



HM Treasury

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Dear Susan and Tom,

Thank you for your letter dated 23 February to the Minister for Security, the Rt Hon Tom Tugendhat MP, about sanctions enforcement. Your letter has been passed to the Treasury. As it is not practical for Ministers to respond personally to all the correspondence they receive, I have been asked to reply.

The Government regularly reviews its approach and capabilities to enhance financial sanctions, this includes closely looking at international partners and nothing is off the table. To that end, the Government continues to actively explore options to continually improve transparency around assets held by sanctioned persons and where appropriate enable permanent deprivation of assets associated with designated persons who do not comply with financial sanctions, including jointly with international partners. This includes actively considering potential routes to mirror the EU's mandatory disclosure proposal in UK legislation. Government agrees this is an important, complex area, and it is essential we uphold the rule of law in our efforts.

In the meantime, government authorities have the powers to utilise various enforcement tools to investigate breaches of sanctions and in criminal cases confiscate relevant assets, including those associated with Russian designated persons.

Each year the Office of Financial Sanctions Implementation (OFSI) carries out an Annual Review, which includes details of assets frozen under UK Sanctions. Anyone who holds frozen assets (including funds and economic resources) is required to report the details of these assets to OFSI. Relevant firms have an obligation to report to OFSI information concerning funds or economic resources belonging to, owned, held or controlled by a designated person. This includes an obligation to report suspected offences under financial sanction regulations to OFSI.

Enforcement of financial sanctions is an area of significant importance for OFSI and it continues to assess every reported suspected breach. OFSI has enforcement powers where there is evasion or suspected breaches and over the course of the last year, OFSI has taken

steps to bolster its enforcement powers even further through the Economic Crime (Transparency and Enforcement) Act 2022. With the unprecedented expansion of financial sanctions imposed against Russia, as well as the increased exposure and links to UK nexus of designated persons, OFSI is significantly enhancing its ability to ensure effective and joined-up enforcement across government.

Evasion of sanctions is a criminal offence and as such a predicate offence for money laundering. Where sanctions evasion is suspected, law enforcement, including the National Crime Agency's Combatting Kleptocracy Cell, can use the full spectrum of powers under the Proceeds of Crime Act to investigate. The CKC builds on the NCA's existing expertise, using all our available capabilities to disrupt corrupt elites and their enablers in the UK and investigate criminal sanctions evasion. It can account for over 100 disruptions since the invasion of Ukraine.

As you reference, the Economic Crime and Corporate Transparency Bill is currently passing through the House of Lords. Decisions on scope are a matter for House Authorities who we continue to work with as we consider potential measures. We continue to welcome the ongoing collaboration and contributions to help strengthen and improve the Bill.

The government will continue reviewing and exploring options to enhance transparency in UK sanctions regime and enhance enforcement efforts. Officials will continue to keep in touch and welcome continued dialogue on potential future measures.

Yours sincerely,

Office of Financial Sanctions Implementation
HM Treasury