

AML Measures in Relation to Ongoing Developments in Ukraine – March 2022

Guidance for AIA Members in Practice operating within the United Kingdom

1.0 Introduction

Members will be aware of recent developments in Ukraine and the ongoing imposition of further financial and trade sanctions on Russian Government officials and other named individuals and entities, by countries around the world, including the UK, US and the EU.

These recent measures are directly relevant to both members in business and practice, as well as to those working in the charity and Not-for-Profit sector.

Whether in practice or in business, Members must comply fully with their legal and professional obligations relating to the Sanctions regimes in their respective jurisdictions.

The recent imposition of further sanctions on Russia and named individuals and entities has increased the potential risk of money laundering as individuals and business may seek to evade these respective sanctions regimes.

AIA supports the [recent CCAB joint statement](#) to the profession following recent and on-going developments in Ukraine.

This guidance relates specifically to sanctions imposed by the UK.

2.0 Ethical Considerations and obligations under AML legislation

All members are reminded of their obligations under the AIA and IESBA Code of Ethics to:

- a) act in the public interest;
- b) apply the fundamental principles, and the following in particular:
 - i. integrity;
 - ii. objectivity in the exercise of the professional or business judgement;
 - iii. Professional Competence and Due Care, including by maintaining their professional knowledge and skills; and
 - iv. Professional Behaviour, including the duty to comply with relevant laws and regulations and to avoid any conduct that might discredit the profession.
- c) respond to non-compliance with laws and regulations in a timely manner.
- d) The principle of integrity requires members to have the strength of character to act appropriately even when confronted by dilemmas and difficult situations; and to challenge others as and when

circumstances warrant (see 111.1A2).

The principle of objectivity requires accountants to exercise professional or business judgement without being compromised by bias or undue influence, and to have an inquiring mind. This includes considering the source, relevance and sufficiency of information obtained; and being open and alert to the need for further investigation and other action (R120.5 A1) The allied concept of professional scepticism should be applied when dealing with matters which may be intended to obfuscate ownership, control or provenance of assets or funds.

Maintaining professional competence requires a continuing awareness and understanding of relevant technical, professional, business and technology related developments (113.1 A2).

3.0 Sanctions

Members should ensure that they are aware of and fully understand the scope and impact of sanctions which apply to their business, their staff, and their clients.

Members should consider the need to obtain legal advice.

Members should remain up to date by checking the relevant lists of sanctions and sanctioned individuals and entities published by authorities in their respective jurisdictions.

Members must ensure all relevant staff are aware of and fully understand their obligations in respect of the sanctions' regime.

- In the UK, Financial Sanctions Notices relating to Russia are issued under the [Russia \(Sanctions EU Exit\) Regulations 2019 \(as amended\)](#).
- Financial Sanctions Notices in relation to Belarus are issued under the [Republic of Belarus \(Sanctions\) \(EU Exit\) Regulations 2019](#).

Members in practice must check whether they hold any funds or economic resources for the persons set out in the current Annex to these Financial Sanctions Notices. If such funds are held, members must freeze such funds or resources and any others that are owned or controlled by persons listed in the annex to the Notice and must refrain from dealing with these assets or making them available (directly or indirectly) to persons listed unless licensed to do so by the Office of Financial Sanctions Implementation ('OFSI').

Members in the UK must also be mindful of the current trade prohibitions issued by the Department of International Trade (DIT) in relation to Russia, including those that apply to military-related goods and technology or financial or technical assistance; energy-related services; and goods/tourism relating to Crimea.

The DIT's Export Control Joint Unit (in conjunction with the Foreign, Commonwealth and Development Office and OFSI) has issued detailed guidance in relation to Russia under s.43 of the Sanctions and Anti-Money Laundering Act 2018. The latest guidance can be found [here](#). Guidance on existing trade sanctions on Belarus can be found [here](#). It is anticipated that further trade sanctions may be imposed on Belarus and this guidance will be updated.

Where members become aware that sanctions and relevant legislation may not have been complied with, they must make the disclosures and notify the authorities required under the legislation in their respective jurisdictions.

In the UK, members should consider their obligations to make disclosures to the Office of Financial Sanctions ('OFSI') in relation to sanctions; and to the UK Financial Intelligence Unit ('UKFIU') at the National Crime Agency ('NCA') under the Proceeds of Crime Act 2002, in relation to other disclosures about economic crime.

Members should note that failure to comply with the regulations in relation to sanctions, or seeking to circumvent their provisions, is a potential criminal offence.

Where members are aware that a licence is required to permit any activity that would otherwise be prohibited by sanctions regulations, they must contact the relevant department and ensure that any applications have been made and approved before any business agreement or transaction takes place. Guidance on licences can be found at the following link: [Licences that allow activity prohibited by financial sanctions - GOV.UK \(www.gov.uk\)](https://www.gov.uk/guidance/licences-that-allow-activity-prohibited-by-financial-sanctions).

The recent imposition of further sanctions on Russia, Belarus and named individuals and entities, has increased the potential risk of money laundering, as individuals and business may seek to evade the respective sanctions regimes.

Members should therefore ensure that their procedures fully comply with [Anti-Money Laundering and Counter-Terrorist Financing Guidance for the Accountancy Sector \(AMLGAS\)](#) section 5.3.24 to 5.3.25 and should be alert to the potential need to give close consideration to persons reported as having 'close ties' with Russia and Belarus, even if they are not designated in the sanctions list.

3.1 Politically Exposed Persons (PEPs)

Recent developments in Russia and Ukraine may also potentially impact on the classification of new and existing clients and cause them to fall within the definition of Politically Exposed Persons ('PEPs').

Members in practice in the UK are reminded of their obligation under the AML Regulations 2017, to conduct risk assessments and to perform Enhanced Due Diligence checks ('EDD') where required.

In particular, Members should ensure that they fully understand the source of funds and wealth in relation to their clients identified as high-risk.

Since many of those who are subject to sanctions may also be PEPs, Members are reminded of their obligation to ensure that they have adequate and up to date procedures in place to identify whether a client, or the beneficial owner of a client, is a PEP or a family member or known close associate of a PEP.

A family member of a PEP includes their spouse, civil partner, children, and parents.

A known close associate of a PEP means:

- an individual known to have joint beneficial ownership of a legal entity or a legal arrangement or any other close business relations with a PEP
- an individual who has sole beneficial ownership of a legal entity or a legal arrangement which is known to have been set up for the benefit of a PEP.

Where a potential client is identified as a PEP, members must assess the level of risk associated with that client and the extent of any EDD that should be performed on that client. As a minimum, members must:

- obtain senior management approval for the relationship;
- take adequate measures to establish the source of wealth and funds; and
- perform enhanced ongoing monitoring of the relationship.

When a client ceases to be a PEP, members must continue to apply their EDD procedures for at least 12 months (or longer if necessary to address the risk of money laundering or terrorist financing). However, if the client is a family member or known associate of a PEP, they can stop applying EDD procedures as soon as the PEP status ends.

In determining whether someone is a known close associate of a PEP, obliged entities are allowed to rely only on information they already hold or that which is freely available in the public domain.

3.2 Professional Indemnity Insurance Considerations

Members are reminded that the imposition of Sanctions may impact on the operation of exclusion clauses (if any) in their Professional Indemnity arrangements and should ensure that they check the current position with their providers.

3.3 Expert Advice

Given the fast-moving nature of the situation and the complexity of the various Sanctions regimes, members may wish to consider obtaining specialist advice tailored to their specific circumstances and to advise their clients to do the same.

4.0 Updated guidance on sanctions and lists of sanctions and sanctioned persons

The full list of those subject to financial sanctions by the UK can be found at:

- [Financial sanctions targets: list of all asset freeze targets](#)
- [Russia: list of persons named in relation to financial and investment restrictions](#)
- <https://www.gov.uk/government/publications/financial-sanctions-belarus>

See also <https://www.aiaworldwide.com/insights/aml/financial-sanctions-measures-russia/>