

Situation in Russia and Ukraine

In light of the ongoing tensions between Russia and Ukraine, governments including the UK, the US and EU States have warned they may implement increased sanctions against Russian individuals and entities in the coming days or weeks. These sanctions may include a ban on GBP and USD transactions in some cases.

Firms should comply with applicable sanctions laws and monitoring developments carefully. The Financial Conduct Authority (FCA) has been contacting firms directly to remind them of their obligations and to highlight that it expects sanctions systems and controls to be robust in order to identify and prevent exposure to designated persons in compliance with the Russian sanctions regime.

The broadening of the Russia sanctions regime in the UK, and the changes to the criteria under which individuals and entities may be designated as introduced with the amended definition of **'involved person'**, give the UK the ability to impose financial sanctions to new targets at short notice. As such, your financial sanctions systems and controls should be capable of being adapted in line with the recent changes made to the Russian sanctions regime and should be appropriate to readily respond in the event of changes and/or new potential designations.

Your firm's financial sanctions exposure should be assessed to ensure you understand the risks posed by your business model. You should be able to identify which business areas are most likely to be exposed to the Russian financial sanctions and ensure that your sanctions control framework applied to these business areas is appropriate at all times. You must also ensure that your due diligence is adequate and the information you hold on customers, including on directors and

ultimate beneficial owners (UBOs), is up to date.

You should screen new customers, payments and existing customers against the most recent UK Consolidated List to ensure you identify any sanctions exposure and that you comply with your legal obligations not to conduct any prohibited activities with designated persons. Your screening systems should be effective, up-to date and appropriate for the nature, size and risk of your business.

STEPS FIRMS CAN UNDERTAKE

To enhance firms' financial crime and sanctions programme, it would be prudent to take the following steps in response to the current situation:

1. Undertake the firm's risk assessment regarding the firm's activities, investors or investments in the affected regions. Update the firm's risk framework accordingly.
2. Allocate Sanctions specific training to all members of staff.
3. Review or update your firm's Sanctions Policy. It is beneficial to have a stand-alone Sanctions Policy rather than forming part of a wider AML Policy.
4. Ensure that all Staff have read and understood the Sanctions Policy.
5. Contact and undertake risk assessments on any vendors, fund administrators, service providers, distributors or outsourced parties whose business activities may be impacted.

HOW CAN NEWGATE ASSIST?

Newgate Compliance offers an extensive list of online training on a number of topics, including those dealing specifically with Sanctions and Financial Crime. Access our suite of **online training**, and please ask us about a free demonstration.

We also have a template Sanctions Policy which firms may tailor and use for their business.

Our proprietary online compliance portal, the Gateway system, can be used to roll out a Sanctions

Policy. The Gateway also keeps an online record of the staff members to track who has read and reviewed the firm's policies.

Contact our experienced Compliance Consultants on how we may assist you.



Joe French

Head of Financial Crime

E joefrench@newgatecompliance.com

T +44 (0) 20 3696 8756



Matthew Hazell

Managing Director

E matthewhazell@newgatecompliance.com

T +44 (0) 20 3696 8753



Traci Pham

Managing Director

E tracipham@newgatecompliance.com

T +44 (0) 20 3696 8759



Shazad Khan

Consultant

E shazadkhan@newgatecompliance.com

T +44 (0) 20 3696 8744

 +44 (0)20 3696 8750

 info@newgatecompliance.com

 newgatecompliance.com

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About Newgate Compliance

Newgate Compliance is a compliance consultancy offering a modern solution to implement your compliance function using an innovative compliance software solution called **The GATEway**.

Newgate has an unrivalled combination of experienced professionals, many of whom are ex-regulators.

Our customer focused approach seeks to provide appropriate, pragmatic and flexible solutions to our clients helping them to meet both the regulator's rules but also the spirit, principles and culture of the regulatory regime.

We look to build long-term relationships with our customers helping to encourage business growth, productivity and innovation. Our proactive approach is tailored to each customer's needs changing to meet those needs as the customer progresses and develops.

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