

# Financial sanctions and useful tips on compliance

Ross Gillson, Head of AML Policy

Mandeep Sandhu, Head of AML Proactive Supervision

# Financial sanctions

- Financial sanctions:
  - Asset freezes
  - Restrictions on financial markets and services - like investment bans
  - Ships and aeroplanes
  - Travel bans
- Licences from the Office of Financial Sanctions Implementation (OFSI):
  - Specific
  - General

# Differences between the AML regime and sanctions

AML	Sanctions
Applies to two thirds of firms	All firms
25% beneficial ownership	Ownership and control test is very wide
Prescribed set of regulations	Don't breach the regime – no set of rules setting out what is required
Risk based approach	Strict liability
Suspicious activity reports	Wider reporting obligations - Breach, encounter designated person, or frozen assets
Regulations apply to client assets, not to payment for legal work	Cannot obtain payment without licence and applies to all monies

# How this might affect your firm

- Failure to screen
- Providing benefit to a designated person
- Ownership and control
- Licence to obtain your fees

# Sanctions controls

- Demonstrating good controls is important. This could include:
  - Risk assessment
  - Policies, controls and procedures
  - Client due diligence
  - Training
  - Reporting to senior management and audit
  - All appropriately documented

# Sanctions risks

- Ownership and control
- Use of e-verification
- Accepting money before due diligence is completed
- Ongoing monitoring – changes to the list

# Sanctions controls

- Consider whether you build into your AML compliance regime
- Use of screening tools
- Limiting work to experts within firm
- Senior management sign off on high risk matters/clients
- Don't accept payment until client due diligence in place

# Sanctions controls

- Ongoing monitoring of clients
- Monitor licences and limitations
- Monitor accounts and have controls in place to prevent movement of money
- Monitor reporting obligations – diary reminders

# What if things go wrong?

- Stop work
- Contain it
- Report it - OFSI and to us
- Check OFSI enforcement guidance - [gov.uk/government/publications/financial-sanctions-faqs](https://www.gov.uk/government/publications/financial-sanctions-faqs)

# Counterparties

- Strict liability regime - need to manage your risk of breaches due to counterparties
- A proportionate approach to controls and checks
- Integrate it into your conflict checks

# Questions and further information

- Email us at [aml@sra.org.uk](mailto:aml@sra.org.uk)
- Further guidance:
  - SRA sanctions guidance  
[sra.org.uk/sanctions-guidance](https://sra.org.uk/sanctions-guidance)
  - OFSI sanctions guidance  
[gov.uk/government/publications/financial-sanctions-faqs](https://gov.uk/government/publications/financial-sanctions-faqs)