

Anti-money laundering sanctions update

March 2022

The importance of complying with financial sanctions

RICS is publishing this update to remind firms of their important role in ensuring compliance with financial sanctions. This is particularly important at present due to the quickly evolving situation in Russia and Ukraine, and the sanctions being imposed by countries across the world.

The [UK Sanctions List](#) is currently being updated frequently, often on a daily basis. This means it is key that you are using up-to-date information when you undertake your checks.

We have provided a refresher on our requirements, UK legislation and guidance, and some practical tips to help you comply.

Refresher on our requirements

In accordance with the [Rules of Conduct](#), all RICS members and firms, members and firms must not facilitate any financial crime including money laundering, tax evasion, bribery or corruption. Firms need to have effective processes to prevent directors, partners or employees from doing so.

In addition, the [Countering bribery and corruption, money laundering and terrorist financing](#) professional statement requires all RICS-regulated firms to have a written policy addressing money laundering and terrorist financing risks that covers the identification of politically exposed persons (PEPs), persons with significant control (PSCs) and any potential breaches of sanctions.

Refresher on the UK sanctions legislation and guidance

The UK regime is far-reaching. All UK nationals and legal entities, wherever they are in the world, and all individuals and legal entities operating within the UK, must comply with UK sanctions and have a general obligation to report to the Office for Financial Sanctions (OFSI) any information that would 'facilitate compliance' with the regulations. This differs from the specific reporting obligations that apply to 'relevant firms' as detailed below. OFSI issues [guidance on the sanctions regime](#) that you may find helpful.

If you know or have reasonable cause to suspect that you are in possession or control of, or are otherwise dealing with, funds or economic resources that belong to a person subject to an asset freeze, you must freeze them and not make them available to or for the benefit of the person subject to the sanction, other than in very limited circumstances.

Economic resources include property. 'Dealing with' economic resources generally means using the economic resources to obtain funds, goods or services in any way, including, but

not limited to, by selling, hiring or mortgaging them. The everyday use by a designated person of their own economic resources for personal consumption is not prohibited.

If you are in the UK or under UK jurisdiction, and your firm is a 'relevant firm' as set out in UK regulations made under the sanctions legislation, specific reporting obligations apply to you. Failure to fulfil them may result in criminal prosecution or a fine issued by OFSI. Different regulations apply to different sanctions regimes. For example, [these regulations](#) define 'relevant firm' for schemes against Russia.

[OFSI guidance](#) provides examples of relevant firms. The most relevant examples for RICS firms are including:

- a firm or sole practitioner that provides, by way of business accountancy services, legal or notarial services, advice about tax affairs or certain trust or company services
- a firm or sole practitioner that carries out, or whose employees carry out, estate agency work.

You must [make a report to OFSI](#) at the earliest opportunity if you know or have reasonable cause to suspect:

- that a breach of financial sanctions has occurred
- that a person is a designated person, or
- that you hold frozen assets, and that knowledge or suspicion came to you while conducting your business.

Estate agency guidance

HMRC's [estate agency business guidance](#) for money laundering supervision also sets out expectations around sanctions: senior managers must have systems to identify when they are transacting with financial sanctions targets and take additional measures to manage and lessen the risk.

HMRC has recently written to all the firms they supervise, clarifying that they expect firms to consider and document any increased risks associated with transactions with the affected countries at this time.

Practical tips to help you comply

There are several things you can do to help make compliance easier. We know that this can be a challenge, especially for smaller firms without a dedicated compliance department.

You need to carefully consider the risks to your business as part of your AML procedure. You cannot categorise the clients that need to be checked just by their nationality or where they live. The sanctions lists include UK citizens and people who live in the UK.

You may need to check clients or transactions with links to jurisdictions subject to sanctions even if your client is local. Other risk factors that also apply to AML due diligence include clients or transactions involving complex corporate structures, or clients who seem unable to receive or send funds from bank accounts in their name.

If your firm has a high risk of dealing with clients on the sanctions list, you may want to use a software solution that includes checks against sanctions lists as part of your due diligence. Most of these will require a subscription and you should check that any solution you use is updated sufficiently frequently because of the frequency with which lists are being updated.

If you have a lower risk generally, but your risk assessment shows that an individual client has a higher risk, you can check the individual against the [Treasury's consolidated list](#). This will help to ensure you are using up-to-date information. Websites such as [Dilisense](#) offer a consolidated place where you can check for sanctions and politically exposed persons against a number of countries' registers.

You will also need to check existing clients regularly where they present a higher risk. One simple thing you can do to stay updated is to subscribe to HM Treasury's [Sanctions Notices](#). These are automated email updates that are sent each time there is a change to the list.

If your client comes up as a possible match on the sanctions list, check all the identity information you have against the list to make sure you do not have a false positive identification. If all the information on the consolidated list matches, you are likely to have a positive match but if you are unsure, you can contact OFSI for assistance.