



## Director Foreword

HM Treasury and OFSI have been at the front and centre of an unprecedented financial sanctions response. Russia's unprovoked and unwarranted attack on a sovereign nation brought war back to Europe's doorstep with ripple effects felt far and wide beyond these borders. It was an assault on the principles of freedom, democracy and peace, which have served Europe so well and for so long.

That is why the UK, in coordination with international partners, has put in place the most stringent financial sanctions in history –

a set of measures that have had an acute and ongoing cost on Russia.

The unprecedented size, scale and complexity of these new sanctions highlight the central role sanctions play in UK foreign, security and economic policy. Further, the implementation of these measures has underlined and significantly intensified the demands on OFSI and will result in a permanent and profound transformation to the way it operates.

The government has recognised this and strengthened OFSI's powers to enforce

financial sanctions as well as its resources. We are scaling up to over 100 full-time employees by the end of 2022, accelerating and enhancing the ambitious transformation programme OFSI already had underway. We will enhance our service and engagement with those on the frontline of implementing sanctions; move from a reactive to a proactive compliance and enforcement model, underpinned by greater intelligence and information sharing; and increase our coordination and engagement with international partners on sanctions implementation.

Over the course of the last year, OFSI has worked increasingly closely with the private sector. We recognise the significant challenge that the Russia sanctions represent for those implementing them in the private and voluntary sectors and pay tribute to their commitment. A major part of OFSI's role is to ensure that regulation is clear, fair, effective and allows business to operate as smoothly as possible.

Whilst the vast majority make every effort to comply with sanctions, the changes to OFSI's enforcement powers will make it easier for OFSI to impose monetary penalties on those who are breaching financial sanctions, whether through negligence or intent. They also provide a learning opportunity, with OFSI able to share details of confirmed breach cases that fall short of a civil fine.

OFSI has maintained its strong presence on the international stage working closely with partners on cross-border cases and operational policy but also sharing experience and expertise. We have coordinated more closely on Russia sanctions than ever before, in both designation and implementation phases. Following OFSI engagement, 5 other jurisdictions are in the process of creating their own implementation units, bringing core financial sanctions functions together in a single body to help advance their effectiveness, a further 5 are considering starting. This increased international effort has served as an essential tool in helping to multi-laterally counter Russian aggression.

I am proud of how much OFSI has achieved in challenging circumstances this year, from responding to the change of leadership in Afghanistan and the ensuing humanitarian crisis, to responding to continuing attacks on human rights and fundamental freedoms in Belarus, and then robustly and resolutely responding to the Russian government's unprovoked and premeditated war against Ukraine. Which is why, in this Annual Review, extra focus is given to the first 6 months of the invasion of Ukraine to provide context and clarity on this critical work. Sanctions continue to be integral to the UK's ability to respond to geo-political issues and, now more than ever, the work of OFSI sits at the forefront of the UK's national security, prosperity and foreign policy goals.



**Giles Thomson,**

**Director of OFSI**


## Introduction

The Office of Financial Sanctions Implementation (OFSI) helps to ensure that UK financial sanctions are properly understood, implemented and enforced. This contributes to maintaining the integrity of the financial system and supports the UK's foreign policy and national security goals. Relevant specific and general licenses are issued to protect individual and UK business needs which in turn underpin strong, sustainable and balanced growth. The UK is at the forefront of sanctions leadership, driving better design and implementation of sanctions, with its partners and multilaterally.

In light of OFSI's crucial role in the UK's response to the Russian invasion of Ukraine on 24 February 2022, OFSI has decided to include additional reporting on data from 24 February to 24 August 2022 (the first 6 months of the war), as well as reporting on data from the financial year 2021 to 2022 (*reference to the Annex*).

The Foreign, Commonwealth and Development Office (FCDO) is responsible for overall sanctions policy in the UK. HM Treasury (HMT), through OFSI, uses the Sanctions and Anti-Money Laundering Act 2018 (the Sanctions Act) and the Policing and Crime Act 2017 to implement the financial sanctions provisions of UK autonomous sanctions regimes in support of foreign policy and national security objectives. Non-compliance with, or evasion of, sanctions pose a serious risk to the UK's national security, economic prosperity and international reputation. OFSI has been a vital part of the government's response to some of the biggest human rights and humanitarian crises the UK has seen over the course of this reporting period. Over the reporting period,

OFSI took swift action against Belarus for its suppression of human rights, fundamental freedoms and international law, was instrumental in implementing a humanitarian exemption to permit the flow of humanitarian aid into Afghanistan, and most notably, helped bring the largest, most severe package of economic sanctions to bear against Russia's war machine.



**Since the start of the invasion to 20 October 2022, £18.39 billion worth of Russian assets has been reported as frozen to OFSI. This is in addition to the total frozen assets (£12.4bn) held in the UK as reported to OFSI in 2021 and shows the effect of the UK's financial sanctions**

OFSI has continued to provide leadership in sanctions implementation, driving forward high standards to ensure sanctions make the fullest possible contribution to the

UK's foreign policy goals. It has demonstrated the agility to deal with world events in a timely fashion, implementing legislation and issuing general licences, guidance and blogs to ensure that businesses are able to continue their operations as effectively as possible. OFSI's General Guidance and Russia Guidance documents, which are available online, remain the first port of call for industry queries on compliance with the UK's financial sanctions regimes.

OFSI has published an unprecedented number of new designations under the Russia sanctions regime, with over 1,200 new listings since the Russian invasion. All of these were published without delay, meaning that OFSI listed the designation on the day that it was made, and sent out email alerts each time to its 30,000 subscribers, detailing the changes to the Consolidated List. Alongside regular list updates, the nature and volume of OFSI's engagement evolved to meet the challenges posed by the Russian invasion. OFSI updated its Russian guidance and FAQs quickly and produced blogs to help industry navigate the legislation. Since the invasion, OFSI has held 40 bespoke meetings and roundtables, convened a number of working groups with senior industry and government members to further co-operate on implementation issues



and is exploring ways to build on this in the long term.

On the international front, OFSI completed over 75 engagements in the aftermath of the Russian invasion with over 50 countries or territories, a significant increase on previous years. Deep and fortified relationships have continued to assist OFSI and those it works with navigate implementation challenges in responding to Russian aggression. Financial sanctions are most effective when implemented multilaterally. Closer and continued collaboration amongst implementing authorities helps to ensure that UK sanctions regimes are as effective as possible as well as helping to ensure that unintended international consequences are mitigated wherever possible.

Enforcement is an area of continued importance for OFSI. Since the invasion, it has received 236 breach reports and, in addition, has increased its enforcement powers through the Economic Crime (Transparency and Enforcement) Act 2022. This act imposes a strict civil liability test for breaches of financial sanctions as OFSI encourages companies to remain diligent about sanctions checks. OFSI issued 2 monetary penalties in the last financial year, both to fintech firms, as well as issuing warning letters and undertaking other enforcement action where appropriate. OFSI will continue to take reasonable and appropriate action in each breach case that it assesses. OFSI is working with partner organisations such as the Financial Conduct Authority and National Crime Agency more closely than ever to provide joined-up enforcement across government.

Cross-government liaison has become increasingly important in every corner of OFSI's work as it responds with agility to new designations and sanctions policy. OFSI has issued 33 general licences since the Russian invasion to 24 August 2022, mitigating unforeseen circumstances of financial

sanctions by limiting the impact on UK individuals, organisations and humanitarian-related supply chains where possible.

These licences have helped UK business to function throughout a challenging period and helped maintain the UK's place as a centre for financial stability and global excellence.


## Engagement

In a dynamic global financial sanctions landscape, OFSI's proactive approach to domestic and international engagement has been at the heart of its operational delivery and exemplifies the way in which the UK provides leadership on the global stage.

In 2021 to 2022, OFSI moved to a more proactive, evidence-led communications model. OFSI led a 3-month campaign focusing on licensing, including a series of webinars to upskill the private sector on the basics of financial sanctions as well as more targeted deep dives into complex issues. The resultant improvement in licence applications that OFSI received facilitated swifter and more efficient assessments.



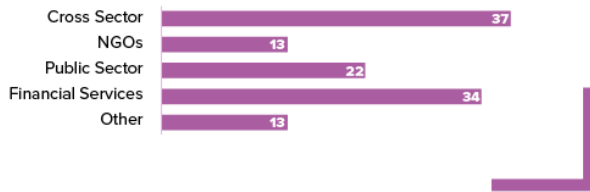
**OFSI has issued 33 general licences since the Russian invasion up to 24 August 2022**



Across the course of the year, OFSI updated its Russia regime-specific guidance and wrote a blog on the new enforcement legislation. With government partners, it ran webinars on fast-changing legislation and the rapidly evolving situations that took place in Afghanistan, Belarus and Russia. By marketing these through its subscriber database, OFSI saw a significant increase in attendance at online outreach events – with attendees in the thousands – demonstrating a significant increase in interest, awareness and industry demand for OFSI's guidance and outreach. OFSI also updated its guidance to the charity sector, in response to demand after the events that unfolded in 2021 in Afghanistan.

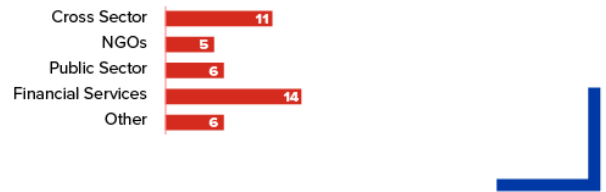
119

The number of events OFSI participated in from April 2021 to March 2022



42

The number of events OFSI participated in between 24 February 2022 and 24 August 2022



OFSI has expanded its engagement across various sectors this year, better reflecting the depth and breadth of industries affected by financial sanctions. The increase in cross-sector events is due to a concerted effort across government to ensure UK autonomous sanctions are designed and implemented in the most effective way and unintended consequences can be avoided or mitigated.

In the coming year, OFSI will continue to grow its domestic engagement as a proactive, confident and outward-facing organisation, providing a wider range of guidance and support to enable business to most effectively comply with the regulations. This will be enhanced with evidence-led campaigns targeting gaps in knowledge.

sanctions implementation, increased cross-border collaboration and working with partners to facilitate humanitarian activity.

Following the Russian invasion of Ukraine, OFSI increased both the volume and intensity of casework-related engagement with other countries across its remit. This ensured that partners continue to benefit from robust information sharing and that unintended consequences are collectively mitigated. Additionally, OFSI’s international engagement helps ensure that financial sanctions remain targeted on the purpose of specific regimes. Increased discussion and collaboration on implementation approaches to new sanctions with international partners has been essential, leading to ever closer collaboration.

125 International Engagements

31 Capacity Building    72 Bilaterals    22 Multilaterals

Internationally, OFSI has significantly increased the number of engagements and the pace of collaboration with other countries. Building on last year’s ambition it focused on consolidating its network across Asia, Europe and North America, and enhancing partnerships through collaboration, exchange of experiences and sharing of operational practices. Examples of these initiatives have included formal capacity building to help other jurisdictions improve their financial

This growth in OFSI’s engagement has spanned bilateral relationships and active input to the work of multilateral bodies including the UN, EU, G7, IMF, World Bank, Financial Action Task Force (FATF) and FATF-style regional bodies. Capacity building has been further strengthened this year through OFSI’s contributions to HMT’s technical assistance unit which assists Overseas Development Aid-eligible countries in meeting the FATF standards. OFSI highly values the relationships it has with its counterparts in the Crown Dependencies and Overseas Territories. Engagement amongst the wider British family of financial sanctions implementers has enhanced, focussing on a breadth of issues including information sharing on case-specific matters as well as the approach to licensing, outreach and enforcement. Shortly after the

Russian invasion of Ukraine, Bermuda and the UK hosted an annual best practice sharing forum in the interests of aligning implementation and how priority operational challenges can be worked through collectively.

## World Leading Engagement

6

Continents

47

Countries and Territories

In the year ahead, OFSI will continue to ramp up its international engagement efforts, seeking to work substantively with Five Eyes counterparts and other partners in Europe, the British family and globally. A continuation and reinforcement of the close working and coordination on implementation, following the response to Russian aggression, will be an area of acute focus. OFSI will enhance its policies and products by drawing on the experience and ideas of international partners and will promote its insights to them in return. Through continued technical assistance work, OFSI will support increasing the effectiveness of financial sanctions implementation around the world.

### Changes to the Consolidated List – 2021 to 2022

OFSI maintains and publishes the consolidated list of asset freeze targets<sup>1</sup>. The list provides information to help individuals and businesses decide whether they are dealing with someone who is subject to financial sanctions. This derives from the UK Sanctions List<sup>2</sup>, which provides details of those designated (individuals, entities and ships) under regulations made under the Sanctions Act. OFSI also publishes a list of entities named in relation to financial and investment restrictions under Russia sanctions.

As of 31 March 2022, there were 3,121 designated persons (2,505 individuals, 601 entities and 15 ships) subject to an asset freeze across 30 regimes<sup>3</sup> on the consolidated list of asset freeze targets.

Of these, there were a total of 962 UN designated persons (692 individuals, 255 entities and 15 ships) subject to an asset freeze across 14 financial sanctions regimes on the consolidated list.

OFSI added 987 new designated persons to the consolidated list in the financial year 2021 to 2022 under the Sanctions and Anti-Money Laundering Act 2018 (Sanctions Act). With additions, amendments and removals there were just under 4,000 changes to the OFSI consolidated list in 2021 to 2022. This includes nearly 2,250 changes that occurred from January to February 2022, when all listings were updated following structural changes to the consolidated list and the UK Sanctions List.

3990

Total changes across all regimes  
April 2021 to March 2022

987

Additions

2924

Amendments

79

Removals

<sup>1</sup> <https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

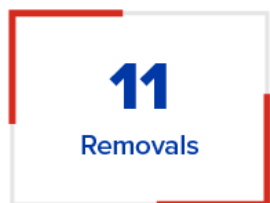
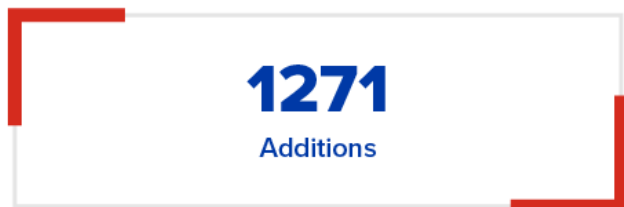
<sup>2</sup> <https://www.gov.uk/government/publications/the-uk-sanctions-list>

<sup>3</sup> Some regimes on the UK Sanctions List may be extant but not contain any active designations.

## Changes to the Consolidated List – February to August 2022

OFSI added 1,271 new Russia regime designated persons to the consolidated list from 22 February to 24 August 2022.

With additions, amendments<sup>4</sup> and removals there were over 2,300 changes to Russia regime designations on the OFSI consolidated list in this period.



## Frozen Assets Review – September 2021

Each year OFSI carries out a review of frozen assets held by UK institutions. Anyone who holds frozen assets (including funds and economic resources) is required to report them to OFSI.

As of 30 September 2021, £12.4 billion<sup>5</sup> of frozen funds were held by UK businesses. This figure includes the value of funds or economic resources frozen in the UK as well as those overseas where those funds or economic resources are subject to UK financial sanctions legislation.

Frozen Asset Review - September 2021	
Financial Sanctions Regime	Frozen Funds (£)*
Libya	11,795,700,000
Iran (nuclear proliferation)	390,700,000
Syria	158,100,000
Russia	44,500,000
Belarus	22,400,000
Others	8,000,000
<b>Total</b>	<b>12,419,400,000</b>

\*figures are rounded to the nearest £100,000, and provided in aggregate so as not to disclose the value of any funds held by particular individuals. The row 'Others' denotes the combined frozen asset value of all other financial sanctions regimes.

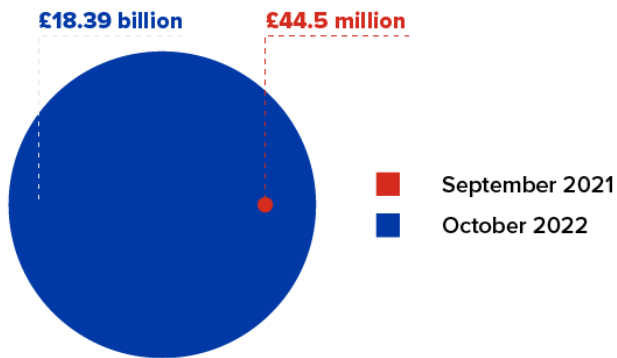
## Russian Frozen Assets – February to October 2022

In addition to the annual frozen assets review, relevant firms have an obligation to report to OFSI as soon as practicable, information concerning funds or economic resources belonging to, owned, held or controlled by a designated person. As a result of this, from 22 February to 20 October 2022, a total of £18.39 billion in frozen funds were reported to OFSI as being held by or on behalf of persons designated under the Russia sanctions regime. This represents a very significant increase on the reported frozen assets for the Russia regime in September 2021 (£44.5 million).

<sup>4</sup> Includes 4 amendments to entries listed on the list of persons named in relation to financial and investment restrictions.

<sup>5</sup>These figures for the Frozen Assets Review 2021 do not include the value of any properties that are subject to an asset freeze.

## Frozen Russian assets held in the UK reported to OFSI



The quantifiable amount of frozen funds in the UK can fluctuate for numerous reasons. These include new sanctions regimes coming into force, sanctions being lifted, changes in share or market values or certain financial activity being licensed. The figures above for both the Frozen Asset Review 2021 and Russia Assets - February to October 2022 do not therefore provide a complete picture of assets held in the UK by persons or entities sanctioned under specific regimes. Sanctions can be applied on the same individual or entity by several jurisdictions simultaneously.

### Licensing

OFSI’s Licensing function assesses applicants’ requests to carry out activities that would

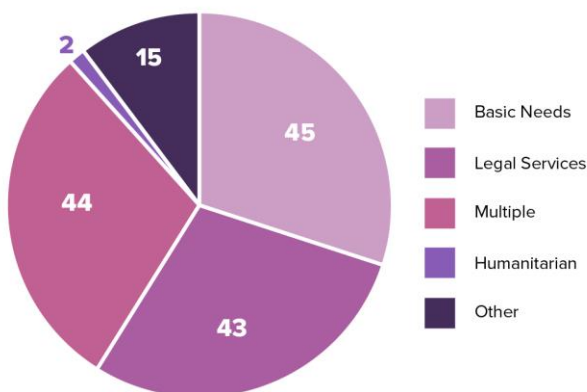
otherwise be prohibited under UK sanctions regulations. OFSI can issue a licence which permits such activities using licensing powers contained in UK Sanctions legislation. Applications are most commonly received for licences covering areas like the basic needs of designated persons, the provision of legal services, previous obligations of designated persons, humanitarian assistance and extraordinary situations.

In the financial year 2021 to 2022, OFSI issued 42 new licences and issued 107 amendments to licences across 9 sanctions regimes, a total of 149 licences (compared to 118 in the previous financial year). In the first full financial year implementing sanctions following EU Exit, OFSI conducted a similar level of activity issuing new and amendment licences at the same frequency as the previous financial year, up to the invasion of Ukraine. The main grounds for specific licences issued continued to be basic needs, legal services and routine holding and maintenance.

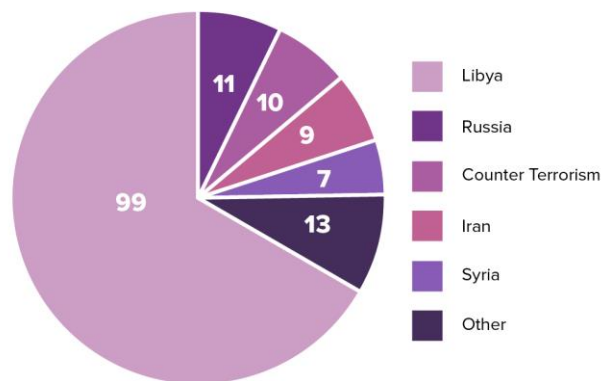
The majority of new licences and amendment licences issued during 2021 to 2022 were for the Libya regime where OFSI issued a total of 99 licences (an increase of 16 compared to the previous reporting period).

## Specific licences issued 2021 to 2022

Licences by licensing ground



Licences by regime





OFSI has worked flexibly to support other Government departments on the drafting of licensing provisions for new regulations and exceptions across multiple sanctions regimes. Notably this included helping to introduce a UN-level humanitarian exemption for the Afghanistan regime. Cross-Whitehall collaboration has enabled OFSI to provide challenge and evidence to support amendments, introduce exceptions, and ensure that OFSI permits important activity only where it is necessary and lawful.

### General Licences

General licences issued by OFSI allow multiple parties to undertake specified activities without applicants needing to submit a specific licence request to OFSI. In 2021 to 2022, 17 general licences were issued compared to one in the previous year.

In addition to the wind down licences for Russian and Belarusian designated banks, OFSI issued 2 general

licences under the Belarus regime following the designation of the Belarusian Air Traffic Control after the forcing down of a Ryanair flight in Belarusian

airspace. OFSI worked quickly with the Department for Transport to mitigate the air safety issues posed by the designation of a state's air traffic control functions. As a result, OFSI was able to ensure that aircraft could land in Belarus in case of emergency, pay the fees associated with doing so and access air navigation data for the Belarus region. OFSI also published a general licence which permits the seizure of proceeds of corruption by law enforcement who secure a court order, which applies to the Global Anti-Corruption and Russia regimes.

- **Between 24 February and 24 August 2022, OFSI has issued 33 General Licences in connection with the Russia regime.**
- **31 of these were issued solely in respect of Russia.**

### Licensing and Russia

Since the invasion of Ukraine on 24 February, OFSI has received a very large volume of licensing applications and queries. Of the 642 licence applications received under the Russia regime in the first 6 months, the majority of the applicants requested licences under the prior obligations, basic needs and legal fees licensing grounds.

OFSI continues to prioritise applications for humanitarian assistance licences and situations where there is a threat to human life. OFSI will also prioritise cases where there are issues of personal basic needs or which are deemed to be of particular strategic, economic or administrative importance. Due to the overall number of licensing cases, OFSI is having to take a strict approach to prioritising other cases by urgency. Although all cases are important, this means that there may be time lags before OFSI can begin assessing less urgent cases.

To help with the introduction of the new measures and designations, OFSI has increased its use of its general licence power. By 24 August, OFSI had issued 33

general licences in connection with the Russia regime, 31 solely in respect of Russia and two for mixed regimes including Russia (full details can be found on OFSI's website<sup>6</sup>). These cover a wide range of permissions ranging from the wind down of accounts and transactions arising from the designation of Russian banks, enabling insolvency payments for Russian bank subsidiaries, to securing energy supplies in Europe and elsewhere, and enabling continued access to internet and news services in Russia. To ensure Chelsea Football Club could complete its season after Roman

<sup>6</sup> <https://www.gov.uk/government/collections/ofsi-general-licences>

Abramovich was designated, OFSI issued both specific and general licences. It also worked with international partners to license the sale of the club.

Notably, OFSI has sought to assist the efforts of humanitarian actors by issuing a General Licence<sup>7</sup> to allow the timely delivery of humanitarian assistance activity in relation to the conflict in Ukraine. The General Licence also contains permissions for relevant UK financial institutions to carry out any activity to effect the delivery of humanitarian assistance, and other activities that support basic needs in relation to the conflict in Ukraine. OFSI's general licence powers have allowed it to permit activity over the past 6 months that would otherwise have required significant numbers of specific licence applications.

### *Evolving Licensing Strategy*

The invasion of Ukraine and the subsequent imposition of an extensive programme of sanctions measures has greatly increased OFSI's licensing workload. This has caused longer assessment times for some applications for licences than in previous years. OFSI will look to develop a licensing strategy which responds to these licensing challenges encountered over the past 6 months under the Russia regime. This will encompass: increased resourcing of OFSI's licensing function, the strategic development of OFSI's use of general licences, the consideration of whether new licensing grounds and policies are needed to address novel situations arising as a result of Russia designations, and the updating of licensing processes and systems.

Since the start of the Russian invasion, OFSI has committed significant additional resources to its licensing function. There has been a large increase in the number of staff now dedicated to assessing the applications and queries arising from the conflict in Ukraine.

OFSI will continue to work with FCDO and other departments to ensure licensing mitigations are put in place on a timely basis to aid financial sanctions implementation. OFSI will continue to seek alignment of the UK's general licensing policy with that of key partners to ensure that there is effective implementation of financial sanctions internationally and to develop its own operational procedures.

OFSI is looking to extend its approach to issuing general licences to be more responsive to the needs of licence applicants and sanctions implementers, whilst ensuring that there are appropriate safeguards in place and that UK sanctions policy objectives continue to be met. For example, in the legal services sector OFSI has introduced some focused general licences which may resolve the need for a significant number of specific licences to be issued. OFSI will continue to examine other sectors where general licences can be used to increase the effectiveness and efficiency of sanctions.

On specific licensing, OFSI is continuing to develop more streamlined procedures for assessing licence applications and making licence decisions under all UK sanctions regimes. It is examining its decision-making procedures, standardising its information gathering and assessment processes and developing its information management so that decision-making is more efficient and faster for applicants.

### **Counter-Terrorism Sanctions**

Counter-terrorist (CT) sanctions regimes limit opportunities for designated terrorists by prohibiting funds and financial services being made available for terrorist financing. CT sanctions manage risks against diversion of finances and restrict resources of individuals and organisations that may seek to use them for malign purposes.

At the end of the 2021 to 2022 period, a total of £76,000 was frozen across the UK's 3

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<sup>7</sup>[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1089102/General\\_Licence\\_INT-2022-1947936\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1089102/General_Licence_INT-2022-1947936_.pdf)

counter-terrorism sanctions regimes. In 2022, the one designation under the domestic Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019 was reviewed by HMT and renewed.

Two individuals against whom HMT had previously issued a freezing order under the Anti-Terrorism, Crime and Security Act 2001 (ATCSA) were designated under the Global Human Rights (GHR) sanctions regime. The GHR regime allows the UK Government to impose sanctions in response to certain serious human rights violations or abuses around the world. Therefore, the transition of the designations helped form a key element of the UK's response to serious crime.

## Enforcement

OFSI has enhanced its enforcement capabilities, demonstrating its position as a world leader in responding to breaches of financial sanctions. OFSI's enforcement function has been agile to react to the changing financial sanctions landscape, using its people effectively to focus on strategic priorities such as the Afghanistan crisis and the Russian invasion of Ukraine. OFSI led the development and drafting of 4 legislative changes made in March 2022 to enhance OFSI's powers to enforce financial sanctions, including new Russia sanctions. These changes came into force after the financial year, on 15 June 2022 with the Economic Crime (Transparency and Enforcement) Act 2022 (ECTE):

- Amending the civil legal test under Policing and Crime Act 2017 (PCA) for imposing monetary penalties for financial sanctions breaches, moving to a strict civil liability test
- Amending the PCA to introduce greater flexibility in how the Treasury manages the administrative review process of monetary penalties imposed by OFSI
- A new legal power in the PCA to publicise details of financial sanctions breaches even if no monetary penalty has been imposed

- Widening existing powers in the Sanctions and Anti Money Laundering Act 2018 (the Sanctions Act) to make broader provision for the sharing of information between government organisations

OFSI has continued to see a diverse range of individuals, organisations and companies reporting suspected breaches of financial sanctions, in part due to OFSI's increased engagement across all sectors. During 2021 to 2022, OFSI received an increasing number of referrals of suspected breaches of financial sanctions from international partners.

Breaches of financial sanctions are a criminal offence and OFSI continues to assess every reported suspected breach of UK sanctions regulations. OFSI refers the most serious cases to law enforcement for criminal investigation and consideration of prosecution. OFSI's own assessments can result in a range of outcomes, depending on the seriousness and nature of the breach. In many cases, OFSI concludes after an assessment that no breach has occurred, and so no further action is taken. Where OFSI investigates a case using its civil powers and determines that a breach has occurred, OFSI can impose a civil monetary penalty in respect of the offence. In cases where neither a penalty nor criminal action is appropriate, OFSI can also refer concerns to relevant regulatory bodies where it is proportionate to do so. Other potential outcomes include issuing warning letters which can be taken into account when considering future enforcement action or working with individuals and entities to ensure they fully understand their financial sanctions obligations.

Although most of OFSI's enforcement action is not publicised, all outcomes help support compliance with financial sanctions across the UK and (in the case of UK-based companies with a wider presence) internationally. Through warning letters, suggestions for compliance and referring cases to the relevant regulator, OFSI promotes better practice and behavioural change, preventing future non-

compliance by the individual, organisation or company.

### Compliance trends

In 2021 to 2022 OFSI considered 147 reports of suspected financial sanctions breaches. This is a slight increase from 2020 to 2021 when OFSI considered 132 reports. The number of cases considered remains on an upwards trajectory. Since the invasion of Ukraine in February 2022 the number of breaches reported to OFSI has significantly increased.

OFSI's statistics are based on the year in which a report is received (or OFSI becomes aware of a potential breach through other means), rather than the year in which the potential breach activity occurred.

Suspected breaches reported under the Russia and Belarus regime make up a significant proportion of reports received in 2021 to 2022 and have continued since March 2022. Suspected breaches reported under the Libya, Syria, Iran and Afghanistan regimes together accounted for the majority of OFSI's enforcement outcomes in the financial year 2021 to 2022, highlighting OFSI's need to adapt to the changing financial sanctions landscape.

2 monetary penalties worth £86,393.45 issued in 2021 to 2022

### Monetary Penalties

OFSI imposed monetary penalties on 2 Fintech companies in 2021 to 2022, for making funds available to Russia National Commercial Bank (RNCB) in contravention of The Ukraine (European Union Financial Sanctions) (No. 2) Regulations 2014 (the UK Regulations). These regulations imposed asset freezes on those identified as being involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty and independence of Ukraine. The combined value of the penalties imposed in 2021 to 2022 was £86,393.45 and both penalties were published on OFSI's website<sup>8</sup>, along with a description of the breach and lessons for future compliance. OFSI will continue to publish the outcomes of its monetary penalty cases.

Promoting financial sanctions compliance with robust enforcement protects the integrity of the UK's financial system and supports vital national security and foreign policy goals. With the unprecedented expansion of financial sanctions imposed against Russia, as well as the increased exposure and links to UK nexus of designated persons, OFSI is significantly enhancing its ability to ensure effective enforcement. Over the coming year, OFSI will take on more, and more complex, enforcement cases to match its increased resourcing and capabilities. To do this, OFSI will take a risk-based approach and utilise new powers provided by the Economic Crime (Transparency and Enforcement) Act 2022. OFSI will promote, enable and encourage compliance through engagement and guidance, but will also use monetary penalties



<sup>8</sup> Details of the monetary penalties that OFSI has imposed are regularly updated and can be found here:

<https://www.gov.uk/government/collections/enforcement-of-financial-sanctions>



and other enforcement action where appropriate and proportionate.

### *Evolving Enforcement Strategy*

OFSI will build on its strategic partnerships with UK and international bodies through increased coordination to identify breaches, broader trends and opportunities for collaboration on financial sanctions enforcement. OFSI continues to develop a proactive approach to compliance and enforcement, so that it has the best possible understanding of compliance across different sectors and can prioritise its enforcement work appropriately. OFSI will continue to expand its intelligence function by developing a targeting capability. It will also implement a new, intelligence-led, proactive compliance and enforcement approach.

### **Looking Ahead**

As OFSI progresses through the 2022 to 2023 financial year, it will expand to meet the challenges posed by the ongoing Russian invasion of Ukraine. OFSI has doubled its number of staff from 45 at the start of 2022 and expects to expand to around 100 staff by the end of 2022. The UK, along with its partners, will need to remain vigilant and agile to respond decisively and effectively.

The Russia sanctions regime is likely to continue to dominate OFSI's work over the coming year and remains the most extensive currently in place. Nonetheless, by ensuring that resources are protected, maintaining its guidance and best practice, and engaging on related issues OFSI will continue to support the UK's foreign policy ambitions of other sanctions regimes.

As OFSI has already begun to demonstrate since the Russian invasion of Ukraine, it will use its powers to issue general licences in a way that supports proactive and effective implementation of sanctions. It will continue to engage with a wide range of stakeholders, both domestically and internationally, to provide the best possible guidance to industry. It will continue to provide the necessary tools to understand changes, adapt to any new scenarios and implement UK regulations.

OFSI, alongside partners across the UK government, will keep all sanctions regimes under review, monitoring and responding to developments quickly and efficiently. Sanctions are a key part of achieving the UK's economic crime objectives and it will work collaboratively and cohesively to ensure a joined-up approach in its implementation of sanctions.

On policy, the definition of 'relevant firms' was extended in the autumn of 2022 to give reporting requirements to cryptoasset businesses, further strengthening the UK's sanctions oversight to meet international commitments. This update fell outside of the 2021 to 2022 reporting period for this review, but it is a clear demonstration of OFSI driving through changes where required, developing policy to meet the current risk climate and addressing UK exposure.

OFSI has the resilience to meet the challenges in the forthcoming year. As new staff are embedded into the organisation, OFSI continues to improve its existing functions, expand its capabilities, and deepen its international engagement. Therefore, OFSI's growing capacity will enable it to enforce financial sanctions and contribute to the UK's security with ever growing effectiveness.

## ANNEX

As well as reporting on data from 1 April 2021 to 31 March 2022 (the financial year), OFSI has decided to include additional reporting on data from 24 February to 24 August 2022 (the first 6 months of Russia's invasion). Reporting on this 6-month period is displayed and reviewed separately to data covering the period financial year, although some data from 22 February to 31 March 2022 may be included in both sets.

Additionally, data on Russian assets reported frozen to OFSI since the beginning of the invasion covers the period 22 February to 20 October. This extended period of reporting highlights the scale of OFSI's work to target the financiers of Russia's war. OFSI believes that dividing reporting periods in line with geo-political developments highlights changes to OFSI's workload and the measures OFSI has taken in response. Therefore, it is the most effective way to frame reporting in a way that is relevant to OFSI's stakeholders.

Reference to UK sanctions designations since the invasion includes UK sanctions imposed on 22 February 2022, even though the invasion occurred on 24 February 2022.



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