

# Horizon scanner

Financial Crime – UK

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## RISK RATING

Potential impact



Legal issue/risk	When?	What's next	Supporting information
<p><b>Sectoral and Financial Sanctions Against Russia</b></p> <p>EU sectoral sanctions against Russia have been in place since July 2014 and have been amended and extended on a number of occasions. The restrictive measures: limit access to EU primary and secondary capital markets for certain Russian banks and companies; impose an export and import ban on trade in arms; establish an export ban for dual-use goods for military use or military end users in Russia; and curtail Russian access to certain sensitive technologies and services that can be used for oil production and exploration.</p> <p>The decision as to whether to maintain or lift sanctions is linked to whether Russia fully implements the Minsk agreements which were designed to bring peace to Ukraine. Recent press on the subject suggests this situation is unlikely to improve in the short term.</p>	31 January 2022	On 12 July 2021, the European Council prolonged the economic sanctions following an assessment of the Minsk agreements implementation. The economic sanctions are currently extended until 31 January 2022.	<a href="#">EU Council prolongs Russia economic sanctions for another six months</a>
<p><b>Audit of the EU's efforts to tackle money laundering</b></p> <p>The European Court of Auditors (ECA), the EU's independent external auditor, published a special report on 28 June 2021 detailing the results of an audit into the EU's efforts to tackle money laundering, focusing specifically on the banking sector.</p> <p>The audit team found "institutional fragmentation and poor co-ordination at EU level" when it comes to actions taken to prevent money laundering and terrorist financing. It concluded that there is an "insufficient EU oversight framework to ensure a level playing field".</p> <p>The report also states that the European Commission has been slow to assess the transposition of directives due to poor communication by Member States and low resources at the Commission. It also identified that whilst the European Banking Authority ("EBA") carries out thorough investigations of potential breaches of EU</p>	End of 2021 through second quarter 2022	<p>The audit made four recommendations to be implemented by the end of 2021 through the end of the second quarter of 2022.</p> <p>Whilst the report relates to the AML/CTF framework in Europe, it is important for UK banks to be aware of this, not only because UK banks may engage in business across Europe but also because the actions taken as a result of the report may influence the UK's AML/CTF regimes in the future.</p>	<a href="#">Special Report: EU efforts to fight money laundering in the banking sector are fragmented and implementation is insufficient</a>



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<p>law, there was evidence of lobbying of its Board of Supervisors.</p> <p>The report lists a number of recommendations for the Commission, the EBA and the European Central Bank in order to address the weaknesses found and to remedy the fragmented AML/CTF framework across Europe.</p>			
<p><b>Consultation on a power to block listings on national security grounds</b></p> <p>The Government has launched a consultation on the scope of a newly proposed targeted power that would allow the Government to block a company's listings if those listings would present risks to national security.</p>	Early 2022	The consultation closed on 27 August 2021 and its position should be monitored thereafter.	<a href="#">Consultation on a Power to Block Listings</a>
<p><b>New Guidance on the Pension Schemes Act 2021</b></p> <p>The Pension Schemes Act 2021, implemented on 11 February 2021, introduced new criminal offences to safeguard members' interests.</p> <p>On 11 March 2021, the Pensions Regulator (TPR) published a draft policy on its approach to these offences. While the policy does not clarify when TPR will use the new criminal offences versus civil penalties, it does reiterate TPR's commitment to pursuing criminal investigations where it finds evidence of serious misconduct.</p> <p>TPR consultation on the draft policy closed on 22 April 2021. TPR is currently in the process of analysing all of the comments and is due to publish the final policy later in the year.</p>	Before 1 October 2021	A finalised version of the policy is expected to be released before the new offences enter into force on 1 October 2021.	<a href="#">Draft policy from the Pensions Regulator</a> <a href="#">Consultation summary</a>
<p><b>Venezuela: European Council extends restrictive measures</b></p> <p>The restrictive measures include an embargo on arms and equipment for internal repression as well as a travel</p>	14 November 2021	The Council has extended the restrictive measures against Venezuela until 14 November 2021. We recommend monitoring the position.	<a href="#">EU Council extends Venezuela sanctions until</a>



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<p>ban and an asset freeze on 36 listed individuals in official positions.</p> <p>The political situation in Venezuela remains unstable and further restrictive measures may be imposed.</p> <p>Enhanced restrictive measures in respect of Venezuela akin to those currently imposed by the US would have particular impact on certain sectors including oil and gas and associated services such as trade finance and insurance.</p> <p>On 22 February 2021, the European Council also adopted a Regulation adding 19 Venezuelan officials to the sanctions list. The decision follows on from the EU's declaration in light of the December 2020 election in Venezuela.</p>			<p><a href="#">14 November 2021</a></p> <p><a href="#">Venezuela: the Council's Response to the Crisis</a></p> <p><a href="#">Regulation 2021/275</a></p>
<p><b>Economic Crime Levy consultation</b></p> <p>The Government announced in the 2020 Budget that it intended to introduce an economic crime levy. The consultation, published on 21 July 2020, sought views on the design principles of the levy, and how this levy could operate in practice, to ensure that it is proportionate and effective.</p> <p>The consultation sought views on what the levy will pay for, how it should be calculated and distributed across the anti-money laundering regulated sector, and how the levy should be collected.</p> <p>As at the time of writing, the results of the consultation were yet to be published.</p>	Autumn 2021	We recommend monitoring the position.	<a href="#">Economic Crime Levy consultation</a>
<p><b>Law Commission begins project on Corporate Criminal Liability</b></p> <p>The Law Commission has issued a consultation seeking views "on whether, and how, the law relating to corporate criminal liability can be improved". This</p>	Late 2021	<p>The consultation opened on 9 June and closed on 31 August 2021.</p> <p>The Commission is aiming to publish the Options Paper in late 2021.</p>	<a href="#">Law Commission project on corporate criminal liability</a>



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follows a request from the UK Government who asked the Law Commission to investigate the laws around corporate criminal liability and provide options to reform them.			<a href="#">UK Government Press Release</a>
<p><b>EU adopts Lebanon targeted sanctions framework</b></p> <p>On 30 July 2021, the Council of the EU adopted a framework under which it will be able to implement targeted sanctions in relation to the situation in Lebanon.</p> <p>Under the new framework, the EU will be able to impose asset freezes, travel bans, and prohibitions on making funds available to those obstructing or undermining the democratic political process, obstructing or undermining the implementation of plans to improve accountability and good governance in the public sector or the implementation of critical economic reforms, and/or those involved in serious financial crime.</p>	Late 2021 – early 2022	We would expect to see the first designations under the new framework in the next 6 months. We recommend monitoring the position.	<a href="#">EU Press Release on the new targeted sanctions framework</a>
<p><b>EBA consultation on a central AML/CTF database</b></p> <p>The European Banking Authority ("EBA") launched a public consultation on 6 May 2021 on proposals for a central AML/CTF database.</p> <p>The database is intended to document weaknesses discovered by competent authorities in the EU in respect of individual financial institutions and the measures the competent authorities have taken to address those weaknesses.</p> <p>The consultation is on the draft Regulatory Technical Standards for the database, including definitions to be used and the collection and sharing of data.</p>	Q1 2022	The deadline for comments was 17 June 2021. We are awaiting the publication of the comments.	<a href="#">Press release on the consultation for the database</a> <a href="#">Consultation paper</a>
<b>EBA consultation on the role of AML/CTF compliance officers</b>	2 November 2021	The deadline for comments is 2 November 2021.	<a href="#">Press release on the consultation on the role of</a>



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<p>The European Banking Authority ("EBA") launched a public consultation on 2 August 2021 on new guidelines on the role, tasks and responsibilities of AML/CTF compliance officers and the manager responsible for AML/CTF.</p> <p>The proposed guidelines are in line with existing European Supervisory Authorities guidelines. However, this would be the first time at EU-level that guidance is published to address the AML/CFT governance set-up.</p>			<a href="#">AML/CTF compliance officers</a> <a href="#">Consultation paper</a>
<p><b>UK Government's Beating Crime Plan</b></p> <p>The UK government published a new Beating Crime Plan on 27 July 2021 to set out the government's plan to address crime.</p> <p>Alongside homicide, serious violence, and neighbourhood crime, the Plan also addresses fraud, cyber, and online crime. The Plan states that the government will replace Action Fraud with an improve national fraud and cybercrime reporting system, increase intelligence capabilities in the NCA, continue to support a specialist cyber law enforcement network to prosecute cyber criminals, and tackle fraud through the upcoming Online Safety Bill.</p>	Ongoing	We recommend tracking the UK government's approach to fraud and cybercrime.	<a href="#">Beating Crime Plan</a> <a href="#">ES briefing: UK Government launches new Beating Crime Plan with a focus on fraud</a>
<p><b>New UK sanctions on Belarus</b></p> <p>The UK has amended the Belarus (Sanctions) (EU Exit) Regulations 2019 to include additional aviation, trade, and financial sanctions.</p> <p>Most impactful to the financial services industry will be prohibitions on transferable securities, money market instruments, loans, and credit. There are also restrictions on the provision of insurance and reinsurance.</p>	Immediately	We recommend ensuring sanctions screening is up to date and monitoring the situation.	<a href="#">UK press release on new package of economic sanctions on Belarus</a> <a href="#">ES briefing: Belarus Sanctions: UK imposes new economic</a>



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			<a href="#">sanctions on Belarus</a>



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<p><b>The EU Council extends existing restrictive measures directed against certain persons, entities and bodies in Ukraine</b></p> <p>On 4 March 2021, the Council adopted <a href="#">Decision (CFSP) 2021/0394</a> amending <a href="#">Decision 2014/119/CFSP</a> by extending restrictive measures against certain persons, entities and bodies:</p> <ul style="list-style-type: none"> <li>against one person until 6 September 2021; and</li> <li>against seven persons until 6 March 2022.</li> </ul> <p>In addition, the list of persons, entities and bodies subject to restrictive measures is amended as well as rights of defence and rights to effective judicial protection.</p> <p>Additionally, on 12 March 2021, the Council also adopted <a href="#">Decision (CFSP) 2021/448</a> amending <a href="#">Decision 2014/145/CFSP</a> renewing the existing restrictive measures over territorial integrity until 15 September 2021 and also amending the list of individual designations subject to restrictive measures. The territorial sanctions were first introduced in March 2014 in response to the crisis in Ukraine and the illegal annexation of Crimea and Sevastopol.</p>	March 2022	We recommend monitoring the situation and ensuring that any changes to these restrictive measures are incorporated into sanctions screening.	<p><a href="#">Restrictive measures directed against certain persons, entities and bodies in view of the situation in Ukraine</a></p> <p><a href="#">Restrictive measures in respect of actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine</a></p> <p><a href="#">Ukraine: EU extends sanctions over territorial integrity for a further six months</a></p>
<p><b>Digital Identity</b></p> <p>Following the Digital Identity call for Evidence in 2019, the Government has now published a consultation on how the digital identity system should operate. The consultation seeks views on the digital identity governance system, how to allow organisations to make digital checks against government-held data, and the legal validity of digital identities.</p>	13 September 2021	The consultation closes on 13 September 2021.	<p><a href="#">Digital Identity and Attributes Consultation</a></p> <p><a href="#">Government press release</a></p>
<p><b>Belarus: EU sanctions</b></p> <p>Restrictive measures against Belarus have been extended for one year, until 28 February 2022. These measures target a number of high-level officials, members of the opposition and journalists in</p>	Immediately	Further developments should be monitored.	<a href="#">Belarus: EU prolongs sanctions for a year</a>



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<p>Belarus and those responsible for electoral fraud. The restrictive measures consist of asset freeze and travel ban currently against 88 individuals and seven entities designated in connection with the unresolved disappearances of two opposition politicians, one businessman and one journalist in 1999 and in 2000.</p> <p>The EU introduced new sanctions with respect to Belarus on 24 June 2021 targeting financial services, insurance, telecommunications, technology, oil and gas, shipping and maritime, mineral and mining, agriculture and tobacco. Most impactful to the financial services industry will be prohibitions involving transferable securities, money market instruments, and new loans or credit. There are also prohibitions on providing insurance and reinsurance.</p> <p>The EU, UK, Canada, and the US had previously jointly announced blocking sanctions on 21 June.</p>			<p><a href="#">EU relations with Belarus</a></p> <p><a href="#">Restrictive measures following the 2020 Belarus presidential elections</a></p> <p><a href="#">EU press release on targeted economic sanctions</a></p> <p><a href="#">ES briefing: Belarus Sanctions: EU introduces a new sectoral sanctions regime</a></p>
<p><b>Economic Crime Inquiry</b></p> <p>On 23 October 2020, The Treasury Committee launched a new inquiry to review what progress had been made in combatting economic crime. The inquiry also has two strands:</p> <ul style="list-style-type: none"> <li>(i) anti-money laundering systems and the sanctions regime, including the FinCEN papers and the work of the Office for Professional Body Anti-Money Laundering Supervision; and</li> <li>(ii) consumers, including emerging trends as a result of COVID-19 and APP fraud.</li> </ul> <p>The Committee will continue to examine economic crime related to Bounce Back Loans as well.</p>	2021-2022	The deadline for submissions was 27 November 2020. Further news is awaited.	<p><a href="#">FCA update</a></p> <p><a href="#">ES briefing: financial crime systems and controls during coronavirus situation</a></p> <p><a href="#">New Economic Crime Inquiry</a></p>
<p><b>Iran: EU extends restrictive measures directed against certain people and entities</b></p>	13 April 2022	The EU Council has extended the restrictive measures against certain individuals for	<p><a href="#">Iran: Council concludes annual review of the EU's</a></p>



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<p>On 12 April 2021, the EU Council adopted <a href="#">Decision (CFSP) 2021/595</a> amending <a href="#">Council Decision 2011/235/CFSP</a>.</p> <p>The Council Decision renewed the existing restrictive measures for a further twelve months, until 13 April 2022, and amended the list of persons and entities subject to restrictive measures.</p> <p>On the same day, EU Council adopted <a href="#">Decision (CFSP) 2021/585</a> also amending Council Decision 2011/235/CFSP by adding eight persons and three entities to the list of persons and entities subject to restrictive measures.</p> <p>The restrictive measures include (i) travel bans, (ii) asset freezes for specific persons responsible for serious human rights violations in Iran, and (iii) restrictions in relation to the sale, supply, transfer and export of certain equipment and software to Iran.</p> <p>More sanctions in respect of Iran are expected, as the European Parliament passed a resolution on 8 July 2021 urging the Council to consider more targeted EU sanctions against Iranian regime officials and entities. The resolution specifically mentioned the imminent execution of Swedish-Iranian academic Dr Ahmadreza Djalali and the arbitrary detention of other EU nationals.</p>		<p>one year, until 13 April 2022, and amended the list of persons and entities subject to restrictive measures. We also expect further sanctions in respect of Iran. We recommend monitoring the position.</p>	<p><a href="#">Iran human rights sanctions regime</a></p> <p><a href="#">European Parliament press release on human rights breaches</a></p>
<p><b>European Council extends cyber sanction regime until May 2022</b></p> <p>In May 2019, the EU Council published a legal framework which established the basis on which the EU can impose targeted restrictive measures to respond to cyber-attacks which constitute an external threat to the EU or its Member States, which have a significant impact and which originate or are carried out from outside the EU. See <a href="#">Council Regulation (EU) 2019/796</a></p> <p>The regime was extended for another year and encompasses sanctions that currently apply to eight individuals and four entities, including an asset freeze and a travel ban. EU persons and entities are forbidden from making funds available to those listed.</p>	18 May 2022	<p>On 17 May 2021, the EU Council extended for one more year, until 18 May 2022, the restrictive measures framework against cyber-attacks which threaten the EU or its member states.</p> <p>We recommend reviewing the current designations and monitoring the position</p>	<p><a href="#">Council prolongs framework for cyber-attacks sanctions for another year</a></p>



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		in case it changes at the expiry of the renewal period.	
<p><b>Consultation to Amend EU Blocking Statute</b></p> <p>After announcing on 19 January 2021 that the EU would consider amending the Blocking Statute, the European Commission opened a consultation on the roadmap for making these amendments on 2 August 2021.</p> <p>The amendments are intended to streamline current EU rules and further deter the extra-territorial application of sanctions in the EU by non-EU countries.</p>	Second quarter 2022	Feedback on the roadmap closed on 30 August 2021, with a public consultation planned for the second quarter of 2021, though this has not yet been published, and Commission adoption in the second quarter of 2022.	<a href="#">Roadmap feedback for the consultation to amend the EU Blocking Statute</a>
<p><b>Review of the Money Laundering Regulations</b></p> <p>HM Treasury will lead a comprehensive review of the effectiveness and scope of the money laundering regulations and the OPBAS Regulations and publish a report on:</p> <ul style="list-style-type: none"> <li>• the impact of the existing regulations;</li> <li>• the proportionality of the duties and powers;</li> <li>• the effectiveness of enforcement actions; and</li> <li>• the interaction with other legislation.</li> </ul>	26 June 2022	The government has issued a call for evidence which will close on 14 October 2021. The review will commence in 2021, with a report to be delivered by 26 June 2022.	<a href="#">HM Treasury review of the Money Laundering Regulations</a>



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<p><b>FCA and Bank of England work programme regarding transforming data collection</b></p> <p>After a review launched in January 2020, the FCA and the Bank of England have published a work programme to set out the key challenges and areas for reform in data collection in the financial services sector.</p> <p>The work programme will deliver on three critical areas of reform:</p> <ul style="list-style-type: none"> <li>• integrating reporting,</li> <li>• modernising reporting instructions, and</li> <li>• defining and adopting common data standards.</li> </ul> <p>The first phase will take place over the next 24 months from February 2021 and will impact a small number of selected use cases. The second phase will take place over the following three years and will focus on expanding the transformation into new areas.</p>	2021 – 2026	We recommend regulated companies monitor the roll-out of the programme and engage with related regulator-industry forums and Town Hall events.	<p><a href="#">Transforming data collection from the UK financial sector: a plan for 2021 and beyond</a></p> <p><a href="#">FCA Dear CEO letter</a></p>
<p><b>European Council presents new rules to facilitate detection of tax fraud in cross-border e-commerce transactions</b></p> <p>The new rules consist of two legislative texts:</p> <ul style="list-style-type: none"> <li>• amendments to the VAT Directive putting in place requirements on payment service providers to keep records of cross-border payments related to e-commerce. This data will then be made available to national tax authorities under strict conditions, including those related to data protection; and</li> <li>• amendments to a regulation on administrative cooperation in the area of VAT. These amendments set out the details of how national tax authorities will cooperate in this area to detect VAT fraud and control compliance with VAT obligations.</li> </ul> <p>The new rules will require payment service providers to transmit payment data electronically to the tax authorities in EU member states.</p>	January 2024	These rules should be formally adopted by the Council without further discussion once the text has undergone legal and linguistic review.	<p><a href="#">E-Commerce: Council reaches provisional agreement on new rules for exchange of VAT payment data</a></p>



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<p>The new record-keeping obligations include the following:</p> <ul style="list-style-type: none"> <li>records of cross-border payments only are required and domestic payments are out of scope;</li> <li>records are required only where there are more than 25 payments to the same payee during a calendar quarter; and</li> <li>records must be retained in electronic format for three years; and</li> <li>the reporting obligation does not apply to the payer's payment services provider if the payer can demonstrate that at least one of the payee's payment services providers is located in the EU.</li> </ul>			
<p><b>EU legislative package on AML/CTF</b></p> <p>On 21 July 2021, the EU proposed a comprehensive legislative package focusing on combatting money laundering and terrorist financing. The package includes four legislative changes:</p> <ul style="list-style-type: none"> <li>a new EU AML authority to supervise compliance of financial intelligence units and enhance cooperation,</li> <li>a new regulation on AML/CTF which will include rules on customer due diligence, beneficial ownership, and limits on large cash payments,</li> <li>a sixth directive on AML/CTF to replace AMLD 5, and</li> <li>revision of the 2015 Regulation on Transfers of Funds to help in tracing transfers of crypto-assets.</li> </ul>	2024	The AML authority is intended to be operational in 2024. We recommend monitoring the roll-out of the legislative package.	



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