

High Value Dealer Guidance

Guidance on financial sanctions implementation for high value dealers, luxury goods markets and art market participants



HM Treasury
Office of Financial
Sanctions Implementation



The UK High Value Dealer sector

The UK is a major hub for the trade of high value goods, including global art, antiques, supercars, precious metals and gemstones, and for investment in wines and whiskies.

In 2021, the UK ranked third in the sale of art and antiques worldwide, behind only the United States and China¹. Global art and antiques sales amounted to roughly USD \$65 billion, with approximately 17% of this in the UK alone, contributing significantly to the UK economy.

The UK plays a major role in the global auction market, ranking second in the world, with three leading auction houses having been based in London since the 18th century.

With more than 18,000 supercars from producers like Aston Martin, Ferrari, Maserati and Bugatti being registered at UK addresses in 2021, the UK saw a 19% increase in sales over 2020².

In addition to fine art, antiques and supercars, other tangible assets such as investments in wines and spirits promise high returns over a medium to long term. High value goods have a large impact on the insurance market with the UK being a major global hub in this space.

This guidance is produced by the Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, the authority for the implementation of financial sanctions in the UK. It provides financial sanctions guidance for entities and individuals which operate in the sale or trade of high value goods, especially those trading internationally with

¹ [Art market in the United Kingdom - statistics & facts | Statista](#)

² <https://www.uhy-uk.com/insights/uk-luxury-car-ownership-92-241000-crypto-investors-spend-wealth>

regions that may be subject to UK financial sanction restrictions.

This should be considered supplementary to, and not a replacement for, OFSI's general guidance document. Further sources of information which may prove helpful are listed at the end of this document.

This guidance does not represent legal advice. If you are unsure about your obligations in a given case, you should consider seeking independent legal advice.

OFSI is responsible for improving the understanding, implementation and enforcement of financial sanctions in the UK. We publish a list of individuals and organisations subject to financial sanctions as well as general guidance to help you comply. This is available on OFSI's GOV.UK webpages – see Annex II of this guidance for details.

The territorial extent of UK sanctions regulations includes the entirety of the UK, and it applies to conduct by UK persons – both nationals and corporate bodies - outside of the UK.

The names of designated persons (DP) are not included in the Regulations, but instead appear on the administrative list on GOV.UK. This enables immediate publication following a decision to make or amend a designation, limiting the opportunity for asset flight.

What are financial sanctions?

Financial sanctions help the UK meet its foreign policy and national security aims, as well as protecting the integrity of its financial system. Sanctions are used to respond to a range of threats, from terrorism and nuclear proliferation to internal repression and human rights abuses. Effective implementation and enforcement of sanctions is an essential tool in these endeavours.

Specifically, financial sanctions are generally imposed to:

- coerce a regime, or individuals within a regime, into changing their behaviour (or aspects of it) by increasing the cost on them

to such an extent that they decide to cease the offending behaviour

- constrain a target by denying them access to key resources needed to continue their offending behaviour, including the financing of terrorism or nuclear proliferation
- signal disapproval, stigmatising and potentially isolating a regime or individual, or as a way of sending broader political messages nationally or internationally
- protect the value of assets that have been misappropriated from a country until these assets can be repatriated

Sanctions are imposed by the United Nations (UN), European Union (EU), UK and other jurisdictions such as the US, Canada, Japan and Australia. The UK autonomously implements its own sanctions under the Sanctions and Anti Money Laundering Act, as well as implementing UN sanctions. They commonly include arms embargoes, trade sanctions, travel bans and financial sanctions.

The Foreign, Commonwealth and Development Office (FCDO) has overall responsibility for the UK's policy on sanctions. OFSI leads on the implementation and enforcement of all financial sanctions applicable in the UK. HM Treasury also has the power to make domestic counter-terrorism sanctions designations and issue directions under the Counter-Terrorism Act (2008).

Financial sanctions specifically relate to restrictions on funds and economic resources³ that are owned, held, controlled or made available to, or for the benefit of, designated persons or entities. This can be either directly or indirectly. You may wish to consider other non-financial sanctions prohibitions which may apply to the trade import or export of specific goods.

OFSI guidance for High Value Dealers

'High value dealer' is the term used to describe businesses and sole traders that make or receive relevant cash payments of 10,000 euros or more (or equivalent in any

³ See Annex I

currency) in exchange for goods⁴. This includes when a customer deposits cash directly into your bank account, or when they pay cash to a third party for your benefit⁵. High value dealers can also sell, receive or trade in luxury goods.

As defined by the UN Security Council⁶, luxury goods are considered to be superior to comparable substitutes in terms of design, quality, durability or performance. Luxury goods are often associated with certain brands whose names are preferred by those consumers with strong purchasing power. Luxury goods are sometimes considered to play a role of status symbols.

In economics, luxury goods have characteristics of "high income elasticity of demand" i.e., demand of luxury goods increases more than proportionally as income rises.

In addition, this guidance is also relevant to art market participants (AMPs). An AMP is a company or sole practitioner who is either 'by way of business' trading in, or acts as an intermediary in, the buying or selling of works of art where the transaction value (or a series of linked transactions) is 10,000 Euros or more, or the operator of a freeport storing works of art in the freeport and the value for a person (or a series of linked persons) is 10,000 Euros or more.

This guidance details instances involving financial sanctions only but there is guidance available on the other types of sanctions restrictions detailed in the Regulations, affecting transport, immigration, and trade sanctions.

That additional guidance is published by the respective UK government departments which includes the Department for Business and Trade, Home Office and the Foreign, Commonwealth and Development Office.

To achieve their purposes, the Regulations impose a number of prohibitions and

obligations. The Regulations establish penalties and offences to enforce these, which are set out in detail in the corresponding report made under section 18 of the Sanctions and Anti-Money Laundering Act 2018 (SAML) and the supporting Russia (Sanctions) (EU Exit) (Amendment) Regulations 2022, which are available on GOV.UK.

Asset Freezes

The Regulations detail financial prohibitions in relation to DPs. DPs are persons (natural or legal) who are subject to financial sanctions. These sanctions include but are not limited to: asset freezes, restrictions on making funds and/or economic resources available to, or for the benefit of, DPs, either directly or indirectly.

There are exceptions to some of the asset freezing provisions which apply within certain defined circumstances. Additionally, where a DP's assets have been frozen, the person or a representative may apply for a licence from OFSI to enable an otherwise prohibited use of frozen funds or economic resources, in certain circumstances. For further information on asset freezes, see OFSI's general guidance on Financial Sanctions.

Circumvention Typologies

Movement of assets

The movement of assets, including the sale of high value assets which were previously associated with a designated person, by family members or otherwise on their behalf, where funds are then disbursed offshore through secrecy jurisdictions, is an indicator suspected of being used to evade sanctions.

Risks for high value dealers

Markets that high value dealers operate in have vulnerable characteristics which can be used by designated persons who are subject to financial sanctions and their associates trying to circumvent restrictions. For example, these can include but are not limited to, markets in art, cars, antiques, precious metals and stones, wine and spirits, and jewellery.

⁴ A full definition is set out in Regulation 14(1)(a) of the [Money Laundering Regulations](#).

⁵ HMRC, [Money laundering supervision for high value dealers](#)

⁶ [UN Security Council Information Assistance Notice 3](#)

The following is a non-exhaustive list of factors to be aware of, as part of sanctions due diligence:

- the ability for individuals and entities to conduct business discretely, valuing anonymity and confidentiality, means those seeking to negate the effects of sanctions have increased options to do so
 - the use of intermediaries and shell companies are often used to source, buy or sell high value goods. This is also the case for any associated payments. Such anonymity and obfuscation has been used to conceal the involvement of a designated person in any such transaction
 - the relatively unregulated nature of the international markets that some high value dealers operate in
 - the relative ease with which goods in these markets can often be moved, transported and concealed.
 - it is commonplace for goods to move between jurisdictions, making such movements less noteworthy when being done for the purposes of sanctions evasion - precious metals and stones in particular are very durable and effectively untraceable
 - the subjectivity of the value of luxury goods, including the ability to easily manipulate price to conceal true value
 - wine and spirits from specific geographic regions and vintages, and associated real estate such as distilleries, wineries and vineyards, are attractive investment options for those subject to financial restrictions
- cultural objects, or 'cultural property' from areas where terrorist groups are active, can be used to finance their operations

Digital assets

Digital assets are items you can buy, sell, hold or trade online, which cannot typically be physically seen or touched.

Digital assets take a number of different forms, with the two most common being cryptocurrencies and non-fungible tokens (NFTs).

Cryptocurrencies form a global market worth in excess of USD \$1 trillion. They are themselves online currencies that are traded as traditional fiat currency.

NFTs can represent digital artworks and other digital content, such as sports memorabilia or contracts. Each NFT is unique and holds its own individual value, which is where it differs to most forms of cryptocurrency. The tokens used in cryptocurrencies hold an equal value to each other. Cryptocurrencies and NFTs may be used by DPs in an effort to circumvent restrictions applied through financial sanctions. This is made more possible because digital assets can be exchanged or traded for traditional fiat currency.

Those using, trading in and dealing with cryptocurrencies or NFTs are also subject to these regulations and must apply due diligence with individuals and entities they are dealing with.

Reporting obligations

Relevant firms that are subject to specific reporting obligations as set out in UK regulations made under the Sanctions Act include:

- a person that has permission under Part 4A of the Financial Services and Markets Act 2000 (FSMA 2000) (Permission to carry on regulated activities)
- an undertaking that by way of business operates a currency exchange office, transmits money (or any representations of monetary value) by any means, or cashes cheques which are made payable to customers
- a firm or sole practitioner that is a statutory auditor or local auditor
- a firm or sole practitioner that provides by way of business accountancy services, legal or notarial services, advice about tax affairs or certain trust or company services
- a firm or sole practitioner that carries out, or whose employees carry out, estate agency work 22 UK financial sanctions: general guidance (August 2022)
- the holder of a casino operating licence

- a person engaged in the business of making, supplying, selling (including selling by auction) or exchanging articles made from gold, silver, platinum, palladium or precious stones or pearls
- a cryptoasset exchange provider
- a custodian wallet provider

All UK sanctions regulations apply to United Kingdom individuals or entities regardless of where they are in the world.

Definitions of relevant firms can be found in the 'Information and records' part of the statutory instrument for each sanctions regime, which can be found here:

<https://www.gov.uk/government/collections/uk-sanctions-regimes-under-the-sanctions-act>

Licensing

A licence from OFSI is written permission to permit an activity which would otherwise be prohibited, imposed under the relevant sanctions regulations and in certain circumstances. Licences do not compel all parties of the licence to undertake the stated activity and neither does it transfer risk to OFSI.

For more details on OFSI's specific licences and to find out how to apply for a licence, please visit:

<https://www.gov.uk/guidance/licences-that-allow-activity-prohibited-by-financial-sanctions>

Enforcement and penalties

Any person carrying out or partaking in business that involves the purchase, movement, trade, transport or storage of high value goods should be aware of the risks posed and the consequences for failure to ensure compliance.

OFSI is responsible for the monitoring of compliance with financial sanctions applicable in the UK and for assessing suspected breaches of the regulations. OFSI has powers under the Policing and Crime Act (2017) to impose monetary penalties of up to £1 million or 50% of the total value of the breach, whichever is higher, for breaches of financial sanctions. OFSI can also refer cases to law

enforcement agencies for investigation and potential prosecution. Breaches of financial sanctions are considered a serious criminal offence and are punishable by up to 7 years in prison on indictment, or up to 6 months for a summary offence in England, Wales or Northern Ireland (12 months for a summary offence in Scotland). Please refer to the relevant legislation or further information.

Financial sanctions are part of a wider sanctions framework targeting malign activity. As such, OFSI works with other parts of government, supervisory bodies and regulators to consider all reported non-compliance, and shares relevant information accordingly in line with the relevant sanctions and data protection legislation.

OFSI's approach to compliance and enforcement is detailed in Chapter 7 of its [general guidance document](#) on GOV.UK and more specifically set out in its [enforcement and monetary penalty guidance](#).

Ownership and control

If a person or entity is designated, their name will be recorded on OFSI's consolidated list of Financial Sanctions Targets in the UK (asset freezes and investment ban targets). An asset freeze and/or some financial services restrictions will apply to entities or individuals which are owned, held or controlled, directly or indirectly, by a designated person. Those entities or individuals may not be designated in their own right, so their names may not appear on the consolidated list. However, those entities and individuals are similarly subject to financial sanctions.

An entity is owned or controlled directly or indirectly by another person in any of the following circumstances:

- the person holds (directly or indirectly) more than 50% of the shares or voting rights in an entity
- the person has the right (directly or indirectly) to appoint or remove a majority of the board of directors of the entity
- it is reasonable to expect that the person would be able, in most cases or in significant respects, to ensure the affairs of the entity are conducted in accordance with the person's

wishes. This could, for example, include appointing, solely by exercising one's voting rights, a majority of the members of the administrative, management or supervisory bodies of an entity, who have held office during the present and previous financial year

- controlling alone, pursuant to an agreement with other shareholders in or members of an entity, a majority of shareholders' or members' voting rights in that entity
- having the right to exercise a dominant influence over an entity, pursuant to an agreement entered into with that entity, or to a provision in its Memorandum or Articles of Association, where the law governing that entity permits its being subject to such agreement or provision
- having the right to exercise a dominant influence referred to in the point above, without being the holder of that right (including by means of a front company)

the person having the ability to direct another entity or individual in accordance with the person's wishes. This can be through any means, directly or indirectly. For example, it is possible that a designated person may have control or use of another person's bank accounts or economic resources and may be using them to circumvent financial sanctions

If any of the above criteria are met, and the person who owns or controls the entity is also a designated person, then financial sanctions will also apply to that entity in its entirety (meaning these assets should also be frozen). The prohibitions on making funds or economic resources available directly or indirectly to a designated person, also prohibit making them available to an entity who is owned or controlled, directly or indirectly, by the designated person. The UK Government will look to designate owned or controlled entities/individuals in their own right where possible.

What does due diligence look like?

Illicit activity could occur across multiple industries involved with the dealing of high value goods. Insurance companies, transporters, storage facilities, custodians,

galleries, and dealerships, among others, are all exposed to financial sanctions risk.

The risk is not only confined to these industries, as owing to the nature of the sector and its global reach, operators in this area need to take a risk-based approach as to whether they decide to conduct business.

Each business should assess its own risks and put due diligence measures in place to manage them. OFSI does not mandate specific measures to be taken. Instead, OFSI can provide guidance as to what measures may be helpful (set out below), but the onus is on the organisation to ensure that it has put in place sufficient measures to ensure it does not breach financial sanctions. The following is general guidance regarding due diligence measures which individuals and businesses dealing with high value goods may wish to consider.

Best practice

Individuals or businesses conducting activity in, or around high-risk jurisdictions should seek to have a robust understanding of the sanctions regulations in place, including the relevant obligations. Independent legal advice should always be sought where necessary and a risk-based approach should be taken, conducting enhanced due diligence to understand the full range of activity and the persons involved in any supply chains, etc.

Individuals and businesses may wish to consider any benefits of enhanced due diligence checks before onboarding a new client or agreeing to new business. Due diligence could be enhanced for example, through assessing all aspects of proposed business activity to identify if any partners, contractors, third parties or financial institutions appear on the OFSI consolidated list of financial sanctions targets. This could be considered by shop owners, insurers, transporters and storage facility companies. Access to subscription-based resources which allow for checks on ownership structures of companies may be of benefit. However, this information may also be readily available

online and can be accessed freely, which helps carry out a variety of checks to provide initial indicators of compliance behaviour.

OFSI publishes details of enforcement action on its website. These should be consulted and reviewed as appropriate in order to learn compliance lessons from previous instances where there has been a breach of financial sanctions.

High value goods are susceptible to being used to launder the proceeds of criminal activities. Individuals and businesses could also carry out checks with Companies House as part of their due diligence processes. Suspected fraudulent behaviour should always be checked with the relevant institution for validity.

Any person who deals with funds or economic resources owned, held or controlled by a designated person or those operating on a DP's behalf should immediately freeze the assets or funds and alert OFSI. Any person who engages in prohibited activity in relation to transport or trade restrictions should immediately contact the Department for Transport and Department for Business and Trade respectively. Exact obligations and reporting requirements can be ascertained directly from these departments using their contact details at the end of this document.

Annex I

Funds generally means financial assets and benefits of every kind, including but not limited to:

- cash, cheques, claims on money, drafts, money orders and other payment instruments
- deposits with financial institutions or other entities, balances on accounts, debts and debt obligations
- publicly and privately traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts
- interest, dividends or other income on or value accruing from or generated by assets
- credit, right of set-off, guarantees, performance bonds or other financial commitments
- letters of credit, bills of lading, bills of sale
- documents showing evidence of an interest in funds or financial resources
- any other instrument of export financing

Economic resources generally mean assets of every kind – tangible or intangible, movable or immovable – which are not funds but may be used to obtain funds, goods or services.

This includes but is not limited to:

- precious metals or stones
- antiques
- vehicles
- property

Dealing with funds generally means moving, transferring, altering, using, accessing, or otherwise dealing with them in any way which would result in any change to their volume, amount, location, ownership, possession, character, destination or other change that would enable the funds to be used, including portfolio management.

Dealing with economic resources generally means using the economic resources to obtain funds, goods, or services in any way,

including, but not limited to, selling, hiring or mortgaging them. The everyday use by a designated person of their own economic resources for personal consumption is not prohibited.

If funds or economic resources are made available (directly or indirectly) to or for the benefit of a designated person and they obtain, or can obtain, a 'significant financial benefit', or for use in exchange for funds, goods or services, this may constitute a criminal offence.

In this case, 'financial benefit' includes the discharge, in whole or in part, of a financial obligation for which the designated person is wholly or partly responsible. Goods generally means items, materials and equipment.

Annex II

Contacting OFSI

Email enquiries: ofsi@hmtreasury.gov.uk

Visit OFSI's web pages:

<https://www.gov.uk/ofsi>

OFSI's Financial Sanctions Guidance:

<https://www.gov.uk/guidance/uk-financial-sanctions-guidance>

Subscribe to OFSI's e-alert:

<https://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new>

OFSI blog:

<https://ofsi.blog.gov.uk/>

If you find out that a person or organisation you are dealing with is subject to financial sanctions as detailed in the Regulations, you must immediately:

- stop dealing with them
- freeze any assets you are holding for them
- inform OFSI as soon as practicable by emailing: ofsi@hmtreasury.gov.uk

ECJU and OFSI

OFSI works closely with the Export Control Joint Unit (ECJU), which sits in the Department for Business and Trade (DBT). OFSI deals with financial sanctions and the ECJU with export-related trade sanctions. These different types of sanctions have differing processes, for instance in licensing activity. Therefore, it is important to consider the relevance of both financial and trade sanctions to your business. ECJU is responsible for implementing trade sanctions and administering the licensing provisions on behalf of the Secretary of State for all trade sanctions, except those relating to imports which are implemented and administered by the Import Licensing Branch.

HM Treasury, through OFSI, is responsible for:

- the implementation and administration of financial sanctions in effect in the UK
- licensing exemptions to financial sanctions
- promoting awareness of, and compliance with, financial sanctions
- imposing monetary penalties for financial sanctions breaches

You may need a licence from OFSI as well as from the ECJU.

For more information on export controls, contact the Export Control Joint Unit Helpline on +44 (0)20 7215 4594 or email exportcontrol.help@trade.gov.uk or subscribe to the [Export Control Joint Unit's notices to exporters](#).

Further reading

[OFSI's General Guidance](#)

[OFSI's Trade and Export Guidance](#)

[OFSI's Enforcement and Monetary Penalty Guidance](#)

[NCA Red Alert; Financial Sanctions Evasion Typologies: Russian Elites and Enablers](#)

[HMRC: HVD Guidance for Money Laundering Supervision](#)

[United States'; OFAC Art Advisory](#)