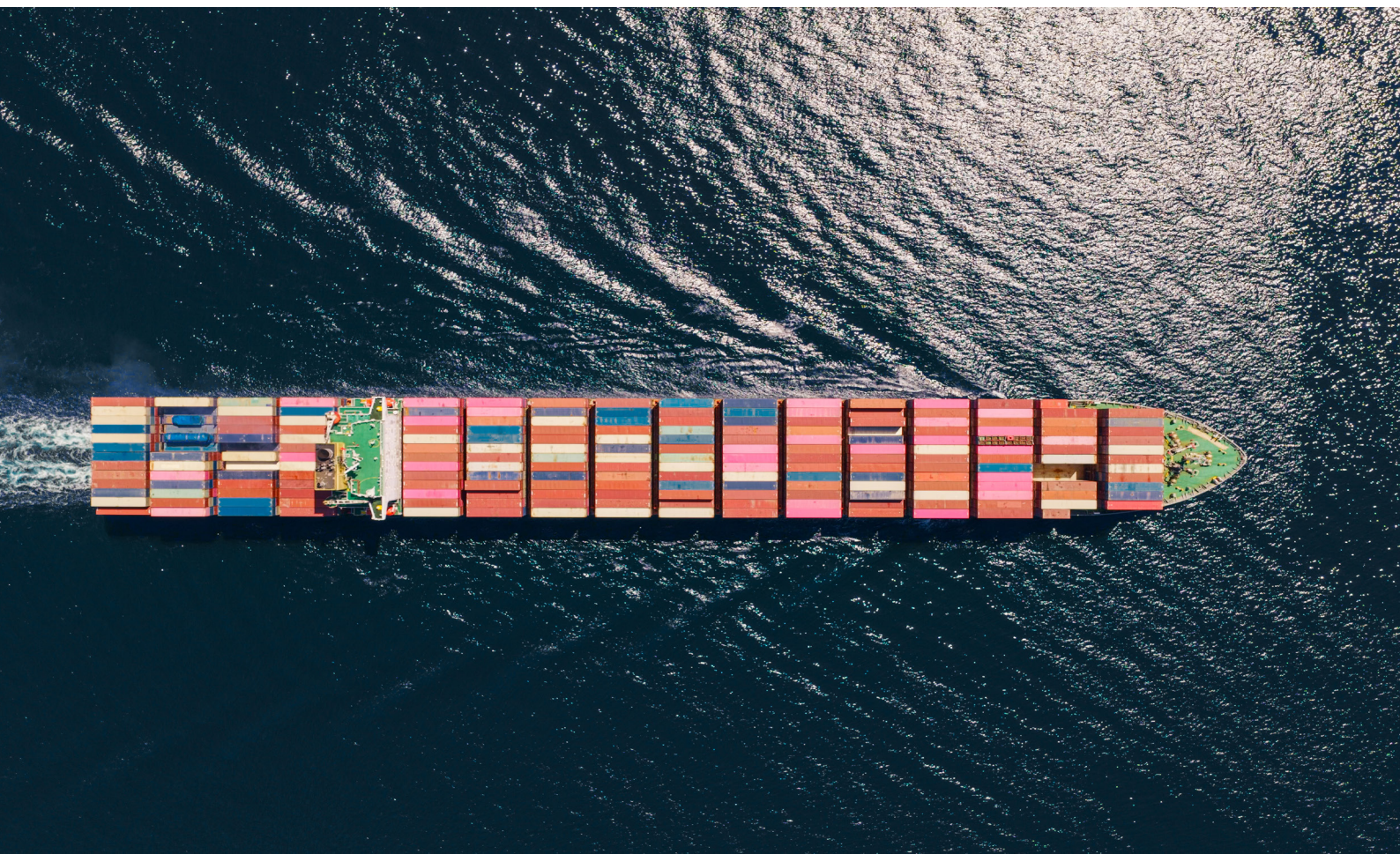


Sanctions: Fortnightly Summary



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Authors:



John Binns
Partner



Alexandre Gorst
Principal Associate



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

This edition covers, among other things: the UK laying new Iran sectoral sanctions legislation and announcing new measures targeting Israeli settlement activity; UK enforcement and litigation developments (OFSI's published penalty on Citibank and the High Court's asset-freeze judgment in *Denali v Manson*); and the intensification of the US Treasury's Operation Economic Outcast against Iran through successive September designation rounds (Turkish financial institutions; the Iranian aviation sector; a transnational cyber-scam network; and Hizballah/Kata'ib Hizballah networks) together with a landmark individual Iran settlement.

Policy Developments

UK lays new Iran sectoral sanctions legislation

<https://www.gov.uk/government/speeches/written-ministerial-statement-iran-sanctions-8-september-2026>

- On 8 September, the Minister for the Middle East, Stephen Doughty MP, announced the implementation of new regulations under the Iran sanction regime, which significantly broaden UK trade and financial prohibitions across energy, metals, gold, software, shipping, insurance, banking and aviation.
- The Iran (Sanctions) (Amendment) Regulations 2026 amend both the Iran (Sanctions) Regulations 2023 and the Iran (Sanctions) (Nuclear) (EU Exit) Regulations 2019. The new Regulations introduce sectoral measures broadly mirroring those lifted under the 2015 Joint Comprehensive Plan of Action (JCPOA):
 - financial measures further restricting the Government of Iran's access to the UK financial system;
 - expanded trade prohibitions on additional goods, technology and services key to Iran's nuclear escalation – including energy, software, metals, gold, and related activities such as shipping, insurance and banking – plus prohibitions on additional goods/technology relevant to Iran's conventional weapons and nuclear capabilities;
 - a prohibition on Iranian aircraft landing in the UK unless an exemption applies (building on the 2024 termination of bilateral air-services arrangements); and
 - expanded powers to sanction ships enabling Iran's nuclear programme and destabilising behaviour.
- The new measures include sanctions mitigations, notably general licences to permit the continued operation of the Shah Deniz gas field in Azerbaijan (aligning the UK with equivalent EU and US carve-outs).

UK announces new sanctions on Israeli settlements

<https://www.gov.uk/government/news/ukto-bring-forward-new-powers-to-respond-to-moral-emergency-in-palestine-and-target-illegal-settlement-activity-in-the-west-bank-to-protect-the-viability>

- On 8 September, the Foreign Secretary, Ed Miliband MP announced a package of new UK measures targeting (in his words) illegal Israeli settlement activity in the Occupied Palestinian Territories, stating that the UK has independently concluded, in line with the International Court of Justice's Advisory Opinion, that Israel's continued occupation of Palestinian territory is unlawful. The announcement was made as part of joint action with France and Canada.
- As an immediate step, the UK used its existing Global Human Rights sanctions regime to designate five individuals said to have supported, incited or carried out violent attacks against Palestinian communities in the West Bank, bringing the total number of persons sanctioned by the UK in connection with settler activity to 38.
- The Government also set out new measures directed at settlement-related economic activity which it intends to bring forward, including (in its words):
 - a ban on the import of goods produced in illegal Israeli settlements;
 - new designation powers to target individuals and companies that support, facilitate or profit from illegal settlement activity (including a new settlement-focused sanctions regime covering services);
 - a ban on the advertising or promotion in the UK of land and property in illegal settlements; and
 - an expansion of the Global Human Rights sanctions regime to capture serious suspected violations of international humanitarian law, with any individual or company involved in illegal settlements in scope.

Enforcement

OFSI imposes monetary penalty on Citibank, N.A., London Branch

https://assets.publishing.service.gov.uk/media/6a97e3ba5a0c25165ae46760/CBNA_London_Public_Penalty_Notice.pdf

- On 2 September, OFSI published a notice of a monetary penalty of £4,732,830.58 imposed on Citibank, N.A., London Branch ("CBNA London") for breaches of the Russia (Sanctions) (EU Exit) Regulations 2019 (the "Russia Regulations") and the Global Anti-Corruption Sanctions Regulations 2021 ("GAC"). OFSI found that CBNA London processed 970 payments with a total value of approximately £19.72 million that breached UK financial sanctions.
- The breaches occurred across eight matters spanning payment processing, correspondent banking and account restrictions – including failures to restrict promptly commercial accounts held by entities owned or controlled by designated persons (a Russian individual and PJSC

Sovcomflot), correspondent-banking payments to or via designated Russian financial institutions (e.g., Alfa-Bank, Gazprombank, Credit Bank of Moscow, and Rosbank), deduction of internal charges from restricted accounts, alert-handling errors, an interest payment made in its role as Principal Paying Agent, and GAC-designated correspondent-banking payments.

- Most breaches occurred between February and November 2022 amid the surge in Russia designations, and many arose from systems-and-controls weaknesses (e.g., a screening system that did not match “Sovcomflot” to KYC records for “PAO Sovcomflot”; internal correspondent-bank lists not screened; delays in alert handling; and a temporary May 2022 guidance change relaxing account-restriction triggers to 50%+ ownership).
- OFSI assessed this case to warrant the highest rating within its seriousness framework (Level 4). The aggravating factors included the very high aggregate value, the strategic priority of the Russia regime, and late frozen-asset reporting on 53 occasions.
- CBNA London received a 20% voluntary disclosure and co-operation discount and a further 20% settlement discount (40% total) off a baseline penalty of £7,888,050.97; the statutory maximum was £9,860,063.72 (50% of the value of the breaches).

Litigation

High Court hands down judgment on asset-freeze provisions

<https://www.bailii.org/cgi-bin/format.cgi?doc=/ew/cases/EWHC/Ch/2026/2287.html>

- On 10 September, the High Court handed down judgment in Denali Corp FZCO v Manson & Ors [2026] EWHC 2287 (Ch), interpreting the central asset-freeze provision of the Russia Regulations (common to all sanctions regulations) – drawing a distinction between “funds” and “economic resources”, and analysing what constitutes “dealing” under regulation 11.
- The dispute arose from the administration/liquidation of Petropavlovsk plc, an English gold-mining company that entered administration in July 2022 after Russia sanctions made its business untenable. Under a court-approved share sale deed, Petropavlovsk sold its business to Atlas (a Russian company) for USD 619 million, with Atlas entitled to any liquidation surplus and trust-fund residue.
- In April 2025 Atlas assigned its contractual rights in the liquidation to Denali (a Dubai company), the assignment to take effect only on the liquidators’ consent; two months later Atlas was designated under the Russia Regulations. The liquidators refused consent, fearing it would amount to dealing with a designated person’s frozen assets. Denali applied under s.112 of the Insolvency Act 1986 for a direction that consent would be lawful.
- The High Court held the liquidators could consent without breaching the Russia Regulations, finding that:
 - applying the Court of Appeal’s analysis in PJSC National Bank Trust v Mints, Atlas’s rights under the share deed were an “economic resource” rather than a “fund” under s.60 of the Sanctions and Anti-Money Laundering Act 2018, because they were rights to an uncertain sum dependent on future recoveries and expenses rather than a liquidated amount; and

- giving consent did not amount to “dealing with” the economic resource, as it involved no exchange or use of the rights for funds and would place nothing in the designated person’s (Atlas’s) hands, Atlas having already received all the benefits of its transaction with Denali.

US Sanctions Developments

- The US Treasury’s ongoing “Operation Economic Outcast” – an unprecedented, government wide economic campaign against Iran launched on 24 August 2026 – continued to intensify through successive rounds of designations this month, spanning Turkish financial institutions, the aviation sector, and allegations of transnational cyber-scam networks and Hezbollah financing

OFAC designates Turkish financial institution under Iran sanctions

<https://ofac.treasury.gov/recent-actions/20260904>

- On 4 September, OFAC designated Turkey-based Golden Global Yatirim Bankasi Anonim Sirketi (also known as Golden Global Investment Bank) and two affiliates (Golden Global Portfoy Yonetimi and Golden Global Varlik Kiralama) under US Iran sanctions (E.O. 13902).
- Iran aviation-sector designations; suspension of GL J-1

<https://ofac.treasury.gov/recent-actions/20260908>

- On 8 September, OFAC took Iran aviation-sector action by: designating UAE-based AeroBravo Airplane Management and Operation LLC and ECT Aviation Support LLC (linked to Mahan Air), suspending Iran General License J-1 (which had authorised the re-exportation of certain civil aircraft to Iran on temporary sojourn), and issuing Iran General License DD (wind-down of certain civil-aviation and other transactions) and Counter Terrorism General License 37 (wind-down of transactions involving persons blocked on 8 September 2026).

Transnational cyber-scam network designations

<https://ofac.treasury.gov/recent-actions/20260909>

- On 9 September, OFAC designated alleged members of a transnational criminal organisation (TCO) network centred on Xinbi Guarantee (a China/South-East Asia-linked online marketplace), together with Anwen Technology Co., Ltd (Cambodia) and Safew Technology Co., Ltd (Singapore), for their role in cyber-scam (“pig-butcher”-type) operations targeting Americans. Numerous associated cryptocurrency addresses were identified as blocked property.

Hezbollah/Kata’ib Hezbollah network designations and individual Iran settlement

<https://ofac.treasury.gov/recent-actions/20260910>

- On 10 September, as part of Operation Economic Outcast, OFAC designated networks enabling Kata’ib Hezbollah and Lebanese Hezbollah (targets included Hussein Ahmed

Hussein Al-Dhuhaibawi, linked to Kata'ib Hezbollah, and Abdulhasan Al-Mandalawi, linked to an E.O. 13902-sanctioned entity); and (ii) substantially restricted its Iran-related specific licensing policy in furtherance of the campaign.

- OFAC also announced a landmark settlement in which an individual agreed to pay \$1,427,230 to resolve potential civil liability for providing management consulting and advisory services to one of Iran's leading software-solutions companies, receiving Iranian-origin dividends into US bank accounts, and acquiring real property in Iran. OFAC determined the apparent violations were egregious and not voluntarily self-disclosed; the matter was resolved in cooperation with the FBI.

Get in touch

+44 (0)20 7430 2277
law@bcl.com

51 Lincoln's Inn Fields
London WC2A 3LZ
DX 37981 Kingsway

www.bcl.com

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BCL Solicitors LLP
51 Lincoln's Inn Fields
London WC2A 3AA

www.bcl.com



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