

<b>Title:</b> Sanctions and Anti-Money Laundering Bill <b>IA No:</b> FCO1701 <b>RPC Reference No:</b> RPC17-FCO-4135(1) <b>Lead department or agency:</b> Foreign & Commonwealth Office <b>Other departments or agencies:</b> HM Treasury and Department for International Trade	<b>Impact Assessment (IA)</b>
	<b>Date:</b> 18/10/2017
	<b>Stage:</b> Final
	<b>Source of intervention:</b> Domestic
	<b>Type of measure:</b> Primary legislation
	<b>Contact for enquiries:</b> sanctionsbill@fco.gov.uk
<b>Summary: Intervention and Options</b>	<b>RPC Opinion: Green</b>

Cost of Preferred (or more likely) Option				
Total Net Present Value	Business Net Present Value	Net cost to business per year	One-In, Three-Out	Business Impact Target Status
<£1m	<£1m	<£1m	Not in scope	Non-qualifying provision

**What is the problem under consideration? Why is government intervention necessary?**

The majority of sanctions implemented by the UK derive from either UN Security Council resolutions or multilateral agreements put in place at EU level. The UN Security Council can impose sanctions under Chapter VII of the UN Charter in response to any threat to international peace and security. These resolutions are binding on the UK in international law and we are obliged, under the UN Charter, to implement them domestically. However, the UK's current implementation of UN and other multilateral sanctions regimes is largely based on the European Communities Act 1972, and domestic powers are incomplete or out of date. When the UK leaves the EU, new legislation is required to enable the UK to continue to meet its international obligations and use sanctions as a national security and foreign policy tool. If we do not have these powers the UK will quickly be in breach of its international obligations and, therefore, international law. Furthermore, many of the EU sanctions that the UK implements, such as those against Russia and those targeting terrorist groups, are essential tools in delivering the UK's foreign policy objectives. Failure to implement these sanctions will undermine the UK's reputation as a credible and reliable partner for international allies.

**What are the policy objectives and the intended effects?**

As a permanent member of the UN Security Council, the UK plays a central role in negotiating global sanctions to counter the threats of terrorism, conflict and the proliferation of weapons of mass destruction. Sanctions can have a real impact as shown by the key role they played in bringing Iran to the negotiating table and securing agreement to place robust safeguards on its nuclear programme. This legislation is not about creating new policy, but ensuring that the UK has the necessary domestic legal powers after leaving the EU to meet our international obligations and use sanctions as a national security and foreign policy tool. If the UK wishes to continue being a global leader in these areas, we need to ensure that we have the power to act in the public interest in the face of terrorist groups or individuals, repressive regimes and other threats to our security, both at home and abroad. Legislation is also necessary to continue to tackle money laundering and other financial crime.

**What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)**

The Government has considered two options:

- Do nothing:** relying on the European Union (Withdrawal) Bill to freeze the existing designations and regimes, and using the limited powers in existing domestic legislation (including the Terrorist Asset Freezing etc. Act 2010) to impose new sanctions and restrictions.
- Create new legislation:** bringing forward legislation to create a domestic sanctions framework after the UK leaves the EU, as well as secondary legislation to allow us to lift and amend existing designations and restrictions.

Option 2 is the preferred option. Option 1 would not allow us to meet our international obligations after leaving the EU and exposes the UK Government to significant legal and fiscal risk from being unable to amend or remove current sanctions designations, as well as risks from being unable to update legislation relating to money laundering and financial crime. It would also limit our ability to impose sanctions to counter threats to the UK.

**Will the policy be reviewed?** It will be reviewed in accordance with standard post-legislative review procedures.

*I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.*

**Signed by the responsible Minister:**  **Date** 18/10/2017

Description: To create a UK power to create, implement and enforce sanctions regimes

**FULL ECONOMIC ASSESSMENT**

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate:
<b>COSTS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant</b>		<b>Total Cost (Present Value)</b>
<b>Low</b>	Optional		Optional		<b>Optional</b>
<b>High</b>	Optional		Optional		<b>Optional</b>
<b>Best Estimate</b>	Unknown <£1m		Unknown <£1m		<b>Unknown &lt;£1m</b>
<b>Description and scale of key monetised costs by ‘main affected groups’</b>					
<p>Whilst there is no overall policy change to the way the UK will approach sanctions after we leave the EU, the proposed plans will make it easier for the Government to impose sanctions and respond quickly to events where appropriate. This legislation will enable us to maintain the current approach to sanctions, including existing requirements for compliance, and does not make any policy changes to the existing anti-money laundering (AML) legislative framework. Therefore, we would not expect businesses to need to make significant changes to their internal processes to be compliant with the Bill. There will be some familiarisation costs, such as staff reading new guidance, but we expect these to be low.</p>					
<b>Other key non-monetised costs by ‘main affected groups’</b>					
<p>As this is a piece of legislation that relates to the UK leaving the EU, there may be an impact more broadly on the relationships with external partners, particularly those in other EU member states.</p>					
<b>BENEFITS (£m)</b>	<b>Total Transition (Constant Price) Years</b>		<b>Average Annual (excl. Transition) (Constant</b>		<b>Total Benefit (Present Value)</b>
<b>Low</b>	Optional		Optional		<b>Optional</b>
<b>High</b>	Optional		Optional		<b>Optional</b>
<b>Best Estimate</b>	Unknown <£1m		Unknown <£1m		<b>Unknown &lt;£1m</b>
<b>Description and scale of key monetised benefits by ‘main affected groups’</b>					
<p>As the UK would be able to act autonomously and more flexibly where appropriate, there may be benefits to businesses in terms of streamlining processes. For example, the Sanctions and Anti-Money Laundering Bill will enable all sanctions to be dealt with under a single Act (e.g. geographic and counter-terrorism across a variety of sectors). This should make it easier for legal professionals to advise on sanctions law. The legislation will also provide for the Government to issue guidance. This guidance will increase clarity for business, which could potentially reduce their legal costs (i.e. paying legal advisors for advice on compliance with sanctions law).</p>					
<b>Other key non-monetised benefits by ‘main affected groups’</b>					
<p>There are non-quantifiable benefits of the UK mitigating external threats to our peace and security. For example, preventing money laundering and stopping funds from being used to finance terrorist activities; reducing the risk of terrorism to UK nationals and UK interests; preventing UK goods and services from being used in breach of global counter-proliferation standards; and enabling the UK to remain active in working with international partners to tackle shared security threats. Preserving the UK’s ability to act as a responsible and influential sanctions power will leave us better placed to work constructively with international partners on wider aspects of foreign policy. Sanctions and AML controls will protect the UK financial sector, thereby maintaining the integrity and credibility of the UK financial services industry as a world leading financial sector. These benefits are highly significant.</p>					
<b>Key assumptions/sensitivities/risks</b>					<b>Discount rate</b>
<p>As long as the sanctions legislation passes Parliament ahead of the UK leaving the EU, then there will be minimal legal and fiscal risk. However, if the legislation is not enacted by the time of the UK leaving the EU, there would be significant legal and fiscal risk from being unable to amend or remove current sanctions designations.</p>					

## Background

1. Sanctions are an important foreign policy and national security tool. They can be used to coerce a change in behaviour, to constrain behaviour by limiting access to resources, or to communicate a clear political message. As a permanent member of the UN Security Council, the UK plays a central role in negotiating global sanctions to counter threats to international peace and security. Like all other UN Member States, we are obliged under international law to implement UN sanctions.
2. The UK and our EU partners have also imposed and implemented autonomous sanctions in situations where the UN has chosen not to act, but where we consider an international response is necessary. Often this has involved close cooperation between the EU and other Western allies. On occasions the EU and like-minded partners have also decided to supplement UN sanctions with additional autonomous measures, for example against the Democratic People's Republic of Korea (DPRK).
3. The UK currently implements over 30 sanctions regimes. These include country-specific sanctions regimes, including on Russia, DPRK and Iran, as well as regimes targeting Daesh, Al Qaida and other terrorist groups. Between DPRK and Syria alone, the UK has played a key role in designating over 500 individuals and entities who are considered a threat to international peace and security. Sanctions can have real impact as shown in the key role they played in bringing Iran to the negotiating table (and securing agreement that its nuclear programme will be exclusively peaceful). There are currently around 2,000 individuals and entities subject to sanctions in the UK.
4. The United Nations Act 1946 (UN Act) provides powers for the Government to implement sanctions agreed through Resolutions of the UN Security Council. However, in 2010 the UK Supreme Court ruled that the power in the UN Act could not be lawfully used to apply asset freezes, which are a core element of most sanctions regimes. This led to passing of the UK Terrorist Asset Freezing etc. Act 2010 (TAFSA) and a greater reliance on EU regulations brought into effect within UK law by section 2 of the European Communities Act 1972, to make provision for asset freezes.
5. Money laundering is an international challenge which can undermine the stability and integrity of our financial markets and institutions. As a global financial centre, the UK is particularly exposed to the threat of being exploited as a destination or transit point for illicit funds, as well as a source from which criminals may seek to launder their funds to other jurisdictions. The UK needs a robust AML framework so as to effectively combat these threats and make the UK a hostile environment for illicit finance. International standards around the prevention of money laundering and countering terrorist financing (CTF) are set by the Financial Action Task Force (FATF), of which the UK is a founder member. The EU legislates to implement FATF's standards on AML/CTF, with EU Member States subsequently transposing the relevant EU directives. The UK currently uses powers conferred by section 2(2) of the European Communities Act 1972 to transpose such directives. Following the UK's withdrawal from the EU, a new power will be needed to ensure that the UK can make, repeal, and amend secondary legislation relating to AML/CTF.
6. On 23 June 2016, the Government held a referendum in the United Kingdom and Gibraltar on whether the UK should remain a member of the EU. The result – 52% to 48% - was a clear instruction from the people of the UK to leave the EU. Under Article 50, the UK's membership of the EU will end two years from the date of notification (29 March 2017).

## Rationale

7. The UK's implementation of UN and other multilateral sanctions regimes largely relies on the European Communities Act 1972. The UK has some limited domestic powers to impose some sanctions (notably in domestic counter-terrorism), but these are not sufficient to replicate the full range of sanctions currently in force through the UN and EU. The UK does not currently have general powers (other than under the European Communities Act 1972) to make, repeal or amend secondary legislation relating to AML/CTF.
8. After the UK repeals the European Communities Act 1972 and leaves the EU, we will need a new domestic legal framework to implement UN sanctions and any additional UK autonomous measures. If we do not do this, we will be in breach of international law.

9. As the Government's White Paper: *Public consultation on the United Kingdom's future legal framework for imposing and implementing sanctions* (Cm 9408)<sup>1</sup> sets out, the new legislative powers need to replicate the powers currently relied on under the European Communities Act if we are to uphold our international obligations. The whole Bill is designed to bring the maximum possible continuity and certainty and is not designed to bring any substantive policy changes. This was also reflected in the Government response to the consultation that was published on 2 August 2017.<sup>2</sup>
10. The European Union (Withdrawal) Bill will freeze the current sanctions regimes and underlying designations on the date of the UK's exit from the EU. However, this would not be sufficient and sanctions would quickly become out of date, subjecting the UK to significant legal and, therefore, fiscal risk from being unable to amend or lift sanctions. In particular, there would be no challenge mechanism for those who wished to challenge frozen designations, which would be incompatible with ECHR requirements. We would not be able to add, lift or amend sanctions regimes in response to UN requirements or in response to foreign policy or national security needs. We would also be unable to amend or update AML legislation made under the European Communities Act 1972. This would mean that we would be unable to update the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (Money Laundering Regulations) to reflect changes in the FATF standards, take account of emerging risks or make any future changes to the UK's AML/CTF framework.

## Options

11. The Government has considered two options:

### *Do nothing:*

12. Under this option, assuming that the European Union (Withdrawal) Bill freezing power passes Parliament without being amended, the existing designations would be frozen, meaning the current regimes would be retained in UK law. We would only be able to use our limited existing domestic powers to impose new sanctions. These powers include the United Nations Act 1946, the Export Control Act 2002, and the Terrorist Asset Freezing etc. Act (TAFA) 2010 in relation to domestic counter-terrorism designations<sup>3</sup>. We would still be able to implement travel bans imposed by the UN, but we will not be able to implement any autonomous travel bans.

### *Create new legislation*

13. Under this option, the Government would bring forward legislation that would set up a domestic sanctions framework, as well as secondary legislation that would mean that we could choose which of the (non-UN) regimes or designations are taken brought over into UK law. The legislation will also take a new power to make, repeal and amend secondary legislation relating to AML/CTF.

### *Discussion*

14. Having considered the costs and benefits of both options, the Government believes that option two is appropriate and will create new domestic legislation. Under option one (do nothing) we would be unable to amend or lift existing designations, and leave persons subject to sanctions without a legal remedy, meaning that we would be exposed to significant legal and fiscal risk. It would also be insufficient to rely on TAFA as it is terrorism-specific (and therefore could not be used for the majority of our other sanctions regimes e.g. Iran, DPRK and Syria). We would also be unable to update AML secondary legislation to reflect evolving international standards and to combat emerging risks, which would create risks to the integrity of the UK financial sector. Finally, doing nothing would risk our global reputation as a leader in these fields.

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<sup>1</sup> <https://www.gov.uk/government/consultations/public-consultation-on-the-united-kingdoms-future-legal-framework-for-imposing-and-implementing-sanctions#history>

<sup>2</sup> Ibid

<sup>3</sup> The UK also has other limited domestic sanctions powers, for example the Anti-Terrorism, Crime and Security Act 2001 and Counter-Terrorism Act 2008. This legislation would not allow us to impose the broad range of sanctions regimes we have in place through the EU currently.

15. We also judge this to be the most efficient for businesses and will allow them the most continuity with the previous system. Not taking forward legislation would mean significant uncertainty for businesses because the UK would be unable to align its sanctions regimes with international partners.

## Policy objectives

### *Overall*

16. Sanctions are an important national security and foreign policy tool. They put pressure on a country, regime or group so as to encourage them to cease offending behaviours; to prevent their access to resources engage in offending behaviours; as well as to signal disapproval of a particular course of action. They are a key part of the fight against terrorism. They might also be used to dampen conflicts by reducing the supply of arms, or support other countries or regimes in recouping public funds that have previously been misappropriated. The UK is also committed to combating money laundering and terrorist financing, including through its membership of FATF.
17. The Bill would specify four different types of sanctions, for which regulations can be made under the Bill:
- a. **Financial sanctions.** These would include restricting market access for individuals, entities or sectors, imposing asset-freezes on specific individuals or entities, and preventing the movement or dissipation of suspected misappropriated funds until their rightful owner has been determined.
  - b. **Trade sanctions.** These would include placing controls on the import, export and movements of goods; the provision and procurement of services (such as technical and financial assistance) and investment.
  - c. **Immigration controls.** These would include travel bans, which prevent persons from coming to or transiting through the UK, and provide for the cancellation of any existing leave granted to citizens of other countries. The Bill would allow travel bans to be imposed upon a designated person, as well as providing the ability to create exceptions to travel bans in certain circumstances.
  - d. **Sanctions against aircraft and maritime vessels.** These would include prohibiting access to UK ports and airports and removing ships from the register for ships maintained by the Registrar General of Shipping and Seamen.
18. The Bill would also provide robust review and challenge mechanisms to protect the rights of individuals and ensure oversight of Government decisions, including the following safeguards:
- a. Sanctions will only be applied to an individual or entity if the Secretary of State decides that they meet the designation threshold for that regime and it is appropriate to apply sanctions.
  - b. Individuals and entities will be able to request an administrative re-assessment of their UK listing by Government officials. If this re-assessment upholds their designation, individuals will then be able to bring a legal challenge based on judicial review principles. For UN sanctions, individuals will continue to be encouraged to request delisting through the UN Secretariat or through the UN Ombudsperson with specific responsibility for the UN ISIL (Daesh) and Al'Qaida sanctions regime. A review and legal challenge mechanism will also be available to individuals subject to UN sanctions.
  - c. The Government will periodically review entire regimes with a view to maintaining, amending or lifting them. This will incorporate an annual political review of a sanctions regime to ensure that the regime is still relevant and necessary; ad hoc reviews of a regime, in response to international events; and an in depth review at a fixed time period, which would involve the re-evaluation of every single person and entity listed under a regime.

## Implementation and enforcement

### *Licensing and exemptions*

19. To ensure that the Government fulfils its human rights obligations and to support the policy goals of sanctions regimes, the Bill would provide for either the Secretary of State or HM Treasury (depending upon the type of

sanctions) to grant licences that permit certain otherwise prohibited activities. For example, licences enabling individuals to pay for their essential needs or reasonable and essential legal fees. Exceptions to prohibitions that would not require a licence would be set out in secondary legislation.

20. The Bill would expand the current licensing powers to improve their flexibility and ensure that the licensing provisions can be appropriately tailored and clearly defined to meet the objectives of the sanctions regime. The licensing power will be broad in the primary legislation in order to give the necessary scope to tailor licensing to each particular sanctions regime through the secondary legislation.
21. When a decision has been taken on whether to licence an activity that is otherwise prohibited, HM Treasury, through its Office of Financial Sanctions Implementation (OFSI), works with the designated persons or their legal representatives and banks to ensure that accurate and clearly defined payment routes are explicit in licences, permissions are closely defined and, where necessary, provision is made for bank charges to be licensed, for example, where multiple currencies are involved or a sale of shares is required to give effect to a licensed transaction. Copies of the most recent versions of licences are provided by the legal representatives of designated persons, or the designated persons themselves, to relevant institutions. OFSI verifies licences for industry and confirms whether or not individuals or entities appear to be on the consolidated list.
22. We do not expect any additional impact on businesses in relation to licensing procedures. The licensing powers would include a power to enable general licences to be introduced to authorise specific activities, for example, to facilitate humanitarian aid to regions affected by sanctions, reducing the need for multiple individual licences. This would bring us into line with international partners, including the US.

#### *Enforcement*

23. The legislation would contain provisions for criminal and civil consequences for breaching sanctions. It would also include mechanisms for taking preventative actions stopping short of a penalty, to help ensure that future breaches do not occur. The details of offences and penalties would be set out in secondary legislation, although we are not seeking to change the current penalty regime. The Government intends broadly to maintain the current enforcement powers which have already been provided for under the Customs and Excise Management Act 1979, Export Control Act 2002 and Policing and Crime Act 2017.

#### *Guidance and information sharing*

24. The Bill would provide for the Government to issue guidance about how sanctions work. This would cover the content of sanctions regimes as well as guidance on how they are implemented. This detailed guidance will take into account the concerns and needs of industry to help ensure that sanctions legislation is properly understood, implemented and enforced.

#### **Statutory instruments made under the Bill**

25. While the primary legislation will set the framework for the powers, the secondary legislation will set down the detail of the regimes (e.g. DPRK, Syria). These will broadly mirror the current regimes. There are currently over 30 sanctions regimes which will require new statutory instruments.
26. This impact assessment does not cover any new UK autonomous sanctions that are imposed after the UK leaves the EU. It would be very difficult to quantify any impact at this stage as it will depend on future UK foreign and security policy, future relationships with the EU and other partners, as well as external triggers, which cannot be predicted. It is also impossible to quantify any retaliation from other countries in response to UK unilateral sanctions (e.g. impact on UK business or interests overseas), although this will be a factor in any decision to impose sanctions in the first instance.

#### **Costs and benefits**

##### *Costs*

27. We are not proposing significant policy changes to the way the UK approaches sanctions beyond those that are necessary to ensure that the UK can continue to implement UN Security Council Resolutions and impose, amend and lift other sanctions. This legislation is a change in the powers that the UK will use to do this.

28. The main groups that are impacted by sanctions are businesses and charities (and other NGOs), who frequently operate in areas where there is a high likelihood of the sanctions being engaged. For financial sanctions (for example, asset freezes), the majority of businesses will already have in place systems to meet their obligations to implement such freezes (for example, information sharing with government).
29. As the legislation does not signal any major change to the way the UK will approach sanctions after we leave the EU, there should not be any significant costs to business, except familiarisation costs (for the new domestic framework) and potentially as part of any transition. Where there are familiarisation costs, we expect them to relate to making changes to, for example, IT systems or administrative processes. While these familiarisation costs cannot be quantified at this stage, business should not have to radically alter their processes and behaviours. Accordingly, the cost of familiarising employees with such changes should be commensurately low.
30. The primary legislation will provide for the Government to issue guidance to accompany the legislation. Officials will also work with businesses before commencement of the legislation to ensure that businesses know what they need to do and any questions can be answered.

#### *Asset-freezes*

31. The process for freezing assets is not expected to change for businesses. Therefore, we expect any additional impact on industry to be negligible unless significant numbers of new designations are created in future. Once a listing has been published in the Official Journal, or a counter-terrorism designation made under UK law, HM Treasury updates its publicly accessible consolidated list of financial sanctions targets in the UK and issues a notice to those subscribed to its sanctions email alerts. Industry must then take steps to ensure that no funds or economic resources are made available directly or indirectly to designated persons, which may include, for example, updating screening software and escalating contentious transactions or business for more detailed analysis.
32. Under the Terrorist Asset-Freezing etc. Act 2010, designations can also be notified on a 'restricted' basis where, for example, it is considered that this is in the interests of justice or national security. In such cases, the person's details will not be added to the public consolidated list and only those whom HM Treasury consider it appropriate to inform of the designation will receive a confidential notice.
33. The Government intends to make provision through the Bill for the consolidated list to be updated administratively to improve flexibility in response to new designations, delistings or new identifying information (as is the case with TAFE). This approach will ensure that information to assist business with identifying designated persons can be more readily and robustly updated. The Government also intends for the Bill to continue allowing for restricted designations to be made where appropriate. The implementation of such designations will be the same as now and so no additional impact on industry is anticipated.
34. The Bill enables the existing civil and criminal enforcement regime for financial sanctions, including all existing legal powers, offences and penalties, to be continued. There are therefore not expected to be new enforcement impacts.
35. Not providing information to the Treasury has for many years been a criminal offence for 'relevant institutions' as defined by in the Financial Services and Markets Act 2000 (as amended). The Government recently legislated to extend these enforcement powers to bring auditors, casinos, dealers in precious metals or stones, estate agents, external accountants, independent legal professionals, tax advisers and trusts or company service providers, who do not report suspected sanctions breaches or suspected designated persons into the scope of the offence. These powers will be maintained when the UK leaves the EU.
36. The Government intends to make provision through the Bill to extend the criminal offence of not reporting information to everyone (i.e. all natural and legal persons). This does not create a new reporting requirement or impose a substantial new burden as the requirement to report information already applies to everyone through EU law. This extension only allows the reporting requirement to be appropriately enforced. The Government believes there will be a negligible impact from the extension of this offence – there has never been a prosecution for the existing criminal offence and the groups most likely to be subject to future enforcement are those already covered by the scope of the offence. This provision merely equalises the scope of the reporting requirement with the scope of the criminal offence for not complying with the reporting requirement and

ensures the law applies to everyone equally. The equivalent civil penalty, the imposition of a monetary penalty, can already be imposed on anyone rather than the limited groups covered by the criminal offence.

### *Benefits*

37. Many of the benefits of imposing sanctions are not immediately quantifiable, for example, reducing the risk of a terrorist attack threatening the UK or UK interests, or preventing the spread of nuclear weapons. As with many national security policies, the role sanctions play in protecting the UK is evidenced through a lack of activity rather than a positive outcome. Sanctions play an important role in keeping the UK safe. For example, the Government policy objective for the terrorist asset-freezing regime is to help prevent terrorist attacks by freezing funds that might otherwise be used for terrorist purposes. Disrupting terrorism-related activities contributes to national security and helps prevent the UK financial sector from being unknowingly used to facilitate terrorism-related activities.
38. Sanctions have been a vital tool in delivering the UK's foreign policy objectives in a number of areas. Listing Daesh and Al Qaida (AQ) members at the UN and the EU has helped to choke their finances, as well as to discourage complicit money movers from taking terrorist business. UN sanctions brought Iran to the negotiating table, paving the way for the agreement to place safeguards on its nuclear programme. Often, when there are no diplomatic levers, sanctions are a reliable and useful alternative to kinetic measures to change behaviour.
39. This legislation will give us the ability to grant general licences to businesses and NGOs which we are unable to do under EU law at the moment. General licences will allow us to release frozen funds or the making available of funds without needing to issue multiple individual licences. This would allow the Government to respond promptly to events and protect the UK's interests, for example, by issuing general licences to allow NGOs to work in Syria in some cases. General licences will provide clearly defined parameters within which industry can operate.
40. Providing a clear legal basis for the UK to make future changes to its AML/CTF framework also offers significant benefits. This will provide certainty and ensure that the UK is able to respond to emerging risks relating to illicit finance, and to meet the international standards set by FATF.

### **Other impacts**

#### *Competition and small firms analysis*

41. The provisions within the Bill apply equally to all regulated firms and the asset-freezing provisions apply equally to all UK nationals and persons in the UK. There should be no impact on competition among financial and credit institutions. The review mechanisms built into the legislation will ensure that any unintended impact on business or individuals can be easily rectified; for example, a wrongly identified set of assets or a misspelled name resulting in the freezing of assets which do not belong to a sanctioned entity.
42. The legislation will ensure that the EU sanctions regimes can continue to have effect in the UK, but are replicated in a domestic rather than European legislative framework. There should be no additional costs on small firms. The cost of compliance could be proportionately higher for smaller businesses to the extent that they are affected; however, as they are already regulated for implementation within the EU framework, such firms should already have compliance systems in place. The legislation does not signal a policy change; the level of compliance activity expected will remain the same and thus the cost of compliance will be unaffected.
43. The greater control which a domestic legal framework will give the UK will ensure that our compliance guidelines can be better tailored to suit the needs of UK business and other affected sectors. This will not affect competition between firms.

#### *Human rights*

44. We recognise that sanctions have the potential to impact upon human rights. For example, if a person is subjected to an asset freeze there is an immediate impact upon their property rights under Article 1 Protocol 1, and further potential impacts upon their family life under Article 8. We have designed the provisions of the Bill to mitigate these impacts so that they are proportionate to the legitimate objectives of sanctions (which are



designed to combat severe threats to national and international peace and security). We have ensured that there are mechanisms to enable persons affected by sanctions to support themselves and their families. We have also created robust review and challenge mechanisms to ensure that persons subject to sanctions have access to justice, can seek swift redress from sanctions, and can hold the Government to account before an independent court. We have put in place provisions to ensure that sanctions are kept under regular review by the Government so that obsolete sanctions can be identified and revoked.

#### *Justice system*

45. The legislation will include procedural protections to allow designated persons to challenge their listings in the courts following an administrative re-assessment. We anticipate that this will affect the UK courts immediately post-EU Exit as such challenges are currently taken in the EU courts. The ongoing impact on the courts will be linked to the number of sanctions the Government imposes in future.