

UK SANCTIONS



International organisations will already be aware of the differing sanctions regimes in place that they must have regard to. From dealing with conflict minerals (and complying with the Dodd-Frank Act and EU provisions due to come into force in 2021), trafficking and slavery (and compliance with various international regimes on the prevention of the same) and trade prohibitions with extra-territorial impact along with prohibitions on following certain sanction regimes (e.g. EU Blocking Regulation, OFAC), organisations already have a significant web to navigate.

The Sanctions and Anti-Money Laundering Act 2018 is the legislation that will be used by the UK to impose economic and other sanctions. With the exception of the Global Human Rights Sanctions Regulations 2020, which came into force on 6 July 2020, the majority of new UK rules will not come into force until the end of the transition period.

Increasingly, sanctions compliance programs are the focus of lenders and investors during financing deals, and are mandated when they are absent, as a condition of the loans, funding or investment.

The purpose of this roundup piece is to highlight some of the notable differences between the UK and EU regimes going forward. To help break down the UK sanction regime and the changes that are coming we will produce a mini-series this autumn linking to the concept of adequate compliance regimes.

NEW SANCTIONS

We have recently seen the Government bring in sanctions against individuals who are considered to have breached human rights. This is the first departure from the policy of implementation of the UN/EU sanctions and led to a sudden much greater interest from unregulated clients in this area of risk.

Section 1 allows for an appropriate Minister to make sanctions regulations for the purposes of (amongst other things) (i) compliance with a UN obligation; and (ii) compliance with any other international obligation. A notable difference that has been recognised between the current EU sanction regime and the UK regime under the 2018 legislation is when a sanction may be implemented: Section 1 of 2018 Act allows sanctions regulations to be introduced where a Minister considers it to be "appropriate", whereas the EU regime is based on the principle of proportionality and the Guidelines on implementation and evaluation of restrictive measures (sanctions) in the framework of the EU Common Foreign and Security Policy i.e. sanctions (or restrictive measures as they are often called) must be proportionate to their objective. This is not to say that UK sanctions would not be proportionate or necessary, rather the language used by the legislation in Section 1 appears to allow for wider discretion, leading to potential future divergence in approach.

GENERAL LICENCES

Another notable provision is Section 15 of 2018 Act which allows for a general licensing regime, similar to that of the Office of Foreign Assets Control License ("OFAC"), which provides authorization from OFAC to engage in an activity that otherwise would be prohibited under the US sanctions regime.

ENFORCEMENT - A CAUTIONARY NOTE

Organisations must take note of the UK's regime and ensure its compliance procedures are compliant at all times. The Office of Financial Sanctions Implementation has previously demonstrated it is willing and will impose strict financial penalties for breaches, even minor ones as seen in 2019 when an organisation who was party to a £200 transaction in breach of the Egypt (Asset-Freezing) Regulations 2011 was issued with a £5,000 fine (reduced from £10,000 as the defendant made a disclosure of the breach and cooperated with the investigation). Indeed, another organisation also linked to this breach received a £10,000 penalty. See: [Enforcement of Financial Sanctions \(OFSI\)](#)

For further information, contact:



Anne-Marie Gregory

Senior Associate

T: +44 (0) 117 918 2324

amgregory@dacbeachcroft.com



Rachel Cropper-Mawer

Partner

T: +44 (0) 20 7894 6888

rcropermawer@dacbeachcroft.com

dacbeachcroft.com

 Follow us: [@dacbeachcroft](https://twitter.com/dacbeachcroft)

 Connect with us: [DAC Beachcroft LLP](#)

DAC Beachcroft publications are created on a general basis for information only and do not constitute legal or other professional advice. No liability is accepted to users or third parties for the use of the contents or any errors or inaccuracies therein. Professional advice should always be obtained before applying the information to particular circumstances. For further details please go to www.dacbeachcroft.com/en/gb/about/legal-notice. Please also read our DAC Beachcroft Group privacy policy at www.dacbeachcroft.com/en/gb/about/privacy-policy. By reading this publication you accept that you have read, understood and agree to the terms of this disclaimer. The copyright in this communication is retained by DAC Beachcroft. © DAC Beachcroft.