

Expanding sanctions evasion as a basis for seizing frozen assets

We propose amending the Economic Crime and Corporate Transparency Bill to:

- introduce a **duty on persons designated under UK sanctions to disclose all assets** held in the UK; and
- **criminalise the failure to disclose** such assets as a form of sanctions evasion.

This amendment would expand the scope of conduct that constitutes **sanctions evasion** so that undisclosed frozen assets would potentially be recoverable as the proceeds of crime.

Rationale

In the UK, it is already a criminal offence to evade or circumvent sanctions. This means that any transfers of funds or assets that result from evasion become the proceeds of crime and constitute recoverable property under the Proceeds of Crime Act 2002 (POCA).

However, the lack of transparency around the assets held by sanctioned persons is hindering law enforcement efforts to detect and enforce sanctions evasion. This is compounded by the increasing complexity and sophistication of sanction evasion schemes, as highlighted by the National Crime Agency's [red alert](#) on sanctions evasion typologies by Russian elites and enablers.

Even where sanctions evasion is detected, the property that is recoverable is currently limited to funds moved in breach of sanctions – likely only a fraction of the assets a designated person holds in the UK. As Jonathan Djanogly MP [observed](#) during debate in the House of Commons:

“The problem in the UK, however, is that the criminality of breaking sanctions attaches to the quantum of the breach, not to the overall value of the amount sanctioned. For example, if a sanctioned oligarch were to be found with a carrier bag full of sanctions-breaching cash, that cash amount is all that is liable for confiscation, not his wider sanctioned wealth.”

By introducing a new duty on designated persons to disclose their assets, this amendment would expand the offence of sanctions evasion so that more frozen assets could potentially be permanently confiscated. Assets would not be seized on the basis of sanctions themselves, but rather through the active enforcement of the breach of such sanctions.

Background

According to the Office of Financial Sanctions Implementation (OFSI), the UK has frozen at least [£18 billion](#) in assets owned by individuals and entities under sanctions following the February 2022 Russian invasion of Ukraine. The [combined value](#) of frozen UK properties belonging to Russian oligarchs alone is worth at least £2bn. Meanwhile, according to the Bank of Russia's own 2021 annual report, £26bn of the Russian State's reserves are held in the United Kingdom.

Funds frozen under the UK sanctions regime are passive and cannot be retrieved. Sanctions allow the temporary freezing of assets but do not provide a [legal basis](#) for permanently seizing such assets. On the contrary, restrictions on these assets are usually removed after sanctions are lifted.

The enforcement of sanctions violations could be a rapid solution to recover frozen funds:

- The US has since February 2022 seized frozen assets worth over \$1 billion belonging to sanctioned Russian individuals, including yachts and planes, mostly on the basis of violations of sanctions and anti-money laundering laws. In one case from May 2022, a \$300 million

yacht belonging to Suleiman Kerimov - an individual sanctioned by both the US, UK and EU - was [seized](#) by the US authorities.

- In the UK, the National Crime Agency (NCA) has [frozen](#) roughly £1.5mn in corporate accounts linked to the sanctioned Russian billionaire Petr Aven on the basis of alleged sanctions evasion.

What would this amendment do?

The amendment would require all designated persons to declare the assets that they hold, own or control within the UK to OFSI, as well as provide a statement of the assets they held, owned or controlled six months prior to designation. A failure to disclose such assets within a prescribed period would be a criminal offence.

Benefits

This amendment would **make it much easier for law enforcement to prove sanctions evasion as a basis for asset recovery**. This is because all frozen assets that have not been disclosed to OFSI would potentially be tainted as the proceeds of crime.

The amendment would **enhance the strategy and priorities of the UK sanctions regime**: stronger cooperation with the private sector, more proactive reporting to OFSI, and greater coordination between OFSI and law enforcement in the implementation of sanctions. This proposal also mirrors [legislation](#) recently introduced at the EU level.

In keeping with this Bill's scope and ambition, the amendment would **promote transparency about the ownership and control of assets subject to UK sanctions**. This would enhance the work of the NCA's Combatting Kleptocracy Cell, and provide the basis for potential future civil and/or criminal investigations.

Draft proposed language:

After section 16 of the Sanctions and Anti-Money Laundering Act 2018, insert—

Duty to disclose funds and economic resources

- (1) Any regulations made under section 1 must make provision requiring designated persons—
 - (a) to report to the Treasury or other competent authority, within three months after such regulations are made or within three months from the date of designation, whichever is the latest, the funds or economic resources that:
 - i. are currently held, owned or controlled by them within the United Kingdom; and
 - ii. were held, owned or controlled by them within the United Kingdom six months prior to the date of designation; and
 - (b) to cooperate with Treasury or other competent authority in any verification of such information.
- (2) A failure to comply with a requirement in paragraph (1) may be considered as participation in activities the object or effect of which is (whether directly or indirectly) to circumvent such requirement."

For further information, contact: