

Imposition of Monetary Penalty – Colorcon Limited

SUMMARY

1. On 10 September 2025 the Office of Financial Sanctions Implementation (OFSI), part of HM Treasury, imposed a penalty of £152,750 on a UK registered company, Colorcon Limited ("Colorcon"), in accordance with section 146 of the Policing and Crime Act 2017.
2. The penalty concerns breaches by Colorcon of regulation 12 of the Russia (Sanctions) (EU Exit) Regulations 2019 (the "Russia Regulations").
3. Colorcon operated a representative office in Moscow that made 123 payments (with a collective value of £191,290.57) to non-designated employees and certain service providers holding accounts at designated entities Alfa Bank JSC (Group ID: 15017), Promsvyazbank (Group ID: 14184), Sberbank (Group ID: 15076), and VTB Bank (Group ID: 14195) between 23 March and 2 December 2022.
4. OFSI assessed that 44 of the above payments (totalling £63,012.85) made between 12 August and 31 October 2022 were permitted under General Licence INT/2022/2055384 ("Companies winding down operations in Russia") prior to its expiry. Therefore, the total amount of payments in breach of UK financial sanctions was £128,277.72.
5. OFSI imposed a monetary penalty on Colorcon because it was satisfied that, on the balance of probabilities, Colorcon breached prohibitions imposed by financial sanctions legislation, namely making funds available to designated persons. OFSI concluded that for the payments that fell prior to the introduction of strict civil liability in June 2022 Colorcon had knowledge or reasonable cause to suspect that their actions would make funds available to designated persons.
6. Colorcon made initial and full disclosures to OFSI and cooperated fully with OFSI's investigation. However, there was a 4-month delay between Colorcon becoming aware of the breaches and making an initial notification to OFSI. OFSI did not consider that Colorcon's disclosure could reasonably be considered prompt. Consequently, a 35% discount (against a maximum of 50%) was made to the final penalty amount. Were it not for this reduction, OFSI would have imposed a penalty of £235,000.
7. Having been informed of OFSI's intention to impose a monetary penalty and invited to make representations, Colorcon chose not to make representations and did not seek a review of OFSI's decision.

BACKGROUND

8. Colorcon is the UK subsidiary of Colorcon Inc., a global provider of products for the pharmaceutical and nutritional industries. Colorcon, at the time of the suspected breach, operated a representative office in Moscow (the “Moscow Office”).
9. On 21 April 2023, Colorcon submitted a breach report and notice of disclosure via their legal representatives, submitting a further and more detailed report on 30 June 2023. Following these notifications, OFSI commenced an investigation on 30 June 2023.
10. In assessing this case, OFSI applied the current version of the ‘Financial sanctions enforcement and monetary penalties guidance’ (the “Enforcement Guidance”), last updated in November 2024.

THE BREACHES

11. The payments were predominantly to pay Moscow Office employee salaries, with a small number of payments for the company’s bookkeeping and payroll services, car and medical insurance for employees, and payments fulfilling contracts for additional services.
12. Collectively, the total value of payments made to designated institutions amounted to £191,290.57. All payments were made in Russian rubles and have been converted to British pounds using the conversion rate for each payment on the day the payment was processed.
13. Colorcon made 44 payments between 12 August and 31 October 2022, which OFSI assessed were permitted under General Licence INT/2022/2055384 (“Companies winding down operations in Russia”) prior to its expiry. The value of payments in breach of the Russia Regulations was therefore £128,277.72. Colorcon continued to make payments after the expiry of this General Licence. OFSI identified that reporting requirements for payments made under this General Licence were not complied with, which was considered an aggravating factor when assessing the monetary penalty to be imposed, and is an offence in its own right.
14. All the payments were initiated by Colorcon’s Russian bookkeeper, who entered the instructions into a financial institution’s electronic payment system, with a summary of the instructions then sent to Colorcon for authorisation. Colorcon’s authorised signatories, located in the UK, confirmed the payments directly on that system. The authorisations given by Colorcon’s signatories focused on checking the details of the sums to be paid and the payee were accurate and did not involve a review of the sanctions status of the bank at which the recipient account was held.

CASE ASSESSMENT

15. 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.
16. As a UK-based company actively operating in Russia, with a Russian office, Russian staff, and Russian customers, Colorcon had a specific and heightened exposure to sanctions risk, making it reasonable to expect it would make itself aware of its sanctions obligations, risks and exposures. This awareness was demonstrated through Colorcon’s measures to review and improve sanctions measures prior to the Russian invasion of Ukraine and its ultimate decision to close its Moscow Office. Despite this exposure, Colorcon failed to sufficiently manage sanctions risk; with its review focusing on sanctions screening procedures and their reinforcement in relation to direct customers, shareholders and remitting banks rather than their own employees and service providers.
17. Colorcon asserted that its understanding was that their bank would apply UK sanctions across the bank’s business, and that any payments made by Colorcon to the Moscow Office would be subject to sanctions screening. OFSI noted that this was never explicitly tested by making appropriate enquiries with the bank in question.
18. With reference to the case factors set out in OFSI’s Enforcement Guidance, the aggravating factors in this case were:
 - a. The 79 breach payments have a total combined value of £128,277.72 (case factor B).
 - b. The payments were made directly to accounts held with designated institutions, which undermines and poses significant harm to the objectives of the Russian sanctions regime (case factor C).
 - c. Colorcon are a global company with an established presence in Russia, who had significant awareness of the sanctions risk and failed to take reasonable care. Colorcon had reasonable cause to suspect that the payments that took place prior to the introduction of strict civil liability in June 2022 could amount to a breach of the Russia Regulations (case factor D).
 - d. Colorcon had operated the Moscow Office for over 15 years and at the time of the suspected breach was clearly heavily exposed to UK financial sanctions, being a UK incorporated company operating in Russia at a time when far reaching sanctions were in effect. Consequently, Colorcon

should have had a more developed understanding and awareness of financial sanctions and their relevance in the context of their Russian operations than they in fact demonstrated (having engaged external legal counsel to advise on sanctions compliance since before the invasion of Ukraine and tasked internal teams with monitoring sanctions post-invasion). Additionally, Colorcon's compliance procedures were insufficient, with breaches occurring due to their own omission to appropriately consider or mitigate their financial sanctions risk exposure (including in relation to payment of counterparties such as employees and service providers) or clarify the screening position of the financial institution at which they operated an account (case factor E).

- e. Colorcon did not recognise (at the time of the payments) that a general licence with requirements could be relied upon for certain transactions, nor did they understand the importance of reporting (having failed to comply with the reporting requirement contained within General Licence INT/2022/2055384 ("Companies winding down operations in Russia"), under which they should have reported within 30 days of making or receiving a payment (including details and supporting evidence) in accordance with that licence). This is an offence in its own right that could be subject to a penalty (case factor G).
- f. The failure by Colorcon to identify multiple payments to accounts held at designated banks over an extended period of time, from March to December 2022, involving repeated and persistent errors (case factor I).
- g. The lack of prompt disclosure to OFSI by Colorcon with 4 months having elapsed between Colorcon becoming aware of the breaches and notifying OFSI (case factor J).

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

- a. The payments were made in relation to medical and humanitarian purposes (case factor C).
- b. Colorcon provided voluntary disclosures to OFSI, which contained sufficient information for OFSI to properly assess the matters described and launch a full investigation; having also provided significant detail regarding the operations of the Moscow Office, investigated the underlying causes of the breaches, responded in a largely timely manner to OFSI requests for information and committed to full cooperation with OFSI (case factors J and K).
- c. OFSI recognises that Colorcon's decision in August 2022 to exit the Russian market indicates a level of awareness of the UK and EU sanctions

landscape and a willingness to exit an area posing a heightened sanctions risk (case factor M).

20. In the context of these aggravating and mitigating factors, and in accordance with the Enforcement Guidance, OFSI assessed this case overall to be “serious” as opposed to “most serious”.
21. OFSI values voluntary disclosure and expects suspected breaches to be disclosed as soon as reasonably practicable after discovery. There was a 4-month delay between Colorcon’s awareness of potential breaches and notifying OFSI. OFSI considered that the circumstances of the breaches were not complex or requiring extensive analysis, and the initial disclosure after 4 months was only a pre-notification. OFSI considered the subsequent fuller disclosure (provided after a further two months had elapsed) was then detailed and complete.
22. OFSI’s Enforcement guidance states that a discount of up to 50% may be granted for prompt and complete voluntary disclosure in a case assessed as serious. OFSI did not consider this voluntary disclosure was prompt, and assessed that a full 50% voluntary disclosure discount was not merited. The voluntary disclosure discount granted in this case was therefore reduced from 50% to 35%.
23. The total value of the transactions in breach was £128,277.72, therefore the permitted statutory maximum penalty was £1,000,000. Taking into account all the case factors, OFSI considered it reasonable and proportionate to impose a penalty of £235,000. After applying a 35% voluntary disclosure discount, the final penalty amount was £152,750.

NOTES ON COMPLIANCE

24. UK financial sanctions apply to all UK persons including entities established under UK law irrespective of where their activities take place and including their overseas offices. This case highlights important compliance lessons for a wide range of industry stakeholders.
25. First, it is insufficient for a company to rely on a third party to undertake financial sanctions checks or screening on their behalf. The company undertaking the actions will be liable for any breach that occurs and should ensure that the activities of third parties are appropriately understood, including through the making of proportionate enquiries.
26. Second, sanctions policies and processes should be regularly reassessed to maximise effectiveness in response to the changing geopolitical landscape. OFSI will not necessarily consider the existence of sanctions policies and processes mitigating if they are not fit for purpose. In Colorcon’s case the relevant documentation was kept under review but had not been materially updated since 2018. Reviews should assess all aspects of relevant sanctions risks to which a company is exposed including, for

example, those posed by both financial and trade sanctions (even if trade sanctions are of more immediate relevance to a company's day to day activities) with policies and processes being regularly and consequently updated where needed.

27. Third, OFSI's issuance of a general licence does not imply that similar transactions made outside the terms of a general licence will be viewed by OFSI as not serious. The short duration of some general licences is intended to limit the extent to which certain types of payment can be made which may be harmful and should only take place within strict parameters.
28. Fourth, it is an offence not to comply with general and specific licence reporting requirements. A failure to comply with reporting requirements undermines the importance of correct and timely reporting and is a signifier of poor conduct. It could also be treated as an aggravating factor if a monetary penalty is levied.
29. Fifth, breaches should be disclosed to OFSI as soon as reasonably practicable after discovery. Although it is reasonable for a person to take some time to assess the nature and extent of the breach, or seek legal advice, this should not delay an effective response to the breach. As demonstrated in this case, OFSI places great value on prompt voluntary disclosure, with a 4-month disclosure delay leading to a reduction in the voluntary disclosure discount from the maximum of 50% to 35%.
30. If you know or suspect you have committed a breach of financial sanctions, you should inform OFSI as soon as practicable. OFSI values voluntary disclosure and if made by the person who has committed a breach this may be considered a mitigating factor when OFSI assesses the case.
31. If you hold or control, or are otherwise dealing with, the funds or economic resources of a designated person you must:
 - a. freeze them
 - b. not deal with them or make them available to, or for the benefit of, the designated person, unless:
 - i. there is an exception in the legislation that you can rely on; or
 - ii. you have a licence from OFSI
 - c. report them to OFSI
32. 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>.