

**EXPLANATORY MEMORANDUM TO**  
**THE UNITED NATIONS AND EUROPEAN UNION FINANCIAL SANCTIONS**  
**(LINKING) REGULATIONS 2017**

**2017 No. 478**

**1. Introduction**

- 1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

**2. Purpose of the instrument**

- 2.1 These Regulations enable the UK to swiftly implement UN requirements to include individuals and bodies on the list of designated persons to whom financial sanctions apply, and thereby reduce the risk of asset flight.
- 2.2 The Regulations link UN financial sanctions Resolutions (“UNFSRs”) with the corresponding EU financial sanctions Regulations (“EUFSRs”). The linking of the UN and EU regimes in this way means that, where a person is designated for the purposes of a UN regime, and the person is not already included in the list of persons designated under the EU regime, the UN-designated person is temporarily deemed to be designated under the EU regime. This temporary period ends when the person is designated under the EUFSR, or (where the EU has not yet designated the person under its own regime) at the end of 30 days after the UN designation.

**3. Matters of special interest to Parliament**

*Matters of special interest to the Joint Committee on Statutory Instruments*

- 3.1 These Regulations have been laid before Parliament fewer than 21 days before they come into force. This is necessary to ensure that future UN designations can be implemented as soon as possible after they come into force. HM Treasury officials have been in discussion with colleagues in New York and have recently received information that there may be new UN designations in early April. To assist the UK in complying with its UN Charter obligations to implement listings without delay, and thereby also reduce the risk of asset flight in any gap between UN and EU designation, it is considered that urgent action is now appropriate.

*Other matters of interest to the House of Commons*

- 3.2 As these Regulations are subject to the negative procedure and have not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

**4. Legislative Context**

- 4.1 These Regulations are made under section 154 of the Policing and Crime Act 2017 (“the 2017 Act”). They link UNFSRs to the corresponding EUFSRs in order that the deeming provisions in section 155 of the Act can apply. This means that when the UN makes a listing that would, when implemented by the EU, fall under an existing

EUFSR, that listing can take effect automatically in the UK until the EU amend the relevant EUFSR. Section 154(2) also allows for provision making clear that any references in the Regulations to a UNFSR or EUFSR have effect as a reference to the Resolution or Regulation as varied or supplemented from time to time.

## **5. Extent and Territorial Application**

- 5.1 These Regulations extend to the whole of the United Kingdom.
- 5.2 The territorial application of this instrument is all of the United Kingdom.

## **6. European Convention on Human Rights**

- 6.1 As these Regulations are subject to negative resolution procedure and do not amend primary legislation, no statement is required.

## **7. Policy background**

### *What is being done and why*

- 7.1 The March 2015 Budget committed Her Majesty's Government to review the structures within HM Treasury for the implementation of financial sanctions and work with law enforcement to ensure they are complied with, robustly enforced and carry appropriate penalties when breaches occur. Alongside the creation of the Office of Financial Sanctions Implementation ("OFSI"), HM Treasury legislated through the 2017 Act to strengthen sanctions enforcement in the UK.
- 7.2 One of these new enforcement powers will enable the UK to bridge the time gap between the adoption of new UNFSRs and new designations under existing UN regimes and EU transposition, thus helping the UK to mitigate against the risk of asset flight. EU transposition can take up to 10 days for new UN designations while international standards set down by the Financial Action Task Force advise that this should occur within 48 hours. These Regulations will allow us to implement UN designations within 48 hours. These provisions will also be extended to the British Overseas Territories and Crown Dependencies through an Order in Council which will need to be laid before the Privy Council.
- 7.3 Urgent action here is considered appropriate to bring the Regulations into force very soon after being laid before Parliament. There are new UN designations anticipated in early April which the UK will want to implement without delay. This will help the UK to comply with its UN Charter obligations more swiftly and will also demonstrate the importance the UK places as a leader in the field of sanctions enforcement at a time of heightened scrutiny.

## **8. Consultation outcome**

- 8.1 No consultation has been carried out in relation to these Regulations. The Treasury currently updates the Consolidated List of designated entities within 1 day after new listings are implemented by the EU and operates a Notification system for businesses throughout the UK. The new listings implemented by these Regulations will be disseminated in the same way; businesses will be informed by HM Treasury within 1 day of the new UN listings being implemented in the UK. Therefore, no additional burden will be placed on businesses in order to comply with the new listings, and no consultation was held to be necessary.

- 8.2 The Consolidated List is available here:  
<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

## **9. Guidance**

- 9.1 Guidance on asset freezing and other financial sanctions measures can be found on the Treasury's website (<https://www.gov.uk/government/publications/financial-sanctions-faqs>). The Office of Financial Sanctions Implementation, within the Treasury, operate a free subscription email and Notification service alerting subscribers to changes to the asset freezing regime, and to other financial sanctions measures. A dedicated telephone line and email address are available for the financial sector and any other persons to submit queries on the asset freezing and financial sanctions regimes. A Notice explaining the new powers contained in the 2017 Act is available on the Treasury website and will be emailed to subscribers.

## **10. Impact**

- 10.1 The impact on business, charities or voluntary bodies is negligible because these Regulations do not impose any new requirements themselves. Reducing the delay in implementation could in fact assist financial institutions by removing uncertainty over whether they can deal with designated individuals between UN listing and EU implementation. No additional burdens will be created by this measure.
- 10.2 The impact on the public sector is also negligible.
- 10.3 An Impact Assessment has not been prepared for these Regulations. However, an Impact Assessment was carried out for the 2017 Act, under which these Regulations were made. Any impact was deemed to be negligible. That Impact Assessment can be found at:  
[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/533787/PC\\_Bill\\_Overarching\\_IA\\_for\\_Lords\\_intro.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/533787/PC_Bill_Overarching_IA_for_Lords_intro.pdf).

## **11. Regulating small business**

- 11.1 The legislation applies to activities that are undertaken by small businesses.
- 11.2 To minimise the impact of the requirements on small businesses (employing up to 50 people), the Treasury work closely with the financial sector on the requirements for complying with asset freezing and financial sanctions. Please see paragraph 8.1 for details on how the Treasury notifies businesses of new listings. In addition, HM Treasury will update its public guidance in April 2017, after the Regulations come into force.

## **12. Monitoring & review**

- 12.1 It is not appropriate to make provision for periodic review as contemplated in ss.28-32 of the Small Business Enterprise and Employment Act 2015 because these Regulations do not regulate business.
- 12.2 The UN and EU monitor and review their financial sanctions measures, which the Treasury is under an obligation to implement. The Treasury will monitor the effect of implementing UN listings in the UK without delay to ensure that the implementation and notification processes work as they should.

### **13. Contact**

- 13.1 The Office of Financial Sanctions Implementation at the Treasury (email: [OFSI@hmtreasury.gsi.gov.uk](mailto:OFSI@hmtreasury.gsi.gov.uk)) can answer any queries regarding the instrument.