Where geopolitics meets the market:

Managing securities sanctions with better data

LSEG RISK INTELLIGENCE

Foreword

With sanctions regimes becoming increasingly complex and fast paced, financial institutions must adopt governance frameworks that go beyond preventing prohibited activity and clearly evidence informed, risk based decision making to regulators, clients, and internal stakeholders.

Traditional list-based screening generally lacks the instrument-level granularity necessary to detect sanctions exposure comprehensively. Between 2022 and 2025, sanctions designations rose sharply across multiple jurisdictions, underscoring how deeply sanctions risk is now embedded in global markets and why firms need evidence-ready, high-quality data to stay ahead. In practice, sanctions risk is more deeply embedded into financial markets than commonly assumed, resulting in persistent operational challenges for trading, investment, and post trade functions.

At instrument level, sanctions exposure tends to concentrate around capital formation and corporate restructuring, with significant representation across entitlements and rights, debt instruments and structured products. This pattern underscores the expanding influence of sanctions across trading, corporate actions, and financing structures, and shows why organisations must look beyond name-based screening to fully understand where exposure sits in real portfolios.

From a jurisdictional standpoint, Russia-related sanctions continue to dominate the sanctioned instrument landscape. Measures administered by Australia, the EU, New Zealand, Ukraine, the UK and the US further contribute materially to the volume of affected instruments. The increasingly multi-jurisdictional nature of sanctions regimes also raises the operational burden on firms that must align investment decisions with several rulebooks at once. This trend underscores the growing importance of multi-jurisdictional sanctions management.

In an environment characterised by complex ownership networks, rapidly evolving sanctions regimes, and indirect exposure embedded in indices, funds and structured products, firms must integrate name-based screening with instrument-level, intelligence-driven risk management. High-quality data provides a strong foundation for effective sanctioned securities risk management. It helps organisations make informed decisions with greater confidence.

We invite you to read this white paper, in which we delve into the complexities of the current sanctioned securities landscape, and review best practice approaches for navigating and mitigating sanctions risk in 2026 and beyond.

David White,
Global Head of Product & Data, Risk Intelligence, LSEG

2026: sanctioned securities to centre stage

The geopolitical landscape continues to reshape global markets. Sanctions continue to be used widely as a foreign policy tool across major economies, with designations rising sharply. Between 2022 and 2025, sanctions surged at unprecedented levels, reflecting geopolitical fragmentation, complexity, high stakes conflicts and a broadening use of sanctions to target supply chains. These accelerated designations reflect a wider geopolitical fragmentation and reinforce why reactive, list-based approaches can no longer keep pace.

Throughout 2025, major sanctions designations continued to expand across multiple jurisdictions, creating divergence and jurisdiction-specific complexity for global financial firms. This geopolitical realignment is directly affecting capital markets.

For market players, the implication is clear: they must now continuously monitor issuer and instrument-level linkages across jurisdictions, where rules evolve quickly and differently.

Securities-related sanctions now sit at the intersection of geopolitics, capital markets and regulatory enforcement. They form an overlapping web of regimes administered by the EU, the UK and the US, and smaller regional actors. While the US remains a central player, the market-relevant story is how multiple authorities are tightening, diverging – and increasingly placing implementation burdens on – financial institutions and investors worldwide.

For years, sanctions screening was straightforward. Regulatory expectations were simply that financial institutions should perform checks against set lists of people and entities – based on names and, where possible, secondary identifiers. Those days are over.

The changes began with the introduction of implicit sanctions screening requirements, including the OFAC 50% rule. Since attempts at circumventing restrictions move faster than the legislation itself, screening against pre-defined lists was no longer considered enough, so expectations were expanded to account for the screening of entities owned or controlled by sanctioned subjects.

> “For the global manager, the same issuer or security can be fully blocked in one regime, partially restricted in another, and only high risk in a third – yet all three sets of rules must be reflected in mandate language, product documentation, and trading controls.”

Research backs this move: analysis from LSEG Sanctioned Securities Data File shows that approximately one-third of all sanctions-linked instruments are captured through ownership and control pathways, rather than explicit legal designations. This highlights how much exposure now emerges through indirect pathways — the types of risks that standard list-based screening is not designed to capture. As regulators increasingly focus on ownership, control and material-support connections, firms need deeper data structures to detect these non-obvious linkages reliably. For example, a company may not be sanctioned itself, but if a sanctioned parent owns or controls it, the securities it issues may fall within scope.

This serves to illustrate an important theme in 2026. Sanctions risk is now an urgent and ongoing operational challenge for trading, investment and post-trade teams. Not identifying indirect risks creates enforcement blind spots can contribute to compliance gaps – and this is becoming an acute real-world problem as regulators continue to move toward more expansive interpretations of ownership, control and material support.

Mapping – why structure matters

A structured approach is needed to map sanctions to real financial instruments. As sanctions regimes continue to grow in complexity, practitioners are placing greater emphasis on developing a systematic understanding of how high-level designations translate into tangible market exposure. A significant share of sanctions-linked securities arise through ownership and control relationships, reinforcing the importance of structured, multi-layered data.

But challenges abound. Identifying sanctioned entities is often only the first step; tracing how designations propagate through corporate structures, financial instruments, and market events introduces additional layers of complexity. Moreover, as global sanctions regimes continue to expand, diverge and evolve at pace, firms face growing difficulty in determining whether the securities they trade, hold or service fall within regulatory scope. LSEG Risk Intelligence supports this requirement by linking entities, ownership pathways and financial instruments across jurisdictions, making it easier for teams to build a clear, defensible view of exposure.

A structured approach for mapping sanctions designations to actual instruments is essential and it allows organisations to:

Identify exposure beyond simple name-based screening, capturing ownership, control and other indirect linkages.

Screen consistently across multi-asset-class portfolios.

Embeded structured sanctions intelligence within front-to-back workflows.

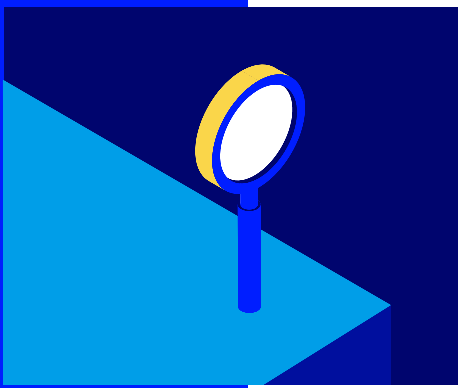
Respond more swiftly to geopolitical and regulatory developments.

This type of mapping helps firms translate broad sanctions designations into actionable, instrument-level insights, that can support more informed decision-making across trade compliance, investment management and risk oversight teams.

Holistic management across the investment process

Sanctioned securities pose significant compliance, operational and investment risks. This means that managing exposure across the investment process – from initial trade decisions through to ongoing portfolio oversight – is essential.

Let's unpack this further, by looking at pre-trade screening, post-trade research and portfolio monitoring.



Pre-trade screening: the first line of defence

Pre-trade controls are essential for preventing the execution of prohibited or restricted transactions. An effective screening framework encompasses five interconnected components:

- **Trade prevention:** Regulators increasingly emphasise controls that help firms prevent restricted trades before they occur. Given the pace of sanctions change, firms increasingly need data that updates daily and reflects indirect exposure that list-based controls often overlook. This depends on the timely and accurate identification of sanctioned instruments, including newly added securities or entity-linked exposures.
- **Analysis:** Controls must demonstrate that firms understand the sanctions implications of the trades they execute. Instrument-level, structured sanctions data supports faster, audit-ready decision-making and reduces operational friction for trading and compliance teams. Moving beyond purely rules-based filters, firms increasingly combine data, analytics and contextual risk insights to support audit-ready decisions.
- **Risk assessment:** Not all sanctions regimes present the same level or type of risk. Proportionate, contextual assessments enable firms to calibrate controls appropriately, rather than applying blanket restrictions.
- **Alert handling:** When sanctions-related alerts are generated – whether triggered by data changes, new designations or instrument updates – firms must have processes to triage, resolve and document these events efficiently.
- **Reporting:** Robust reporting provides transparency to boards, regulators and clients. Detailed audit trails help to demonstrate the rationale behind permitted trades and the actions taken to prevent prohibited ones.

Together, these elements establish a foundation of compliance before capital is committed.

Post-trade research: identifying risks after execution

Despite strong pre-trade controls, many sanctioned security issues only surface after a trade has been executed or a holding already exists. The root causes for this vary, but include new sanctions designations, delayed issuer disclosures and evolving interpretations by authorities. Post-trade investigative research is therefore critical for addressing:

- Newly imposed sanctions that retroactively affect existing securities.
- Regulatory enquiries and thematic reviews.
- Internal investigations requiring enhanced documentation.
- Audit requirements to evidence historical decisions and remediation steps.

This post-trade activity reinforces overall governance by ensuring that firms continue to detect and remediate risk – even when issues come to light after the fact.

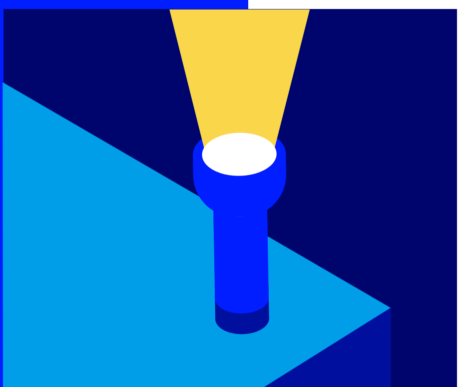
Portfolio monitoring: ensuring continuous compliance

Sanctions compliance is a continuous process – and effective monitoring must also encompass existing holdings, not just new trades.

Firms must be able to identify:

- Newly issued sanctions affecting current positions.
- Changes in issuer ownership or control that result in new exposures.
- Evolving sanctions prohibitions affecting debt, equity or derivatives linked to restricted entities.

As sanctions regimes expand in scope and complexity, automated and high-frequency monitoring allows firms to manage ongoing obligations with agility.



Closing the gap on indirect exposure

It is worth re-iterating that sanctioned security exposure does not always arise from instruments explicitly listed in regulations. Increasingly, firms must assess indirect connections, including:

- Instruments issued by entities owned or controlled by sanctioned individuals or organisations.
- ETFs, index products or structured products that contain or reference sanctioned issuers.
- Subsidiaries or parent-level linkages that may not be immediately visible without deeper analysis.
- With indirect exposure accounting for a significant share of sanctions-linked instruments, deeper transparency into ownership and instrument-level linkages is increasingly essential.

Five steps to best practice

Against this backdrop, here are our top five best practice recommendations for better sanctioned securities compliance management:

1 Implement centralised, consolidated sanctions screening data

Fragmented data and manual matching increase both effort and errors. To ensure consistent screening across all business units and reduce operational risk, financial institutions should adopt a single, structured feed to help unify sanctions intelligence with financial instrument data.

LSEG's structured sanctioned-securities feed helps unify sanctions and instrument data across teams, reducing fragmentation and improving consistency.

2 Automate pre- and post-trade screening

Given the regulatory demand for fast, accurate identification of sanctioned securities, financial institutions should automate:

- Pre-trade checks, to prevent execution of prohibited transactions
- Ongoing portfolio monitoring, to identify newly sanctioned securities or issuers

Automation speeds up workflows, supports trader responsiveness and reduces compliance bottlenecks. Structured, instrument-level intelligence from LSEG helps enable this automation by maintaining clear audit trails and defensible decisions.

3 Enhance detection of indirect sanctions

Indirect links via ownership structures or affiliations are frequently missed when relying on basic, list-based screening. Financial institutions should ensure that their systems ingest detailed ownership, control and affiliate data so they can identify:

- Securities issued by entities owned or controlled by sanctioned parties
- Instruments connected through complex corporate structures

This mitigates hidden risk and supports more defensible compliance decisions. LSEG's ownership, control and affiliate-mapping capabilities help uncover these exposures and reduce the blind spots inherent in list-only approaches.

4 Integrate screening across the enterprise

Firms with multiple teams and systems often experience inconsistent sanctions controls. A single, structured sanctioned securities feed should be integrated across compliance, trading, risk management and portfolio management to support institution-wide alignment, reduce duplicated effort and ensure consistency.

Using a single, structured sanctions data source from LSEG enables aligned thresholds and more effective collaboration between compliance, trading and risk teams.

5 Maintain agility

Because sanctions frameworks change rapidly, updates can impact portfolios overnight. Institutions should therefore adopt tools that provide daily updates that reflect the latest regulatory developments. Daily, structured updates from LSEG give firms the agility they need to respond quickly and confidently to fast-moving sanctions events.

In a fast-paced and evolving sanctions landscape, securities-related sanctions are becoming increasingly complex and more closely linked to global markets, which can challenge the effectiveness of traditional screening approaches. Many organisations are now turning to instrument-level data that is updated continuously and supported by an approach that brings relevant sanctions considerations together in a clear and connected way.

With sanctions regimes increasingly complex and intertwined with global markets, structured data becomes a strategic advantage, not only a compliance requirement.

> "Better data is not just a compliance tool – it is a strategic capability for the next era of global finance."

LSEG Sanctioned Securities Data File

Structured data that helps identify sanctions-linked instruments. Helps you go beyond name-based screening.

Learn more

LSEG RISK INTELLIGENCE

About LSEG Risk Intelligence

LSEG Risk Intelligence provides a suite of solutions to help organisations efficiently navigate risks, limit reputational damage, reduce fraud and comply with legal and regulatory obligations around the globe. From screening solutions through World-Check, to detailed background checks on any entity or individual through due diligence reports, and innovative identity verification and account verification – organisations can trust LSEG Risk Intelligence to help them manage their risk, so they can operate more efficiently, more effectively and more confidently.

To learn more, visit **www.lseg.com/risk-intelligence.**

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