

# Global Compliance

Financial Sanctions

Risk Assessment Roadmap – Preview



For more information on this roadmap, and any of the others in our Global Compliance Roadmap series, please get in touch with the Osborne Clarke team [here](#).



# Introduction

**The term “sanctions” can refer to a wide range of actions, imposed by national governments and international bodies, including trade embargoes, financial restrictions, travel bans and export controls.**

Although some states do impose country wide sanctions, sanctions are more commonly restrictions on targeted individuals, entities or organisations (often called “Designated Persons”), including but not limited to restrictions on their economic activity.

This roadmap focusses on financial sanctions. Financial sanctions commonly take the form of freezing assets of, and prohibiting the transfer of economic resources to, Designated Persons. Financial sanctions

can also be targeted in other ways, such as on a sectoral basis. Persons and entities that are owned or controlled, directly or indirectly, by a Designated Person may also be subject to financial sanctions, and those who engage with a Designated Person may become the subject of financial sanctions themselves. Organisations may even find that proactively acting in compliance with one financial sanctions regime may expose it to liability under another regime elsewhere. A breach of financial sanctions legislation, or a deliberate circumvention, is often a criminal offence.

To manage financial sanctions risk in an informed, effective and efficient way, organisations need to understand the financial sanctions risks to which their business is exposed and then, on that basis, identify mitigating actions in response.

Set out below is a ‘roadmap’ of questions designed to identify information and issues which are going to be pertinent to understanding your organisation’s financial sanctions exposure. Having answered these questions, an assessment can be made of the extent to which your organisation’s policies and procedures adequately address those risks and what, if any, further measures your organisation needs, or wants, to take. References in this roadmap to “sanctions” are to financial sanctions.



# 1. Your financial sanctions exposure

## 1.1 Country risk

- Which countries do you have an operational base in and what is the nature of that operation (for example, does it involve subsidiaries or joint ventures)?
- Which other countries do you transact/undertake business with? (For example, do you have suppliers, agents or customers in those countries?)
- Are you aware of any individuals/entities in, or citizens/

## 1.2 Sectoral risk

- What business does your org in each of the countries in which otherwise undertake business?
- Do you undertake business in as having a high sanctions risk & infrastructure, financial services, investment services), immigrants

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## ● 2. Your approach to financial sanctions compliance

### 2.1 Responsibility

- Is a specific individual (at senior management/Board level or equivalent) responsible for ensuring your organisation is compliant with sanctions?

### 2.2 Risk assessment

- Has your organisation undertaken any assessment or consideration of the sanctions risks it faces and, if so, when was that assessment last undertaken?

### 2.3 Due diligence

- Do you use any independent providers (entities who perform checks on your behalf) or third parties for you or provide soft checks (such as KYC checks)? If so, what parties do you use?
  - What other steps, if any, do you take to mitigate the sanctions risk arising through your use of partners and third parties?
    - For example, does your organisation:
      - (i) Have sanctions or other compliance clauses in contracts with customers and third parties to mitigate the risk of non-compliance?

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## ● 2. Your approach to financial sanctions compliance

### 2.5 Reporting policy

- Does your sanctions policy or procedure include a reporting policy, where personnel are made aware of any reporting obligations they may have?
- Does this reporting policy differentiate between the reporting of a potential sanctions breach and the reporting of general information that may be required by regulators (for example, if a customer is a designated person)?
- Do you require personnel to provide evidence that they have read and understood the reporting policy?
- Other than through training and a reporting policy, does your organisation communicate relevant information to relevant personnel (for example, through emails or discussion at team meetings)?
- Are personnel aware of who to report to?
- Does your organisation have a reporting procedure?

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### 3. Specific concerns

- Have any potential sanctions issues or red flags been identified as part of any internal or external audits, or from whistleblower reports, within the past 5 years?
  - (i) If so, how were these dealt with?
- Are you aware of any allegations, inquiries, investigations, prosecutions or other actions by a State regulator or prosecutor which may indicate a sanctions issue connected to your organisation or a third party that your organisation engages with?

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