

Imposition of Monetary Penalty – Markom Management Ltd (MML)

SUMMARY

1. On 10 January 2025, the Office of Financial Sanctions Implementation (“OFSI”), part of HM Treasury, imposed a penalty of £300,000 on a UK registered company, Markom Management Limited (“MML”), in accordance with section 146 of the Policing and Crime Act (“PACA”) 2017.
2. The penalty was imposed on account of MML’s contravention of The Ukraine (European Union Financial Sanctions) (No.2) Regulations 2014 (“the Ukraine Regulations”) which gave effect to Council Regulation (EU) No 269/2014 (Ukraine Misappropriation and Human Rights) (“the EU Regulations”). In particular, the penalty relates to a payment of £416,590.92 instructed by MML to be made on 20 February 2018, to a person designated under the EU Regulations (“the Designated Person”) (“the Payment”).
3. OFSI imposed a monetary penalty on MML because it was satisfied that, on the balance of probabilities, MML breached prohibitions imposed by financial sanctions legislation and knew, or had reasonable cause to suspect, that their actions would result in funds being made available to a designated person.
4. OFSI did not consider MML’s disclosure to OFSI to be eligible for a voluntary disclosure discount and therefore no discount was applied.
5. Following the issue of a Notice of Intention to Impose a Monetary Penalty of £400,000 on 1 August 2024 (“the Notice”), and consideration of additional material submitted by MML in representations received between 23 October 2024 and 17 December 2024, on 10 January 2025, OFSI considered it appropriate to revise the penalty amount from £400,000 down to £300,000.
6. Under the provisions of PACA, any person who has a monetary penalty imposed on them is entitled to a ministerial review. Under these provisions, the minister may:
 - a. uphold the decision to impose the penalty and its amount;
 - b. uphold the decision to impose the penalty, but alter the amount; or
 - c. cancel the decision to impose a penalty.
7. MML exercised its right to a ministerial review on 18 February 2025. The minister delegated the review to a senior Treasury official with no prior involvement in the case. The review was concluded on 4 June 2025, and OFSI’s decision both to impose the penalty, and the determined sum of £300,000, was upheld.

BACKGROUND & BREACH

8. MML is a UK incorporated company which, in 2018, provided fiduciary, management, administration, bookkeeping and accounting services to companies across various jurisdictions.
9. MML was part of the Markom Group, including Markom Management Cyprus ("MMC"). MMC provided the same services as MML, but for companies registered and operating in Cyprus.
10. On 19 February 2018, the Designated Person made a payment to a client of MMC ("Company A") in accordance with a sale and purchase agreement. The funds were transferred between two accounts at Gazprombank, a non-EU bank in Moscow, and did not involve MML, therefore this was not prohibited under the Ukraine or EU Regulations. However, on 20 February 2018, members of MML senior management were informed via email that this transfer of funds had included an overpayment of RUB 33,000,000 or approximately £416,590.02. MML then issued a transfer instruction to Gazprombank, for a transfer of this amount to be made from Company A's account to the Designated Person's account. This transfer was then executed, resulting in the Payment which made funds directly available to the Designated Person, in breach of the Ukraine and EU Regulations.
11. MML notified OFSI of this breach through its legal representatives on 19 October 2018. The company only identified the breach during an internal review, commissioned as a result of third party activity. As a result of that third party activity and OFSI's engagement with the third party, OFSI's civil investigation did not commence until June 2021.
12. OFSI assessed this case in line with the 2 May 2024 version of OFSI's public Enforcement and Monetary Penalties Guidance. This guidance states that OFSI will assess all cases in line with the enforcement guidance in effect at the time of assessment. All breaches in this case occurred prior to the strict liability amendments to PACA coming into effect.

CIRCUMSTANCES

13. Despite Company A not being a client of MML at the time of the breach, MML was notified of the overpayment for several reasons.
14. Company A had previously been a client of MML, meaning there was a historic connection between the two entities and members of staff within MML remained a

point of contact on day-to-day matters for Company A, including the execution of payments, due to being able to communicate in Russian with Company A's representative. This was reflective of the informal transnational working model that had developed between MML and MMC.

15. MML's lack of appropriate processes and inadequate knowledge of sanctions compliance along with the desire to make a payment in haste, meant that the risk of returning funds to the Designated Person in breach of the Ukraine and EU Regulations was not appreciated.

CASE ASSESSMENT

16. OFSI will take several factors into account that could be assessed as aggravating or mitigating when determining how seriously it views a case (the "case factors"). Within these case factors, OFSI will make an overall assessment as to the breach severity and the conduct of the person who has breached. With reference to these factors set out in OFSI's Enforcement and Monetary Penalties Guidance, the aggravating factors in this case were:
- a. MML made £416,590.92 directly available to the Designated Person, which OFSI considers to be a high value breach (case factor B).
 - b. The Designated Person financially benefited from those responsible for the annexation of Crimea and destabilisation of eastern Ukraine, therefore the purposes of the sanctions regime are harmed in making funds available to them, enabling the Designated Person to avoid suffering a net loss of funds (case factor C).
 - c. In 2018, sanctions imposed by the UK in respect of Ukraine were a strategic priority for the UK and its foreign policy (other relevant case factor regarding severity).
 - d. MML made funds directly available to the Designated Person by instructing Gazprombank to make the Payment, with a clear view of the recipient of the Payment. OFSI does not consider MML's reported misunderstanding of the sanctions regulations to be acceptable conduct, as MML did not take any steps to verify their understanding through seeking legal advice, instead prioritising making the Payment in haste, thereby demonstrating disregard for sanctions compliance (case factor D).
 - e. MML had policies in place that should have meant employees would be aware of relevant sanctions regimes and the sanctioned status of any of their customers. However, these were inadequate because there were no policies or controls in place to manage the sanctions risk of the informal

transnational working practices that existed between MML and MMC; the context within which the breach took place (case factor E).

- f. MML played an active role in the breach. There was no complexity leading to MML's accidental involvement; rather they made the decision to instruct the Payment with the knowledge that the recipient was the Designated Person (case factor M).

17. These factors were weighed against the mitigating factors in the case, which were as follows:

- a. After discovering the breach, MML took steps to improve their sanctions compliance to avoid repeated failures, and OFSI considers this particular breach to be a one-off (case factor I).
- b. MML submitted a materially complete initial disclosure to OFSI, with full detail of the internal review provided in good faith. This was assessed as mitigating by OFSI in its assessment of the relevant case factor, however, the disclosure was not considered to have met the criteria for a voluntary discount reduction in penalty (case factor J).
- c. MML co-operated fully throughout OFSI's investigation in responding to all requests for information by agreed deadlines and submitting preliminary notifications and relevant documentation without specific requests (case factor K).

18. In the context of these aggravating and mitigating factors, and in accordance with the Enforcement and Monetary Penalties Guidance, OFSI assessed this case overall to be "serious" as opposed to "most serious".

19. The total breach value in this case was £416,590.92, therefore the permitted statutory maximum penalty was £1,000,000. Taking into account all the case factors, OFSI notified MML of its intention to impose a penalty of £400,000 with no voluntary disclosure discount.

20. Following receipt of MML's representations submitted in response to the Notice and additional information, OFSI reevaluated the aggravating and mitigating weight attributed to certain case factors used in its assessment. As a result, OFSI decided it appropriate to impose a penalty of £300,000. This reduced penalty amount was subsequently upheld following a delegated Ministerial Review.

NOTES ON COMPLIANCE

21. UK financial sanctions apply to all UK Persons including legal entities established under UK law, which must ensure they comply with those UK financial sanctions that are in force. This case highlights important compliance lessons for a wide range of industry stakeholders.
22. Firstly, this case highlights that it is essential for firms to understand their levels of exposure to sanctions risks and to take necessary action to address them. This expectation applies to all firms regardless of their size. Firms with higher risk clients should educate themselves to an appropriate level on the risks, including by properly engaging with OFSI's published guidance and seeking professional advice on their sanctions obligations where necessary. The need for a sound knowledge of activity prohibited by sanctions regulations is highlighted in this case by the significant misunderstanding of prohibitions in relation to payments regarded as refunds and the speed of making payments being prioritised over paying sufficient regard to ensuring compliance.
23. Second, the need for adequate sanctions processes to ensure compliance. OFSI will not necessarily consider the existence of sanctions policies and processes mitigating if they are not fit for purpose. Further, this case demonstrates the significant risks that can emerge when no processes are in place to manage the sanctions risk of informal transnational working practices.
24. Third, this case illustrates the need for all firms to have appropriate systems and controls in place to promptly identify and report suspected breaches of financial sanctions to OFSI. Voluntary disclosure in serious cases can result in a discount of up to 50% under OFSI's current policy.
25. 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>