
Myanmar/GHR	7	<5
DPRK	<5	<5
Yemen	<5	<5
Other	8	13
Total	283	149

General Licences issued

<u>Regime</u>	<u>22/23</u>	<u>21/22</u>
Russia	21	13
Russia & Belarus	2	0
Belarus	2	3
Syria	1	0
Multiple (CT)	2	0
	0	0
Total	28	16

Licensing Decisions Taken

<u>Licensing Decision</u>	<u>22/23</u>	<u>21/22</u>
Licences Granted (New & Amendment)	283	149
Applications Withdrawn	169	14
Authority (Licence) not required	33	1
Licences Refused	9	1
Insufficient evidence/information	8	2
Other	1	3
Total	503	170

Penalties

OFSI has been active in the use of its monetary penalties power for sanctions breaches, issuing nine monetary penalties since the power was introduced in 2017. Since April 2022, OFSI issued two monetary penalties with a combined value of £45,000.

In May 2022, OFSI issued a £15,000 penalty against Tracerco Limited, in response to them making funds available for the benefit of a designated person without a licence, in contravention of The Syria (European Union Financial Sanctions) Regulations 2012. These regulations impose asset freezes on those responsible for violent repression against the civilian population in Syria, and those benefitting from or supporting the regime.

OFSI's latest penalty was issued in September 2022 against Hong Kong International Wine and Spirits Competition Ltd (HKIWSC) for receiving funds and economic resources from a designated person without a licence and making economic resources available to a designated person without a licence, in contravention of The Ukraine (European Union Financial Sanctions) (No.2) Regulations 2014. These regulations imposed asset freezes on those identified as being involved in

destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

This case highlights that financial sanctions apply to all sectors, not just the financial sector, and it is not sufficient for any company to rely on the banking sector to conduct due diligence on their behalf. This is especially important if a company has global customers and/or operates internationally.

OFSI did not impose any penalties for Russia related breaches occurring post invasion in this Annual Review period. Financial sanctions breaches are often complex. OFSI is responsible for both investigating breaches and deciding on the appropriate outcome, including initial penalty amounts. There are a number of important statutory periods to allow for representations and appeals that OFSI must comply with that also impact the time between investigations commencing and penalties being made public.

OFSI is undertaking a large number of complex investigations into Russia related breaches, which it anticipates will lead to public enforcement action in subsequent Annual Reviews.

The enforcement of financial sanctions serves as a critical tool for

detering evasion, and promoting responsible conduct. However, OFSI recognises the importance of proportionality in its enforcement efforts. Striking the right balance ensures that OFSI's actions remain fair and just, preventing undue harm to individuals or entities inadvertently caught in the crossfire.

Strengthening our Capability

Investing in resource has been a key objective for OFSI this year. The intensity of activity and the acute demand for an effective and robust financial sanctions capability at scale has rendered expansion a necessity, allowing for a heightened response to OFSI's engagement, enforcement and licensing workloads. Through successive waves of recruitment, OFSI has neared the successful completion of its resource transformation plan.



Since the outset of the Russian invasion of Ukraine, OFSI surged additional staff into its teams, bringing skills, knowledge, and expertise from across HM Treasury and other government departments. This resource bolstered OFSI's enforcement, licensing, guidance and engagement branches amongst others, which were already in the process of expanding, to deliver

proactive sanctions implementation. OFSI also rapidly recruited and surged staff to create a new oil price cap and trusts unit.

To move beyond surge staff and to build long term capacity, throughout this review period OFSI held 2 major recruitment campaigns and several role-specific recruitment events. Through this, OFSI's target of around 100 full time equivalent (FTE) staff by the end of 2022 was met. In addition, to further compliment the mix of skills and knowledge across the team, OFSI hosted secondees and surge staff from OFAC, the FCA and HMRC.

In the financial year 2022 – 2023 OFSI increased resource in its enforcement team by 175%, licensing team by 160% and guidance and engagement team by 120%, significantly expanding OFSI capability and capacity. This has meant that OFSI has been more responsive with issuing General Licences, has had greater capacity to work on the large volume of licensing applications, more bandwidth to investigate reported suspected breaches and more visibility at industry roundtables and conferences to engage and feedback on issues.

Expanding resource must be pursued alongside developing new capabilities. Harnessing new technologies will allow OFSI to excel

in the ever-changing sanctions landscape. To enable proactive compliance, with the increase in staff across enforcement and engagement, OFSI redesigned its intelligence function. This new and enhanced intelligence function enables OFSI to undertake wide-reaching threat assessments that empower insight development and proactive enforcement. As OFSI grows this ability, it will form the foundation of new information-sharing standards with industry.

Sharing information with industry partners is useful for businesses to improve regulatory compliance. By exchanging best practices, knowledge, and experiences, companies can collectively navigate complex regulatory landscapes more effectively. This collaborative approach enhances compliance efficiency, reduces risks of non-compliance, and promotes a unified industry front in addressing regulatory challenges. OFSI is fully committed to working with industry. This is endorsed by ministers through the Economic Crime Plan 2.

To develop and maintain the power of OFSI's sanctions, OFSI invested heavily in strengthening partnerships. Whether domestic or international, private or governmental, OFSI's relationships remain essential to its ability to implement effective financial sanctions.

International Partnerships

Financial sanctions are most effective when implemented multilaterally, and OFSI seeks to be in lockstep with its key allies. Since the Russian invasion of Ukraine, OFSI has increased its coordination and engagement with international partners on sanctions implementation.



OFSI routinely engages directly with international counterparts to share information and solve tricky, high priority issues that it faces, collaborating to develop best practice. Furthermore, its ongoing engagement and work with EU partners, the G7, the Crown Dependencies and Overseas Territories and other countries, is critical to OFSI's success and implementation.

Notably, OFSI collaborated with the Price Cap Coalition of the G7, the EU and Australia to share information, typologies and best practice in implementation of the oil price cap. It is thanks to its relationships that OFSI

has been able to work at pace on time-sensitive casework and share approaches and information to align implementation approaches where sensible.

Trust services prohibitions are also in place across the UK's Crown Dependencies and Overseas Territories. As such, OFSI has worked in close partnership to ensure consistency of measures and their effective implementation.



Industry Partnerships

Since the illegal Russian invasion of Ukraine in February 2022, much of OFSI's industry engagement has focused on the Russia regime to raise awareness of sanctions and promote compliance.

OFSI established the Russian Financial Sanctions Senior Implementation Group (SIG) immediately after the invasion which regularly brings together senior leaders from a range of industries (including banks, law firms, accounting firms, insurance

firms), and equivalents from across HMG. The SIG has enabled OFSI to understand key industry concerns and respond to them effectively.

OFSI has expanded its engagement to better reflect the depth and breadth of industries affected by financial sanctions. In total during this financial year, OFSI undertook 117 outreach activities – 69 events and 48 standing engagements.

51 of its industry events have been spread across multiple service industries taking the form of OFSI speaking at conferences, teach-ins, networking events, external webinars or leading stakeholder meetings.

In this reporting year, OFSI created the Legal Sector Engagement Forum (LSEF) as a new mechanism for a sector-specific periodic meeting to enhance direct government-industry-regulator engagement which has members from over 50 legal firms and organisations.

OFSI published comprehensive, bespoke guidance on the oil price cap, alongside blog posts and webinars, to aid understanding and compliance with this innovative sanction.

Navigating unintended consequences of sanctions is always at the forefront of its implementation and OFSI maintained its outreach and dialogue

with the humanitarian sector to navigate these challenges.

Since the trust services sanctions have been in place, OFSI has engaged with over 500 stakeholders, industry and international partners (including the Crown Dependencies and Overseas Territories) on the detail. This has included a bespoke webinar, and complementary international engagement.

A close-up, black and white photograph of the American flag, showing the stars and stripes in detail. The flag is draped and slightly out of focus in the background, creating a sense of depth and texture.

Spotlight on Enhanced Partnership

OFSI has forged a strengthened and ever-closer collaboration with the United States and its Office of Foreign Asset Control (OFAC), solidifying our position as trusted allies in the realm of sanctions enforcement. This partnership involves not only enhancing our working relationships but also harmonising our operational capabilities and resource allocation wherever feasible.

This new initiative began with a series of in-depth exchanges, held in October and December 2022, where both sides collaborated on our shared objectives. Moreover, we have maintained a series of regular meetings, deepening our understanding of each others' systems and cultivating a mutual understanding of the challenges we face.

Our dedication extends beyond these initial exchanges, as we continue to engage in ongoing discussions covering pivotal topics and operational matters. Through these sustained efforts we are ensuring that our implementation and enforcement remains resilient.

Oil Price Cap

Alongside the G7, Australia and the EU, the UK imposed severe sanctions on Russia, including targeting its most lucrative revenue stream – the export of crude oil and refined oil products, such as petrol and diesel. This coalition has implemented two key agreements to achieve its aims:

- banning the import of Russian oil and oil products into coalition markets
- creating the oil price cap to limit the price at which Russia can sell its crude oil and refined oil products, globally

The maritime services ban and its price cap exception for crude oil came into effect on 5 December 2022. The exception for refined oil products came into effect on 5 February 2023.

Taken together, these measures limit Russian oil revenues to undermine Putin's illegal war in Ukraine, whilst ensuring third countries retain access to affordable oil. Given the international nature of global oil markets, the oil price cap is only effective if implemented across the coalition. OFSI has therefore utilised a proactive international engagement strategy, with a significant focus on effective enforcement, monitoring,

compliance and information sharing with its coalition partners. This strengthens OFSI's individual and collective oil price cap processes, including through learning from different perspectives, approaches, and best practice.

To ensure understanding and compliance with this novel sanction, OFSI is also undertaking strategic industry engagement, including in conjunction with OFSI's coalition partners. This includes delivery of six teach-ins for industry stakeholders, with an overall turnout of around 1000 participants covering oil, shipping, insurance, legal, and financial services.

OFSI has provided oil price cap guidance to industry and are aligning overall approaches to legislation and enforcement to enable service and shipping companies to confidently move Russian oil in compliance with the price cap, while ensuring that any breaches are dealt with robustly.

The oil price cap has delivered against its ambition to lower Russian oil prices, and prevent Russian profiteering in the international oil markets. Throughout the reporting period, no specific licences were applied for or issued.

The oil price cap has delivered against its ambition to lower Russian oil prices, and prevent Russian profiteering in the international oil markets.

Looking Ahead

In looking ahead, OFSI consistently draws lessons from its past operational experiences to foster growth and improvement. OFSI values diverse perspectives, actively seeking and heeding feedback from its stakeholders while challenging its existing methodologies and mindsets constructively.

The challenge of making a meaningful impact on the ongoing conflict in Ukraine remains at the forefront for OFSI as it enters the 2023/24 period. OFSI's commitment to this cause persists, with a core focus on deterring Russian actions and providing steadfast support for Ukraine. OFSI believes in the importance of robust and effective sanctions implementation as a means to achieve these goals. To meet this challenge, OFSI aims to increase its resource level to 135 FTE by the end of the financial year.

In its pursuit of excellence, OFSI remains committed to leveraging legislation when necessary to enhance its capabilities. The Economic Crime and Corporate Transparency Bill offers provisions that will further clarify OFSI's civil monetary penalty powers.

This legislative reinforcement is intended to bolster its ability to uphold the integrity of financial systems and counter illicit activities effectively, further ensuring the stability and security of the global financial landscape. As OFSI moves forward, it pledges to continue evolving, adapting, and optimizing its strategies to meet the evolving sanctions landscape.

The challenge of making a meaningful impact on the ongoing conflict in Ukraine remains at the forefront for OFSI

OFSI will work closely with the Home Office and other government departments to lay legislation that will place mandatory reporting obligations on designated persons sanctioned under the Russia and Belarus regimes.

Making assets transparent to the UK government will take us further than current reporting obligations. This requirement will build on OFSI's existing compliance options and further tighten the net around those seeking to hide assets in the UK. A reporting obligation will also be introduced requiring the disclosure of foreign reserves of the Central Bank of

Russia, National Wealth Fund of Russia and the Ministry of Finance of Russia. This obligation will provide OFSI with a more comprehensive picture of these financial assets in the UK.

In March 2023, the Economic Crime Plan 2 was delivered. Over the next 12 months, OFSI will look to deliver on actions and milestones dedicated to combating kleptocracy and reducing sanctions evasion by:

- working with partners in the public and private sectors to build on its response to economic crime. OFSI will address broader vulnerabilities that can enable sanctions evasion and allow corrupt actors to hide money in the UK
- continuing on its trajectory of enforcing the price cap on Russian oil that it began implementing last year. To do so OFSI will build, maintain and leverage strategic relationships with key partners to support effective delivery of civil enforcement priorities
- planning and delivering its work for the strongest impact. This will include investigating suspected oil price cap breaches, influencing coalition members and third country compliance and enforcement approaches, and informing senior officials and ministerial decision making
- moving to an increasingly proactive enforcement model and develop OFSI's information monitoring and intelligence capabilities to gain a better understanding of where the vulnerabilities and risks are in the UK sanctions system and proactively respond to them
- working with strategic partners, law enforcement and industry regulators for high risk and under-reporting sectors (including legal, property, high value dealers, cryptoasset exchanges and custodian wallet providers) to promote financial sanctions compliance and respond to suspected breaches
- harnessing the opportunities presented by the Economic Deterrence Initiative to supercharge OFSI's efforts to achieve this, as part of the cross-government effort stemming from the Integrated Review Refresh
- continually seeking to set the standards of best practice in the implementation of sanctions and working with OFSI's stakeholders, domestic and overseas partners, for the benefit of UK national security and UK economy

Throughout 2023-24, OFSI will continue to grow its industry engagement in a more proactive, risk-based and evidence-based way driven by data, focusing on a set of priority industries. These sectors include financial services, fintech/crypto, legal, accountancy, property, high-value dealers and NGOs.

OFSI will expand its international engagement by working more closely with OFAC to deliver joint webinars and private sector engagements, whether that be through stakeholder meetings or joint panel events. OFSI will also continue to strengthen its relationships with EU and G7 partners.

As OFSI looks ahead to the coming year, its unwavering commitment remains focused on the strong, robust and collaborative implementation of its financial sanctions. These measures are not merely punitive; they are a resolute testament to the UK's dedication in countering aggression and advocating for the principles of freedom, democracy, and the sovereignty of nations across the globe.

OFSI will continually seek to set the standards of best practice in the implementation of sanctions and working with our stakeholders, domestic and overseas partners, for the benefit of UK national security and UK economy.

Further Details

OFSI's official website on GOV.UK:
<https://www.gov.uk/ofsi>

OFSI's Financial Sanctions Guidance:
<https://www.gov.uk/government/publications/financial-sanctions-faqs>

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OFSI's Oil Price Cap Guidance:
<https://www.gov.uk/government/publications/russian-oil-services-ban>

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