

A photograph of a modern office building at dusk. The building has a curved facade with many windows, some of which are illuminated from within, showing office interiors. The sky is a pale blue. In the foreground, there is a balcony with a white railing and some greenery in planters.

Corpay<sup>^</sup>

Accounts  
Payable & OFSI

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Making Payments  
in a Sanctioned  
Global Market

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# Accounts Payable & OFSI

Making Payments in a Sanctioned Global Market

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### Compliance Tips & Resources

As experts in International Payments for decades [Cambridge since 1992; AFEX since 1979], Corpay, has the right expertise to help with the payment issues faced by businesses operating globally in an ever-changing political environment.

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# Introduction

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Are you in a UK business that has relationships with companies outside of the United Kingdom? If so, you are most likely subject to regulations and laws regarding international sanctions. To protect the nation's security policies, the UK government's Office of Financial Sanctions Implementation (OFSI) administers, implements, and enforces economic sanctions programs on countries, regimes, companies, and individuals whose interests conflict with UK policy. UK permanent residents, citizens and companies who are engaged in business across borders are prohibited from trade, commerce, or business dealings with sanctioned countries, individuals, or entities.

## The Establishment of OFSI

OFSI is a relatively new organisation, having been established in March 2016. OFSI is a branch of HM Treasury (HMT), whose purpose is to ensure that financial sanctions are properly understood, implemented and enforced. Over the past decade, the UK market has become increasingly global, with businesses routinely trading across international borders, through online resources, and with digital currency. For sanctions to be effective, complete compliance with OFSI regulations and licensing by UK businesses is crucial. OFSI aggressively enforces compliance with sanctions to deter possible violators. Payments flowing from the UK to other countries are regularly monitored for compliance with OFSI restrictions. Violators are investigated and if found

non-compliant, risk significant financial penalties or prison sentences of up to seven years.

In 2016, there were 107 cases reported to OFSI that were determined as breaches, with an approximate aggregate value of £281 million. The number of breaches reported to OFSI in 2017 increased to 133, with an approximate aggregate value of the suspected breaches totalled £1.4 billion.<sup>1</sup> In response to these breaches, the UK government implemented a new measure in the Policing and Crime Act 2017, which provides HMT with enforcement powers to punish breaches of financial sanctions, including the power to impose monetary penalties. OFSI has published guidance each of the past two years, giving insight into its priorities and methods. It is this guidance that Accounts Payable Departments need to interpret and reference in order to avoid potential sanctions violations.

## Current Sanctions Climate

Every country's sanctions regime is unique in scope and prohibitions. For example, in the United Kingdom some imposed sanctions programs are geographic and target specific, like Iran and North Korea. While other sanctions programs, such as Russia and Venezuela, are limited to specific persons and entities. There are diplomatic sanctions, sanctions for criminal enforcement, humanitarian sanctions, economic prohibitions, and those that are for strengthening national security.

The UK is subject to financial sanctions put in place by the United Nations (UN), as well as the sanctions administered by OFSI. OFSI sanctions are comprised of two lists, a "consolidated list", inclusive of all designated persons subject to financial sanctions under UK legislation, as well as those subject to applicable UN sanctions. OFSI publishes the consolidated list to help businesses and individuals comply with financial sanctions.<sup>2</sup> There is also a list of entities subject to capital market restrictions, which is a separate list of entities. Currently, there are over 20 financial sanctions regimes and about 2,000 entities and individuals who are subject to sanctions overseen by OFSI. This list is inclusive of everyone from Bashar al-Assad, Syria's president, to North Korea's communist government. These listings are updated frequently, making it imperative to stay abreast to any and all changes.

Much of North America and Europe have sanctions programs broadly similar to the UK's, with only a few minor exceptions. For example, Cuba is treated very differently by some western countries than others. Cuba has for decades been subject to punishing US sanctions; however, Canada and the United Kingdom, who have very similar sanctions programs, do not currently have any sanctions against Cuba. Therefore, if a company in

the UK is remitting funds to a US bank for professional services performed in Cuba, it needs to be aware of US sanctions. It is very likely that an investigation will be conducted by any of the banks that the payment flows through. Other sanction exceptions include countries such as: Egypt, Tunisia, Azerbaijan and Armenia, which are in the opposite situation: targeted by EU sanctions but not by US sanctions.

"Financial sanctions are an important part of foreign policy, and support national security. They help to maintain the integrity of and confidence in the UK financial services sector."

Office of Financial Sanctions Implementation <sup>3</sup>

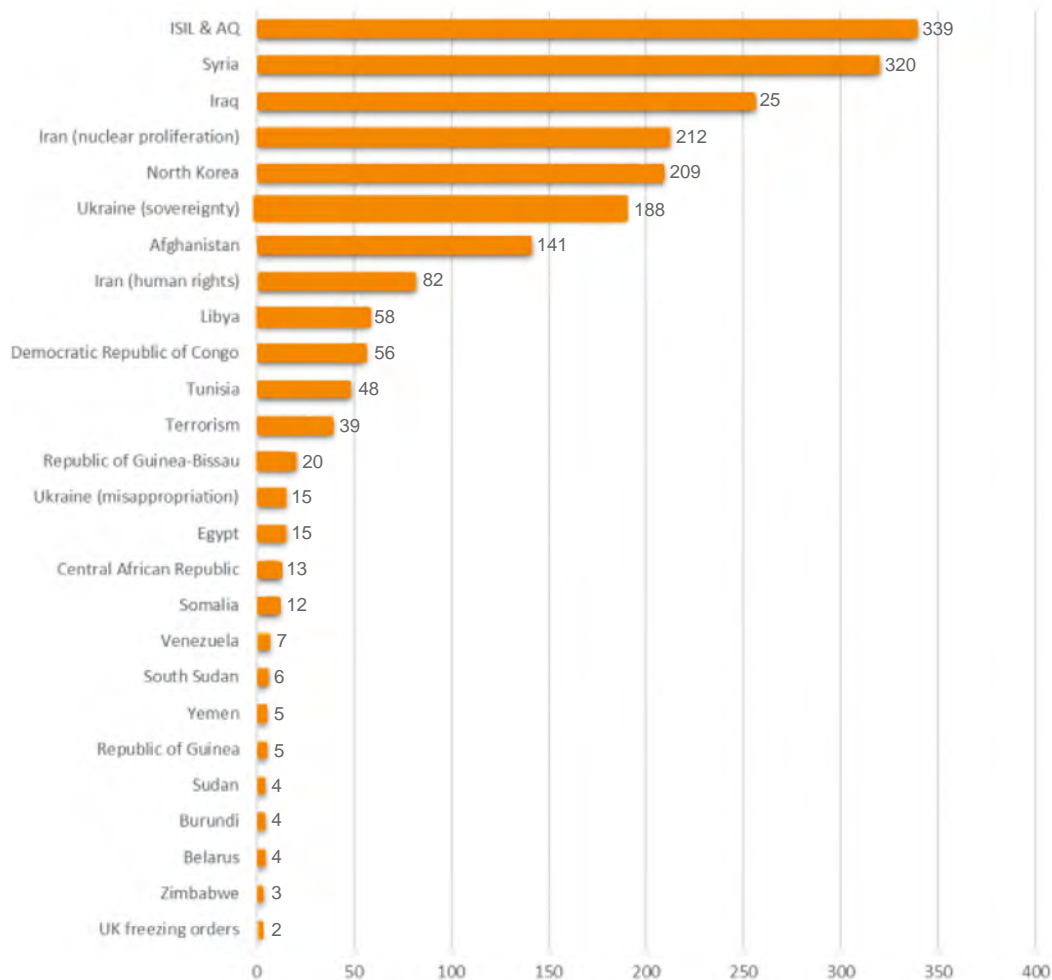


# Sanctioned Countries

Currently, there are over 20 financial sanctions regimes and about 2000 entities and individuals who are subject to sanctions overseen by OFSI. This list is inclusive of everyone from Bashar al-Assad, Syria's president, to the North Korean regime. These listings are updated

frequently, making it imperative to stay abreast to any and all changes. Below is an illustration showing the sanctioned targets by regime (as of early 2018):

## Sanctioned Targets by Regime



(Source: <https://www.gov.uk/government/publications/the-uk-sanctions-list>)<sup>4</sup>

# Organisational Sanctions

Much of North America and Europe have sanctions programs consistent with the UK, with only a few minor exceptions. One major outlier amongst western countries sanctions policies policy regarding is Cuba. Cuba has hefty sanctioned levied against it by the United States; however, Canada and the United Kingdom, who both have very similar sanctions programs, do not currently have any sanctions against Cuba. Therefore, if a company in the UK is remitting funds to a US bank for professional services performed in Cuba, it needs to be aware of US sanctions. It is very likely that an investigation will be conducted by any of the banks that the payment flows through. Other sanction exceptions include countries such as: Egypt, Tunisia, Azerbaijan and Armenia, which are targeted by EU sanctions against them, but not by US sanctions.

Currently, payments involving Iran, Syria, North Korea, the Crimean Region of Ukraine “Crimea” and Cuba are most reviewed by financial institutions. Other countries have more specific sanctions imposed against them, where individuals or specific sectors are targeted, including Russia, Ukraine, and Venezuela. Below are comprehensive sanctions programs for the UK, US and Canada:

[\*\*UK Sanctions\*\*](#)

[\*\*US Sanctions\*\*](#)

[\*\*Canada Sanctions\*\*](#)

Accounts Payable Departments need to be aware of frequent changes to sanctions programs. As conditions change in global politics and foreign relations, new regimes bring with them new sanctions policies. For instance, Russia's February 2022 military invasion of Ukraine triggered a massive wave of sanctions against Russia by nearly all the world's liberal-democracies.

**Most Reviewed by Financial Institutions:**

Iran, Syria, North Korea, the Crimean Region of Ukraine, and Cuba.

“..Organisations without any type of internal compliance program are at a greater risk violating sanctions..”

# Consequences of Sanctions-Regime Violations

For the Accounts Payable department, payments to individuals or entities pertaining to restricted jurisdictions can be flagged and frozen by any bank (required to comply with the sanctions) that touches the payment. If the payee and/or payee bank is in a sanctioned country or the underlying nature of the payment relates to a sanctioned country, the payment will undergo a thorough review process. The time and scope of the review is at the discretion of the reviewing bank, who may delay the payment for weeks while the investigation continues. The payment remains in limbo until resolved and cannot, while in limbo, be cancelled, refunded or recalled. To investigate the nature of the payment, the bank may request an array of information, such as:

- Underlying documentation
- Purpose of payment
- List of all parties involved
- Lift of any sanctioned countries directly or indirectly connected
- Birth dates and birth place of individuals
- Government issued identification

Delays in responding to requests for information may result in payments being blocked, rejected, or seized, creating new demands the remitting organisation's AP department and Legal resources.

As of June 2022, OFSI has the authority to impose penalties for serious financial sanctions breaches. The penalties can be as high as £1 million or 50% of the

breach, whichever is higher. OFSI will decide what level of penalty to impose based on its view of the seriousness and impact of the case and value of the breach. Furthermore, breaches of OFSI financial sanctions-regime are deemed crimes by UK law, which make the violator punishable upon conviction by up to seven years in prison.

To protect your organisation, your AP team needs to know as much as possible about the payee, all the parties involved, the payee's relationships with other companies or entities (such as subsidiaries, owners, etc.), their jurisdictions, as well as the underlying nature of each transaction they are remitting.

## **Protecting your organisation means having to ask challenging questions about the payments your company is remitting:**

- What is the underlying purpose of payment?
- Does the payee have any direct or indirect relationship to a sanctioned entity?
- Does the payee have an office in a sanctioned jurisdiction and does this payment have any connection to that office?

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# How OFSI Affects Accounts Payables

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For the Accounts Payable department, OFSI sanctions create a serious need to protect the company from the stiff penalties and possible prosecution that can come from non-compliance violations. Companies that remit international payments must not only stay on top of changes in sanctions and the consolidated list but also continually maintain vendor details that might affect international payments. For AP organisations with no mechanism in place for screening vendors, matching to the consolidated list, and regularly reviewing vendors, the risk is significant.

To add to the risk, some banks are becoming less willing to handle payments that involve sanctioned entities or countries. Even if there is a general license in place or a specific license has been obtained that authorises an otherwise prohibited transaction, banks can still decline to process the payment. Each bank has their own risk appetite and internal compliance policies, which allows them to use their own discretion when reviewing payments. The payment is likely to be declined if it exceeds the relevant bank's risk tolerance.

If your AP Department knows or has reasons to suspect that they are dealing with a designated person or potential sanctions violation, they are obligated to report it to OFSI. There are criminal and civil penalties that could follow for failing to do so. An example (as of May 2018) of an instance that may need to be reported to OFSI:

“You work in a company, for example a law or accountancy firm, and become aware that one of your clients may be dealing in funds that belong to a designated person. Your client may be breaching financial sanctions and you must report this information to OFSI, along with any information by which they can be identified.”<sup>5</sup>

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It is recommended that you seek legal advice, if you have any uncertainty surrounding potential sanctions breaches or your reporting requirements.

## Reducing Your Risk

For the AP department, conscientious risk management may also include partnering with a technology provider that can help navigate the murky waters of sanctions policy. As experts in International Payments for over 20 years, Corpay has the right expertise to help with payment issues faced by businesses operating globally in an ever-changing political environment. By working together with global banking partners, and pairing our business and internal controls, Corpay can successfully process problematic payments and, at the same time, reduce risk for the banks and for our clients. We adhere to a thorough set of requirements that include full transparency and disclosure of all sanctioned countries and parties involved.



# Compliance Safeguards and Procedures

## Our set of compliance safeguards and procedures for remitting payments involving sanctioned countries and entities includes:

- Scrubbing payment details against compliance software to ensure compliance with applicable sanctions programs.
- Requiring underlying documentation, usually in the form of an invoice or professional services agreement.
- Having clients sign off on documentation confirming all sanctioned country payment details are complete and accurate. Proactively citing the applicable sanctioned countries & general license that authorises the transaction in the remittance details.
- Notifying our processing bank's sanctions team, alerting them to the incoming payment.

Communication and transparency with our banking partners are vitally important to the handling of each payment. Before we undertake a transaction to a sanctioned country or party, we first ensure that we fully understand the underlying nature of the payment. To do that, we collect complete and transparent documentation and search all parties involved against our compliance software. We have our client review and sign an internal Certification Letter, which we use to verify that the details provided to us are fully transparent and accurate. The Certification Letter lists all the details regarding the transaction (date, amount, currency, underlying client, beneficiary bank, purpose of payment) and lists the applicable general license.

The Certification Letter is reviewed and signed by a senior member of the remitting firm or company prior to our submitting the payment to the bank. Once we have received this document, the payment and all applicable details are submitted for review and approval by a senior member of our Compliance Department.

Each bank has their own internal compliance policies and procedures, and even the most robust sanctions compliance program does not reduce associated risks to absolute zero. Corpay's best practices can, however, help to dramatically reduce the likelihood of violations and civil penalties and can be a critical element in your organisation's risk management strategy.

## Best Practices for Successful Payments

### Payment Process - Sanctioned Countries



# The Corpay Solution

## The Corpay Payment Solution

Corpay Payment Solutions is a foreign exchange and international payments provider focused on cost effective business-to-business payment processing. Our customisable solutions include end-to-end international payment processing and outsourcing and management of accounts payable, both domestic and international.

### Our outsourcing AP services include:

- | Direct-from-invoice processing, imaging & storage.
- | Custom work-flow that greatly improves the manual payment processes.
- | Automated systems integration – from disbursement to reconciliation.
- | Ability to send payments anytime with our competitive exchange rate that can be set for 180 days via a 6 month FX Forward Contract (subject to eligibility for trading forwards).
- | Dynamic payment confirmations, reporting & smooth settlement.

To learn more about Corpay's products and services, contact us at [www.corpay.com](http://www.corpay.com).

## Customer Satisfaction Survey

In a 2018 survey, Corpay clients expressed their experiences. Here are some of the results:

### If you have contacted the Compliance team, how satisfied were you with their response time and their ability to keep you properly informed?

77 % said VERY SATISFIED  
22% said SATISFIED  
1% said DISSATISFIED

### Based on your experience, how satisfied are you with our invoice processing turn-around time?

82 % said VERY SATISFIED  
18% said SATISFIED  
0% said DISSATISFIED

### In regards to our compliance procedures, how satisfied are you?

66 % said VERY SATISFIED  
30% said SATISFIED  
4% said neither SATISFIED NOR DISSATISFIED

### How would you rate your Corpay GlobalFXTM experience?

73 % said VERY EASY TO USE  
23% said EASY TO USE  
4% are not Corpay USERS

### Does Corpay provide you with all the necessary tools as it relates to your international payments and invoice processing needs?

72 % said STRONGLY AGREE  
27% said AGREE  
1% said DISAGREE

\*Results from the annual Corpay Satisfaction Survey completed August 2018.

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# Compliance Tips and Resources

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Subscribing to e-mail alerts is a great way to stay up-to-date and receive real-time changes made to sanctions programs. E-mail alerts can be tailored to specific industries and interests to cover your needs. Below are some enforcement agencies, organized by jurisdiction, where you can register your e-mail address to receive alerts.

Click the link, follow the steps, and start receiving alerts today:

## **[HM Treasury \(UK\)](#)**

Stay up-to-date on UK sanctions, with the ability to subscribe to alerts pertaining to specific industries.

## **[OFSI \(UK\)](#)**

Receive updates pertaining to guidance and current events by signing up for OFSI alerts.

## **[OSFI \(Canada\)](#)**

Stay up-to-date on Canadian sanctions.

## **[OFAC \(USA\)](#)**

Stay up-to-date on SDN List updates, the release of new guidance and/or general licenses.

Below are some of the various sanctions lists that Corpay monitors and often references:

## **[OFSI Consolidated List](#)**

UK Consolidated Lists

## **[OFSI Sanctions Programs and Country List](#)**

Financial sanctions targets by regime

## **[OFAC SDN List Search](#)**

US Specially Designated Nationals list

## **[OFAC Sanctions Programs and Country List](#)**

US sanctions programs organized by country

## **[OSFI Listed Persons](#)**

Canada Listed Persons

## **[OSFI Sanctions Programs and Country List](#)**

Canada sanctions programs organized by country

## **[UN Sanctions List](#)**

Consolidated United Nations Security Council Sanctions List

## **[EU Sanctions](#)**

European Union sanctions lists and information

## References

- 1 Glen, John. "Written Questions and Answers." UK Parliament, 2018 2 "Monetary Penalties for Breaches of Financial Sanctions." Office of Financial Sanctions Implementation, May 2018, <https://www.parliament.uk/business/publications/written-questions-answers-statements/written-questions-answers/?page=1&max=20&questiontype=AllQuestions&house=commons%2clords&member=4051&key-words=OFSI>
- 2 Financial Sanctions guidance [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/685308/financial\\_sanctions\\_guidance\\_march\\_2018\\_final.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/685308/financial_sanctions_guidance_march_2018_final.pdf)
- 3 "Monetary Penalties for Breaches of Financial Sanctions." Office of Financial Sanctions Implementation, May 2018, [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1049227/Monetary\\_Penalties\\_Guidance\\_May\\_2018\\_-\\_May\\_2020.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1049227/Monetary_Penalties_Guidance_May_2018_-_May_2020.pdf)
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