



Foreign, Commonwealth
& Development Office

The Rt. Hon. Anne-Marie Trevelyan MP
Minister of State for the Indo-Pacific

King Charles Street
London
SW1A 2AH
Tel: 0207 008 5000

Email:
fcdo.correspondence@fcdo.gov.uk

www.gov.uk/fcdo

Alicia Kearns MP
The Chair
Foreign Affairs Committee
House of Commons
London
SW1A 0AA

28th March 2024

Dear Alicia,

Thank you for the opportunity to give evidence about the UK's sanctions policy in light of Russia's invasion of Ukraine in February 2022. During the session, I promised that I would write to update on several matters, which I have set out in detail below.

Russian individuals' frozen assets

First, on frozen Russian assets, the Office of Financial Sanctions Implementation (OFSI) undertakes an annual Frozen Asset Review, requesting all persons holding or controlling funds on behalf of a designated person to report on the nature and value of frozen assets as of the end of September. The most recently completed Frozen Asset Review reflects the value of assets as of September 2022, whereby 144 persons (individuals and entities) designated under the Russia regime were reported as having assets within the UK. In total, £7.98bn was reported to OFSI as frozen under the Russia regime as part of the annual Frozen Asset Review.

Since Russia launched its full-scale invasion of Ukraine, OFSI has maintained a cumulative record of information related to frozen assets (£22.7bn as of October 2023), submitted as part of ongoing obligations on 'relevant firms' to report this information as soon as practicable. OFSI has received reports related to 212 Russia designated persons between February 2022 and October 2023. This figure includes both UK and non-UK reported assets due to limitations with the data received.

Fines for non-compliance

Secondly, regarding the number of fines that have been issued for non-compliance with our Russia sanctions regime, I can confirm that there have been 10 Monetary Penalties imposed by OFSI since it received the power to impose these in 2017, totalling £22m.

OFSI cannot pre-determine case outcomes but does expect to see the first Monetary

Penalties resulting from 2022 Russia designations come to fruition in 2024. This is in line with other jurisdictions, including the US, given the time it takes to properly investigate cases.

Financial sanctions breaches are often complex and investigations proportionately long. OFSI is responsible for both investigating breaches and deciding on the appropriate outcome, including initial penalty amounts. There are several important statutory periods to allow for representations and appeals that OFSI must comply with that also impact the time between investigations commencing and penalties being made public.

Some breaches are found to be relatively minor in nature. In these cases, OFSI will not necessarily impose a penalty, as it may be more appropriate to deal with the case in a different way such as a warning letter or referring the matter to a regulator. In 2022-2023, OFSI recorded 473 suspected breaches of financial sanctions (excluding oil price cap and counter-terrorism breaches). This is a significant increase on the 147 cases recorded in 2021-2022. This increase was expected given the scale of increased Russia sanctions, and OFSI has increased its enforcement capacity in response.

Licences

On the issue of licences granted by OFSI to sanctioned individuals. I can confirm that OFSI's decision-making implements licences that are consistent with the purposes of the relevant sanctions regime and are only permitted by the relevant licensing derogations which have been agreed by Parliament. If licences are not consistent with the purpose of the relevant sanctions' regimes, then OFSI will likely reject any application for a requested licence.

OFSI takes an objective view of what is required to fulfil an individuals' ordinary basic needs, which it believes will be generally satisfied by licensing access for a designated individual to an amount equivalent to the net UK median wage (c.£28,000 per year, according to the ONS annual report).

In particular, licences will not enable a designated person to continue the lifestyle or business activities they had before they were designated. High-net-worth individuals, therefore, should not expect licences to allow continuation of their previous lifestyle. Similarly, OFSI will not generally license activity which can reasonably be provided by the Government (for example healthcare or education). It will also not generally license activity that can be carried out at a more basic level (for example, using public transport rather than a private driver). OFSI cannot provide specific details about the value of the licences it issues due to confidentiality and data protection.

Impact of Russian sanctions

Finally, I would like to correct the record. In response to a question from Royston Smith MP, about using immobilised sovereign Russian state assets to fund Ukraine, I said that there is around \$400bn worth of sovereign Russian assets immobilised. This is incorrect, around \$285bn of sovereign Russian assets has in fact been immobilised, as estimated by the Russian Elites, Proxies and Oligarchs (REPO) Taskforce.

As the Prime Minister has said, we and our G7 partners must be bold and pursue all routes through which immobilised sovereign Russian assets can be used to fund Ukraine, leaving no stone unturned. However, as I have said in Parliament previously, it is imperative that any action taken by the UK government is in line with international law.

The \$400bn figure refers to the amount of extra resource we estimate Russia would have if sanctions had not been in place, enough to fund the invasion for an additional four years. The Government remains committed to standing with Ukraine for as long as it takes and to continuing to use targeted sanctions to ratchet up the pressure on Putin and to bear down on his war machine.

I would like to extend my gratitude to the Committee for your continued cross-party support for the Government's sanctions policy, and for the critical challenge which ensures that UK sanctions are as robust as possible. I would also be happy to offer further follow-up briefings with my officials, on any of the topics discussed.

Yours sincerely,



The Rt. Hon. Anne-Marie Trevelyan MP
Minister of State for the Indo-Pacific