

# SANCTIONS SCHOOL

## Trade sanctions

### What:

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Trade sanctions are a type of sanctions measure that can be put in place to restrict trade activities with specific countries, territories, sectors, individuals or entities.

Trade sanctions are put in place to fulfil a range of purposes, which include complying with UN and other international obligations, supporting foreign policy and national security objectives, as well as maintaining international peace and security, and preventing terrorism.

Trade sanctions are implemented via the primary act, The [Sanctions and Anti-Money Laundering Act 2018 \(SAMLA\)](#), which provides the main legal basis for the UK to impose, update and lift sanctions. Trade sanctions are enabled under section 5 of SAMLA, which then directs to SAMLA Schedule 1 for the specific prohibitions.

**Schedule 1 has two parts. Part 1 'Trade', sets out 15 preventative measures** which are clarified with subsections. Part 2 'further provision' gives further detail on the coverage of Trade sanctions measures. Trade sanctions are extremely complex and will be covered in more detail in years 2 and 3.

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The UK Finance sanctions school is free to everyone and builds knowledge and understanding of the international sanctions environment.

Year 1 materials cover the foundations of what sanctions are, their history, what types of sanctions are imposed, the key regulators for UK based companies and the licences, reporting, and enforcement that sanctions programmes have.

This is lesson 5 of 12 which covers trade sanctions. The other lessons, tests and the end of year exam are available on the [UK Finance website](#) along with links to accompanying podcasts for each lesson.

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## How:

The UK currently implements a [range of geographic and thematic sanctions regimes](#) (“the Regulations”). These Regulations are implemented through secondary legislation (statutory instruments) made under the primary act SAMLA. Specific sanctions measures are set out within the individual secondary legislation for each sanctions regime.

- Preventing the export of goods of a prescribed description to, or for the benefit of, or for use in a prescribed country; or to or for the benefit of Designated Persons (DP) or persons connected with a prescribed country, or a prescribed description of persons connected with a prescribed country.
- Preventing the import of all goods or goods of a prescribed description which are consigned from or originate in a prescribed country or are consigned from, imported, manufactured, produced or owned by/for the benefit of DPs.
- Preventing goods of a prescribed description from being moved outside of the UK to/for the benefit of a DP or persons connected with a prescribed country etc.
- Preventing goods or technology of a prescribed description from being made available to a DP etc.

Typically, a sanctions regime will usually include more than one type of sanction, such as trade sanctions, financial sanctions such as asset freezes, immigration sanctions such as travel bans or aircraft, and shipping sanctions.

Trade sanctions measures are tailored to each sanctions regime. They can include prohibitions and requirement imposed for the purpose of:

- Preventing the acquisition of goods or technology of a prescribed description.
- Preventing land or land of a prescribed description from being made available.
- Preventing the acquisition of land or land of a prescribed description from/for the benefit of a DP.
- Preventing services of a prescribed description, from being provided or procured to, from or for the benefit of DPs or persons connected with prescribed country etc.
- Preventing services of a prescribed description, from being provided or procured, where they related to for example, the export, import, making available of prescribed goods.

Further provisions in connection with regulations that impose trade sanctions are included in Schedule 1 of SAMLA.

Examples of trade sanctions measures include **prohibitions and requirements** on:

- the import, export, transfer, supply or delivery, making available or acquisition of specified goods or technology
- the provision or procurement of services such as technical assistance, financial services and funds or brokering services related to specified goods or technology
- the provision or procurement of certain other non-financial services such as accounting or consultancy services.

## Who:

**Trade sanctions have a wide reach beyond just companies directly involved in the process of exporting and importing goods.** Companies operating in the financial sector, such as banks, also need to be aware of trade sanctions, due to trade sanctions affecting financial services related to trade.

**Trade sanctions can affect anyone who trades in or provides services related to specified prohibited goods or services** as stated within the individual sanctions

regimes. They not only affect, for example (but not limited to) companies operating in the technology, marine or oil and gas sector, but also companies operating in the financial sector.

Often, along with the export restrictions, the sanctions regulations also impose wider restrictions on providing technical assistance, financial services, funds or brokering services relating to them. For example, the trade sanctions prohibitions in [The Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) (as amended) prohibit the export, supply or delivery,

making available or transfer of specified restricted goods or technology to or for use in Russia.

They also prohibit the provision of technical assistance, brokering services or financial services and funds where they relate to the specified restricted goods or technology. They also impose several other restrictions such as the provision of banknotes to, or for use in Russia, or to a person connected with Russia (as defined in the legislation). They also impose restrictions on other services such as providing certain professional business services, such as accounting services; business and management consulting services; or public relations services to a person connected with Russia. Visit [gov.uk](https://www.gov.uk) for the latest information on UK sanctions currently in force.

**Trade sanctions are not to be confused with export controls or trade controls**, which are national measures that control the export or movement of controlled (sensitive) items (such as military or dual-use items) to any global destination. Such controls may be on the basis of international obligations and/or UK export control policy. The [UK Strategic Export Control Lists](#) form the basis of determining whether any products, software or technology that are intended for export are 'controlled',

## Amendments:

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Sanctions Regulations can be amended or updated through further secondary legislation (statutory instruments), typically marginally amending the scope of the Regulations. For instance, [The Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) have been amended numerous times via new statutory instruments, which added additional sanctions measures to the original Regulations. Links to the original instrument as well as any subsequent amendments and a consolidated version can be found on [legislation.gov.uk](https://legislation.gov.uk).

and therefore require an export licence. Although different, sometimes export controls and trade sanctions do overlap and apply simultaneously, for example exporting military goods to a country with an arms embargo would be controlled under both export controls and sanctions.

The **Foreign, Commonwealth and Development Office (FCDO) is responsible for the overall UK policy**. The **Department for International Trade (DIT) develops and implements trade sanctions and other trade restrictions**, in co-ordination with other government departments, and has overall responsibility for trade licensing. Within DIT, the **Export Control Joint Unit (ECJU) administers the UK's system of export controls and licensing** for strategic items, as well as licensing for trade sanctions except those relating to imports. **Import licences are administered by the DIT's Import Licensing Branch. HM Revenue and Customs (HMRC) is responsible for enforcing the licensing restrictions** and investigating some suspected offences, especially those related to physical exports and imports.

## Exceptions and Licensing Grounds

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The Regulations may set out **exceptions** under which it is possible to engage in an activity that would otherwise be prohibited. An exception applies automatically and does not require you to obtain a licence.

In certain circumstances, **licences may be granted to allow an activity** that would otherwise be prohibited, for example for the delivery of humanitarian assistance activity. Licensing grounds, which are a list of circumstances where a licence may be issued, are set out in Section 3 of the **statutory guidance** published for each regime.

The statutory guidance for each sanctions regime also provides information on the prohibitions and restrictions imposed by the Regulations and on best practice for complying with them. Licence applications can be made to ECJU via the online export licensing system [SPIRE](#). Details of your activities and any other relevant documentation can be provided in a cover letter and attached to your application. Licence applications for import related sanctions can be made through the online import licensing system [ICMS](#), managed by DIT's Import Licensing Branch (ILB).

## Consigned

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– An arrangement where goods are left with a third party to sell.

## DIT

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– Department for International Trade

## DP

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– Designated Persons

## Dual Use items

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– Items (including software and technology) which can be used for both civil and military purposes. It also covers all goods which have non-explosive uses or assist in any way with the manufacture of nuclear weapons or other nuclear explosive devices.

## ECJU

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– The Export Control Joint Unit – a unit within the DIT which is responsible for administering the UK's system of export controls and licensing for military and dual-use items.

## Export controls

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– These are national level controls (e.g. licensing requirements) on the export and movement of controlled goods, software and technology from the exporting country to all destinations. Often used with military equipment or uranium etc.

## FCDO

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– The Foreign, Commonwealth and Development Office. The government department with overall sanctions policy responsibility

## HMRC

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– His Majesty's Revenue and Customs. Has the responsibility for criminal prosecutions of Trade sanctions breaches.

## ICMS

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– The DIT Import Licensing Branch's Import Case Management System for the issue of import licences and Certificates of Free Sale (CFS) for exporters

## Import Licensing Branch

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– A unit within the DIT which issues import licenses and also issues Certificates of Free Sale

## Licenses

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– The term for an exemption to sanctions. Can be specific so for one business for one transaction or general, covering a humanitarian exemption for example (See lesson 11 for a more detailed introduction).

## SAMLA

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– The Sanctions and Anti-Money Laundering Act 2018. The primary act in the UK which sets out the sanctions framework.

## SPIRE

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– The Export Control organisation's online export licensing system. SPIRE is used to apply for an export or trade licence for activities and items requiring a licence for the wide range of "strategic" goods (such as security items, military goods, civilian products designed with a military use or purpose, firearms, police and paramilitary goods, radioactive sources and much more). SPIRE can also be used to make a Ministry of Defence Form 680 application, Private Venture security grading or Exhibition Clearance applications.

## Statutory Instrument. (SI)

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– A form of legislation which allows the provisions of an Act of Parliament which was subsequently brought into force or altered without Parliament having to pass a new Act. Also called secondary, delegated or subordinate legislation.

## UN

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– United Nations. The United Nations is an international organization founded in 1945. Currently made up of 193 Member States, the UN and its work are guided by the purposes and principles contained in its founding Charter.

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