

Imposition of Monetary Penalty - Svarog Shipping & Trading Company Limited (Svarog)

SUMMARY

1. On 11 April 2025, the Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, imposed a monetary penalty of £5,000 on the UK-registered company Svarog Shipping & Trading Company Limited ("Svarog") in accordance with section 146 of the Policing and Crime Act 2017 ("PACA"). Svarog breached regulation 74(1)(a) of The Russia (Sanctions) (EU Exit) Regulations 2019 ("the Russia Regulations") by failing, without reasonable excuse, to respond to a regulation 72 request issued by OFSI within the required timeframe.
2. Having been informed of OFSI's intention to impose a monetary penalty and invited to make representations, Svarog made no representations and did not seek a review of OFSI's decision.

BACKGROUND

3. Svarog is a UK-registered company operating as a fuel transportation company in the maritime oil shipment sector. Svarog's business operations are carried out in Cyprus.
4. OFSI issued General Licence INT/2022/1469378 ("the GL") on 29 March 2022 to allow the orderly winding down of positions involving designated person, Sovcomflot (Group ID: 15040) ("SCF"). A general licence allows multiple parties to undertake specified activities which would otherwise be prohibited by sanctions legislation, without the need for a specific licence.
5. The applicability of this GL became relevant to a large and complex investigation into suspected breaches of the Russia Regulations. As part of this wider investigation, OFSI learned that Svarog had transacted with a subsidiary of SCF. In undertaking enquiries in connection with SCF, OFSI ultimately concluded that Svarog had not breached financial sanctions other than in respect of this failure to respond offence.
6. OFSI assessed this case in line with the 14 November 2024 version of OFSI's public Enforcement and Monetary Penalties Guidance, which was in effect at the time of assessing the breach.

THE OFFENCE

7. OFSI issued a Request for Information ("RFI") to Svarog on 26 January 2024 with questions made pursuant to OFSI's statutory powers under regulation 72 of the Russia Regulations. Svarog had confirmed in advance the nominated email address for correspondence. The RFI directed that a response to OFSI's statutory

questions was required by 9 February 2024, and that failure to respond by this date without reasonable excuse was a criminal offence.

8. Svarog did not respond to OFSI's RFI by the deadline, prompting OFSI to send a number of reminders. Svarog's response was only received after OFSI contacted Svarog's auditors. Whilst Svarog apologised for failing to respond to the RFI, Svarog failed to provide a reasonable excuse for missing the statutory deadline.
9. Given Svarog's failure to respond to OFSI's RFI issued on 26 January 2024 and Svarog's failure to provide a reasonable excuse, OFSI concluded that Svarog had breached regulation 74(1)(a) of the Russia Regulations.

CASE ASSESSMENT

14. OFSI takes several factors into account that could be assessed as aggravating or mitigating when determining the facts and how seriously it views a case (the "case factors"). Applying these case factors, OFSI makes an overall assessment as to the breach severity and the conduct of the person who has breached the relevant regulations.
15. The aggravating factors in this case were:
 - a. **Intent, knowledge, reasonable cause to suspect etc. (Case Factor D)**
Svarog was aware that OFSI intended to send an RFI, and that it had an obligation to respond to the RFI but did not take reasonable care to trace and respond to these emails, only addressing the matter after the deadline had already passed and after being contacted by their auditors. OFSI considered this to be evidence of neglect or failure to take reasonable care to comply with its obligations.
 - b. **Knowledge of sanctions and compliance systems (Case Factor E)** Svarog operates in a sector (maritime oil shipment) with elevated exposure to sanctions, especially the Russia sanctions regime. The firm has demonstrated some awareness of sanctions risks and its own exposure. These factors ought to have made Svarog more vigilant to OFSI's request and prompted a robust response process.
 - c. **Failure to provide information on financial sanctions breaches (Case Factor L)** Svarog failed to comply with OFSI's RFI, relating to potential financial sanctions breaches, within the time specified.
16. OFSI considered several other factors when deciding the appropriate enforcement action for this case, including that there were indirect and low levels of actual harm to the regime and that Svarog ultimately provided a response.

17. The information powers in the Russia Regulations ensure OFSI has timely access to the information needed to enforce financial sanctions effectively. These powers are among OFSI's most important tools for investigating suspected breaches, and they rely on firms and individuals fulfilling their obligations. This framework allows OFSI to conduct investigations efficiently and issue monetary penalties for serious information offences. When compliance obligations are neglected, it can impede OFSI's prompt access to information, thereby affecting OFSI's overall effectiveness.
18. In relation to the broader investigation, Svarog's failure to respond by the deadline caused delay and wasted OFSI's resources, including the need to contact its auditor. Such delays, if repeated across other enquiries, could seriously undermine OFSI's effectiveness and efficiency by diverting resources from enforcement actions.
19. In accordance with the Enforcement and Monetary Penalties Guidance, OFSI assessed this case overall to be "serious" as opposed to "most serious".
20. Overall, OFSI considers that a penalty is in the public interest. The penalty is considered reasonable and proportionate, and publishing the findings and lessons from Svarog's actions is expected to encourage future compliance.

NOTES ON COMPLIANCE

21. This case highlights the critical importance of timely and accurate responses to RFIs issued by OFSI. It is a criminal offence not to respond to an RFI, and failure to do so can significantly impede OFSI's ability to enforce financial sanctions and assess compliance.
22. Firms must ensure that they have effective communication and monitoring systems in place to promptly address and respond to OFSI's requests for information. This includes appointing responsible personnel, monitoring and maintaining up-to-date contact information to ensure compliance with OFSI requests for information.
23. If firms receive a request for information from OFSI but are unsure how to respond, or believe they cannot meet the deadline, they should contact OFSI as soon as possible to seek clarification and/or request an extension. They should not ignore the request. If a firm believes it has missed a statutory deadline, but has a reasonable excuse, it should provide that excuse proactively for OFSI to consider, accompanied by a full explanation of the circumstances. Firms are also encouraged to engage with OFSI's published guidance and seek professional advice on their sanctions obligations if necessary. Engaging proactively and candidly with OFSI in relation to information requests can reduce the risk of inadequate compliance or breaches.

24. Further information and guidance on UK financial sanctions can be found on OFSI's website: <https://www.gov.uk/government/organisations/office-of-financial-sanctions-implementation>.