

Sanctions: Fortnightly Summary



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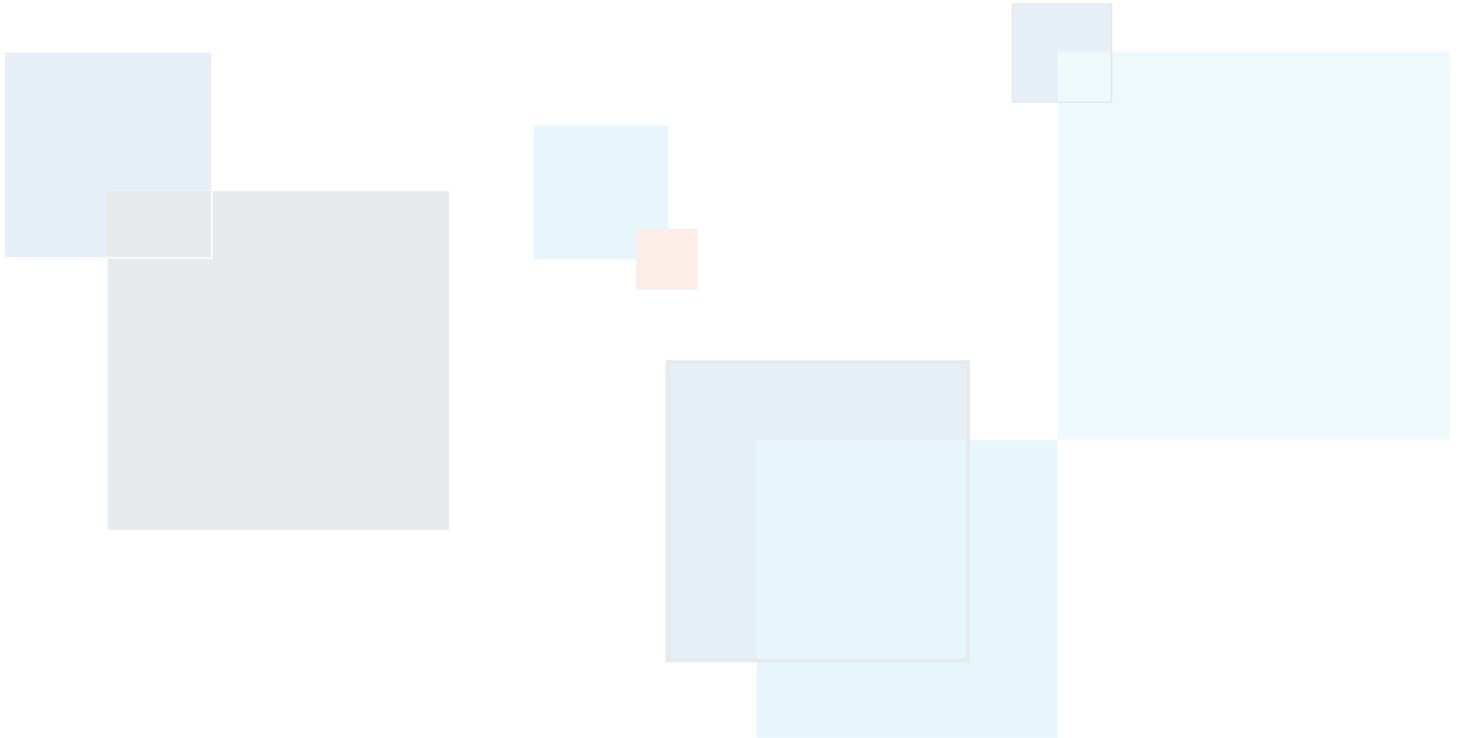
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Welcome to BCL's latest sanctions round-up, highlighting the key developments in UK and international developments in sanctions law and practice.

This edition covers, amongst other matters, updates to the UK's sanctions list and the publication of FCA's findings into sanctions systems and controls in financial services firms, alongside US sanctions developments, such as the publication of the Introduction to the Office of Foreign Assets Control (OFAC) Guide.

UK Policy Developments and Sanctions List updates

General Licence amendments

- On 26 May, General Licence [**INT/2024/4761108**](#) (permitting non-designated individuals and entities to make use of certain "retail banking services" of credit and financial institutions designated under the Russia (Sanctions) (EU Exit) Regulations 2019 (the Russia Regulations) was amended.
- The amendment added a new definition for "Cryptoassets", indicating that payments can be made by this method. The addition of this definition may expand on the understanding of what is captured by "retail banking services", which is a term that is not clearly defined and open to interpretation. A new reporting requirement linked specifically to cryptoasset payments has also been added.
- Furthermore, the general licence previously contained a safeguard in that it did not authorise any actions that would result in a breach of the Russia Regulations where the person carrying out the act knew or suspected that it would result in a breach. The amendment has converted the caveat into one premised on a strict liability test focused on whether a breach had indeed occurred, rather than the knowledge or suspicion of a party utilising the authorisation.
- Finally, the general licence was extended until 23 February 2028.

Designations

- On 26 May, the FCDO issued an announcement concerning the immediate designation of 18 entities and individuals under the Russia Regulations. The designations targeted cryptocurrency exchanges and the A7 network, which the FCDO asserted are used to "evade existing restrictions and channel funds" to fuel Russia's war against Ukraine. The announcement states that the A7 network is a "Kremlin-backed system designed to bypass Western sanctions, finance military procurement, and process funds from the sale of oil to fund its war economy", which is claimed to have moved more than \$90 billion last year. [**\[FCDO announcement\]**](#)

Update to OFSI guidance

- On 29 May, the Office of Financial Sanctions Implementation (OFSI) updated its UK Financial Sanctions FAQs with the addition of FAQ 186, which confirmed that the 'HTX Cryptocurrency exchange' is considered by OFSI to be owned by HUOBI GLOBAL S.A., an entity which was designated under the Russia Regulations on 26 May. [**\[FAQ 186\]**](#)
- The sanctioning of HUOBI GLOBAL S.A was part of the wider targeting of cryptocurrency

platforms, banks and financial institutions under the Russia Regulations (see above).

Amendments

- On 2 June, the FCDO updated the statement of reasons concerning the designation of Sarju Raikundalia made under the Global Anti-Corruption Sanctions Regulations 2021 in November 2024. The amendment adds wording that the Secretary of State “considers that there are reasonable grounds to suspect” that the DP is involved in, inter alia, engaging in serious corruption. This departs from the previous wording which framed the statement as an assertion of fact. **[FCDO notice]**

Revocation

- On 4 June, the FCDO revoked the designation of RBRU Specialized Depository made under the Russia Regulations in May 2025. The designation was based on suspected involvement in obtaining a benefit from or supporting the Government of Russia by carrying on business in sectors of strategic significance. The basis of the revocation has not been provided. **[FCDO notice]**

FCA publishes its findings on sanctions systems and controls in financial firms

- On 28 May, the Financial Conduct Authority (FCA), the UK’s financial regulator, published the findings of its latest review into the sanctions systems and controls of over 150 FCA-supervised firms within the financial services sector. The findings were collated from September 2023 by way of firm-specific intelligence, such as self-reporting by firms as well as the Financial Crime Return (REP-CRIM). The report highlights, amongst other things, the following:
- Self-reporting by firms (breach reporting):
 - Most breach reports by firms related to financial sanctions, compared to the smaller proportion relating to trade sanctions. The most common breaches in relation to country-specific sanction regimes primarily concern the Russia Regulations, yet, there are also reports relating to other country-specific sanction regimes such as Libya, Iran and North Korea.
 - The FCA highlighted that it expected more reporting from the insurance and digital asset sectors, given the emergence of new circumvention tactics such as the use of cryptocurrencies.
 - The FCA identified that the most common root causes of the self-reported breaches by firms were weaknesses in due diligence, alert management, transaction and name screening, the management of frozen assets, and compliance with OFSI licences. Whilst self-reporting is becoming quicker, many firms lacked reporting procedures to other authorities apart from OFSI, such as the Office of Trade Sanctions Implementation (OTSI) and HMRC (relating to breaches of strategic export licensing and voluntary disclosures).

- Evasion detection and investigation:
 - The FCA identified that some firms' staff training lacked detail on the applicable sanctions regimes, employee responsibilities and how to identify behaviours or indicators of sanctions evasion.
 - However, the FCA reported that it saw some firms adopt more proactive and risk-based approaches to detecting sanctions circumvention, such as conducting targeted investigations on high-risk customers by reviewing transactional activity before or after major sanctions events. Additionally, firms use insights from open-source reporting, internal investigations or typology analysis, which fed into a focus aimed at anticipating and identifying risks rather than relying on reactive controls.
 - Finally, it was reported that some firms, particularly those with large trade finance operations, were exploring the use of automation and AI to reduce manual processing of trade documentation to identify anomalies.
- FCA's expectation for firms:
 - The FCA advised firms to consider the findings and case studies in its report and to continue to review their systems and controls to ensure that they comply with financial and trade sanctions. **[FCA publication]**

Memorandum of Understanding between the FCA and OTSI

- On 28 May, the FCA signed a Memorandum of Understanding (MoU) with OTSI, setting out an arrangement for cooperation, information and intelligence sharing between the two organisations. **[FCA press release]** **[Memorandum of Understanding]**
- By entering into a MoU, both the FCA and OTSI agree to the process of sharing relevant information and co-operation, either proactively or upon request. The MoU outlines that the relevant information includes, but is not limited to:
 - Information relating to suspected or actual sanctions breaches identified by either party which fall within OTSI's competencies and which either suggest weaknesses in the FCA-supervised firm's systems and controls, or which the FCA has reason to believe OTSI may not be aware of;
 - Information relating to suspected or actual breaches of trade sanctions where there is reason to believe that joint investigations would benefit enforcement of those sanctions; and
 - Wider intelligence and data gathering for the purposes of meeting either organisation's intelligence and regulatory functions.
- There is already a MoU in place between the FCA and OFSI, which was signed in late 2023.

US sanctions and developments

Guide publication of 'Introduction to OFAC'

- On 01 June, the Office of Foreign Assets Control (OFAC) published an "Introduction to the Office of Foreign Assets Control" guide, with the aim of outlining to US and non-US (foreign persons) the sanctions work undertaken by OFAC, how to comply with US sanctions (such as requests for licences or removal of persons from the OFAC sanctions lists) and enforcement actions. The purpose of the guidance is to provide a basic overview of US sanctions to be utilised as a public resource to better understand US sanctions and OFAC's expectations in complying with them. [\[OFAC release\]](#) [\[OFAC guidance\]](#)

OFAC enters into a Settlement Agreement with FTI Consulting, Inc.

- On 01 June, OFAC announced that it had entered into a Settlement Agreement with FTI Consulting, Inc. (FTI), a US-based, international consulting and advisory firm. FTI agreed to pay \$1,050,000 to settle its potential civil liability of apparent violations of US sanctions on Russia's financial sector.
- Chiefly, FTI was said to have indirectly dealt in prohibited debt of VTB Bank, a Russian state-owned bank and a sanctioned financial institution which is subject to Directive 1 under Executive Order 13662. Directive 1 prohibits US persons from dealing in new debt of more than 14 days maturity.
- FTI dealt indirectly in prohibited debt on six occasions. This occurred through the indirect issuance of invoices for services FTI were providing to VTB Bank, through an intermediary law firm.
- Whilst the invoices remained unpaid (but for the partial payment of some of the invoices) FTI continued to perform services for the benefit of VTB Bank and continued to extend prohibited debt to VTB.
- In OFAC's compliance considerations, it noted that: "indirect dealings risk engaging in evasion or avoidance rather than achieving compliance. U.S. persons cannot structure around sanctions prohibitions by having another party transact with a sanctioned entity on behalf of the U.S. person". [\[OFAC release\]](#) [\[OFAC enforcement release\]](#)

Issuance of Russia-related General Licence

- On 28 May, OFAC announced that it had issued General Licence No. 131F, "Authorising Certain Transactions for the Negotiation of and Entry Into Contingent Contracts for the Sale of Lukoil International GmbH (LIG) and Related Maintenance Activities".

Removal of outdated targets on the SDN List

- On 28 May, OFAC announced that it is removing sanctions on 76 outdated targets listed on its SDN List, as it undertakes the process of ongoing sanctions modernisation initiatives.
- The 76 outdated targets include deceased individuals, scrapped or decommissioned vessels, persons designated as involved in historic illicit financial networks that no longer exist, and individuals who lacked sufficient identifiers for continued screening and did not appear to pose an ongoing threat. [\[OFAC press release\]](#) [\[OFAC designation removals\]](#)

Iran related FAQ concerning dealings with digital assets

- On 02 June, OFAC issued a new Iran-related FAQ, concerning whether non-US persons were exposed to sanctions risks for dealing with Iran-based digital asset exchanges including Nobitex, Wallex, Bitpin and Ramzinex, following their designation.
- OFAC [FAQ 1257](#) clarified that transactions with such foreign financial institutions by non-US persons do risk exposure to sanctions under Executive Order 13902, whereby OFAC will have the authority to designate persons, and to prohibit or impose strict conditions on correspondent account or payable-through account opening or maintenance by foreign financial institutions knowingly involved with the above Iran-based digital asset exchanges. [\[OFAC release\]](#)

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