



RULE

Compliance with Financial Sanctions and Targeted Financial Sanctions

February 2026



Table of Contents

List of Acronyms	3
1. Introduction	4
2. Definitions	5
3. Background	7
4. Statement of Objectives	8
5. Statutory Authority	8
6. Scope of Application	9
7. Rules	9
8. Enforcement	13
9. Effective Date	13

For consultation



List of Acronyms

AML	Anti-Money Laundering
AMLR	Anti-Money Laundering Regulations
CIMA	Cayman Islands Monetary Authority
CRF	Compliance Reporting Form
CPF	Countering Proliferation Financing
CFT	Countering the Financing of Terrorism
FRA	Financial Reporting Authority
FSP	Financial Service Providers
MAA	Monetary Authority Act
ML	Money Laundering
OOIC	Overseas Orders in Council
POCA	Proceeds of Crime Act
PF	Proliferation Financing
PFPA	Proliferation Financing (Prohibition) Act
SAR	Suspicious Activity Report
TFS	Targeted Financial Sanctions
TA	Terrorism Act
TF	Terrorism Financing

For Consultation



Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions

1. Introduction

- 1.1. This document establishes the Cayman Islands Monetary Authority's (the "Authority" or "CIMA") *Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions* (the "Rule").
- 1.2. The Governor is the Competent Authority for the implementation of Financial Sanctions in the Cayman Islands. However, the Governor has delegated the function of receiving certain reports to the Financial Reporting Authority ("FRA"). Therefore, all reports relating to Targeted Financial Sanctions ("TFS") should be made to the Governor through the FRA.¹
- 1.3. The FRA is the Cayman Islands' Financial Intelligence Unit responsible for receiving, requesting, analysing and disseminating disclosures of financial information concerning the proceeds of criminal conduct or suspected proceeds of criminal conduct, to counter Money Laundering ("ML"), terrorism, and the financing of terrorism, or suspicions of any of those crimes.
- 1.4. In 2017, the FRA assumed the responsibility for ensuring the implementation of TFS with respect to terrorism, terrorism financing, proliferation, Proliferation Financing ("PF"), and other restrictive measures related to Anti-Money Laundering ("AML"), Countering the Financing of Terrorism ("CFT") and Countering Proliferation Financing ("CPF"), in and from within the Cayman Islands.²
- 1.5. CIMA, in its role as regulator, assesses whether **Regulated Persons**³ are aware of applicable international TFS, and any local designations or directions that are in force. CIMA also assesses whether Regulated Persons are aware of their compliance obligations, including, but not limited to, responsibilities for screening and reporting, ongoing monitoring and staff training. The Authority reviews the reports and returns of Regulated Persons, paying special attention to individuals, entities or countries listed on any autonomous list of designations and applicable international TFS.
- 1.6. The Rule should be read in conjunction with the following:
 - a) Proceeds of Crime Act ("POCA");
 - b) Terrorism Act ("TA");
 - c) Proliferation Financing (Prohibition) Act ("PFPA");
 - d) Anti-Money Laundering Regulations ("AMLRs");
 - e) UK's Overseas Orders in Council⁴ ("OOIC");

¹ A Compliance Reporting Form ("CRF") must be completed when making a report to the FRA. The CRF should be used when reporting suspected Designated Persons, frozen assets and suspected breaches of Financial Sanctions.

²FRA, *Financial Sanctions Guidance: General Guidance for financial sanctions under the Sanctions and Anti-Money Laundering Act 2018 (SAMLA)* (December 2021)

³ As defined in section 2.1.8 of this Rule.

⁴ The Cayman Islands are a British Overseas Territory. Therefore, the UK's Overseas Orders in Council extend United Nations ("UN") and European Union ("EU") sanctions to the Cayman Islands. Furthermore, specific sanctions, such as those under the EU and United Kingdom ("UK") Terrorism and Terrorist Financing regimes, are directly implemented in the Cayman Islands pursuant to the TA and PFPA. FRA, *Financial Sanctions 101: A quick guide to help you understand and comply with financial sanctions*, <https://fra.gov.ky/guides-to-financial-sanctions/>



- f) CIMA's *Rule on Effective Compliance Programme for the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing for Financial Services Providers*;
- g) CIMA's *Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands*;
- h) the FRA's guidance on sanctions and PF⁵; and
- i) any other relevant Acts, regulatory instruments and guidance issued by the Authority from time to time.

1.7. All Regulated Persons should be aware of the enforcement powers of CIMA and other Supervisory Authorities under the AMLRs.

2. Definitions

2.1. The following definitions are provided for the purpose of this Rule:

- 2.1.1. **Competent Authority** has the same meaning as defined in the AMLRs.
- 2.1.2. **Customer** has the same meaning as defined in the AMLRs.
- 2.1.3. **Designated Person** has the same meaning as defined in the:

 - a) TA;
 - b) PFPA; and
 - c) relevant OOIC.

- 2.1.4. **False positives** are potential matches to listed individuals or entities, either due to the common nature of the name or due to ambiguous identifying data, which on examination prove not to be true matches.
- 2.1.5. **Financial Reporting Authority** or **FRA** has the same meaning as defined in the POCA.
- 2.1.6. **Financial Sanctions** are restrictive measures put in place to limit the provision of certain financial services and/or restrict access to financial markets, funds and other assets⁶ to individuals or entities.⁷
- 2.1.7. **Financial Service Providers** or **FSPs** means all individuals carrying on Relevant Financial Business specified in the POCA.⁸

⁵ Guidance is comprehensively covered at <https://fra.gov.ky/guides-to-financial-sanctions/>

⁶ According to the FATF, the term **funds or other assets** means any assets, including, but not limited to, financial assets, economic resources (including oil and other natural resources), property of every kind, whether tangible or intangible, movable or immovable, however acquired, and legal documents or instruments in any form, including electronic or digital, evidencing title to, or interest in, such funds or other assets, including, but not limited to, bank credits, travellers cheques, bank cheques, money orders, shares, securities, bonds, drafts, or letters of credit, and any interest, dividends or other income on or value accruing from or generated by such funds or other assets, and any other assets which potentially may be used to obtain funds, goods or services.

⁷ According to the FRA, Financial Sanctions are restrictions put in place by the UK or UN to achieve a specific foreign policy or national security objective.

⁸ CIMA recognizes that some Relevant Financial Businesses are supervised by other Supervisory Authorities. Therefore, this Rule only applies to those regulated and supervised by CIMA under the Regulatory Acts.



- 2.1.8. **"Licence"** means a written authorisation from the Governor permitting an act otherwise prohibited under the sanctions.
- 2.1.9. **"Money Laundering"** or **"ML"** has the meaning given by section 144(10) of POCA.
- 2.1.10. **"Proliferation"** has the same meaning as defined in the PFPA.
- 2.1.11. **"Proportionate"** means appropriate to the nature, size, structure, complexity and risk profile of a Regulated Person's operations and business.
- 2.1.12. **"Regulated Persons"** means a natural person, legal person or legal arrangement⁹ regulated by the Authority under the Regulatory Acts.¹⁰
- 2.1.13. **"Regulatory Acts"** means any one or more of the Acts as prescribed in Section 2 of the MAA and any Regulations made under them or the POCA, and any other Act that may be prescribed by the Cabinet by regulations made under Section 46 of the MAA.
- 2.1.14. **"Relevant Financial Business"** has the same meaning as defined in the POCA.
- 2.1.15. **"Supervisory Authorities"** has the same meaning as defined in the AMLRs.
- 2.1.16. **"Targeted Financial Sanction"** or **"TFS"** is a specific type of Financial Sanction with stated objectives, one of which is the prevention of Terrorist Financing and PF. The term TFS means both asset freezing and prohibitions, as well as directions, to prevent funds or other assets, including virtual assets, from being made available, directly or indirectly, for the benefit of Designated Persons and entities.
- 2.1.17. **"Terrorist Financing"** or **"TF"** means doing any act which constitutes an offence under sections 19 to 22 of the Terrorism Act or under POCA, or in the case of an act done otherwise than in the Islands, would constitute such an offence if done in the Islands.
- 2.1.18. **"Without Delay"** should be interpreted in the context of the need to prevent the flight or dissipation of funds or other assets which are linked to terrorists, terrorist organisations, those who finance terrorism, and to the financing of proliferation of weapons of mass destruction, and the need for global, concerted action to interdict and disrupt their flow swiftly.

⁹ Natural person, legal person and legal arrangement have the same meaning as defined in the AMLRs.

¹⁰ The definition of Regulated Persons comprises of an authorised person, registered person, registrant, licensee, licence-holder and supervised person under the Regulatory Acts. These terms are used interchangeably in regulatory measures published by the Authority, from time to time.

3. Background

Sanctions

3.1. Sanctions are prohibitions and restrictions put in place to maintain or restore international peace and security. They generally target specific individuals or entities; or particular sectors, industries or interests. Sanctions may be aimed at certain people and targets in a particular country or territory, or some organisation or element within them. Some sanctions target individuals and organisations involved in terrorism. For the purposes of this Rule, sanctions include international TFS and designations/directions issued under the TA and PFPA.

Financial Sanctions

3.2. Financial Sanctions are generally imposed to:

- a) Coerce a regime, or individuals within a regime, into changing their behaviour (or aspects of it) by increasing the cost on them, to such an extent that they decide to cease the offending behaviour;
- b) Constrain a target by denying them access to key resources needed to continue their offending behaviour, including the financing of terrorism or nuclear proliferation;
- c) Signal disapproval, stigmatising and potentially isolating a regime or individual, or as a way of sending broader political messages nationally or internationally; and/or
- d) Protect the value of assets that have been misappropriated from a country until these assets can be repatriated.

Targeted Financial Sanctions

3.3. TFS entail the use of financial instruments and institutions to apply coercive pressure on specific parties¹¹ to change or restrict their behaviour. TFS are targeted in the sense that they apply only to a subset of the population – usually the leadership, responsible elites, or individuals responsible for operational activities. TFS are financial in that they involve the use of financial instruments, such as asset freezes and the blocking of financial transactions or financial services.

3.4. Where the Financial Sanction takes the form of an asset freeze, it is generally prohibited to:

- a) Deal with the funds or other assets, belonging to or owned, held or controlled by a Designated Person;
- b) Make funds or other assets available, directly or indirectly, to, or for the benefit of a Designated Person; or
- c) Engage in actions that, directly or indirectly, circumvent the Financial Sanctions prohibitions.

¹¹ This includes government officials, elites who support them or members of non-government entities. However, this is not exhaustive.



4. Statement of Objectives

- 4.1. The Rule sets out the Authority's rules on Financial Sanctions compliance, and TFS compliance obligations for Financial Service Providers ("FSPs") and Regulated Persons regulated and supervised by CIMA under the Regulatory Acts.
- 4.2. The measure is consistent with the Authority's statutory objectives as prescribed in the Monetary Authority Act ("MAA").
- 4.3. Regulation 5 of the AMLRs requires Regulated Persons carrying out Relevant Financial Business to have systems and training to prevent ML, Terrorist Financing ("TF") and PF. In addition, Regulation 8 requires Regulated Persons carrying out Relevant Financial Business to take steps that are Proportionate to the size, complexity, structure, nature of business and risk profile of their operations to identify, assess, and understand the ML risks, TF risks, and PF risks.
- 4.4. Therefore, this Rule supports the requirements under Regulations 5 and 8 of the AMLRs.
- 4.5. The objective of issuing this Rule is to ensure that Regulated Persons within scope take a comprehensive approach to maintaining compliance with the AMLRs, as well as upholding international and domestic obligations with regards to Financial Sanctions and TFS; thereby strengthening the integrity of the financial system in the Cayman Islands.

5. Statutory Authority

- 5.1. The Rule is consistent with the Authority's principal functions under Section 6(1)(b) of the MAA, which provides that:

"(1) The principal functions of the Authority are –

(b) regulatory functions, namely –

(i) to regulate and supervise financial services business carried on in or from within the Islands in accordance with this Law and the regulatory laws;

(ii) to monitor compliance with the anti-money laundering regulations; and

(iii) to perform any other regulatory or supervisory duties that may be imposed on the Authority by any other law;".
- 5.2. The Rule is also consistent with Section 34(1) of the MAA, which provides that the Authority may issue rules, statements of principle, or statements of guidance:

"(1) After private sector consultation and consultation with the Minister charged with responsibility for Financial Services, the Authority may –

(a) issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees, and any



other persons to whom and to the extent that the regulatory laws may apply;

(b) *issue or amend statements of guidance concerning the requirements of the anti-money laundering regulations or the provisions of the regulatory laws; and*

(c) *issue or amend rules or statements of principle or guidance to reduce the risk of financial services business being used for money laundering or other criminal purposes.”*

6. Scope of Application

- 6.1. In the Cayman Islands, everyone must comply with Financial Sanctions and TFS, including all individuals, business entities, Financial Service Providers ("FSPs"), and non-financial service providers. Compliance is not limited to Regulated Persons; it is a legal obligation across the jurisdiction.
- 6.2. CIMA recognizes that some FSPs who conduct Relevant Financial Business are supervised by CIMA, while some are supervised by other Supervisory Authorities.
- 6.3. This Rule applies to FSPs and Regulated Persons who are regulated and supervised by CIMA under the Regulatory Acts¹².
- 6.4. References to any act or regulation shall be construed as references to those provisions as commenced, amended, modified, re-enacted or replaced from time to time.

7. Rules

General Obligations

- 7.1. Regulated Persons must make their sanctions compliance programme an integral part of their overall AML/CFT/CPF compliance programme. Therefore, Regulated Persons must have policies, procedures, systems, and controls for compliance with Financial Sanctions and TFS.
- 7.2. When conducting risk assessments, Regulated Persons must consider any sanctions that may apply to applicants, Customers, or countries.
- 7.3. Regulated Persons must not assess a Customer's geographic risk as "low" in circumstances where the country or geographic area that such Customer is located is subject to sanctions related to its ML/TF/PF risks by the United Kingdom and/or the United Nations, or as prescribed by the Governor of the Cayman Islands.
- 7.4. Regulated Persons must screen applicants, Customers, beneficial owners, transactions, service providers and other relevant parties (including connected parties), to determine whether they are conducting, or suspected of

¹² Irrespective of the type of financial business conducted in and from within the Cayman Islands.



conducting business involving any Designated Person or individual associated with a Designated Person or sanctioned country.

- 7.5. Where there is a true match or suspicion, Regulated Persons must take the steps that are required to comply with the sanctions' obligations, including reporting pursuant to the POCA, AMLRs and TA.
- 7.6. Regulated Persons must file a Compliance Reporting Form ("CRF")¹³ when making a report to the FRA.
- 7.7. Regulated Persons must file a suspicious activity report ("SAR") with the FRA if they discover a relationship that contravenes a sanctions order or a direction under the PFPA.
- 7.8. Regulated Persons must document and record all actions taken to comply with the sanctions' regime, along with the rationale for each action.
- 7.9. Regulated Persons must maintain and regularly update internal records of all relevant sanctions lists and internal records which are used to assess and determine whether an individual or an entity is a Designated Person or connected to a Designated Person.
- 7.10. When a sanctions list is updated, the Regulated Person must have systems in place to promptly screen its existing Customers, and those related parties, against the updated list. Where there is a true match or suspicion, the Regulated Person must comply with Rule 7.5.
- 7.11. Regulated Persons must have in place policies, procedures, systems and controls for the ongoing monitoring of business relationships or one-off transactions for the purposes of preventing, countering and reporting terrorist and PF; which must also outline the identification process of assets subject to applicable TFS.
- 7.12. Regulated Persons must comply with their legal obligations to:
 - 7.12.1. regularly monitor sanctions, and take the necessary actions to amend systems or lists to include local designations¹⁴ made by the Governor;
 - 7.12.2. review their Customers and/or third-party service providers against the lists of Designated Persons and the consolidated list, maintained by the UK's Office of Financial Sanctions Implementation;
 - 7.12.3. freeze any accounts, other funds or economic resources belonging to, owned, held or controlled by Designated Persons;
 - 7.12.4. refrain from dealing with funds or assets or making them available to Designated Persons, unless licensed by the Governor;
 - 7.12.5. report to the Governor, through the FRA, via the CRF, Without Delay, if they know or have reasonable cause to suspect that an individual or

¹³ The form can be obtained from the FRA's website.

¹⁴ These designations are published in the Gazette and on the FRA's website.



an entity is a Designated Person or has committed an offence under any relevant legislation; and

- 7.12.6. disclose to the Governor, through the FRA, via the CRF, details of any frozen funds or other assets or actions taken in compliance with the prohibition requirements of all applicable sanctions, including attempted transactions.
- 7.13. Regulated Persons must foster a culture of compliance and ensure that clear, comprehensive policies and procedures are in place to guide staff, to ensure that their legal obligations and this Rule is being adhered to.

Sanctions/Orders¹⁵ Monitoring

- 7.14. Regulated Persons must have in place and effectively implement internal controls and procedures to, Without Delay, ensure compliance with the obligations arising from the designation or delisting of an individual or an entity.
- 7.15. Regulated Persons must implement effective systems and controls to allow for the ongoing monitoring of transactions and to ensure that proper records are kept of these transactions.

Asset Freezing/Freezing Mechanisms

- 7.16. Regulated Persons must freeze, Without Delay, and without prior notice, the funds or other assets of Designated Persons.
- 7.17. Regulated Persons must not make any funds, economic resources, other assets, financial services or other related services, available, directly or indirectly, wholly or jointly, for the benefit of:
 - 7.17.1. Designated Persons;
 - 7.17.2. entities owned, held or controlled, directly or indirectly, by Designated Persons; and
 - 7.17.3. individuals and/or entities acting on behalf of, or at the direction of, Designated Persons,
unless licensed, authorised or otherwise notified in accordance with the relevant Security Council resolutions.

False Positives

- 7.18. To avoid False Positives, Regulated Persons must take reasonable steps to confirm that an individual or entity identified as a Designated Person is, in fact, the same individual or entity named on the consolidated list or the local designation made in the Cayman Islands by the Governor, by verifying the name with other identifying information.

¹⁵ The orders referred to here include those under the UK Sanctions List and the OOIC.

Training and Internal Controls

7.19. Regulated Persons must provide regular training for staff on the identification of individuals, entities and/or assets subject to TFS, which must include the processes that are to be followed where such individuals, entities and/or assets are identified.

Reporting Obligations to the Competent Authority

7.20. Regulated Persons must report to the Governor, through the FRA, any assets frozen or actions taken in compliance with the prohibition requirements of the applicable TFS, including attempted transactions, Without Delay.

7.21. Regulated Persons must report to the Governor, through the FRA, Without Delay, all true matches identified on the local designations made in the Cayman Islands by the Governor or on the consolidated list.

7.22. Regulated Persons must report to the Governor, through the FRA, Without Delay, if it is aware of or have reasonable cause to suspect that an individual or an entity is a Designated Person or has committed an offence under the legislation. The information reported must include:

- 7.22.1. the information or other matter on which the knowledge or suspicion is based;
- 7.22.2. any identifying information that is held about the individual or entity; and
- 7.22.3. the nature and amount of funds or economic resources held by that individual or entity.

7.23. Once an individual or entity is delisted, such Regulated Persons must advise the Governor, through the FRA, of any actions taken in relation to that delisted individual or entity, Without Delay.

7.24. In addition to their reporting obligations under the sanctions regime, Regulated Persons must file a SAR if they suspect or have grounds to suspect criminal conduct that is separate from the Designated Person that is the target of TFS.

Unfreezing Assets

7.25. Upon becoming aware or receiving notification advising that an individual or entity is no longer designated under a sanctions regime, a Regulated Person must, Without Delay:

- 7.25.1. confirm whether they have frozen funds or other assets of any such individual or entity;
- 7.25.2. verify that the individual or entity is no longer subject to the asset freeze;
- 7.25.3. remove the individual or entity from the Regulated Person's list of individuals or entities subject to Financial Sanctions;



- 7.25.4. unfreeze the funds or other assets of the individual or entity in accordance with applicable acts and guidance; and
- 7.25.5. reactivate the relevant accounts.

7.26. The Regulated Person must notify the individual or entity that the assets are no longer subject to an asset freeze and notify the Governor through the FRA of the actions taken.

Licensing

7.27. Any Regulated Person seeking a Licence for the release of funds or other assets, which are subject to an "asset freeze", must apply to the Governor using the prescribed form¹⁶.

8. Enforcement

- 8.1. Whenever there has been a breach of a Rule, the Authority's policies and procedures as contained in its Enforcement Manual will apply in addition to any other powers provided in the Regulatory Acts and the MAA.
- 8.2. The Rule is issued pursuant to the Authority's statutory powers and shall have the force of law. In the event of any inconsistency or conflict between the Rule and any prior or existing guidance notes, policy statements, or interpretative materials issued by the Authority, the provisions of the Rule shall take precedence.

9. Effective Date

- 9.1. This Rule will come into effect upon publication in the Gazette.

¹⁶ The form can be obtained from the FRA's website.



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