

# LESSONS LEARNED FROM THE OFSI ANNUAL REVIEW: 2020 - 2021

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## UK Policy and Regulatory Alert

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The UK Office of Financial Sanctions Implementation (OFSI) of HM Treasury (HMT) published its annual review for 2020 to 2021 on 14 October 2021. The annual review covers a period in which OFSI moved from implementing an EU sanctions framework into the new UK autonomous regulations at the end of the transition period on 31 December 2020.

### Key Takeaways Include:

1. Thirty four UK sanctions regimes (collections of sanctions measures) came into force at the end of the transition period. The annual review reports that 32 of the 34 UK sanctions regimes were financial sanctions regimes. The Global Human Rights regime and freezing orders made under the Anti-terrorism, Crime and Security Act 2001 remained in place.
2. The number of new sanctions designations made rose by 224 percent between January and March 2021, compared with the same period the year before.
3. OFSI changed its approach to licensing. Changes included the addition of a requirement for 'reasonableness' to the licensing grounds for maintenance of frozen funds and economic resources, and payment of legal fees and expenses. In the financial year 2020 to 2021, OFSI issued 43 new licenses and made 75 amendments across 11 regimes. Two authorisations and two general licences were also issued.
4. In light of concerns raised around extensive changes to the consolidated list of persons and organisations under financial sanctions, OFSI developed the 'bridging document.' The aim of the bridging document is to assist the financial sector, screening providers, and banks to conduct due diligence and ensure that there are no gaps in implementation following the changeover to UK sanctions measures. There were just under 2000 changes to the OFSI consolidated list in the financial year 2020 to 2021.
5. Legislation for counter-terrorism financing was reviewed. Under the new regime contained in the Counter-Terrorism (Sanctions) (EU Exit) Regulations 2019, HMT can designate individuals, groups, or entities with a clear UK nexus to further the prevention of terrorism in the United Kingdom or elsewhere and protect UK national security interests.
6. During the financial year 2020 to 2021, OFSI saw an increase in the diversity of organisations and companies reporting suspected breaches. A significant number of reports have been received from the legal, charity, insurance, media, professional services, real estate, telecommunications, and travel sectors, as well as continued reports from the banking and financial services sector.

The annual review highlights OFSI's continued efforts to raise the profile and effectiveness of the UK's sanctions framework. UK autonomous sanctions are key to OFSI's approach, however, OFSI has demonstrated its willingness to continue to work with bilateral and multilateral partnerships worldwide to address financial crime.

## WHAT NEXT?

Businesses wishing to remain up-to-date with ongoing developments in the UK's sanctions landscape must ensure that their systems and procedures are effective in identifying sanctioned individuals or parties and sufficiently adaptable to identify relevant changes in sanctions.

### Steps to Consider Include:

7. Review know your customer/know your business steps for client onboarding and for existing clients.
8. Review systems and procedures for identifying changes in consolidated lists that have implications for previous sanctions checks.
9. Consider additional training for compliance and client facing employees regarding amendments to the UK sanctions regime.

The United Kingdom's approach to sanctions continues to develop and adapt to UK and global issues and senior management must remain mindful of the implications these changes have for their businesses.

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