

# Sanctions: Insights and updates

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# What actions have we taken?

- Completed a thematic review
- Published guidance
- Included sanctions questions in our AML proactive inspection programme
- Wrote to 1,076 firms in January 2024 with controls guidance
- Instigated a sanction's proactive inspection programme

# Inspection findings

- 25% (14 out of 55) firms did not actively provide sanctions advice
- Overall, we found firms had good controls in place
- We signposted firms to our published sanctions guidance
- We engaged with six firms
- We had to refer nine firms for further investigation

# More inspection findings

## Firms we supervise under the MLR 2017 (37 firms)

- 37 firms (100%) were completing identification and verification checks
- 37 firms (100%) were screening clients for sanctions
- 31 firms (84%) completed client/matter risk assessment forms (not all matters reviewed were regulated under the MLR 2017)

## Firms we do not supervise under the MLR 2017 (18 firms)

- 16 firms (89%) were completing identification and verification checks
- 14 firms (78%) were screening clients for sanctions
- 10 firms (56%) were completing a client/matter risk assessment form

# Challenges firms experienced

- Keeping up to date with sanction regime changes
- Understanding ownership and control
- Third party issues

# Best practice

- Having a written risk assessment in place
- Having policies and procedures in place for fee earners to follow
- Screening all clients
- Risk based approach to screening counterparties
- Providing some sanctions training to all staff

# Some challenges

Time to react (or lack of)

Volume/complexity of measures

Application to 'nationals' wherever located

US measures that have an extra-territorial impact

# Some misconceptions

‘The consolidated list identifies all persons that are designated’

‘I don’t act for designated persons, so my sanctions risk is low’

‘I can’t deal with anyone who is a national of a sanctioned country’

‘I don’t need to worry if I’m not involved in transactions involving sanctioned countries’



# OFSI red flags – ‘enablers’ / ‘proxies’

Individuals with limited profiles in the public domain, including those with little relevant professional experience

Inconsistencies in name spellings or transliterations, particularly those stemming from Cyrillic spellings

Recently acquired non-Russian citizenships, including from countries which offer golden visa schemes

Frequent or unexplained changes of name or declared location of operation

# OFSI 'intermediary countries

## Austria

- Enabler activity
- Non-resident banking
- Cryptoasset transactions

## BVI

- Ownership or transfers of assets
- Money laundering networks
- Use of complex corporate structures

## Switzerland

- Networks used to process funds of designated persons (DPs)
- Non-resident banking

## The Republic of Cyprus

- Ownership or transfers of assets
- Enabler activity
- Use of complex corporate structures

# OFSI 'intermediary countries'

## UAE

- Ownership or transfers of assets
- Enabler activity
- Networks used to process DP funds
- 'Copycat' companies
- Cryptoasset transactions

## Türkiye

- Enabler activity
- Maintenance and crewing of superyachts owned or controlled by Russian DPs
- Non-resident banking

## Cayman Islands

- Offshore account payments
- Enabler activity

## Notable mention: Isle of Man/Guernsey

- Increase in breach reports

# Some final updates

- Designation of Blood & Honour – a domestic far-right terror organisation
- Setup of the Office for Trade Sanctions Implementation (OTSI)
- Legal Sector Threat Assessment – builds on financial sanctions

# More information

[sra.org.uk/sanctions](https://sra.org.uk/sanctions)

[gov.uk/guidance/uk-sanctions](https://gov.uk/guidance/uk-sanctions)