



## OFSI imposes first monetary penalty regarding breach of post-invasion sanctions against Russia

09 October 2024

---

On 29 August 2024, the Office of Financial Sanctions Implementation ("**OFSI**"), imposed a [£15,000 monetary penalty against Integral Concierge Services Limited \("\*\*ICSL\*\*"\)](#), for contravention of regulations 11(1) and 13(1) of the Russia (Sanctions) (EU Exit) Regulations 2019 (the "**Russia Regulations**"). The penalty was [published](#) on 27 September.

ICSL made and received payments totalling £15,487 in connection with property management services it provided to a person designated as the target of an asset freeze under the Russia Regulations (the "**Designated Person**"). These appear to have included the collection of rent from tenants on the Designated Person's behalf, making transfers between accounts dealing with the Designated Person's funds, collecting its own management fees from the Designated Person's client account with ICSL, and paying for upkeep and maintenance of the property in question on the Designated Person's behalf. OFSI concluded that payments made by ICSL for "*routine holding and maintenance*" of the property made funds available to a third party for the benefit of the Designated Person, in contravention of the Russia Regulations.

This case is the first enforcement of financial sanctions by OFSI in 2024, and follows a single enforcement in 2023 ([Wise Payments Limited, dated 31 August 2023](#) – please see our previous [post](#)). Of particular interest is the fact that this penalty is the first to be imposed in respect of sanctions imposed against Russia following its invasion of Ukraine (OFSI's previous Russia-related enforcement has related to the restrictions imposed following the 2014 invasion of Crimea), and the first to include a penalty imposed on a strict liability basis.

The notice provides companies with recommendations on ensuring they are compliant with UK financial sanctions, and a useful insight into how the updated case factors in [OFSI's Enforcement and Monetary Penalties Guidance](#) (the "**Enforcement Guidance**") will be applied, following the updates to the Enforcement Guidance in May. We have summarised the key takeaways below.

### Compliance with UK financial sanctions

OFSI notes that this case provides lessons on compliance with UK financial sanctions that are applicable not only to the property management sector, but also to wider industry stakeholders. OFSI concludes that:

- It is essential for companies to understand their exposure to sanctions risks and take appropriate action to address these risks. Companies serving a high-risk client base should ensure they are fully informed of the risks (including properly engaging with OFSI's published guidance; and seeking legal advice on their sanctions obligations, if necessary).
- This case highlights how sanctions apply to properties and other assets owned by designated persons, which is especially important for the property management sector and any companies that provide associated services.

### **Voluntary disclosure**

This case emphasises the importance of entities or persons voluntarily disclosing breaches of regulations to OFSI. Of the ten monetary penalties OFSI has imposed to date, half originated from voluntary disclosures. OFSI will make up to a 50% reduction in the final monetary penalty amount (if applicable) to a person who provides a prompt and complete voluntary disclosure (see case factor J – reporting of breaches to OFSI, as set out in the Enforcement Guidance). As ICSL did not make a voluntary disclosure in this case (OFSI state that they became aware of potential breaches by "*proactive means*" and began an investigation into ICSL), a penalty reduction discount was not applied.

### **Aggravating and mitigating factors**

OFSI considers certain factors to be aggravating or mitigating, respectively, when assessing a breach of sanctions. With reference to the case factors set out in the Enforcement Guidance, the aggravating factors in this case were:

- The cumulative total and repeated nature of the payments was serious (case factors B – value of the breach; and I – repeated, persistent or extended breaches). OFSI states at case factor I that it will view multiple breaches extended over time as being more serious collectively, even if individually they are of low value or relative seriousness.
- ICSL's actions reduced the harm which ought to have been caused to the Designated Person through the asset freeze, and thereby the pressure to encourage Russia to cease its actions in Ukraine (case factor C – harm or risk of harm to the sanction regime's objectives).
- ICSL's reasonable cause to suspect that it was in breach of sanctions for activities it performed after 15 June 2022, as contrasted with its lack of awareness of sanctions risks (case factors D – intent, knowledge, reasonable cause to suspect etc; and E – knowledge of sanctions and compliance systems).
- ICSL's failure to meet the reporting requirements of general licences, as well as the fact that, during a client due diligence review by its banking provider, it did not disclose that the Designated Person was its client (case factor M – other relevant factors).

By contrast, the mitigating factors were that:

- OFSI may have granted ICSL a licence, had this been applied for. OFSI has issued general licences to allow some payments in respect of properties owned by Designated Persons (considered under case factor C).
- ICSL cooperated with OFSI's investigation by providing information on breaches it had committed of which OFSI was not yet aware (case factor K). Co-operation may include proactively undertaking internal investigations and providing OFSI with material or information beyond

that requested that could assist OFSI's consideration of the case. The prompt provision of complete responses to questions put by OFSI will also be considered relevant, and refusal to do so may be considered an aggravating factor.

## **Commentary**

Following the introduction of the Economic Crime (Transparency and Enforcement) Act 2022, OFSI can impose civil monetary penalties for financial sanctions breaches on a strict liability basis in respect of breaches occurring after 15 June 2022 (i.e. there is no requirement to show that a person had knowledge / reasonable cause to suspect they were in breach – please see our [previous post](#) for further detail). There has been significant interest in the circumstances in which OFSI will issue fines of this type, which has been applied for the first time in this case. The payments made by ICSL covered a period both before and after the 15 June 2022 cut-off; in the case of the earlier payments, OFSI concluded that ICSL knew or had reasonable cause to suspect that it was in breach. One may therefore conclude that this mental element would also have been present for the post-June 2022 payments, had it been required.

ICSL was unaware of its sanctions obligations beyond not making direct payments to the Designated Person and facilitating further rental payments to the Designated Person's client account. ICSL admitted that it did not believe it was necessary to seek guidance about the sanctions regime or educate itself on its legal obligations. The imposition of a penalty in this case may therefore be intended to emphasise OFSI's increasing focus on the importance of companies understanding their exposure to sanctions risks and taking appropriate action to address these risks.

There will likely remain significant interest in how OFSI will continue to exercise its civil penalty powers and whether further strict liability and/or Russia-related penalties will follow.