

WHAT IS "SANCTION CHECKING"?

**A BRIEF INTRODUCTION
FOR BROKERS.**

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SANCTION CHECKING

OFTEN REQUIRED IN REGULATORY INDUSTRIES; A SANCTIONS CHECK IS A GOVERNMENT LEVEL CHECK ON A GROUP OR INDIVIDUALS. RESTRICTIONS ARE PLACED UPON SANCTIONED INDIVIDUALS AND THOSE CONDUCTING BUSINESS WITH THEM ARE HEAVILY PENALIZED.

For this article, we're focussing on the UK insurance market's legal and regulatory requirement to adhere to the UK sanctions regime. Read on for greater detail.

WHO IS THE AUTHORITY ON SANCTIONS?

In the UK, Her Majesty's Treasury (HMT) is the competent authority for sanctions and 'The Office of Financial Sanctions Implementation' (OFSI) being the enforcer (since 2016). The Financial Conduct Authority (FCA) is responsible for ensuring that firms have adequate systems and controls to comply with U.K. sanctions requirements. Why are sanction checks in place? See below...

WHY DO I HAVE TO SANCTION CHECK?

The aim of sanction checking is to ensure firms do not aid individuals or organisations in the transfer or any manipulation of funds. You need to be able to prove you have vetted your clients against the sanctions list to show that they are not known to be or suspected to be involved with terrorism and/or terrorist financing, nuclear non-proliferation, human rights violations, and other serious international crimes. Failure to comply is serious, we outline the penalties next.

WHAT ARE THE PENALTIES FOR NOT COMPLYING TO SANCTION CHECKING?

Failing to carry out sanction checks could result in a fine or up to 7 years in prison. It is a criminal offence to not comply with a financial sanctions order.

Remember - the onus is on you to proactively check whether we are checking the sanctions list. New clients should be checked immediately and periodically, you should check existing clients after HMT updates the existing list. Below is a list of those businesses that should be sanction checking.

WHO SHOULD UNDERTAKE SANCTION CHECKING?

All of the following businesses should be sanction checking. Speak to your colleagues and clients to ensure they're aware.

- Tied Financial Advisers
- Independent Financial Advisers
- Mortgage Advisers
- Insurance Brokers
- Banks
- Building Societies
- Insurance Companies
- Estate/Letting Agents
- Tax Advisors
- Buying/selling precious stones

WHERE CAN I FIND MORE INFORMATION ABOUT SANCTION CHECKING?

Visit the .Gov site below for more detailed information.

<https://www.gov.uk/government/publications/financial-sanctions-faqs>

 **02921 677 140**

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If you require any further information that is not covered in this document or simply wish to discuss any issues in more detail, please contact us on 02921 677140 or info@protectcommercial.co.uk

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