

# **SANCTIONS UPDATE: MONETARY PENALTY IMPOSED BY OFSI**

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## **UK Policy and Regulatory Alert**

By: Michael E. Ruck, Rosie Naylor

On 21 February, the UK Office of Financial Sanctions Implementation (OFSI) announced that it has fined Clear Junction Limited (Clear Junction) £36,393.45 in relation to transactions Clear Junction made to accounts held at the Russian National Commercial Bank (RNCB) between 20 March 2018 and 18 June 2018.

The OFSI's announcement<sup>1</sup> sets out that Clear Junction submitted a suspected breach report in relation to eight payments made by two individuals to two accounts at the RNCB. The transactions were initiated by Clear Junction's client, TransferGo, who provided a Russian Bank Identification Code (BIC). Regulation 4 of the Ukraine (European Union Financial Sanctions) (No. 2) Regulation 2014 prohibits a person from making funds available, directly or indirectly, to a designated person if a person knows, or has reasonable cause to suspect, that person is making the funds so available. RNCB was designated on 30 July 2014.

The OFSI considered that Clear Junction knew or had reasonable cause to suspect that the payments would breach the financial sanctions restrictions. At paragraph 8 of the announcement, the OFSI notes that Clear Junction were a "Financial Conduct Authority ("FCA") regulated payment services provider with knowledge of sanctions, which sent payments to accounts of individuals resident in Crimea using a Russian BIC which identified RNCB as the receiving financial institution". The reference to Clear Junction's status as an FCA regulated payment services provider highlights the expectation that regulated entities remain up to date with financial sanctions restrictions.

On 19 April 2018 Clear Junction notified TransferGo that certain banks/financial institutions were subject to international sanctions and could not make payments to certain Russian BICs and so the payments could not be processed. Despite this, Clear Junction made further payments to accounts with the same Russian BIC code as had been reported to the OFSI.

The OFSI notes that Clear Junction was not able to rely on TransferGo ensuring that its instructions were compliant with financial sanctions restrictions, despite TransferGo's status as a licensed authorised payment institution regulated by the FCA and supervised by HM Revenue & Customs. The announcement makes it clear that companies have their own obligation to ensure that they comply with financial sanctions restrictions.

## **WHAT NEXT?**

The United Kingdom's approach to financial sanctions continues to develop, particularly sanctions against Russia in relation to Ukraine. UK entities must ensure that they remain up to date with applicable sanctions regimes and implement thorough and flexible processes to identify potential breaches of financial sanctions.

Key steps to consider:

1. Review up to date sanctions regime and confirm compliance.
2. Review know-your-customer/know-your-business processes and identify recipients of payments.

## FOOTNOTES

<sup>1</sup> [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1056043/Clear\\_Junction\\_Penalty\\_Report\\_21.02.22.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1056043/Clear_Junction_Penalty_Report_21.02.22.pdf)

## KEY CONTACTS



**MICHAEL E. RUCK**  
PARTNER

LONDON  
+44.20.7360.6424  
MICHAEL.RUCK@KLGATES.COM



**ROSIE NAYLOR**  
SENIOR ASSOCIATE

LONDON  
+44.20.7360.8241  
ROSIE.NAYLOR@KLGATES.COM

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