

UK GOVERNMENT'S STRATEGIC APPROACH TO SANCTIONS ENFORCEMENT

Date: 28 April 2026

UK Policy and Regulatory Alert

By: Michael E. Ruck, Jordan Davin, Dylan G. Moses, Rosie Naylor, Jordan Hawthorne

On 29 January 2026, HM Treasury's Office of Financial Sanctions Implementation (OFSI) published its [response](#) to the consultation on improving civil enforcement of financial sanctions, followed by updated enforcement and monetary penalties [guidance](#) on 10 March 2026 (Guidance). The Guidance gives effect to the consultation reforms and is aimed at accelerating investigations, reducing regulatory burden and increasing transparency of enforcement outcomes.

REVISED CASE ASSESSMENT FRAMEWORK

Chapter 5 of the Guidance introduces a revised case assessment framework based on a four-level seriousness matrix. This framework is used to assess breaches and determine appropriate outcomes, ranging from private warnings to monetary penalties or criminal investigation. It incorporates mitigating and aggravating factors, with some factors (including professional facilitation and failure to apply for a licence) removed or revised.

The Guidance also clarifies baseline penalty calculations and replaces the previous self-disclosure discount with new voluntary disclosure and co-operation discounts of up to 30%, which may apply cumulatively. The revised approach places greater emphasis on early identification, escalation and engagement with OFSI, with weaker compliance frameworks likely to limit access to discounts.

NEW SETTLEMENT SCHEME

Chapter 6 introduces a settlement scheme allowing eligible firms to resolve cases with a 20% reduction to the baseline penalty. Settlements are subject to a 30-business-day negotiation window (subject to limited extensions). In settling, firms must waive rights to ministerial review and judicial challenge, although they may comment on any public penalty notice. Settlement does not require an admission of breach and is not available for other enforcement outcomes, such as disclosure notices.

EARLY ACCOUNT SCHEME

Chapter 4 introduces an Early Account Scheme (EAS), which allows firms, in certain cases, to submit an early and comprehensive factual account of a suspected breach. OFSI will then decide whether to close the matter or proceed with enforcement. Participation may, where applicable, result in a penalty discount of up to 20%.

Eligibility depends on factors such as the firm's ability to provide a complete and reliable account, and OFSI may require an independent third-party review. The EAS is unlikely to be available where breaches were knowingly unreported or where OFSI has already taken significant investigative steps.

STREAMLINED ENFORCEMENT PROCESS, INCREASED STATUTORY MAXIMUM PENALTIES AND NEW FINANCIAL HARDSHIP POLICY

The Guidance introduces a more streamlined approach to penalising both reporting and licensing breaches, including fixed penalties of £5,000 or £10,000 depending on severity of the breach. Minor or first-time breaches may be addressed privately, while repeat or more serious breaches are more likely to result in monetary penalties.

The maximum civil monetary penalty is expected to increase, subject to future legislation, to the greater of £2 million or 100% of the breach value. A new financial hardship policy also allows OFSI to reduce penalties where payment would cause genuine hardship, unless this would be contrary to the public interest. Overall, the updated framework is expected to result in more efficient enforcement, greater consistency and higher penalties.

ENFORCEMENT FRAMEWORK IN ACTION

The updated framework has already been applied in OFSI's first sanctions-related [settlement](#) involving Apple Distribution International. The company agreed to pay £390,000 after breaching United Kingdom financial sanctions by instructing a UK bank to transfer funds to a sanctioned Russian-owned company in 2022, with the settlement concluded on 19 March 2026.

KEY LESSONS FOR CLIENTS

Stricter and Faster Enforcement

OFSI's updated Guidance is designed to accelerate investigations and increase transparency, with a greater likelihood of public outcomes and monetary penalties in serious cases.

Greater Focus on Early Engagement

Early detection, escalation and meaningful engagement with OFSI are now critical. Firms with weaker compliance frameworks may face reduced access to penalty discounts.

Expanded Discount Mechanisms

The new voluntary disclosure and co operation discounts (up to 30%), EAS discounts (up to 20%) and settlement discounts (20%) can apply cumulatively, offering meaningful mitigation where issues are identified and addressed promptly.

New Settlement and Early Account Options

Eligible firms now have additional routes to resolve matters efficiently, although these involve strict time frames and, in the case of settlements, waivers of review and challenge rights.

Higher Financial Exposure

Subject to legislation, maximum civil penalties are expected to increase significantly, reinforcing the importance of robust sanctions compliance controls and timely incident management.

CONCLUSION

The updated enforcement framework signals a more proactive and outcome-driven approach to UK sanctions enforcement, with faster processes, greater transparency and increased financial exposure for firms. Against this backdrop, early identification of potential issues, effective internal escalation and prompt engagement with OFSI will be critical to mitigating regulatory risk. Firms should take this opportunity to review and strengthen their sanctions compliance arrangements to ensure they are well-placed to respond swiftly and credibly where issues arise. If you have any questions or would like to discuss what the sanctions enforcement regime means for you, please do not hesitate to contact the authors.

KEY CONTACTS



MICHAEL E. RUCK
PARTNER

LONDON
+44.20.7360.6424
MICHAEL.RUCK@KLGATES.COM



JORDAN DAVIN
TRAINEE SOLICITOR

DUBLIN
+353.1.486.1737
JORDAN.DAVIN@KLGATES.COM



DYLAN G. MOSES
PARTNER

LONDON
+44.20.7360.8154
DYLAN.MOSES@KLGATES.COM



ROSIE NAYLOR
SENIOR ASSOCIATE

LONDON
+44.20.7360.8241
ROSIE.NAYLOR@KLGATES.COM



JORDAN HAWTHORNE
ASSOCIATE

LONDON
+44.20.7360.6371
JORDAN.HAWTHORNE@KLGATES.COM

This publication/newsletter is for informational purposes and does not contain or convey legal advice. The information herein should not be used or relied upon in regard to any particular facts or circumstances without first consulting a lawyer. Any views expressed herein are those of the author(s) and not necessarily those of the law firm's clients.