

There's no  
**'one size fits all'**  
approach to  
**financial  
sanctions**



but with this  
**guidance**  
you can  
**tailor**  
a fitting response

# Contents

Introduction – helping your business stay compliant .....	3
Context – what are financial sanctions and why are they needed? .....	4
What’s needed to keep your business compliant? .....	4
FCA good practice and considerations for staying sanctions-compliant .....	5
US sanctions .....	7
Why we’ve created this document .....	8
Consider auto-screening – improve compliance and efficiency .....	9
Aviva’s screening approach .....	9
Non-compliance doesn’t pay .....	9
Firms that got it wrong – and the penalties they paid .....	10
Further reading .....	10
Appendix .....	11
Sanctions screening good practice – The foundations .....	12
Sanctions screening good practice – Above ground .....	13
Sanctions screening good practice – Above ground (cont.) .....	14



## Introduction – helping your business stay compliant

Compliance is part of our daily lives. But regulations change constantly and keeping up to date can be challenging. That's why at Aviva we're keen to do whatever we can to help your firm stay compliant in a fast-changing world.

One area where it's vital to remain compliant is UK financial sanctions regulations. Getting it wrong can mean financial penalties. So we've put together this useful guide to help you review your financial sanctions policies, procedures and systems. It contains suggestions on what you need to consider to make sure you remain compliant. The guide focuses on general insurance, but it is relevant for any firm which offers financial services.

We suggest you also read the FCA's 'Financial crime – a guide for firms', published in two parts in 2013 and 2014. The chapters on financial sanctions give the FCA's own guidance on what constitutes good practice for firms. You'll find links to those chapters later on in this guide.

**Disclaimer: The content of this document is for guidance and illustrative purposes only and does not constitute advice which you can rely upon.**



## Context – what are financial sanctions and why are they needed?

Sanctions are intended to prevent or discourage regimes from involvement in activities like terrorism, human rights abuses, and violations of international law. Sanctions can be imposed by governments on individuals, organisations, and whole countries, and can involve trade embargoes, travel bans, freezing of assets and more.

It's against the law for a UK firm to provide financial services to a person or entity targeted for financial sanctions by the UN, EU or UK. The UK government maintains the HM Treasury Consolidated List of Financial Sanctions Targets against which firms should screen customers, originators and beneficiaries of financial transactions or services.

---

## What's needed to keep your business compliant?

In its guidance the FCA acknowledges that there is no 'one size fits all' when it comes to establishing the appropriate sanctions screening controls required to keep your business compliant. Much depends upon the nature, size and risk profile of the types of business you write. For example, a major life insurer is likely to have a different sanctions screening regime from a small independent broker. But all firms have an obligation to ensure they are sanctions-compliant, including those that operate with delegated authority.

To help you assess what level of sanctions screening would be relevant for your firm, we've summarised the FCA's view of good practice. We've also made suggestions about considerations you may wish to make when assessing your own existing controls in the context of the risk profile of the business you write. The FCA's message is clear that a risk-based approach to sanctions screening is acceptable, taking account of what is proportionate and appropriate to the business written by firms. More information about the FCA's view of good practice can be found in the FCA's 'Financial crime – a guide for firms: Part 1', which you'll find a link to in the appendix of this guide.

The content of the table on the next page should be considered the starting point for an assessment of your sanctions controls.

Please note that sanctions screening should apply without exemption to all transactions and services, including payments by credit card, Bacs and cash, as well as vehicle hire.



# FCA good practice and considerations for staying sanctions-compliant

Area of interest	Aviva's interpretation of the FCA's view of good practice	Considerations when determining sanctions controls proportionate and appropriate to the risk profile of your general insurance business
<b>New business</b>	Screen against the HMT Consolidated List at the time of client take-on, before providing any services or undertaking any transactions for a customer.	<ul style="list-style-type: none"> <li>• Screen all parties to a policy against the most recent HMT Consolidated List as soon as possible after inception. Screening any more than one working day after inception is outside Aviva's risk preference.</li> <li>• Please contact us at <a href="mailto:fcops@aviva.com">fcops@aviva.com</a> to discuss if screening within one working day of inception is not achievable.</li> </ul>
<b>Back book</b>	Screen all parties to existing policies whenever the HMT Consolidated List is updated.	If linking screening to updates of the HMT Consolidated List is disproportionate or inappropriate for your firm, monthly screening of all parties to existing policies is a possible alternative.
<b>Claim settlement</b>	<p><b>(1) Policyholders</b></p> <ul style="list-style-type: none"> <li>• If using a screening tool which screens when the HMT Consolidated List is updated, no additional screening is necessary prior to payment or provision of service.</li> <li>• Otherwise, screen before making payment or providing service.</li> </ul> <p><b>(2) Third parties</b></p> <ul style="list-style-type: none"> <li>• In all circumstances, screen before making payment or providing service.</li> </ul> <p><b>(3) Brokers, Partners or Suppliers who fulfil the claim directly</b></p> <ul style="list-style-type: none"> <li>• If using a screening tool which screens when HMT Consolidated List is updated and beneficiary is on database, no additional screening is necessary prior to payment or provision of service.</li> <li>• New beneficiaries added to database between updates to the HMT Consolidated List will need to be screened before payment can be made or service can be provided to that beneficiary.</li> </ul>	<p>Screen all policyholders, third parties and suppliers before making payment or providing services to them.</p> <p>If you screen your back book less frequently than daily, we would suggest that screening all parties on claims prior to making payment to them is appropriate.</p> <p><b>Brokers, Partners or Suppliers who subcontract</b></p> <p>In addition to direct screening as above, if there is a subcontractor between you and the end customer, you should consider:</p> <ul style="list-style-type: none"> <li>• screening the subcontractor</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• either seeking evidence from the subcontractor that it is operating its own robust sanction screening controls and will screen the end customer, or</li> <li>• being aware of the identities of all parties involved in the claim and screening them before making payment or providing a service to the subcontractor.</li> </ul>



Area of interest	Aviva's interpretation of the FCA's view of good practice	Considerations when determining sanctions controls proportionate and appropriate to the risk profile of your general insurance business
<p><b>Claim settlement cont.</b></p>	<ul style="list-style-type: none"> <li>• Otherwise, screen beneficiary before making payment or providing service.</li> </ul> <p><b>(4) Brokers, Partners or Suppliers who subcontract:</b></p> <p>In addition to direct screening as above, if there is a subcontractor between you and the end customer, you should:</p> <ul style="list-style-type: none"> <li>• screen the subcontractor</li> </ul> <p>AND</p> <ul style="list-style-type: none"> <li>• either seek evidence from the subcontractor that it is operating its own robust sanction screening controls and will screen the end customer, or</li> <li>• be aware of the identities of all parties involved in the claim and screen them before making payment or providing a service to the subcontractor.</li> </ul>	
<p><b>Refunds</b></p>	<p>If using a screening tool which is triggered by updates to the HMT Consolidated List, no additional screening is necessary prior to payment. Otherwise, screen payee before making payment. Note: assumes refunds made to policyholders only.</p>	<p>If you screen your back book less frequently than daily, we would suggest that you consider screening <b>ALL</b> refund payees prior to making payment to them.</p>
<p><b>Screening method: (UK &amp; IRELAND JURISDICTIONS)</b></p>	<p>Automated check incorporating “fuzzy matching” screening against the HMT Consolidated List</p> <p>Note: Fuzzy matching is the process of searching for words or names that are likely to be relevant, even when search words and spellings may not match exactly, e.g. searching for “Alastair” may also pick up “Alistair” or “Alasdair”.</p>	<p>If you consider an automated check to be disproportionate or inappropriate to the risk profile of the business you write, we would suggest you consider performing a manual check of the following details against the HMT Consolidated List:</p> <ul style="list-style-type: none"> <li>• First name</li> <li>• Surname</li> <li>• Date of birth</li> <li>• Postcode</li> </ul>



## Aviva specific guidance

The FCA does not give explicit guidance on all topics and the table below contains Aviva's expectations of our brokers, partners and suppliers.

<b>Screening method: (JURISDICTIONS OTHER THAN UK &amp; IRELAND)</b>	An automated check incorporating fuzzy matching, screening against the sanctions lists applicable to the jurisdictions in which the insured risk is registered.
<b>Data in (where an automated screening tool is used)</b>	Must be complete and comprehensive, including the name, date of birth, and the address, including the postcode.
<b>True matches</b>	Must be escalated to Aviva <b>within one working day of identification. This is a requirement regardless of screening approach taken.</b> In the event of a potential true match, email details to <a href="mailto:fcops@aviva.com">fcops@aviva.com</a>

---

## US sanctions

US sanctions are administered and enforced by the Office of Foreign Assets Control (OFAC), a branch of the US Department of Treasury, and for this reason are referred to as OFAC sanctions. US law brings all US persons, US dollar transactions and US origin goods within scope of US sanctions legislation.

All employees incur OFAC sanctions compliance risks in their own, individual capacity. Regardless of nationality and country of residence or employment, all employees are bound by OFAC sanctions with regard to US dollar payments, which cannot be made to an OFAC sanctioned individual or entity without violating OFAC sanctions.

In addition, any of your employees who are US persons (citizens, dual citizens & green card holders), wherever they are located, need to be aware of further obligations under OFAC sanctions as follows:

- a US person should have no involvement, directly or indirectly, with policies or work relating to OFAC sanctioned targets. This includes planning, supervision, operational involvement (e.g. processing claims or underwriting policies) and the development or performance of contracts.

In these circumstances, it is good practice for the employee to:

- remove themselves immediately from any activity connected to an OFAC sanctioned target.
- notify line management that they've removed themselves from the activity due to OFAC sanctions obligations.



## Why we've created this document

In developing our guidance we assessed a range of sanctions screening approaches currently used by our brokers and partners, including delegated authority arrangements (underwriting and claims), and within our supply chain. We also factored in the need for all firms to screen new business at the inception stage, plus the need for regular screening of the whole book, and of claims payments and premium refunds. Here's a little more detail about the thinking behind those things.

### New business

- Most brokers who screen at the inception stage said they did so after the policy sale. This is understandable, given the reality of how customers typically interact with brokers at the point of sale.
- Post-sale screenings should be carried out promptly.
- Waiting any longer than one working day after inception to screen a new customer is outside Aviva's risk preference.

### Back book

- 50% of our larger brokers said they screened on a monthly basis indicating a preference for regular screening amongst these firms.
- We recognise that for many smaller brokers regular screening can present more of a challenge, so we considered the feasibility of quarterly screening. However, the HMT Consolidated List is updated up to twice weekly, so three months felt too long. And since a low-cost, time-saving screening solution is now available through the British Insurance Brokers' Association (BIBA), we think monthly screening of the back book should be an achievable minimum for all firms.

### Claim and refund payments

- This is a critical consideration for any sanctions screening process.
- When paying claims, refunding premiums to customers or making payments to third parties, we suggest that firms consider screening payees against the latest HMT Consolidated List before making payment.
- For firms which already screen their back book on a daily basis, or auto-screen whenever the HMT Consolidated List is updated, there is no need to screen policyholders at the payment stage. However, where back book screening is less frequent than daily, we would suggest you consider additional screening of policyholders before making payment.
- Where a payment is to a previously unknown third party, we suggest they should always be screened prior to the payment being made.



## Consider auto-screening – improve compliance and efficiency

There are now a number of cost-effective automated screening solutions on the market that make screening a lot less burdensome, with the added benefit that they can bring your sanctions compliance up to FCA good practice standards.

A good example is Sanctions Search, which automatically screens your book every time the HMT Consolidated List updates. Sanctions Search uses fuzzy matching when comparing customer details with sanctioned targets, making it more effective as well as less time-consuming than manual screening. It also provides you with an automatic audit trail of all screening carried out.

With Sanctions Search, firms only pay for the initial screening of each client (using credits they have purchased) and subsequent screenings, which are triggered by updates to the HMT Consolidated List, are provided automatically at no extra cost. BIBA has pre-registered its members with Sanctions Search so they only have to purchase ongoing 'screening credits'.

If your firm doesn't already use an auto-screening solution like Sanctions Search (other screening tools are available), investing in one would be an easy, cost-effective way to instantly improve your sanctions compliance. In the long run it may save you a lot of time and money.

---

## Aviva's screening approach

At Aviva we conduct automated daily screening of our general insurance systems. For the majority of our products screening is done within one working day of inception. This is compliant with the terms of the General Licence (Provision of Insurance) AFU/2011/G1, issued by HM Treasury on 7 January 2011 and amended on 7 August 2013. However, on business we consider to be higher risk, we perform pre-inception screening at the quotation stage. We also conduct real-time screening where there is a business need for it.

---

## Non-compliance doesn't pay

There have been a number of big fines handed out to high-profile companies in recent years due to non-compliance with UK financial sanctions. Feel free to use this guide to review your sanctions screening controls, and to make any improvements you feel are necessary.



# Firms that got it wrong – and the penalties they paid

## Royal Bank of Scotland Group – £5.6 million fine

In August 2010 the FSA fined Royal Bank of Scotland Group £5.6 million for deficiencies in its systems and controls to prevent breaches of UK financial sanctions.

The bank failed to adequately screen its customers or payees against the HMT Consolidated List. It ran the risk that it could have facilitated payments to or from sanctioned people and organisations.

The bank's failures included:

- not screening cross-border payments made by its customers in sterling or euros
- not ensuring its 'fuzzy matching' software remained effective, and
- in many cases, not screening the names of directors and beneficial owners of customer companies.

These failings led FSA to conclude that the bank had breached the Money Laundering Regulations 2007, and a £5.6 million fine was imposed under that legislation. For more information see the FSA's press release below:

<http://www.fsa.gov.uk/pages/Library/Communication/PR/2010/130.shtml>

## Alpari (UK) Limited – £200,000 fine

In May 2010 Alpari (UK) Limited, the UK arm of a global currency broker, was fined £200,000 by the FSA for numerous breaches relating to the adequacy of its anti-money-laundering systems and controls.

In particular, the FSA found that Alpari failed to put in place an adequate system for screening against UK and global sanctions lists, either at the account opening stage or on a regular basis afterwards.

Alpari mistakenly believed that its electronic system checked against the HMT Consolidated List when in fact it did not. This meant no checks against the HMT Consolidated List were carried out over a prolonged period and Alpari was exposed to the risk that it might have accepted customers who were on the HMT Consolidated List without being aware of it. For more information see FSA's final notice below:

<http://www.fca.org.uk/static/pubs/final/alpari.pdf>

---

## Further reading

'Financial crime – a guide for firms: Part 1', chapter 2 (Financial systems and controls) and chapter 7 (Sanctions and asset freezes) – April 2014:

[http://media.fshandbook.info/Handbook/FC1\\_Full\\_20140401.pdf](http://media.fshandbook.info/Handbook/FC1_Full_20140401.pdf)

'Financial crime – a guide for firms: Part 2', chapter 8 (Financial services firms' approach to UK financial sanctions) – April 2013:

[http://media.fshandbook.info/Handbook/FC2\\_Full\\_20130401.pdf](http://media.fshandbook.info/Handbook/FC2_Full_20130401.pdf)

'Financial services firms' approach to UK financial sanctions' – April 2009 (a report outlining conclusions of thematic review):

<http://www.fca.org.uk/static/fca/documents/fsa-sanctions-final-report.pdf>

HMT Consolidated List:

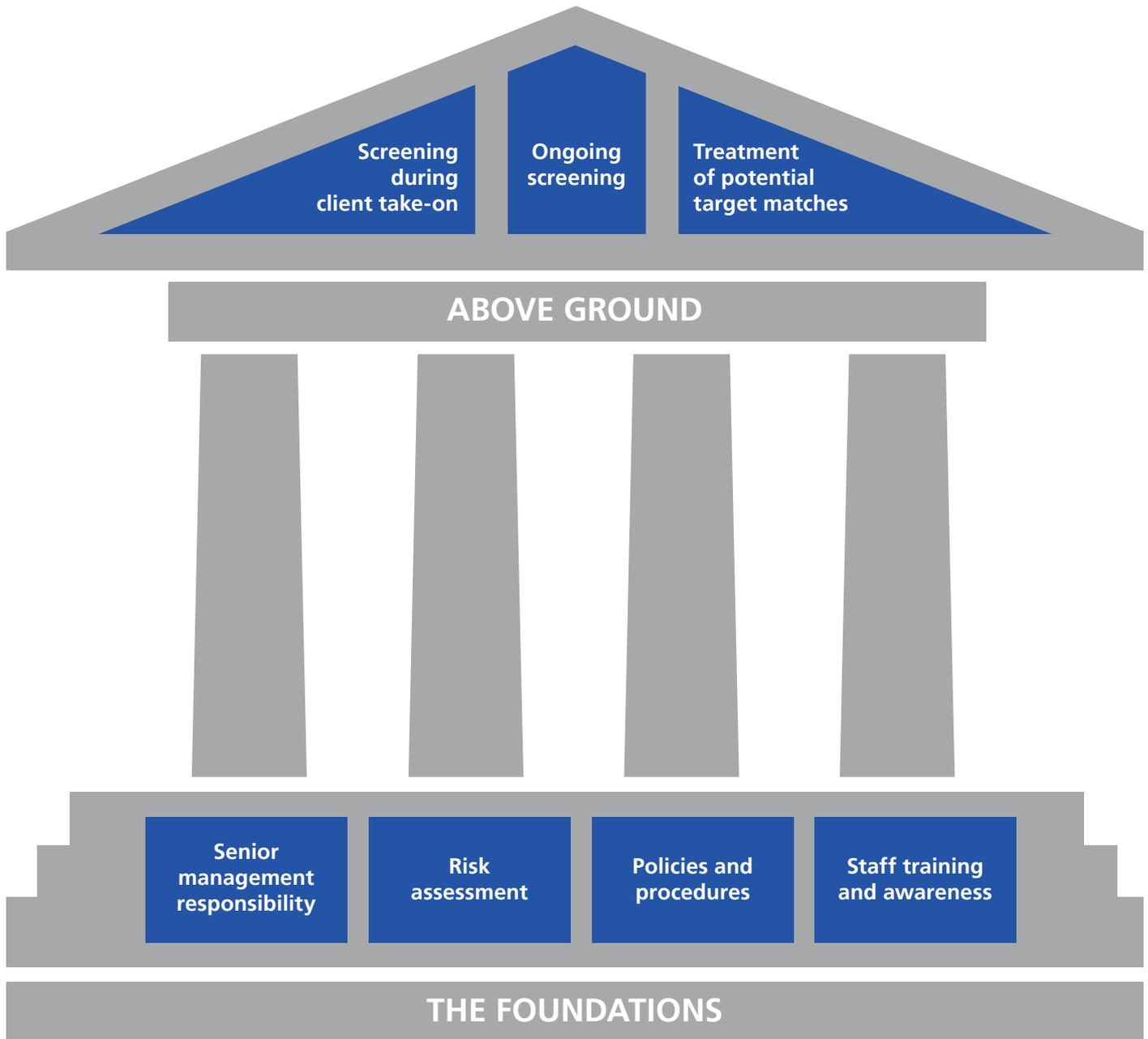
<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>



# Appendix

## The building blocks of effective sanctions screening controls

Please use the infographic below as a handy guide to the seven basic building blocks that form the basis of a compliant sanctions screening approach. You'll find more details about each of the building blocks in the tables that follow. The infographic and tables summarise the FCA's views on good practice for financial sanctions screening.



# Sanctions screening good practice – The foundations

## Senior management responsibility

- Approval of and responsibility for policies and procedures.
- Awareness of obligations regarding financial sanctions.
- Ensuring systems are in place to escalate potential and actual target matches.
- Ensuring adequate and appropriate resources are allocated to sanctions screening.

## Risk assessment

- Based on a sound understanding of the financial sanctions regime, and covering the risks posed by clients, transactions, services, products and jurisdictions.
- Taking into account associated parties like directors and beneficial owners.
- A formal documented risk assessment with a clear rationale for the approach taken.

## Policies and procedures

- Should be clearly set out and documented.
- Group-wide policies are adhered to uniformly across the whole group.
- Effective procedures to screen against the HMT Consolidated List that are appropriate to the business's risk profile.
- Access to updates made to the HMT Consolidated List via the following link:  
<https://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new>
- Clear, simple and well-understood escalation procedures that enable staff to raise financial sanctions concerns with management.
- Regular reviews and updates of policies and procedures.
- Regular reviews of effectiveness by an internal audit function or another independent party.
- Procedures that include ongoing monitoring/screening of clients.

## Staff training and awareness

- Regularly updated training and awareness programmes, tailored to employees' roles.
- Testing of employees' understanding of risks and procedures.
- Ongoing monitoring of employees' work to ensure they understand and adhere to procedures.
- Training provided, that covers both group-wide and business unit-specific policies on sanctions.



# Sanctions screening good practice – Above ground

## Screening during client take-on

- An effective screening system appropriate to the nature, size and risk of your firm's business.
- Screening against the HMT Consolidated List at the time of client take-on and before providing any services or undertaking any transactions for a customer.
- Screening of directors and beneficial owners of corporate customers.
- Screening of third-party payees where adequate information is available.
- Have in place an effective process to ensure dual control (e.g. a 'four eyes' check) of screening takes place, where necessary.
- Employ 'fuzzy matching' where automated screening systems are used.
- Ensure users have a full understanding of the capabilities and limits of automated screening systems, where used.

## Ongoing screening

- Screening of the entire client base within a reasonable time, following any updates to the HMT Consolidated List.
- Ensuring customer data used in screening is up to date and correct.
- Screening for indirect as well as direct customers and also third-party payees, wherever possible.
- Screening changes to corporate customers' data, e.g. when new directors are appointed or if there are changes to beneficial owners.
- Conducting regular reviews of the calibration and rules of automated systems regularly to ensure they are operating effectively.
- Ensuring automated systems are in line with firm's risk appetite, rather than the settings suggested by external software providers.
- Calibrating systems to include 'fuzzy matching', e.g. name reversal, digit rotation and character manipulation.
- Making flags on systems prominent and clearly identifiable.
- Having in place controls that require referral to relevant compliance staff, prior to dealing with flagged individuals or entities.
- At least monthly screening, although preferably screening triggered by updates to the HMT Consolidated List and potentially other sanctions lists.



## Sanctions screening good practice – Above ground (cont.)

### Treatment of potential target matches

Have in place procedures for:

- investigating whether a potential match is an actual target match or a false positive
- notifying Aviva when a target match has been identified, if a policy is provided by us
- freezing accounts where an actual target match is identified
- notifying the Treasury's Asset Freezing Unit (AFU) promptly of any confirmed matches (Aviva will do this if the match is one of our customers)
- notifying senior management of target matches and cases where the firm cannot determine whether a potential match is the actual target on the HMT Consolidated List or not
- maintaining a clear audit trail of the investigation of potential target matches and the decisions and actions taken, e.g. the rationale for deciding that a potential target match is a false positive.

We hope you find this guide useful in assessing whether your firm has the appropriate policies, procedures and systems in place to be compliant with UK financial sanctions. If you have any questions about anything in this guide please get in touch with our UK General Insurance Financial Crime Operations team at [fcops@aviva.com](mailto:fcops@aviva.com)



| Retirement | Investments | **Insurance** | Health |

---

Aviva Insurance Limited, Registered in Scotland Number 2116. Registered Office: Pitheavlis, Perth PH2 0NH.  
Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

