

UK Establishes New HM Treasury Office to Implement Financial Sanctions

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On March 31, 2016, the U.K. launched the new Office of Financial Sanctions Implementation (OFSI) within HM Treasury. OFSI, which assumes the financial sanctions responsibilities previously carried out by HM Treasury's Asset Freezing Unit, is tasked with providing guidance to the private sector on sanctions and working with law enforcement and other branches of the U.K. government on the implementation and enforcement of sanctions measures. HM Treasury's announcement of OFSI's launch emphasizes that a key function of the new office is to provide "high-quality service" to U.K. businesses to promote an understanding of and compliance with financial sanctions.¹

In its announcement of the establishment of OFSI, HM Treasury also noted that the U.K. government is seeking to pass legislation to increase the penalties for noncompliance with financial sanctions. Both the establishment of OFSI and the U.K. government's plan to legislate new penalties had been included in HM Treasury's Summer Budget of July 2015 and have therefore been expected.² The OFSI announcement highlights that provisions in the Policing and Crime Bill, presented to Parliament in February 2016, include new administrative penalties such as larger fines, the use of deferred prosecution agreements for breaches of financial sanctions and an increase in the maximum custodial sentence for violations of financial sanctions to seven years. As before, fines for breaches of financial sanctions can be imposed on individuals and companies.

While the creation of OFSI does not affect the scope of any financial sanctions currently in place, its launch coupled with the Policing and Crime Bill sends a strong signal that the U.K. government is actively ramping up efforts to ensure compliance with, and enforcement of, financial sanctions measures. Companies should review their sanctions compliance policies and procedures and business processes to confirm they appropriately reflect recent modifications to certain financial sanctions, such as those applicable to Iran, as well the new U.K. compliance and enforcement environment.

¹ Press release, HM Treasury, "New Body to Support Financial Sanctions Implementation Launched" (Mar. 31, 2016).

² HM Treasury, "Policy Paper: Summer Budget 2015" (July 8, 2015).