



16 March 2022

## **NOTICE**

### **RE: Targeted Financial Sanctions – Russia/Ukraine Regime**

The Cayman Islands Monetary Authority (the “Authority”) advises financial service providers (“FSPs”) and virtual asset service providers (“VASPs”) that the United Kingdom has recently updated its sanctions regime against Russia, with immediate effect.

On 24 February 2022, Russian forces crossed Ukraine’s borders, with attacks reported across the country. A comprehensive set of sanctions were swiftly imposed by various countries, including the [United Kingdom](#), the [European Union](#) and the [United States of America](#).

FSPs and VASPs are reminded of their legal obligations to:

1. regularly monitor the sanctions applicable to the Cayman Islands, including local designations made by the Governor;
2. review their clients against the lists of designated persons or entities and the consolidated list, maintained by the [Office of the Financial Sanctions Implementation](#) in the United Kingdom;
3. freeze any accounts, other funds or economic resources belonging to, owned, held or controlled by designated persons or entities;
4. refrain from dealing with funds or assets or making them available to designated persons or entities, unless licensed by the Governor;
5. report to the Governor, through the Financial Reporting Authority (the “FRA”), as soon as practicable, if they know or have reasonable cause to suspect that a person is a designated person or has committed an offence under the legislation; and
6. disclose to the Governor, through the FRA, via the Compliance Reporting Form, details of any frozen funds or other assets or actions taken in compliance with the prohibition requirements of all applicable sanctions, including attempted transactions.

Breaches of financial sanctions are a serious criminal offence in the Cayman Islands and incur significant penalty.

Given the rapid developments in international sanctions regimes regarding Russia and Ukraine, it is imperative that FSPs keep updated on geopolitics, trade, commerce and wider world events simultaneously. Sanctions introduced include diplomatic measures, restrictive measures such as asset freezes and travel bans, restrictions on economic relations with Crimea, Sevastopol, Luhansk and Donetsk, economic sanctions and restrictions on economic cooperation with Russia.

Caymans Islands' legal persons and arrangements are susceptible to misuse and abuse by those seeking to evade sanctions. FSPs and VASPs must ensure that their sanctions compliance programmes remain fit-for-purpose and contain mechanisms that allows the FSP to quickly respond to the complex, far-reaching and swift changes to sanctions regimes. Details of all internal investigations undertaken with respect to suspected sanctions breaches or evasion should be formally documented and safely secured in the event that an external sanctions investigation is commenced.

With the fluidity of this situation, FSPs and VASPs should ensure that appropriate training and guidance is provided to compliance and front-line staff to assist them in understanding the latest sanctions measures, how to handle affected clients and/or transactions, along with updated communications as the situation changes.

Governing bodies of FSPs and VASPs are encouraged to monitor emerging cybersecurity threats in light of developments between Russia and Ukraine, assessing their cybersecurity framework to ensure it continues to be appropriate to manage adverse impacts of the cyber and IT risks.

It is important to note that while all international sanctions are not extended to the Cayman Islands, they may have far-reaching extra-territorial effect, and therefore still be applicable to the FSP or VASP. For example, FSPs and VASPs must be mindful of sanctions issued by the [Office of Foreign Assets Control](#) ("OFAC") of the United States Department of Treasury if dealing in US dollar currency or if a United States corporation is a part of an ownership structure. Failure to comply with OFAC sanctions could expose you to criminal or civil liability in the United States.

FSPs and VASPs can refer to guidance previously issued by the Authority and the FRA in relation to compliance with Targeted Financial Sanctions.