

## **The Situation:**

The sanctions regime, which significantly increased in size and scope after the Russian invasion of Ukraine in 2022, has evolved over time and continues to grow in importance for CLC practices. This is a comprehensive update to the advisory note and we would urge CLC practices and individuals we regulate of the vital need to be aware of these requirements and of adhering to them.

## **Types of sanctions:**

The sanctions regime concerns restrictive measures imposed by the UK government in order to achieve specific foreign policy or national security objectives. There are various types of sanctions (including immigration sanctions and transport sections) however the most relevant for CLC practices are **financial sanctions** which include asset freezes and which is administered by the Office of Financial Sanctions Implementation (OFSI).

Most typically the financial sanctions we are referring to concern individuals and entities (including companies and banks) – all those who are sanctioned, both entities and individuals, are referred to as “Designated Persons” (DPs). For example, if we look at the current list of Russian DPs we can see not only companies such as ‘A7 Limited Liability Company’ but also banks such Alfa-Bank JSC and individuals such as Roman Abramovich.

Although the recent focus has been on Russia, it is crucial to note that the sanctions regime covers a very wide range of countries including Libya, Somalia, South Sudan, Iran and Haiti as well as more targeted sanctions relating to broad areas such as counter-terrorism and chemical weapons. The full lists by country and by “theme” can be found [here](#).

## **Relevance for CLC practices:**

It is important for practices to be aware that that a breach of UK sanctions is a criminal offence which can lead to a fine and/or a prison sentence. In March 2025 OFSI imposed a fine of £465,000 against Herbert Smith Freehills CID LLP which related to six payments made by the Moscow branch of the firm to DPs subject to an asset freeze.

The sanctions regime applies to all CLC practices regardless of what kind of services they offer. For the avoidance of doubt, the sanctions regime applies to both

conveyancing and probate as well as all CLC permissions such as will writing and power of attorney work.

What this means in practice is that CLC practices need to ensure they are in compliance with the sanctions regime **in every area of their business**. So, for example if you are a CLC practice that offers conveyancing, will writing and trust services, you will need to make sure that you are not offering any services to “Designated Persons” in any of these areas.

## **Specific sanctions of relevance:**

Trust services: One of the most relevant sanctions for CLC practices is that there is a prohibition on providing any trust related services for the “benefit of a person connected with Russia”. This includes where the individual is (a) a direct beneficiary of the trust, (b) a potential beneficiary of the trust or (c) someone who may be “reasonably be expected to obtain, or be able to obtain, a significant financial benefit from the trust or similar arrangement.”

“Connected with” covers individuals who are “ordinarily resident” or located in Russia or entities which have been incorporated or constituted under Russian Law. Bear in mind that a recent update from [OFSI](#) states that: “It would not normally apply to individuals who only occasionally travel to Russia while normally being resident or located in the UK. The definition also does not include Russian nationals who are not ordinarily resident or located in Russia”.

The scope of this sanction is broad and relates not only to creating a trust, but also acting as, or arranging for another person to act as a trustee and administering or managing a trust. All CLC practices that offer trust services must ensure that they are acting in compliance with this sanction.

## **Special considerations:**

The most straightforward way in which a CLC practice could encounter a DP would be if a client on one of the sanctions lists approached the practice to, for example, purchase a house. However, in practice DPs use less direct ways in which to access services in the UK and there is a notable industry in circumventing sanctions. Some less straightforward ways may include (this is not an exhaustive list):

- You may be instructed to act on behalf of a company that is not a DP but is directly owned or controlled by a DP or one of their associates including family members<sup>1</sup>.
- You may receive a payment from a counterparty or third party (such as a giftor in a conveyancing transaction) which is associated with a DP or from an entity that is owned or controlled by a DP.
- You may receive instructions at the end of a matter to transfer the proceeds of a transaction (such as sale proceeds) to a counterparty or a third party which is associated with or owned or controlled by a DP.
- You may be instructed to act in relation to a trust where the assets derive from a DP or a company owned or controlled by a DP or where a settlor, trustee or beneficiary is a DP.

The above scenarios demonstrate that CLC practices must apply rigorous Client Due Diligence (CDD) and ensure that they are scrutinising and understanding proposed transactions appropriately, in line with ethical principle 2 of the [CLC code of conduct](#). In relation to companies, it is vital to understand the **ownership and control structure** and who the **beneficial owner** is, bearing in mind that the test for control of an entity is different than that used for AML purposes<sup>2</sup>.

In relation to conveyancing transactions, CLC practices must not only scrutinise their direct clients but also those contributing to a transaction such as giftors. Giftors in conveyancing transactions should undergo the same level of scrutiny as clients and practices must ensure that any gifts are not from (directly or indirectly) DPs. Bear in mind that the purchase of property is an attractive option for those seeking to hide money and evade sanctions.

CLC practices must also ensure that they do not receive client money into their client account until client due diligence has been completed. Under the sanction regime it should be noted that this extends to payments on account which is a notable difference when compared with the AML regime.

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<sup>1</sup> A hallmark of sanctions evasion since 2022 by Russian elites has been using family members and close associates to ensure continued access and control. It has been identified in a number of examples that, “...Russian elites transferred the beneficial ownership of legal entities and arrangements and other property to their children”. Shell companies and trusts are also often used to disguise ultimate ownership.

<sup>2</sup> Under the sanctions regime an entity is owned or controlled by another person where (a) a person who holds, directly or indirectly, more than 50% of the shares or voting rights in an entity, **or** (b) has the right (directly or indirectly) to appoint or remove a majority of the board of directors of the entity **or** (c) it is reasonable to expect that the person would be able to ensure the affairs of the entity are conducted in accordance with the person’s wishes.

A final consideration is that it is possible that an individual or entity becomes sanctioned during your transaction with them and effectively becomes a DP. The longer the transaction the higher the risk in this regard and we would recommend that practices are aware of new sanctions additions so that they can take immediate action if necessary. If such a scenario arises CLC practices must contact [OFSI](#) immediately and continue to hold any client money.

## Recent updates:

April 2025:

- OFSI published a [threat assessment](#) for the legal services sector in April 2025 which identified that there has been, “...widespread misuse of complex structures and trusts to hide asset ownership by Russian Designated Persons (DPs)”. These corporate structures have included companies, foundations, trusts and limited partnerships. The assessment explicitly states that “family members and associates of Russian DPs may serve a variety of roles in these structures.”
- According to the same threat assessment, Trust and Company Service Providers (TCSPs) may not be reporting all breaches and OFSI conclude that underreporting in this area is “highly likely”.

May 2025:

- The UK and the EU announced a new package of sanctions which was aimed to Russia’s military, energy and financial sectors and included some notable, key measures:
  - A. Targeting of Russia’s “shadow fleet” of vessels used to bypass sanctions and ensure that Russia can continue oil exports. On 9 May 2025 the UK announced sanctions on 100 vessels which form the core of the shadow fleet and also 18 vessels were added on 29 May 2025.
  - B. Asset freezes were imposed on 46 financial institutions, including the St. Petersburg Currency Exchange and the Russian Deposit Insurance Agency, as well as certain Russian corporate registrars

## Your Responsibilities

You have responsibilities under the sanctions regime to safeguard the UK, and under Ethical Principle 3 of the [CLC Code of Conduct](#), to uphold the rule of law and to maintain public trust in the profession. Doing so will ensure that you play your part in protecting the reputation of the wider legal sector. As noted above, failing to follow the financial sanctions requirements could result in criminal prosecution or a

large public fine. You should ensure that you have the **right processes, systems and controls in place now – and in future – to comply with any sanctions developments** to avoid the risks above. You are also strongly encouraged to review and update your process on AML and cyber protection.

Measures CLC practices **must** adopt as part of an effective sanctions compliance regime (this is a non-exhaustive list) include:

1. Using either a digital screening tool or a manual tool such as the HM Government's screening platform ([link](#)), CLC practices must take measures to ensure that they are not acting for DPs across all of the services that they offer.
2. Implementing a policy not to accept any significant client money (such as deposits in conveyancing) into the client account until the practice has completed CDD on the client and any counterparties such as giftors.
3. Ensuring that your practice conducts appropriate CDD on all clients including non-natural persons and be able to satisfy yourself as to who owns and/or controls entities such as trusts and companies.
4. Ensuring that your sanctions process and procedure is clearly and effectively described in your AML policy and procedure or, alternatively, in a separate policy and procedure;

Measures CLC practices **should** adopt as part of an effective sanctions compliance regime (this is a non-exhaustive list) include:

6. Training for staff to ensure that staff are fully aware of the sanctions regime and how it applies to your practice.
7. Incorporating sanctions risk into client and matter risk assessments. A template risk assessment can be found [here](#).
8. Ensure there are reporting structures internally for staff to follow if a client or counterparty is suspected to be a DP or if a client becomes one during a transaction and, crucially, that staff are aware of the circumstances in which they should raise a report and what the internal reporting process is.
9. A policy in place to ensure that clients are monitored on an ongoing basis to ensure that any clients added to the sanctions lists are dealt with appropriately. This should include setting out the steps that will be undertaken if it is established that a client has been added to the sanctions lists.

## CLC Monitoring:

The CLC's monitoring programme includes on site and remote inspections and reviews. As part of this monitoring, the CLC will scrutinise a practice's compliance with the sanctions regime. The CLC takes this issue very seriously and any instances of non-compliance will be addressed through robust and timebound actions and, if serious enough, potential enforcement action.

## Reporting obligations:

You are reminded that you are also under a legal obligation to report suspicions to the Office of Financial Sanctions Implementation (OFSI) if you know or suspect that a client (or a proxy for them) may be a designated person under the financial sanctions' regime, if you hold frozen assets, or that a breach of the sanctions regime has occurred.

Practices reporting to OFSI must use a compliance reporting form which can be obtained [here](#) and submitted to the following email address:

[ofsi@hmtreasury.gov.uk](mailto:ofsi@hmtreasury.gov.uk) A postal address can also be used to return the form.<sup>3</sup>

## How to get updates and useful links:

For timely notifications about all new and updated designations, sanctions announcements, and updates on sanctions guidance, you can sign up<sup>4</sup> to get UK sanctions email alerts, a joint service provided by the Foreign, Commonwealth & Development Office (FCDO), the Office of Trade Sanctions Implementation (OTSI) and the Office of Financial Sanctions Implementation (OFSI).

## Further information and useful FAQs:

### **Russia sanctions: guidance - GOV.UK ([www.gov.uk](http://www.gov.uk))**

A very useful FAQ page set up by OFSI:

<https://www.gov.uk/government/publications/uk-financial-sanctions-faqs/uk-financial-sanctions-faqs>

Another helpful page from OFSI about trust sanctions specifically:

<https://ofsi.blog.gov.uk/2023/05/30/trust-services-sanctions-5-months-on/>

A valuable page which describes the ownership and control thresholds:

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<sup>3</sup> Office of Financial Sanction Implementation, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ

<sup>4</sup> <https://public.govdelivery.com/accounts/UKORGESO/subscriber/new>

<https://www.gov.uk/government/publications/ownership-and-control-public-officials-and-control-guidance/ownership-and-control-public-officials-and-control-guidance>

## **CLC resources:**

In the CLC's AML toolkit you can locate the following documents:

1. 2024 AML, CTF and sanction guidance (contains a template procedure that covers AML and sanctions):

[https://www.clc-uk.org/wp-content/uploads/2024/05/AML-CTF-Sanctions-Policy-and-Procedure-Templates\\_May-2024-FINAL.pdf](https://www.clc-uk.org/wp-content/uploads/2024/05/AML-CTF-Sanctions-Policy-and-Procedure-Templates_May-2024-FINAL.pdf)

2. 2025 Red flag indicators (includes consideration of sanctions):

<https://www.clc-uk.org/wp-content/uploads/2025/03/AML-red-flags-conveyancing-2025.pdf>

If you have any questions about sanctions compliance please contact the CLC's dedicated AML inbox: [aml@clc-uk.org](mailto:aml@clc-uk.org)