



Office of Financial
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HM Treasury

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Dr Andrew Murrison MP
Northern Ireland Affairs Committee
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23 April 2019

Dear Dr Murrison,

Thank you for your letter dated 25 March 2019. We have shared questions 2-6 from your correspondence with colleagues from HMRC, who are writing to you separately on these matters. I am happy to provide you with further information on your questions (1 & 7).

Your first question asks about the grounds under which HM Treasury can grant licences. The principal licensing grounds are set out in United Nations Security Council Resolution ("UNSCR") 1970 (2011) and Council Regulation (EU) No 2016/44. Many of these grounds are contained on page 24 of the Office of Financial Sanctions Implementation's (OFSI) online guidance (Annex 1). OFSI can issue licences to allow funds or economic resources to be made available to, or for the benefit of, a designated person or otherwise dealt with under these grounds and those contained in subsequent supplementary UNSCRs. The Economic Secretary, in his letter dated 24 January 2019, set out the licensing grounds, including basic needs, legal fees and routine holding and maintenance, which have been used to date.

With regards to your seventh question about whether OFSI tracks tax liabilities, I can confirm that OFSI's responsibilities do not include tracking any tax liabilities. HMRC, as the department responsible for safeguarding the flow of money to the Exchequer is responsible for any records of tax liability.

If you should have any further questions, please do not hesitate to write to me and I will provide you with the fullest answers possible to support your inquiry.

Kind Regards,



RENA LALGIE

Annex 1: OFSI's approach to licensing grounds generally found in EU financial sanctions regimes

Licensing ground	OFSI's approach
Basic needs	<p>EU and UK case law provides that basic needs involve those expenses which are necessary to ensure that the very existence of the designated person or dependent family members is not imperilled. These needs will be different if the designated person is a legal entity rather than a natural person.</p> <p>Basic needs licences do not enable a designated person to continue the lifestyle or business activities they had before they were designated.</p>
Legal fees and disbursements	<p>The fees must be reasonable and payments of fees and disbursements must relate specifically to the provision of legal advice or involvement in litigation or dispute resolution.</p>
Fees or service charges for routine holding or maintenance of frozen funds or economic resources	<p>The fees must be for routine activities.</p> <p>Re-design, refurbishment or redevelopment to improve value is generally not covered.</p>
Satisfaction of prior court judgements or arbitration decisions against the designated person or entity	<p>The judgment/decision must have been given before the date of designation and cannot be for the benefit of a designated person.</p>
Satisfaction of prior contractual obligations of the designated person	<p>The contract or obligation must have arisen prior to the date of designation and cannot result in funds or economic resources being made available to the designated person.</p>
Extraordinary expenses	<p>This must be an expense of the designated person and it must be extraordinary in nature (so not recurring or easily anticipated).</p> <p>It cannot be used where other grounds are more suitable or as a way of avoiding the clear limitations of those other grounds.</p>