



COMMENT

## Homegrown Magnitsky regime adds to burden on business

**British companies face the onerous task of complying with three different sanctions regimes**

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**A**s with many of Britain's post-Brexit policies, the details of the

government's plans for a Magnitsky sanctions regime remain unclear.

Dominic Raab, the foreign secretary, has been vocal for some time about the need for a British equivalent to the Magnitsky Act in the US, which targets those responsible for human rights abuses and corruption.

However, notwithstanding comments during the election campaign about needing a Magnitsky regime to target Russian dirty money, it seems the regime shortly to be unveiled will target only the first of those categories.



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Beyond that all we know for sure is that the new structure will look to target a different set of people to the EU regimes. That may mean that Britain's targets will be associated with countries that the EU has not wanted to act against so far and indeed is expected not to do so act during the transition period. Targets of the UK regime will also have remedies in domestic courts, unlike their counterparts under the EU system.

The political dimension of this is interesting and is an early signal of how EU and UK sanctions policies will diverge. But there is also an inevitable adverse impact on those British-based businesses that, as part of their increasingly onerous compliance processes, will have to ensure their compliance with an additional set of sanctions — which involves not just straightforward asset freezes, but also bans on providing economic resources and strict reporting requirements — on top of those from the EU and, almost inevitably given their jurisdictional reach, the US.

In practice this could mean that an individual or entity on a UK list but not an EU one may do business with a British firm's EU partner or competitor instead, or seek to structure their affairs differently so that they at least appear to comply with UK sanctions.

Because the terms of the regimes, including licensing, routes to challenge and enforcement mechanisms, are different there is also scope for ever-increasing differences in what it means in practice to be sanctioned or to be connected with or do business with a sanctions target.

Some firms, in the EU as well, may “de-risk” by stepping back from anything that even hints at a potential breach; others may find ways of using this new divergence to their advantage.

The risk of this complexity is that it adds to the burden on business, while also undermining the clarity of the message. The idea of taking action against human rights abusers is uncontroversial, but why have we opened a policy rift on that very subject between Britain and the EU?

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<https://www.thetimes.co.uk/article/homegrown-magnitsky-regime-adds-to-burden-on-business-v3m9qsh5j>