

Small firms approach to UK financial sanctions

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This factsheet is for:

- all small firms.

It explains:

- what financial sanctions are;
- the findings of our thematic work on financial services firms' approach to UK Financial Sanctions;
- what you should consider in relation to systems and controls to reduce the risk of a UK financial sanctions breach.

What are financial sanctions?

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Financial sanctions orders prohibit a firm from carrying out transactions with a person or organisation (known as the target). In some cases the order will prohibit a firm from providing any financial services to the target.

HM Treasury (HMT) maintains a list of targets, known as the UK Consolidated Financial Sanctions List (HMT list). A breach of a financial sanctions order may be a criminal offence.

“The use of financial sanctions to deliver public policy objectives has risen rapidly up the political agenda in the UK, in the European Union and at the United Nations. It is important that firms understand that having systems and controls relating to financial sanctions is an integral part of complying with the FSA's requirements on financial crime”.

Philip Robinson – Director of Financial Crime and Intelligence Division

Summary of findings

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Our review has led us to conclude that there are inadequacies in firms' systems and controls to reduce the risk of a breach of UK financial sanctions. These inadequacies apply to all sizes of firm across all financial sectors. Many firms need to enhance their systems and controls and small firms in particular should improve their awareness of the UK financial sanctions regime.

Financial sanction facts

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We found as part of our thematic work that many small firms were unaware of the financial sanctions regime and those who were aware had misconceptions about it. Some of the facts are listed below.

- Standard anti-money laundering checks do not screen clients against the HMT list. Firms should not confuse HMT's financial sanctions regime with anti-money laundering procedures.
- Financial sanctions apply to all transactions; there is no minimum financial limit.
- There are around 50 UK individuals and 12 UK entities on the current HMT list. It is not just foreign individuals or entities who are on the list.
- Politically Exposed Persons (PEPs) are not necessarily financial sanction targets.
- Most listed individuals and entities are aware that they are on the HMT list, which is publicly available. The issue of 'tipping off' (as set out in the Proceeds of Crime Act 2002) should therefore not generally arise.
- HMT's financial sanction regime is not the same as our enforcement action. HMT is responsible for implementing, administering and enforcing compliance with the financial sanctions regime.

Our full report can be found on our website at: www.fsa.gov.uk.

What can I do?

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It is good practice to check:

- your existing clients against HMT's list;
- all new customers prior to providing any services or transactions;
- any updates to the HMT list;
- any changes to your client's details.

Remember, even providing financial advice can be a breach.

It is good practice to include directors, beneficial owners of corporate customers and any third party payees in your checks.

HMT provide the list of targets on their website. One option is to download the list in an excel spreadsheet format so that you can reconcile your clients against this list.

Their website can be found at: <http://www.hm-treasury.gov.uk/financialsanctions>.

HMT also provide a free email subscription service that will notify you of any additions, deletions and amendments to the HMT list.

Helpful tip: go to 'edit' then 'find' in the excel format of the HMT list and type the name of your client. Make a note that you have checked your client before proceeding to initiate business with them so that you have an audit trail.

What do I do if one of my clients is on the HMT list?

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If you find your client is on the HMT list then you are required to stop any services provided to your client and report this matter, as soon as possible, to HMT's Asset Freezing Unit at:

Asset Freezing Unit

HM Treasury

1 Horse Guards Road

London

SW1A 2HQ

assetfreezingunit@hm-treasury.gov.uk