

News

How are you dealing with the sanctions?

12 September 2023

Building on our previous work in financial sanctions, which intensified in light of Russia's invasion of Ukraine, we have collected data about firms. We would like to thank all firms that responded to this exercise earlier.

This was targeted at firms not in scope of the money laundering regulations and was designed to help us understand firms' exposure to sanctions risk and the controls in place to mitigate those risks.

We also asked questions about whether firms had dealt with a designated person (ie an individual, entity or ship subject to financial sanctions). Some key findings from the exercise were:

- More than 3,000 firms completed the survey
- Nearly 1,700 firms did not do or were unsure if they did one or more of the following:
 - identify their clients
 - verify their clients' identities
 - check source of funds
 - check if a client was subject to sanctions
- More than 1,000 firms have a greater risk of having a designated person client because of their areas of work or they (or their clients) have a connection to a sanctioned country.
- Twenty-six firms had dealt with a matter involving a designated person.

We will use this information, alongside information we already held about firms in scope of the money laundering regulations, to target inspections and desk-based reviews on a risk-based approach. This will assess:

- controls firms have in place to mitigate their sanctions risks
- compliance with the sanctions regime reporting and licensing requirements, including those set out by the Office of Financial Sanctions (OFSI).

We will also be writing to firms that have told us that they do not have basic controls in place to mitigate sanctions risk. We expect firms will have already taken steps to mitigate any gaps based on our [published sanctions guidance](https://referral.sra.org.uk/solicitors/guidance/financial-sanctions-regime/) [https://referral.sra.org.uk/solicitors/guidance/financial-sanctions-regime/].