



Risk alert – Sanctions

New and existing clients

OVERVIEW

The sanctions regimes are moving at pace – with OFSI publishing new sanctions against individuals in response to the situation in Ukraine on an almost daily basis. The UK government has indicated it will continue to issue new sanctions.

This will inevitably increase the risk that one of your existing clients, or prospective clients, may be hit by sanctions and it is important that you are alert to the risks and behaviours that may result. Those who have already been sanctioned, or fear they will be next, may be attempting to disguise ownership of assets held in the UK/EU and US.

It is important to cast a critical eye over your existing client base to identify patterns of behaviour that may suggest that assets are being restructured to avoid sanctions. Be alert to the risk that new clients may approach you for help in restructuring their asset portfolio.

WHAT SHOULD FIRMS BE ALERT TO

Current ownership and control – review of client base.

Review the know-your-client information you have in place on your existing clients and ensure you understand who controls the asset/entity. Challenge whether this information makes sense and identify those clients who might be subject to sanctions. Make sure you have completed verification or screening processes that are proportionate to the risk.

Consider the risks prevalent around “golden visas” where countries in the EU including Cyprus, Malta, Portugal, and the UK provided individuals with citizenship in return for investments in their respective countries.

Perform sanction checking if you do not already do so and consider additional intelligence gathering such as open-source searches.

Transfer of ownership

We have seen some anecdotal evidence that assets are being transferred to family members or other associates to avoid sanctions. This is a typology that has been observed before, in previous rounds of financial sanctions. There have been instances of major businesses being transferred to a child of the original owner, who on the face of it, has neither the experience nor the skills to manage the business. In such cases the risk that the parent remains a “shadow” controller is significant. In other cases, the transfers have been made to trusts. It is important to understand the terms of these trusts, who controls the trust (both legally and in practice) and who can benefit from it.

Exercise your professional scepticism as you assess these changes:

- Is there a transfer of full beneficial ownership or are there arrangements or understandings, whether these are documented or not, which mean that the transferor retains an interest in the assets?
- Be alert to apparent changes in ownership/control amongst your existing client base. Are these bona fide changes or attempts to obfuscate ownership and control?
- Similarly, when new clients approach you for work, consider whether there are signs of recent changes.

It is reasonable to ask a client why they are making the changes to their assets so that you can understand the business rationale.

CHANGES IN PROFESSIONAL ADVISORS

Clients concerned about the impact of sanctions or subject to sanctions may start to change their behaviours and consider changing their professional advisors. Larger professional advisors with sophisticated intelligence gathering systems may be concerned about existing clients and disengage.

Ask yourself why a client has come to you? Does their choice make commercial sense? Where were they before and why did they move? Ensure you have the professional clearance letter and do not be afraid to contact the prior advisors for further information.

WHERE TO GET FURTHER GUIDANCE

[OFSI Sanctions guidance](#)

[ICAEW guidance](#)

[Search the OFSI list of sanctions](#)

[ICAEW client screening services](#)