

CLIENT ALERT

OFSI's Sanctions Enforcement Overhaul: Transparency, Speed, and Higher Penalties

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Last year, HM Treasury's Office of Financial Sanctions Implementation ("OFSI") launched a public consultation on the effectiveness of enforcement processes in the UK. On 29 January 2026, OFSI published its response to this consultation, and confirmed sweeping reforms to its civil enforcement framework, to be delivered primarily through updated guidance.

The key outcomes of that consultation are:

1. Case assessment matrix and voluntary disclosure discounts: OFSI will introduce a new case management matrix focussing on (a) severity and conduct, and (b) case outcomes. The current discount for voluntary self-disclosure will be replaced with a Voluntary Disclosure and Co-operation discount, which will have a maximum discount of 30% and be available in all penalty cases.
2. Settlement scheme: A time-limited settlement period of 30 days is being introduced by OFSI as a route to early resolution. During this period, subjects must waive their rights to a Ministerial Review and judicial appeal and agree not to challenge OFSI's findings, in exchange for a discount of 20% to the baseline

penalty amount and input into the public penalty notice. Settlement negotiations will be conducted at the same time as issuing the Notice of Intention.

3. Early Account Scheme ("EAS"): A scheme which allows subjects to provide a detailed account of potential breaches early on, resulting in a discount of up to 20% applicable to the baseline penalty amount. This is independent of participating in the settlement scheme.
4. Fixed monetary penalties for Information, reporting and licensing offences: OFSI has announced "fixed monetary penalties" at either £5,000 or £10,000 for information, reporting and licensing offences. A shorter representations stage of 15 business days will be introduced for these set penalties.
5. Statutory maximum penalties: OFSI will be increasing the statutory maximum penalty amount from the higher of £1 million and 50% of the value of the breach, to the higher of £2 million and 100% of the value of the breach. However, OFSI will be careful when exercising its discretion to impose high penalties.

Practical Takeaways for Firms

As OFSI implements these reforms, firms should take this opportunity to update their sanctions incident response procedures to ensure they remain properly aligned with the new changes. Businesses should consider:

- Communicating the reforms to relevant personnel, including senior management, compliance personnel, and any other business functions that have exposure to international transactions, third-party relationships, and high-risk operations (e.g. sales, finance, procurement).
- Updating sanctions incident response playbooks to take into account the combined effects of the (i) Voluntary Disclosure and Co-operation discount; (ii) settlement scheme; and (iii) EAS.
- Strengthening sanctions breach reporting and licensing processes to ensure timely escalation to and consultation with designated compliance personnel.

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