

## **Alert** | **Export Controls & Economic Sanctions**



**October 2022**

### **UK and U.S. Announce ‘Enhanced Partnership’ on Economic Sanctions Implementation, Enforcement**

The United Kingdom and United States announced in a [joint statement](#) on 17 October a new strategy to cooperate and collaborate further on economic sanctions implementation and enforcement.

The partnership will see the UK’s Office of Financial Sanctions Implementation (OFSI) and the U.S. Office of Foreign Assets Control (OFAC):

- further exchange best practices and strengthen working relationships;
- pool their expertise;
- think creatively about sanctions challenges;
- align sanctions implementation; and
- better support sanctions compliance through jointly issued products or guidance.

The statement solidifies the recent unprecedented levels of coordination between OFAC and OFSI this year, particularly in the wake of the Russian invasion of Ukraine. OFAC-OFSI already coordinate on priorities such as cyber threats and the misuse of virtual assets, improving information sharing, and minimizing unintended humanitarian and collateral consequences to sanctions implementation.

Leading sanctioning countries, including the U.S. and UK, have already been cooperating in relation to Russia-related sanctions regimes, but inconsistencies between overlapping sanctions regimes have created compliance challenges for companies and persons subject to the various regimes. OFSI and OFAC say they recognise that the growing scale of sanctions has increased the complexity of their implementation. Such complexity makes sanctions compliance more difficult. Greater OFAC-OFSI collaboration and cooperation will therefore be a welcome development, particularly for multinational companies who must navigate multiple and sometimes competing sanctions regimes.

For OFSI, which is younger than its U.S. counterpart, the new partnership may help alleviate resourcing issues. In the last year, in relation to Russia-related sanctions, as well as regularly engaging with stakeholders and issuing extensive guidance, OFAC has issued over 2000 responses to specific licence and interpretative guidance requests and over 50 General Licences. By contrast, no reference is made in the statement to the number of specific licence requests OFSI has handled, only that it has issued over 30 General Licences, is engaging with industry, and has updated its guidance. The OFAC-OFSI statement appears to acknowledge OFSI's challenges, noting OFSI's aim to move to "*a larger and more proactive organisation*" and that it intends to grow to over 100 staff members by the end of the financial year. Potentially significant in this regard is that, while OFAC has existed for over 50 years, OFSI, established in 2016, is a relatively new office. This close cooperation and coordination should assist OFSI's growth, bolstering its resources and enhancing its ability to handle complex sanctions implementation and enforcement.

The multilateral approach is expected to make the sanctions more impactful, minimise unintended consequences, render compliance complexities less burdensome, and further coordination, especially between OFSI and other sanctioning authorities. OFSI and OFAC anticipate that the partnership will bring significant benefits to both organisations and also encourage and allow for greater collaboration with other key allies. In addition, for international businesses navigating compliance with developing sanctions regimes, any clarity the partnership can bring on best practices will be welcome.

While the joint OFAC-OFSI statement does not articulate this explicitly, increased coordination on implementation should mean increased collaboration and sharing of information and resources for the investigation of alleged sanctions violations (including evasion or circumvention) and enforcement cases. OFAC and OFSI will likely continue to coordinate closely with EU authorities. Multinationals in particular should prepare for increased number and scale of sanctions enforcement matters (potentially multilateral) for years to come, as governmental resources continue to ramp up and scrutiny on potential sanctions evaders intensifies.

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