

# Secondary Sanctions, De-Risking, and More: How UK Sanctions Aim for Global Reach



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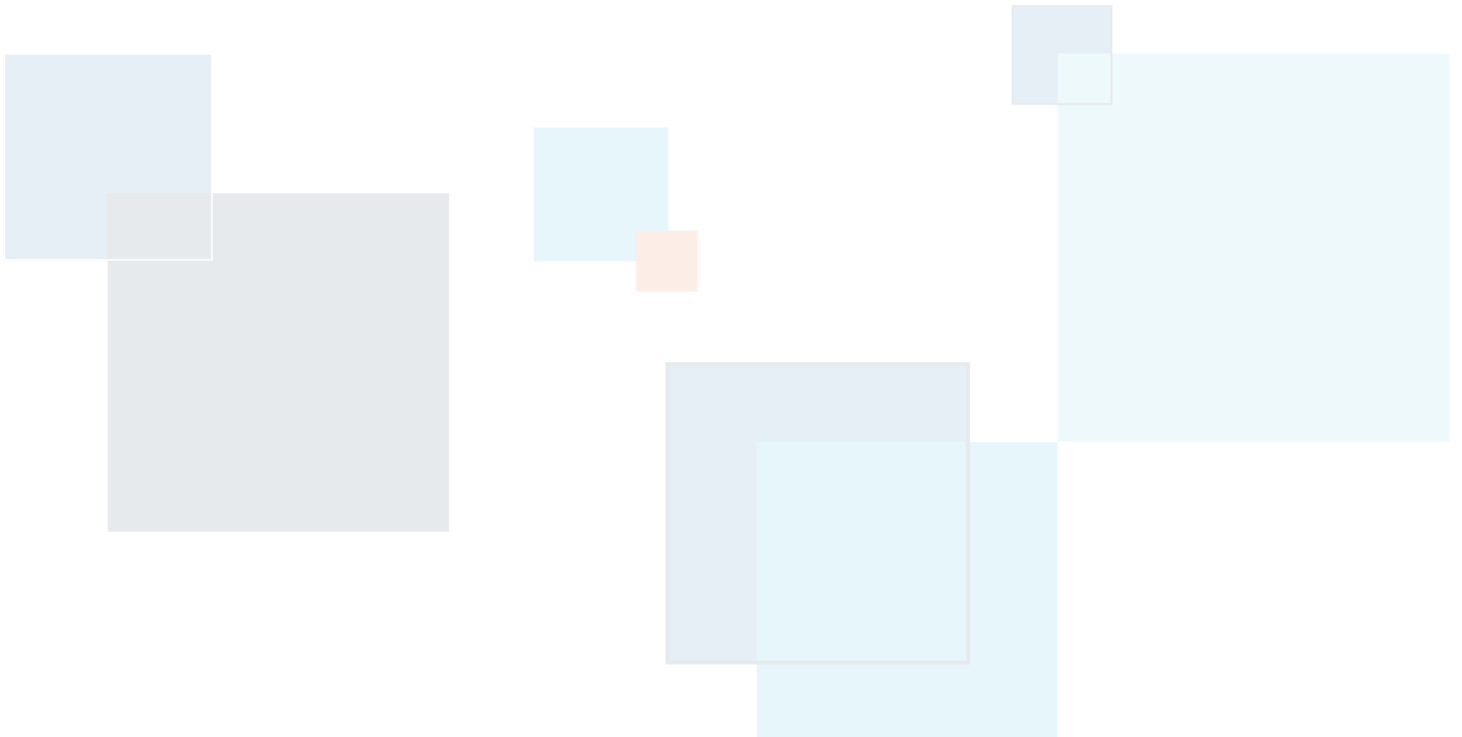
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On 26 June 2025, the Foreign, Commonwealth and Development Office (“FCDO”) published guidance on UK sanctions compliance for non-UK companies operating outside the UK (“FCDO Guidance”). Along with guidance for non-UK companies in general, the government published specific guidance for Armenian, Georgian, Kazakh, Kyrgyz and Uzbek businesses.

The FCDO Guidance is one of the first UK government publications to refer to secondary sanctions, albeit indirectly. Further, the FCDO Guidance places increased expectations on UK businesses that are dealing with businesses in third countries (not Russia or the UK) (BTCs), and offers insight into the jurisdictional reach and limits of UK sanctions enforcement.

## **What are secondary sanctions?**

Secondary sanctions target individuals and businesses on the basis that they are indirectly helping activities targeted by sanctions. For instance, they can target BTCs that help Russian companies circumvent sanctions.

In July 2024, the UK quietly extended its “secondary sanctions” power in the Russia (Sanctions) (EU Exit) Regulations 2019 (“Russia Regulations”), via the Russia (Sanctions) (EU Exit) (Amendment) (No 3) Regulations 2024. The amendments allow the UK government to impose sanctions on BTCs and others on the basis that they are “providing financial services, or making available funds, economic resources, goods or technology, to a person who” is either a Russian Government-affiliated entity, an entity of economic significance to Russia (or operating in a sector of strategic significance to Russia), or an owner of (or holds the power to nominate a director, trustee or equivalent of) such a business. Secondary sanctions are also possible on the basis that the target has assisted in circumventing sanctions.

Since then, the UK has introduced sanctions against several BTCs, based in e.g. China, India, Iran, Kyrgyzstan, Malaysia, Thailand and Turkey for supporting Russia’s “military machine”.

## **The FCDO Guidance and secondary sanctions**

The FCDO Guidance threatens secondary sanctions against BTCs, as a penalty for circumventing UK sanctions law. The guidance notes that the UK is specifically targeting BTCs involved in the circumvention of trade sanctions, as “Russia is going to great lengths to circumvent sanctions and continues to procure Western military, dual-use and other critical goods through third countries”. The UK’s trade sanctions impose prohibitions on the import/acquisition of certain specified goods and technology to/from Russia, and the provision of technical assistance, financial services and funds, and brokering services in relation to their import or acquisition.

An example of BTCs circumventing trade sanctions includes:

1. A BTC receives an order from a Russian importer for goods that are subject to UK sanctions and so cannot be obtained directly from the UK
2. The BTC orders the goods from a UK supplier without informing them or others involved (such as banks, insurers, shippers) that the end-user of the goods is in Russia.
3. The UK supplier exports the goods to the BTC, which then re-exports them to Russia.

The UK may impose sanctions on BTCs, or entities that own or control them, if they are involved in activities, such as the above, which circumvent UK sanctions law. This would not be novel since, as mentioned above, the UK has introduced sanctions against BTCs, including those based in countries traditionally seen as allies, for allegedly sending UK goods to aid the Russian military.

The FCDO Guidance notes if BTCs are sanctioned under the Russia Regulations, then UK nationals, businesses, and any other persons in the UK are prohibited from dealing with them or making available, to or for their benefit, funds or economic resources.

Further, other foreign businesses may voluntarily choose not to do business with sanctioned BTCs, a behaviour described as 'de-risking'.

## **FCDO Guidance – Jurisdictional limits**

The FCDO Guidance states that the UK only takes civil or criminal enforcement action in relation to breaches of UK sanctions against persons outside the UK if they are:

- UK nationals, for example among the staff or directors of a non-UK business
- UK-incorporated companies, including their unincorporated overseas branches.

However, the guidance adds that “subsidiaries incorporated outside the UK are generally outside UK jurisdiction”, unless either of the following points is applicable to their activities:

- they are conducting any part of their business in the UK, for example travelling to the UK to negotiate or sign a contract with a supplier
- they are buying services such as insurance, banking, clearing or legal services on UK markets but using them overseas

If a business breaches UK sanctions and any of the above criteria is applicable, they may become liable to penalties or prosecution in the UK, potentially including severe fines.

Insofar as the guidance implies that UK jurisdiction applies to all conduct of subsidiaries if a criterion applies (rather than just to the conduct in the UK), the FCDO guidance echoes the Insolvency Service (IS) guidance regarding director disqualifications sanctions. The IS guidance provides that director disqualification sanctions prohibit a person from being the director, or taking part in the management, formation or promotion of a UK company, as well as a foreign company that has a “sufficient connection” to the UK, even if it is not registered here (for example, if it carries out business or has assets here).

This may be another warning by the UK government to foreign companies that they may eventually be the subject of UK enforcement action, even if not incorporated in the UK.

## **Expectations on UK businesses**

The FCDO Guidance states that UK businesses are expected to have strong and effective measures to ensure that their goods or services, being supplied to a third country, are not being diverted

to Russia or to sanctioned persons. Here, while positing its potential consequences for BTCs of facilitating circumvention, the FCDO guidance implies the standards it expects UK companies to be adhering to.

Specifically, the FCDO guidance says UK companies that are taking a cautious approach may de-risk, and refuse to do business with a BTC on the grounds that, for example:

- a sanctioned person holds a minority interest in the BTC
- the BTC has links with sanctioned persons
- the BTC is unable to resolve any other concerns that the UK business has, including ensuring compliance with UK sanctions law

Further, the FCDO Guidance says 'many' UK businesses will decline to engage with BTCs that are unable to demonstrate that they have implemented effective measures to prevent goods/services from them being sent to Russia or to a 'person connected with Russia' (broadly, companies incorporated or domiciled there, and individuals residing there). This may apply whether they are sent directly by the BTC or indirectly by others in its supply chain.

If UK businesses are unable to resolve concerns to their satisfaction, the FCDO Guidance suggests they will halt trading with the BTC altogether, including import of the BTC's goods to the UK.

## Mitigating Compliance Risks

To avoid exposure to UK secondary sanctions, BTCs (and UK businesses) should consider the risk that their business could be considered a circumvention risk. In the highest-risk cases, businesses should:

- Conduct comprehensive risk assessments, potentially of their entire supply chains, to ensure goods/technologies are not provided to sanctioned parties, or businesses owned/controlled by them, or to 'persons connected with Russia', or will not be diverted to them.
- Establish robust internal compliance frameworks aligned with UK sanctions law.
- Check whether their existing or new partners/customers are subject to UK's asset-freeze sanctions (regulations 11-15 of the Russia Regulations).
- Include clauses in contracts prohibiting the re-export of goods to Russia and their resale to any third party that does not make the same commitment, and permitting non-fulfilment of contract without liability if doing so would be breach sanctions laws.
- Monitor ongoing regulatory developments and engage legal counsel for risk assessments.

## Conclusion

The FCDO guidance indicates that the UK Government intends to ensure that BTCs are complying with UK sanctions law, and that failure to comply will be the subject of enforcement action, if not for the BTC, then for any UK individuals or entities involved in the supply chain. As such, it is essential for UK businesses and BTCs at risk to implement effective sanctions compliance measures, or risk facing penalties.

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