

Alert | Export Controls & Economic Sanctions



December 2023

UK Announces New Office of Trade Sanctions Implementation

On 11 December 2023, His Majesty’s Government (HMG) announced that it will create a new unit – the Office of Trade Sanctions Implementation (OTSI) within the Department for Business and Trade (DBT) to improve the implementation and enforcement of trade controls and sanctions, including those against Russia. Launching in early 2024, OTSI will work in tandem with its counterparts in financial sanctions enforcement, including the Office of Financial Sanctions Implementation (OFSI), but will not be responsible for trade licensing (military and dual use items), which will remain the remit of the Export Control Joint Unit within the DBT. From a sanctions enforcement perspective, OFSI is to remain responsible for the imposition of asset freezes on designated persons and the prohibition on UK persons from dealing with funds and economic resources connected to a designated person.

OTSI will support UK businesses in compliance with UK trade sanctions as well as be responsible for the civil enforcement of trade controls and sanctions, investigating potential breaches – such as companies evading sanctions by sending goods and services through other countries – issuing penalties, and referring cases to His Majesty’s Revenue and Customs (HMRC) for criminal enforcement related to suspected violation of trade control restrictions. HMRC has a track record in the field of trade control enforcement as emphasised by its recent reporting of two ‘Compound Settlements’¹ in August 2023

¹ An offer made by HMRC in lieu of referral to the Crown Prosecution Service for consideration of a charge. While the dates and amounts of such settlements are published, more detailed information is not available. HMRC does not consider the disclosing the

relating to (i) unlicensed trade of goods (fine of £1 million) and (ii) an attempted export of goods breach (fine of £67,000).

Context

The launch of OTSI responds to concerns that Russia is circumventing existing sanctions, and follows on the heels of the NCA's JMLIT **Red Alert on 'Exporting High Risk Goods'**, issued on 6 December. The Red Alert provides information to UK businesses on common techniques suspected to be in use by Russia to evade sanctions on the export of high-risk goods.

Direct trade between the UK and Russia has fallen dramatically since the invasion of Ukraine, and it is thought that as a result Russia is procuring goods from other countries, including goods originating in the UK. It has been reported recently that certain countries, including a number of former Soviet countries, are acting as conduits or intermediaries for high-risk items being exported to Russia which are considered vital to the country's war effort. These suspected circumventions have led to the imposition of sanctions and other restrictions on individuals and entities in the gold, oil and other strategic sectors.

In response to this, the UK, alongside other Western allies, the United States, European Union and Japan, have developed a Common High Priority items list which are considered to be at high risk of being used in Russian sanctions circumvention efforts.

Comments

OTSI is yet to take its place alongside other UK sanctions implementation, investigation and enforcement authorities, and it will not be clear for some time quite how OTSI's remit and approach will dovetail with theirs. At the very least, OTSI's launch underlines the seriousness with which the UK authorities are treating sanctions violations, and the need for businesses and individuals to ensure their houses are in order.

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