# WHAT YOU NEED TO KNOW ABOUT THE UNITED KINGDOM ISSUING SANCTIONS GUIDANCE FOR NON-UK BUSINESSES

Date: 14 July 2025

**UK Policy and Regulatory Alert**

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The United Kingdom's Foreign, Commonwealth and Development Office has published guidance on United Kingdom's Russia sanctions compliance for non-UK businesses operating outside the United Kingdom (the Guidance). It also includes country-specific guidance for businesses in Kazakhstan, Uzbekistan, Kyrgyzstan, Georgia and Armenia. This move signals a significant tightening of scrutiny by the UK government in relation to its global enforcement efforts and should be taken into consideration by all non-UK businesses.

## UK SANCTIONS AND THE RISK FOR NON-UK FIRMS

UK sanctions law applies primarily to UK nationals working within and outside the United Kingdom as well as UK-incorporated entities. However, foreign companies and individuals who facilitate the circumvention of UK sanctions may still also face serious consequences. The Guidance has been published by the UK government to make apparent the risks associated with non-UK businesses assisting persons designated by the United Kingdom, such as the UK government's ability to freeze assets held by UK institutions, a loss of access to UK financial and professional services, as well as reputational damage that can disrupt business, to name a few.

## WHY THIS MATTERS

This Guidance makes clear the United Kingdom's expectations that businesses operating in third countries should not seek to actively circumvent UK sanctions or support such circumvention, regardless of whether their principal operations are located inside or outside the United Kingdom. Similar to the US approach, UK sanctions compliance will no longer solely be a domestic issue but will extend far beyond the United Kingdom's borders. The United Kingdom's authorities will seek to pursue any company which plays a role in facilitating Russia's access to prohibited goods and services, contrary to the terms and intentions of the UK sanctions regime. This includes businesses not just in the five countries specifically mentioned in the Guidance, but any business which seeks to aid Russia by facilitating the circumvention of sanctions.

Translated versions of the Guidance have also been issued to underscore the United Kingdom's desire to communicate directly with foreign market participants to ensure that the expectations for compliance are clear and transparent.

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## PRACTICAL COMPLIANCE STEPS

The Guidance offers a robust framework for sanctions risk management, including the need to:

- Conduct a risk assessment to assess red flags which may expose businesses to breaching UK sanction laws;
- Establish and update a company sanctions policy to ensure all individuals within the business are up to date with their obligations and responsibilities;
- Map out the supply chain for the business to identify potential indirect pathways that could enable restricted goods to reach Russia;
- Screen partners and customers by asking standard questions to ensure that no goods or services will be provided for use in Russia, directly or indirectly, or in any other country or region that is subject to sanctions imposed by the United Kingdom;
- Monitor for Russian connections and designations by ensuring that no goods or services will be provided, directly or indirectly, to a person or entity designated as subject to an asset freeze under the United Kingdom's sanctions regime. See the UK Sanctions List which is updated immediately whenever changes are made; and
- Check the ownership and control of entities to ensure there are no possible front companies and complex structures which can be used to help evade UK sanctions law.

## CONCLUSION

Considering the United Kingdom's increased attention to third country circumvention routes, companies, particularly those operating in logistics, commodities, industrial machinery or financial services, should take immediate steps to ensure they are compliant with the United Kingdom's sanctions regime by following the above practical guidance.

However, the challenge for the UK authorities is to illustrate how they intend to enforce the expectations outlined in the Guidance, especially given not only the lack of UK enforcement of sanctions breaches but also the practical difficulties of seeking to enforce overseas.

If you have any questions or want further advice to help you navigating the new requirements contained in the Guidance, please do not hesitate to contact the authors listed above.

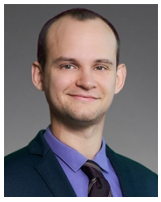
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