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# UK Government Publishes Guidance on Prevention of Russian Sanctions Evasion

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On 7 January 2025, the UK Office of Trade Sanctions Implementation (OTSI) published new guidance on how businesses should be preventing Russian sanctions evasion. This note provides a summary of this guidance to help you assess your exportation and manufacturing risks.

## Higher-risk areas and red flag indicators

### Products

The guidance includes types of goods deemed to be at a higher risk of sanctions diversion. Specifically, the following are considered high-risk sectors:

- Military and dual-use goods
- Aerospace
- Automotive
- Microelectronics
- Heavy machinery

Additionally, the guidance highlights several red flag indicators of potential sanctions evasion related to specific products. These risk factors include:

- The transaction concerns sanctioned goods, especially those with military or dual-use applications.
- The product's capabilities do not fit the buyer's or named end user's line of business. For example, an order of sophisticated computers for a small bakery.
- The item ordered is incompatible with the technical level of the country to which it is being shipped. For example, semiconductor manufacturing equipment being shipped to a country that has no electronics industry.

### Customers

The government has mentioned 24 red flag indicators related to customers. These fall into the following general themes:

- **Relationships** – Any ongoing or past relationship with Russia, Russian entities, sanctioned individuals, or companies in or close to Russia (geographically or in terms of corporate structure).
- **Address and contact details** – Similar address to a sanctioned individual, shared addresses, use of residential addresses, all communication through a representative, unavailable senior management or ultimate beneficiaries linked to military facilities.
- **Structure** – Complex corporate structures, multiple credit layers, hidden beneficial ownership or recent share transfers from sanctioned to nonsanctioned entities.
- **Business strategy** – Sudden strategy changes after 24 February 2022, new customers without a prior 24 February 2024 trading history, or new market entrants seeking military goods.
- **Behaviour** – Significant changes in trading patterns, increased order volumes, multiple shipping charters, lack of product knowledge or attempts to hide the product's final destination.

### Transactions

The government has identified 22 red flag indicators for transactions. Key indicators include:

- **Payment** – The transaction payment is routed through countries where the customer doesn't live, involves nonstandard payment systems, cash for expensive goods, splitting payments to stay below a threshold or offers significantly above market cost for high-risk sector goods.
- **Changes/inconsistencies** – Last-minute changes involving entities related to Russia or Belarus, inconsistencies like changing the end user, mismatched phone country codes, or missing, misleading or inaccurate documents.
- **Indirect transactions** – Payments to importers/exporters near sanctioned countries, use of intermediaries or shell companies without clear rationale, ship-to-ship transfers, freight-forwarding firms as final destinations or multiple third-country forwarders/shippers in one transaction.
- **Delivery** – Vague delivery dates or deliveries planned for remote destinations, or disproportionate delivery costs charged without a clear or justified reason.
- **Other red flags** – Transactions with entities having limited or inconsistent web presence, attempts to use false Harmonised System (HS) codes, or customers declining routine installation, training or maintenance services.

**Destinations**

The guidance recommends that your business may wish to conduct enhanced due diligence when exporting at-risk products to the following countries:

- Armenia
- China, including Hong Kong and Macau
- India
- Israel
- Kazakhstan
- Kyrgyzstan
- Malaysia
- Mongolia
- Serbia
- Thailand
- Türkiye
- United Arab Emirates (UAE)
- Uzbekistan
- Vietnam

Expanding on this list, there are other red flag indicators related to the export destination:

- Transit via a country for which additional due diligence is suggested.
- Shipments involving individuals, companies or a shipment route located in a country with weak export control laws or weak enforcement of those laws.
- An abnormal shipping route for the product or the destination. For example, the country concerned does not normally import that product.
- Using an unclear transportation route or a complex route involving multiple third countries.
- Analysis of company sales data indicates a significant increase in exports of a specific product – especially if trade in that product to that destination was previously limited or nonexistent.

# What should your company do to be fully compliant with UK trade sanctions?

The guidance advises undertaking a strategic risk assessment, with the following suggested steps:

1. Map out the types of products, transactions and economic activities within range of your business activity, prioritising transactions involving higher-risk products for more extensive due diligence screening.

2. Design and implement controls, processes and procedures to mitigate your business's specific risks. Key processes should include:
    - Engaging in enhanced due diligence on current and prospective customers and business partners, especially with regard to corporate structures, supply chains and ownership.
    - Taking steps to verify the end use and end user to avoid diversion of goods to Russia.
    - Instigating additional safeguards for the highest-risk product lines.
3. Consider any business exposure via overseas subsidiaries or factories in third countries. Overseas subsidiaries and manufacturing operations are sometimes targeted by front companies seeking to procure sanctioned items on behalf of Russia. Ensure that any overseas business operations are subject to appropriate oversight, and consider implementing additional controls on the flow of goods from any overseas sites.

If you have questions on European Union and UK sanctions – and how they may affect you and your business – please reach out to Juan Nascimbene, Alex Mizgajski and Emily Hall.

*Trainee solicitors Alex Mizgajski and Emily Hall also contributed to this alert.*

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# Key Contacts



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