



HM Treasury

Reform of OFSI's enforcement processes

Consultation Response

January 2026

Contents

Chapter 1: Executive summary and policy statement	4
Chapter 2: Enforcement case assessments and discounts	6
Chapter 3: Settlement Scheme	8
Chapter 4: Early Account Scheme	11
Chapter 5: Changes to penalty processes for information, reporting and licensing reporting offences	13
Chapter 6: Changes to OFSI's statutory penalty maximums	15

Chapter 1: Executive summary and policy statement

Background

- 1.1. Since HM Treasury's Office of Financial Sanctions Implementation (OFSI) introduced its monetary penalty processes in 2016-2017, there has been a significant increase in both the volume and complexity of enforcement investigations, largely following Russia's illegal invasion of Ukraine in February 2022.
- 1.2. Sanctions enforcement investigations can be extremely resource intensive, and whilst current practices are broadly in line with other regulators and jurisdictions, OFSI still seeks opportunities in which it can improve its processes and increase efficiencies across both the public and private sectors.
- 1.3. Following a review, OFSI identified several areas in which revisions could be made to improve its enforcement processes to make resolving enforcement cases quicker and easier, as well having a more transparent system for how OFSI assesses cases. OFSI ran a consultation on reform of its enforcement processes, in which the consultation asked respondents to assess five proposals for reform.
 - **Case assessment matrix and voluntary disclosure discounts:** Providing more guidance on how OFSI assesses cases, including through the publication of a new case assessment matrix, aimed at improving the transparency and simplicity of OFSI's penalty processes. Revising discounts for self-disclosure by introducing a Voluntary Disclosure and Co-operation discount.
 - **Settlement scheme:** Implementing the option to settle enforcement cases could significantly reduce the duration of some enforcement cases, as well as decreasing the resource burden for both OFSI and industry.
 - **Early Account Scheme:** Introducing an Early Account Scheme (EAS), which would allow subjects of an investigation in appropriate cases to provide OFSI with a comprehensive account as early as possible, leading to expedited investigation outcome times.
 - **Information, reporting and licensing offences:** Introducing a streamlined enforcement process for information, reporting and licensing offences with the addition of separate guidance on these offences which could allow appropriate cases to be resolved quickly,

whilst offering greater consistency and clarity to how these breaches would be resolved.

- **Statutory maximum penalties:** Introducing increased maximum penalties to strengthen deterrence and increase OFSI's flexibility to enforce breaches of financial sanctions.

Summary of responses

- 1.4. OFSI received 28 responses from individuals, companies, and trade groups representing firms within OFSI's jurisdiction, such as financial institutions, by the conclusion of the consultation period. As part of the consultation, OFSI proposed several changes and requested responses to specific questions. Chapters 2-6 summarise the responses received.

Policy Decision

- 1.5. OFSI is grateful to respondents for the evidence they provided. Following an analysis of the responses received, **OFSI will pursue all the proposals from the original consultation and incorporate feedback from consultation respondents to improve these proposals.** Where OFSI consulted on alternative models for implementing these proposals, we have used the evidence received to inform our decision on the model to adopt. Further details are provided on these policy decisions, including improvements to the original proposals, in Chapters 2-6.
- 1.6. Most of these proposals will be taken forward and implemented shortly. Measures such as increases to penalty statutory maximums will require legislative changes.

Chapter 2: Enforcement case assessments and discounts

Consultation questions

Question 1: Do you agree with the proposed changes to OFSI's case assessment guidance?

Question 2: Do you agree with the proposed changes to OFSI's voluntary disclosure discounts?

- 2.1. Question 1 received largely positive feedback on OFSI's proposals to improve public case assessment guidance by introducing new matrices on (1) severity and conduct and (2) case outcomes, in order to be more transparent with industry. To make these matrices useful, many respondents pushed for further clarity on the definitions of the terms used in these matrices, especially what OFSI sees as mitigating, neutral, or aggravating conduct, as well as more clearly defining levels of severity and how types of conduct impact it. The overall case assessment categorises each case into one of four categories: Lower Severity, Moderate Severity, Serious or Most Serious. Multiple respondents expressed apprehension about OFSI updating guidance to increase the base penalty for Serious and Most Serious cases as they stressed that OFSI's reasoning was not made clear enough in the consultation. One respondent also noted such updates may not be proportionate if taken forward together with other proposals in the consultation, such as increasing maximum penalties. Lastly, some industry stakeholders expressed worry about how post-breach activity undertaken by a company to address a breach would be considered if it is being removed as a conduct case factor and only being assessed at the discount phase of an investigation.
- 2.2. Responses to Question 2 indicated an understanding of OFSI's intention to simplify discounts to monetary penalties by applying a uniform 30% discount for Serious and Most Serious cases. However, many respondents noted the reduction of a discount for Serious cases (from 50% to 30%) would likely reduce incentives to self-report in practice. Several respondents encouraged OFSI to maintain current discount levels. Multiple respondents cited a recent penalty case ([Colorcon Limited](#)), which resulted in a 35% discount, as an example of how recently OFSI has exercised its discretion to issue a discount of less than 50%.

Government response

OFSI will publish a new case assessment matrix to improve transparency and simplify OFSI's enforcement processes. A key motive behind the consultation was to help industry understand OFSI's enforcement procedures. OFSI hopes the case assessment changes, which have been strengthened from consultation feedback, will meet this goal. Further detail and explanation of the changes to these matrices will be found in the forthcoming public guidance.

OFSI will also replace the current discount for voluntary self-disclosure with a Voluntary Disclosure and Co-operation discount. The maximum Voluntary Disclosure and Co-operation discount available in all penalty cases will be 30% (as opposed to the maximum of 50% currently available in Serious cases).

OFSI considered retaining the current 50% maximum voluntary self-disclosure discount, following consultation feedback that this level of discount would encourage fuller disclosure. However, OFSI also assessed the potential negative impact that such a high discount could have on the deterrent impact of monetary penalties, and in turn, the effectiveness of UK's sanctions regimes. On balance, we concluded that maintaining monetary penalties as a serious deterrent should be prioritised here. OFSI will proceed to introduce a Voluntary Disclosure and Co-operation discount at a maximum eligible discount rate of 30%. OFSI will retain its discretion when determining whether a subject is eligible for the full 30% discount or less, depending on the extent of initial disclosure and subsequent co-operation.

Additionally, under the revised framework, firms may be able to access a range of discounts: the Voluntary Disclosure and Co-operation discount (maximum 30%), the EAS discount (maximum 20%) and a settlement discount (20%). In combination, these could reduce a penalty by a maximum of 70%. OFSI considered it important to ensure that the Voluntary Disclosure and Co-operation discount remains proportionate when viewed alongside these other incentives. Keeping the maximum Voluntary Disclosure and Co-operation discount at 30%, rather than increasing it to 50%, helps to maintain an appropriate overall balance.

Firms that engage early and constructively will still receive a significant reduction, but penalties will continue to reflect the seriousness of the breach once all discounts are applied.

Chapter 3: Settlement Scheme

Consultation questions

Question 3: Do you agree with OFSI's proposal to introduce a settlement scheme?

Question 4: Do you agree with OFSI's proposed settlement discount?

Question 5: Were you the subject of a potential monetary penalty, would the proposed settlement discount incentivise you to enter into a settlement scheme?

Question 6: Do you have any views on how OFSI could incentivise the use of the settlement scheme other than through penalty discounts?

- 3.1. Respondents overwhelmingly agreed or strongly agreed with the introduction of a settlement scheme in principle (Question 3). Respondents largely agreed that the implementation of a settlement scheme would help align OFSI with other UK regulatory bodies; however, there was disagreement on the suggestion that such a scheme would lead to faster outcomes. The respondents pointed out that the 30-business day settlement period only comes into play after an investigation has already been undertaken, which will continue to take a long time in complex cases. Relatedly, there was scepticism that the 30-business day settlement period would be sufficient to reach agreement, especially for large firms that must undergo lengthy internal processes for legal approvals. Respondents critical of the proposal also raised issue with having to accept liability for a breach and waive their right to appeal due to potential self-incrimination and related liabilities. They suggested that this would require subjects to go further than is currently required in the contested route.
- 3.2. The majority of responses to Question 4 indicated support for establishing a 20% discount for agreeing to settle with OFSI within the 30-business day settlement period. Some stakeholders argued that the proposed 20% discount would not provide sufficient incentive and recommended adopting a higher discount. Some respondents noted the discrepancy between OFSI's 20% proposed discount and the 30% offered by the Financial Conduct Authority or Bank of England. Respondents noted that the discount was not sufficient to offset some of their other concerns, such as the short timelines to adjudicate settlements or the need to waive the right to appeal.
- 3.3. While responses to Question 5 were split, industry stakeholders were unsure that the proposed settlement discount would incentivise entry into the scheme as it would need to be determined on case-by-case

specifics. For instance, respondents noted that it would depend on the amount OFSI was seeking to impose, whether it would be considered proportionate in light of the other possible changes being made to increase penalties, and how much input the respondent would have in shaping the public notice.

- 3.4. Respondents provided answers similar in theme for Question 6. Regarding additional incentives beyond penalty discounts, the most widely advocated was for OFSI to make settlements confidential, which would avoid publication of the name of the person committing the breach. This also featured in response to Question 8. Some respondents noted this would align more with HM Revenue and Customs' approach in relation to compound settlements for breaches of trade measures. Other suggestions included: extending the settlement resolution timeline; providing higher percentage penalty discounts; avoiding the requirement to admit liability; or offering immunity from criminal or other UK civil enforcement.

Government response

OFSI will proceed to introduce a settlement scheme, taking into account the feedback received through the consultation. Under the revised scheme, OFSI will be able to resolve monetary penalty cases through a time-limited, negotiated settlement. Subjects will need to waive their rights to a Ministerial Review and to appeal OFSI's decision judicially as a condition of agreeing a settlement and will be eligible to receive a penalty discount of 20%, as well as the opportunity to input into the public penalty notice.

In the consultation, OFSI originally proposed that the settlement discount would be up to an additional 20% of the remaining proposed penalty amount after any discount had been applied for Voluntary Disclosure and Co-operation. An illustrative example of the original proposal was given to explain the sequential discounts which demonstrated that a subject receiving the maximum 30% Voluntary Disclosure and Co-operation discount, then the 20% settlement discount, received a total discount of 44%.¹

In light of consultation feedback on the discount rate, OFSI considered whether a higher settlement discount might encourage greater use of the settlement scheme. To address industry concerns, OFSI is revising this proposal so that the settlement discount will be 20% of the baseline penalty amount. To increase the overall incentive when combined with other discounts and to make the scheme simpler to understand, OFSI will apply all applicable discounts (for Voluntary Disclosure and Co-operation, settlement or participation in the Early Account Scheme) concurrently to the same baseline penalty.

¹ First a 30% discount was applied, leaving a revised total of 70% of the baseline penalty amount. Then a 20% settlement discount was applied to the revised amount, meaning that the settlement discount was worth 20% of 70% of the baseline penalty amount, i.e. 14%. The total discount to the baseline amount was therefore 30% + 14%, or 44%.

These changes maintain the monetary value of each separate discount, increasing the incentive to cooperate fully with OFSI at each stage and preserving OFSI's flexibility to proportionately enforce sanctions. For example, if a subject receives a maximum Voluntary Disclosure and Co-operation discount of 30% and receives a further 20% discount for agreeing to settle, the subject will receive a total of 50% discount to the baseline penalty. OFSI believes that a settlement discount any higher than 20% could undermine the deterrent effect of civil monetary penalties, and that these collective discounts will be reasonable in comparison to other enforcement bodies.

OFSI continues to see value in introducing a settlement period of 30-business days to accelerate resolution compared to the existing contested route which will also remain in place. To ensure that an unsuccessful attempt to reach settlement does not increase the overall timeline of a penalty case, under the final scheme OFSI will conduct settlement negotiations in parallel with issuing the formal Notice of Intention. The 30-business day settlement period is longer than that operated by other enforcement bodies, including the Financial Conduct Authority (FCA), which normally seeks to settle within 28 calendar days. OFSI's discretion to grant short extensions on a case-by-case basis in limited circumstances will remain.

In the consultation, OFSI stated circumvention cases would not be eligible for the settlement scheme; however, after consideration of feedback received from the consultation, OFSI will consider whether cases which involve an element of circumvention are appropriate for settlement on a case-by-case basis. For example, OFSI see value in settlement being offered to an entity where circumvention was historical and all individuals involved have been removed from the firm. Further detail of the circumstances where OFSI may offer settlement will be set out in OFSI's forthcoming public guidance.

To address industry concerns that a requirement to admit sanctions breaches could expose them to additional legal liability, OFSI's settlement scheme will require subjects only to agree not to contest OFSI's findings in order to resolve a case through settlement.

Regarding suggestions to anonymise settlements, OFSI considers that identifying the parties to a settlement is in the public interest due to the impact this has in deterring breaches of financial sanctions. As such OFSI does not consider that anonymisation would be an appropriate incentive.

Chapter 4: Early Account Scheme

Consultation questions

Question 7: Do you agree that OFSI should introduce an Early Account Scheme?

Question 8: What are your views on appropriate incentives and discount for subjects settling a case using the Early Account Scheme?

- 4.1. Answers to Question 7 indicated support in principle for an Early Account Scheme (EAS), acknowledging the aim of speeding up the investigation process. Respondents generally sought more detailed guidance on OFSI's expectations of firms that seek to use the scheme. For instance, respondents noted it would be helpful for OFSI to create a template for EAS submissions, publish anonymised case studies to illustrate how EAS could be applied in practice, or create a fair exit mechanism that does not punish a participating firm from leaving the scheme. One respondent noted the EAS would be a more efficient way for a firm to address a breach instead of handling piecemeal requests for information (RFIs) from OFSI. However, some industry stakeholders were not supportive of the introduction of the EAS, arguing that it provided insufficient incentive for use of the scheme given the cost of conducting an investigation or paying for a third-party investigation may exceed the reduction in the monetary penalty given. They worried the scheme could pressure firms to admit wrongdoing prematurely given that firms may need to decide whether to apply to enter the EAS before they have fully assessed their risk exposure. They also worried that the attestation required for a submission could create legal liability. They considered that such a scheme is also inherently unfair as only large firms could take advantage of it given the risks described. These respondents advocated taking elements of the EAS and incorporating them into the Voluntary Disclosure and Co-operation discount instead.
- 4.2. Responses to Question 8 included several suggestions for incentivising the use of the EAS, such as creating a defined timeline for the EAS scheme, allowing entry into the EAS at a later stage, or finding ways to offset the cost of the investigation for the firm participating in the EAS. Several respondents also expressed confusion as to whether the maximum 40% discount for the EAS would be in addition to the maximum Voluntary Disclosure and Co-operation discount of 30% and sought to better understand if OFSI would be offering a maximum 40% or 70% overall discount.

Government response

OFSI will proceed to introduce an EAS that will enable subjects to provide a full and complete account of potential breaches together with all relevant materials and evidence in return for a discounted penalty. This scheme has been informed by the EAS introduced by the Bank of England in 2024. This could significantly expedite the investigation stage of a case and is an opportunity for a subject to provide as comprehensive an account as possible, as early as possible to OFSI.

OFSI acknowledges that the EAS may not be appropriate in all cases and does not expect that it would be used in the majority of cases. Further detail of the circumstances where OFSI may accept the use of the EAS will be set out in OFSI's forthcoming public guidance.

To address concerns about firms' incentives to use the EAS, and to clarify how the cumulative value is calculated when multiple discounts are applied, OFSI has revised its proposals. Originally, OFSI proposed that subjects using the EAS would be entitled to an increased settlement discount of up to 40% of the remaining proposed penalty amount after any discount had been applied for Voluntary Disclosure and Co-operation.

In response to industry feedback, OFSI has revised these proposals so that the discount for the EAS is independent of participation in the settlement scheme. Under the revised EAS, OFSI will provide a separate discount of up to 20%, regardless of whether firms subsequently choose to contest rather than settle the case. As with the settlement discount, the EAS discount will be applied to the baseline penalty amount at the same time as any applicable Voluntary Disclosure and Co-operation discount. As with the revisions to the settlement discount, these changes maintain the monetary value of each discount whether or not a subject is eligible for other discounts also, increasing the incentive to cooperate fully with OFSI at each stage.

Chapter 5: Changes to penalty processes for information, reporting and licensing offences

Consultation questions

Question 9: Do you agree that OFSI should revise its penalty processes for information, reporting and licensing offences?

Question 10: If OFSI revised its penalty processes for information, reporting and licensing offences, should OFSI use indicative penalties in public guidance or fixed penalties set out in legislation?

- 5.1. Answers to Question 9 indicated a mix of opinions on whether OFSI should revise its penalty processes for information, reporting and licensing offences. Proponents noted the proposal would create more certainty and better differentiate between types of offences. Some respondents argued £5,000 or £10,000 fines for these offences would not serve as a deterrent, while some respondents argued it would be particularly helpful to indicate that information, reporting and licensing offences would not necessarily be subject to the £1 million or 50% value of breach penalty. Others expressed concern that institutionalising such penalties could lead to over-penalisation for minor breaches or technical errors. Several responses advocated for clearer guidance on the threshold for an aggravated breach that would result in the £10,000 penalty. A few respondents opposed the reduction of the representations window from 30 to 15 days, noting it would not provide sufficient time to respond. Respondents requested OFSI provide additional detail on whether such penalties would be made public.
- 5.2. A clear majority of respondents to Question 10 favoured OFSI using indicative penalties in public guidance, rather than penalties set out in legislation, for revisions to the penalty process for information, reporting and licensing offences. Proponents of indicative penalties in guidance noted it would preserve flexibility, particularly for adjusting the penalty level and determining whether to impose one at all. Respondents also asked OFSI to provide additional detail on how penalties could be appealed and how OFSI would resource this element of enforcement relative to more serious, complex casework. Respondents also critiqued the alternative legislative approach as too rigid, potentially disproportionate, and slow to amend if further updates were desired. However, the smaller group of respondents who were in favour of legislation noted that penalties in law would provide

greater certainty to the public and strengthen confidence in enforcement decisions.

Government response

OFSI will proceed to introduce penalties for information, reporting and licensing offences in public guidance, rather than penalties set out in legislation. The penalty amount for these offences will be fixed at either £5,000 or £10,000 (in line with the proposals in the consultation), so these penalties will be referred to as fixed monetary penalties (information and licensing) in future OFSI guidance. As these set penalties are to be set out in public guidance, they will be imposed using OFSI's existing penalty powers and will not require any amendments to legislation. OFSI's intention in introducing these is to support proportionate, efficient and robust enforcement to drive compliance with information, reporting and licensing requirements. OFSI will retain discretion to impose penalties below or up to the statutory maximum for specified offences should they be warranted.

In response to the concerns that these revisions could lead to 'over-penalisation' for technical breaches, OFSI notes that not all information, reporting and licensing offences will necessarily result in a set monetary penalty. OFSI will continue to use a range of outcomes, as appropriate to the case. This includes warning letters, disclosures or taking no further action. OFSI will continue to assess information, reporting and licensing offences using the same monetary penalty case factors as it does for all other breaches. As set out above, these case factors will be updated in the upcoming guidance.

These set penalties will have a shorter representations stage of 15 business days due to the nature of these offences being less complex than other monetary penalties. As with all OFSI penalties, these penalties will be made public to promote transparency, accountability and deterrence. Further detail on these penalties will be set out in OFSI's forthcoming public guidance.

Chapter 6: Changes to OFSI's statutory penalty maximums

Consultation questions

Question 11: Do you agree that OFSI should increase the statutory maximum permitted penalty amount of £1,000,000 contained in s. 146 of PACA at subsections 3(a) and (4)?

Question 12: Do you agree that OFSI should increase the specified percentage of the estimated value of funds and resources used to calculate maximum permitted penalties at (3)(b)?

Question 13: What are your views on basing maximum penalties on a percentage of turnover during the period relevant to the breach?

Question 14: What are your views on setting a maximum penalty amount for each breach rather than for each case?

Question 15: Are there any other approaches to setting maximum penalties that OFSI should consider?

- 6.1. Responses to Question 11 were divided on whether OFSI should pursue increasing the maximum penalty amount. Many noted it would be unfair, especially when OFSI is not reaching the current £1 million maximum in many cases and a doubling could be seen as excessive, especially for smaller firms. Respondents sought to better understand the rationale, noting there was limited information provided in the consultation. It was also noted that increasing penalty maximums could diminish the benefit of the consultation proposals on the Voluntary Disclosure and Co-operation discount. For those who were more neutral, it was suggested that any increase should be accompanied by a transition period and detailed guidance – such as anonymised case studies – on how penalties would be applied. Nevertheless, some respondents supported doubling the maximum penalty to enhance deterrence. One respondent also suggested indexing penalty maximums to future-proof the amendment process.
- 6.2. Responses to Question 12 indicate that more respondents supported than opposed increasing the maximum percentage of the overall value of the breach. Many of the same arguments made in relation to Question 11 were repeated, including that it would be unfair, especially when OFSI is not reaching the current 50% threshold in many cases and a doubling could be seen as excessive, especially for smaller firms. Respondents sought to better understand the rationale, noting there

was limited information provided in the consultation. It was again suggested that increasing penalty maximums could diminish the benefit of the consultation proposals on the Voluntary Disclosure and Co-operation discount. Those who support an increase acknowledged the flexibility increasing the percentage would provide to OFSI, and pointed to the length of time since the maximum penalty was first introduced as a reason to revisit the current figure.

- 6.3. Responses to Question 13, on whether maximum penalties should be based on a percentage of turnover were mixed. For those who were supportive or neutral, respondents emphasised the need for appropriate safeguards. Some noted this would be a more equitable approach across large and small firms, while others remained concerned this would be unfair to large firms. Critics noted this turnover-based model could become detached from wider foreign policy objectives or the scale of the breach, both of which are currently considered. Respondents also sought further clarity on how OFSI would define the “relevant” period for calculating turnover under this proposal.
- 6.4. For Question 14, roughly half of respondents disliked the concept of calculating maximum penalties on a breach-by-breach basis. Many noted that it would disadvantage large financial institutions processing high volumes of transactions. They also highlighted the breach-by-breach approach could result in disproportionately large penalties. Some respondents also questioned the need for change, given OFSI is not reaching the current maximum penalty in most cases. The remaining respondents were neutral or supportive of exploring the approach further. Some suggested any breach-by-breach model should include a cap on the total penalty available. One respondent noted that this approach could incentivise greater investment in compliance controls.
- 6.5. Suggestions submitted in response to Question 15 on additional approaches to setting maximum penalties included: indexing maximum penalties in line with inflation; increasing OFSI’s staffing resources to process enforcement cases more quickly; increasing the scale of the penalty for repeat offenders; introducing a statute of limitations for breaches; introducing price caps; and modifying reporting requirements to exclude low value de-minimis breaches.

OFSI possesses statutory powers to impose monetary penalties for breaches of financial sanctions, set out in the Policing and Crime Act (PACA) 2017. For certain offences, OFSI's penalty powers are set out in secondary legislation. Introducing higher maximum penalties for civil enforcement action aims to strengthen the deterrent effect of penalties in the most severe and high-value cases, while preserving the flexibility to impose lower penalties when proportionate. OFSI will seek to increase penalty maximums from the higher of £1 million and 50% of the value of the breach to the higher of £2 million and 100% of the value of the breach.

OFSI is required to keep the statutory maximum penalty amount under review. This will be the first time OFSI has altered the cap since its introduction in 2017. The increase will not come into effect until legislation is passed, subject to Parliamentary time. Further updates will be provided in due course.

While some industry stakeholders were concerned that penalty increases could lead to 'disproportionate' fines, OFSI believes increases to penalty maximums will increase the deterrent effect of penalties without limiting OFSI's flexibility to take appropriate and proportionate action. OFSI notes that the value of any penalty is determined at OFSI's discretion and maximum penalties are not automatically mandated by the proposed amendment. OFSI will continue to use its discretion to ensure fines are deployed in a reasonable and proportionate manner on a case-by-case basis, with the highest penalties reserved for the most serious of offences.

Respondents also raised issues with increasing penalty maximums when OFSI has not imposed penalties at the current thresholds. OFSI notes that providing greater flexibility can bolster future cases, which may warrant penalties towards the top of the statutory maximum. OFSI may impose penalties of a higher value in future where appropriate and proportionate, but this is at OFSI's discretion and is not mandated by the proposed amendment.

The consultation also invited views on alternative penalty models, including turnover-based and breach-by-breach approaches. In light of consultation feedback, including concerns about disproportionate outcomes and disadvantaging larger institutions who process a higher volume of transactions, OFSI will not make further changes to OFSI's penalty model at this time.