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OFSI Enforcement Framework

A Quick Reference Guide

By Michael Harris · The Compliance Briefing · **thecompliancebriefing.com**

Deutsche Bank's £165,000 penalty in July 2026 was the first case settled under OFSI's new enforcement framework. It won't be the last. If your firm doesn't know where a breach would sit on the seriousness matrix, or what a voluntary disclosure actually buys you, the worst time to find out is during an investigation.

This guide sets out the framework as it now operates, built directly on OFSI's Financial Sanctions Enforcement and Monetary Penalties Guidance, updated 9 February 2026: the seriousness matrix, the discount structure, the settlement process, and the penalty categories firms most often overlook.

1. The Four-Level Seriousness Matrix

OFSI's revised framework assesses breaches against a four-level seriousness model, introduced through the updated Financial Sanctions Enforcement and Monetary Penalties Guidance, published on 9 February 2026 following a twelve-week consultation and the Consultation Response issued on 29 January 2026.

The model works in two stages. First, OFSI rates the breach's severity as low, medium or high, and the subject's conduct as mitigating, neutral or aggravating. Second, it maps those two ratings against each other to reach an overall seriousness level from 1 to 4:

	Low severity	Medium severity	High severity
Mitigating conduct	Level 1	Level 2	Level 3
Neutral conduct	Level 2	Level 3	Level 3
Aggravating conduct	Level 3	Level 3	Level 4

Severity is assessed against four case factors: whether the breach involved deliberate circumvention, the financial value involved, whether the sanctions regime concerned carries strategic priority for UK foreign policy or national security (Russia and Iran-related breaches sit squarely in this category), and the harm or risk of harm to the regime's objectives, such as funds reaching a designated person directly.

Conduct is assessed against four further factors: intention, knowledge or reasonable cause to suspect; whether the firm's sanctions risk controls were proportionate to the risk it was actually exposed to; the quality of due diligence conducted on ownership and control, including whether it was undertaken in good faith; and whether the breach was a one-off or part of a repeated, persistent pattern.

The resulting level determines the likely outcome:

Level	Likely outcome
Level 1	Private warning letter, provided there's no significant aggravating factor and the breach isn't part of a wider pattern
Level 2	Public disclosure without a monetary penalty, or occasionally a warning letter
Level 3	Civil monetary penalty, baseline set at up to 75% of the statutory maximum
Level 4	May be referred for criminal investigation in the first instance; where a civil penalty is imposed instead, the baseline sits between 75% and 100% of the statutory maximum

OFSI keeps discretion to depart from the indicative matrix. A breach can be assessed as Level 4 even with neutral conduct if severity alone is judged high enough, and conversely, highly mitigating conduct can pull a medium-severity breach down to Level 1. The statutory maximum itself, currently the greater of £1 million or 50% of the estimated value of the breach, is set to double to the greater of £2 million or the full value of the breach, but this needs primary legislation and hasn't taken effect yet.

> **What this means:** get the severity and conduct assessment right early, not just the headline level. A firm that focuses only on the size of the breach and ignores its own controls is missing half of what actually drives the outcome. Case Factor F, the proportionality of your sanctions risk controls to the risk you're actually exposed to, is a live control question, not a historical one: it's asking what you had in place, not what happened in this one instance.

2. The Discount Structure

Route	Discount	Applies when
Voluntary Disclosure and Co-operation	Up to 30%	The firm self-reports promptly, before OFSI already knows, and co-operates fully throughout the investigation
Early Account Scheme (EAS)	Up to 20%	The firm requests and is granted access, then delivers a complete, accurate account on the agreed timetable
Settlement	20% flat	The firm signs a settlement agreement within the 30 business day negotiation window

Where more than one applies, OFSI adds the discounts together and applies them to the same baseline penalty, up to a combined maximum of 70%. This is a change from the original consultation proposal, which would have applied each discount sequentially on top of the last; OFSI moved to a simple combined total specifically to encourage firms to use all three routes.

Three details worth knowing before you rely on any of this:

- The voluntary disclosure discount was cut from a previous maximum of 50% to 30%, and now has a co-operation limb attached alongside disclosure itself. Genuine co-operation, in OFSI's own terms, goes beyond what the law requires: prompt voluntary responses, proactively volunteering documents and information beyond what's been asked for, and running your own internal investigation while keeping OFSI updated on progress, not just answering compelled requests.
- The Early Account Scheme is available to entities only, not individuals, and it isn't offered automatically. Once a firm is notified it's under investigation, it has fifteen business days to request access, and a request made after OFSI has already issued a substantive request for information is unlikely to succeed. OFSI may also make access conditional on appointing an independent third party to run the investigation, particularly where the firm can't demonstrate sufficient internal expertise to produce an account with genuine separation from the people involved in the breach.
- The settlement discount is a flat 20%, not “up to” anything, and it isn't available in every case. It's unlikely to be offered where the breach looks knowing or intentional, where circumvention is suspected, or where the firm hasn't engaged in good faith, though prompt remedial action such as dismissing the individuals responsible can still make settlement viable even in some of those cases.

> **What this means:** the 30% voluntary disclosure discount is the largest single lever available, and it's only available before OFSI already knows. Once an investigation has started, that window has closed. If your firm suspects a breach, the clock that matters most starts the moment you suspect it, not the moment you confirm it.

3. The Settlement Process, Step by Step

Deutsche Bank AG's London Branch is the first case concluded under this process, for breaches of the Russia (Sanctions) (EU Exit) Regulations 2019. The case is instructive not because the underlying breach was unusual, but because it shows the mechanics of the new process working end to end for the first time.

1. OFSI identifies or is notified of a potential breach. Whether this happens through the firm's own disclosure or through OFSI's own supervisory activity determines which discounts remain available.

2. The case is assessed against the severity and conduct factors, setting the seriousness level and the starting point for any penalty.

3. The firm may request Early Account Scheme access within fifteen business days of being notified it's under investigation. If OFSI agrees in principle, the firm has twenty business days to agree final terms, covering the scope of the investigation, a delivery date for the account (usually no longer than six months, longer only for exceptionally complex cases), and a schedule of regular review meetings.

4. OFSI usually invites the firm to enter settlement discussions before issuing a notice of intention, though it can also open discussions at a later stage. The firm has ten business days to respond to that invitation.

5. If the firm agrees, OFSI issues a notice of intention and a draft summary of the case, and the thirty business day negotiation window opens from that point. A signed settlement agreement within this window secures the flat 20% discount. A ten business day extension is available only in exceptional circumstances, such as where it would allow a settlement to be reached imminently.

6. The penalty is finalised, reflecting the seriousness level and whatever combination of discounts the firm has earned. Settlement requires waiving the right to a Ministerial Review and the right to appeal to the Upper Tribunal, and the case won't be anonymous, though the firm can input into the published case summary before it goes out.

> **What this means:** the process rewards behaviour, not just facts. Two firms with an identical underlying breach can land in very different places depending on how they conduct themselves once OFSI is involved.

4. Fixed Penalties for Information and Licensing Offences

Not every OFSI enforcement action concerns a substantive sanctions breach. The framework carries fixed penalties of £5,000 and £10,000 for non-compliance with reporting obligations, incomplete or non-compliant reporting under a licence, failing to respond or responding late to a request for information, and breaches of licence terms involving funds up to £10,000. These are the category firms most often overlook, because attention naturally goes to the underlying sanctions risk rather than the procedural obligation sitting alongside it.

A first or second reporting failure is more likely to result in a private warning letter. It's typically the third occurrence, coming after two prior warnings have already given the firm a chance to put things right, where a fixed penalty becomes the likely outcome. A £5,000 penalty tends to apply where there's been minimal effort to rectify non-compliance; a £10,000 penalty applies where there's an aggravating factor, or where a firm has already received a £5,000 penalty and offended again. Settlement isn't available for fixed penalty cases, and the representations window is halved to fifteen business days, reflecting the lower value and simpler nature of the offence. Every fixed penalty case is published on gov.uk with the subject named.

> **What this means:** a firm can have a clean sanctions record and still face enforcement, and public naming, for a reporting failure alone. Check your information request and reporting obligations against your actual practice, not just your sanctions screening controls, and don't assume a first slip is inconsequential just because it's unlikely to trigger a fixed penalty on its own. Two warnings is not a lot of runway.

5. Decision Checklist

Use this if you suspect a breach:

- ☐ Has the potential breach been assessed and documented internally, with a clear record of when the firm first suspected it?
- ☐ Has a decision been made and recorded on whether to voluntarily disclose to OFSI, and by whom?
- ☐ If disclosing, has this happened before there's any indication OFSI already knows?

☐ Is there a named individual responsible for managing engagement with OFSI throughout any investigation?

☐ Has the firm considered whether Early Account Scheme engagement is appropriate, and started that engagement early rather than waiting for a formal request?

☐ Are information and reporting obligations being met independently of the substantive sanctions question?

Closing Thought

Firms that engage early and cooperatively with OFSI can reduce their exposure meaningfully. The Deutsche Bank case shows this isn't a theoretical incentive, it's how the framework is actually operating. Waiting to see what OFSI already knows is the costliest mistake a firm can make under the new process.

SOURCES

- OFSI, Financial Sanctions Enforcement and Monetary Penalties Guidance, updated 9 February 2026 — gov.uk (primary source)
- OFSI, Consultation Response, Improving civil enforcement processes for financial sanctions, 29 January 2026 — gov.uk

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