

## A New Era For UK Financial Sanctions Enforcement

By **Irene Polieri** (April 16, 2026, 10:16 AM EDT)

In January, HM Treasury's Office of Financial Sanctions Implementation published its much-anticipated response to a public consultation opened in July last year.[1] Between this response, and corresponding guidance published in February, OFSI's enforcement framework is being fundamentally overhauled.[2]

Major reforms are being adopted: a new case assessment matrix with higher baseline penalty ranges; a reduced and more demanding voluntary disclosure discount; a formal settlement scheme; a framework to expedite investigations; and fixed monetary penalties for administrative offenses.[3]

Subject to legislation, statutory maximum penalties will also double. Taken together, these are the most significant changes to U.K. financial sanctions enforcement since the 2022 shift to strict liability,[4] and they materially increase the cost of compliance shortfalls.

Furthermore, OFSI will now prioritize cases of the highest seriousness, those supporting specific foreign policy objectives and those exposing vulnerabilities in particular sectors.[5] The era of OFSI as a passive responder to disclosed breaches is over, and a clearer sense of direction now informs the agency's operations.

While the changes bring OFSI into closer alignment with the U.S. Department of Treasury's Office of Foreign Assets Control — its U.S. counterpart and formal enforcement partner since 2022 — OFSI has made deliberate choices to diverge, and the two frameworks remain structurally distinct in ways that carry real consequences for exposure modeling and enforcement strategy.

### Reforms

#### ***New Case Assessment Matrix***

The new approach draws directly on the OFAC model. OFAC's enforcement guidelines use a comparable two-axis matrix — weighting willfulness, recklessness and awareness of conduct most heavily — to reach an egregiousness determination that drives the base penalty.[6]

OFSI's matrix is structurally similar, framed around severity (low, medium and high) and conduct (mitigating, neutral and aggravating) rather than an egregiousness binary. The matrix links severity and conduct to likely enforcement outcomes.



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In close alignment with OFAC, outcomes map as follows: lesser severity cases trigger a private warning letter; potentially serious cases trigger a disclosure by OFSI, i.e., public notice without penalty; serious cases trigger a civil monetary penalty; and most serious cases trigger a potential criminal referral, with a civil penalty if OFSI pursues the case.

The key change is in the penalty ranges: Serious cases now attract a baseline of up to 75% of the statutory maximum, up from 50%, and the most serious cases attract 75%-100%, up from 50%-100%.

Under the revised framework, post-breach conduct, including voluntary disclosure and cooperation, is removed from the conduct assessment entirely, and captured instead through the dedicated discount structure described here. The matrix is indicative rather than prescriptive, and OFSI retains discretion to depart from it.

### ***Discount Structure***

The previous discount structure — up to 50% for serious cases and up to 30% for most serious cases — has been replaced by a single voluntary disclosure and cooperation discount of up to 30% applicable to both categories.

The reduction attracted significant pushback during the consultation. OFSI maintained that a 50% discount risked undermining the deterrent effect of penalties in cases where the breach itself is severe.

The new discount also imposes more stringent eligibility conditions. To receive the full 30%, a subject must:

- Self-report promptly and completely;
- Subsequently provide a full account of the circumstances of the breach; and
- Cooperate throughout the investigation, including proactively providing documents and information.

Partial compliance with these conditions may attract a reduced discount — a position OFSI had already signaled in practice: The Colorcon Ltd. penalty notice of September 2025 reduced voluntary disclosure credit from 50% to 35% on account of a four-month delay between detection and notification.[7]

This mirrors the OFAC approach. Under the OFAC enforcement guidelines, voluntary self-disclosure structurally halves the base penalty, but requires the disclosure to be self-initiated, prior to OFAC's independent discovery, and followed by a complete and responsive account. OFSI is now applying the same model.

Crucially, the voluntary disclosure and cooperation discount now sits alongside two further independent discounts — the settlement discount and the early account scheme, or EAS, discount — all applied concurrently to the same baseline penalty. The maximum combined reduction is 70% for a party that voluntarily discloses, participates in the EAS and reaches a settlement.

### **Settlement Scheme**

OFSI has introduced a formal settlement scheme, aligning it with the Financial Conduct Authority,

the Prudential Regulation Authority and, to an extent, OFAC.

Once an investigation concludes and OFSI has agreed in principle that a penalty is appropriate, OFSI may offer a 30-business day window for without-prejudice settlement discussions, providing a draft notice of intention to impose a penalty and draft public penalty notice, as a starting point.

Agreement within the window earns a 20% settlement discount applied to the baseline penalty after any voluntary disclosure and cooperation discount, along with the opportunity to negotiate the language of the public notice.

Two modifications from the consultation are significant.

First, settlement negotiations now run in parallel with the statutory representations period under Section 147 of the Policing and Crime Act 2017, so an unsuccessful attempt will not extend the overall timeline.

Second, following industry concern about self-incrimination risk and collateral liability, the final scheme requires subjects only to agree not to contest OFSI's findings — consistent with FCA practice, and more workable than the original proposal requiring formal acceptance of OFSI's findings. Cases involving circumvention are not automatically excluded.

## **EAS**

The EAS is the most structurally innovative element of the new framework, and has no direct OFAC equivalent.

Under the EAS, an entity may provide OFSI with a comprehensive, self-generated account of suspected breaches at the outset of an investigation, rather than responding piecemeal to information requests.

The account must cover all suspected breaches, relevant internal documents and correspondence, and the person's own assessment against OFSI's case factors, typically within six months. A named senior officer must attest that the report is complete and fair, and OFSI may require an independent third party to prepare it.

Access to the EAS is at OFSI's sole discretion and unlikely where the breach was intentional, the subject has been previously investigated or suspected breaches were not reported.

The EAS discount of up to 20% is independent of the settlement scheme, and available whether or not the subject ultimately settles. Combined with the voluntary disclosure and cooperation discount, a subject that self-discloses and uses the EAS achieves up to 50% in reductions even if it contests the case. With a settlement, the reduction could be as much as 70%.

## ***Fixed Penalties for Administrative Offenses***

OFSI has introduced a streamlined process for failures to respond to information requests, noncompliance with license conditions, and late or incomplete reporting.

Fixed monetary penalties of £5,000 (around \$6,784) for standard failure and £10,000 for aggravated failure are set out in public guidance, with a shortened 15 business day representations period, and will

be made public.

The Svarog Shipping & Trading Co. Ltd. penalty of April 2025 — issued solely for failure to respond to an information request, the first of its kind — was a harbinger: OFSI intends this category of enforcement to be routine, not exceptional.[8]

OFAC's equivalent provisions impose penalties of up to approximately \$29,150 for failure to respond to an administrative subpoena, rising to \$72,876 where the underlying transaction exceeds \$500,000.[9]

OFSI's fixed monetary penalties are somewhat lower in absolute terms, but identical in philosophy: Administrative noncompliance is a standalone enforcement priority.

### **Penalties and Transatlantic Structural Differences**

Subject to legislation, OFSI intends to raise its statutory maximum from the greater of £1 million or 50% of the breach value to the greater of £2 million or 100% of the breach value — the first revision since 2017.

Eight of OFSI's 12 penalties to date were 5% or less of the available maximum, and OFSI has confirmed that higher ceilings will not automatically produce higher penalties. The purpose is headroom for the most serious cases.

OFSI's penalty architecture and OFAC's are built on different foundations. OFAC's civil penalties are calculated on a per-violation basis: Each transaction is a separate violation, attracting up to \$377,700 or twice the transaction value, whichever is greater.[10]

In cases involving hundreds or thousands of prohibited transactions — common in large financial institution enforcement actions — aggregate theoretical exposure can run to nine figures. This per-violation architecture is what produces the headline numbers in major OFAC settlements.

OFSI's model is fundamentally different. Its maximum is calculated by reference to the aggregate value of all conduct in the case as a whole, not per transaction. The maximum scales with total value, not transaction count.

OFSI's July 2025 consultation explicitly raised the possibility of moving to a per-breach model.

Characterizing its current approach as one where "the statutory maximum penalty is calculated in relation to the case as a whole," OFSI decided not to change course at this time, citing concerns that a per-breach model or a turnover-based model could produce disproportionate outcomes, particularly for large financial institutions processing high volumes of transactions.

This is a deliberate policy choice, reflecting a long-held view that U.K. enforcement is guided by the principle of proportionality. Whether this remains the right calibration — given the increasing sophistication and scale of sanctions evasion — is a question the next review of OFSI's powers may revisit.

OFSI's maximum exposure in a multitransaction case remains materially lower than the equivalent OFAC exposure, even after the proposed uplift, yet the gap is narrowing.

The new baseline penalty ranges, the removal of the 50% voluntary self-disclosure discount, and the higher ceiling together mean that the expected penalty in a serious case is meaningfully higher than before these reforms.

## **Key Takeaways**

Five implications for firms facing OFSI enforcement are worth drawing out.

### **1. Discount Arithmetic**

Under the old framework a firm could achieve a 50% reduction simply by self-disclosing a serious breach. Under the new framework, 30% is the ceiling for disclosure alone, and achieving it requires prompt reporting, a complete factual account, and sustained cooperation.

The remaining available discount of up to 40% — EAS and settlement — requires active strategic choices made early. Firms that wait until a penalty is in prospect will find themselves locked out of the discounts that require early action.

### **2. EAS**

The EAS is not simply an alternative to responding to OFSI information requests, it is a structural commitment to conduct a comprehensive internal investigation to OFSI's specification, attest to its completeness and deliver it within a defined timeframe.

Firms should identify in advance who would lead an EAS account, whether that requires a third-party appointment and how legally privileged material would be handled.

### **3. Penalty Ceiling**

While OFSI's aggregate model means multitransaction exposure remains materially lower than the OFAC equivalent, the move to 100% of breach value changes the calculus for large single-transaction cases: asset management, real estate and correspondent banking transactions now face a theoretical ceiling that tracks the full transaction value.

Combined with higher baseline ranges, the expected penalty in a high-value serious case is meaningfully higher than before the reform.

### **4. Settlement Scheme**

Beyond the consequential settlement discount of 20%, the opportunity to shape the language of the public penalty notice will now be a central element of enforcement strategy.

For firms whose counterparties, correspondent banks or institutional investors will scrutinize any public enforcement notice, how the breach is characterized, what remediation is described and what forward-looking commitments are recorded may matter as much as the penalty amount itself.

Getting this right requires negotiation skills and familiarity with how enforcement agencies approach these discussions in practice areas where experience of OFAC's long-established settlement process on which OFSI's scheme is modeled is directly transferable.

## **5. Shift to Strategic Case Selection**

OFSI's commitment to prioritize by deterrent impact and sectoral vulnerability means that some firms whose conduct would previously have attracted a private warning may find themselves the subject of a penalty chosen for its signaling effect.

Conversely, firms that self-disclose promptly and cooperate fully may find OFSI more willing to resolve cases quietly where there is no compelling compliance lesson for the wider market. Understanding which category a potential breach falls into, and engaging early where appropriate, is now a core element of sanctions enforcement strategy.

## **Conclusion**

OFSI has spent a decade building its enforcement capacity; the new framework suggests it is now ready to use its powers in full. For businesses, the window to shape outcomes through early disclosure and cooperation has never been more consequential.

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[1] [https://assets.publishing.service.gov.uk/media/687a2e443f4bde279ef45271/OFSI\\_s\\_enforcement\\_processes.pdf](https://assets.publishing.service.gov.uk/media/687a2e443f4bde279ef45271/OFSI_s_enforcement_processes.pdf).

[2] [https://assets.publishing.service.gov.uk/media/697b5944f8f4a746d9572f12/Consultation\\_Response.pdf](https://assets.publishing.service.gov.uk/media/697b5944f8f4a746d9572f12/Consultation_Response.pdf).

[3] <https://www.gov.uk/government/publications/financial-sanctions-enforcement-and-monetary-penalties-guidance/financial-sanctions-enforcement-and-monetary-penalties-guidance>.

[4] S. 54 of the Economic Crime (Transparency and Enforcement) Act 2022, amending s. 146 of the Policing and Crime Act 2017.

[5] <https://ofsi.blog.gov.uk/2026/01/29/new-and-updated-enforcement-framework-a-message-from-giles-thomson-director-of-ofsi/>.

[6] Economic Sanctions Enforcement Guidelines, 31 C.F.R. Part 501, Appendix A (2021).

[7] [https://assets.publishing.service.gov.uk/media/68db9df2ef1c2f72bc1e4bf0/Colorcon\\_Penalty\\_Notice.pdf](https://assets.publishing.service.gov.uk/media/68db9df2ef1c2f72bc1e4bf0/Colorcon_Penalty_Notice.pdf).

[8] <https://www.gov.uk/government/publications/penalty-notice-08-may-2025>.

[9] Economic Sanctions Enforcement Guidelines, 31 C.F.R. Part 501, Appendix A (2021).

[10] Implementation of the Federal Civil Penalties Inflation Adjustment Act, 90 FR 3687-25.