SUMMARY OF PRIVATE SECTOR CONSULTATION AND FEEDBACK STATEMENT
Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	GENERAL COMMENTS			
1.	**Background and Purpose** The rationale for the Proposed Measures are primarily set out in Sections B5 and B7 of the Private Sector Consultation Document. It is noted that the basis for these measures are cited as follows: *B. 5. The Caribbean Financial Action Task Force ("CFATF") 4th Round Mutual Evaluation noted CIMA's Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ("GNs") "do not meet the criteria of enforceable means as sanctions are not applicable for a failure to comply with the requirements of the GNs."[1] This assessment indicates a lack of effectiveness and non-compliance with FATF's 40 Recommendations, and it potentially exposes the jurisdiction to significant regulatory, financial, operational, and reputational risks.* Footnote #1 above refences the Cayman Islands Mutual Evaluation Report, page 33, paragraph 46. It is important to note that this report was published in 2019. *B. 7. In addition, FATF's Recommendations "require countries to have 'effective, proportionate and dissuasive sanctions' for failure to comply with AML/CFT requirements."2 To address this gap, it is proposed that specific sections of the GNs be converted into the Proposed Measures to make them legally enforceable.*		The Authority acknowledges the comment. The Sanctions Rule applies to FSPs and Regulated Persons, which brings all entities that are supervised by CIMA into scope. The Sanctions Rule will bolster existing AML obligations.	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	The Footnote in the above section references the FATF Assessment Methodology 2022, page 15, paragraph 35. This relates to Recommendation 35. In 2019, the Cayman Islands was rated Partially Compliant (PC) on Rec. 35. It is noted that the justification for these proposed measures are to address a 'gap' in enforcement powers. However, the Authority has failed to note or reference the CFATF 2nd Enhanced Follow-up Report & Technical Compliance Re-Rating, published in 2021. From this report, the following is noted: 1. The Cayman Islands was rated PC for Recommendation 28 which deals primarily with the supervision of DNFBP's, which by FATF definition, include TCSPs that fall under CIMA's remit. Specifically noting on page 14, para 61. that there were concerns about the enforceability of the guidance notes issued by the competent authorities. 2. Page 15, para 65 summarizes the follow-up on the above noted concerns and states "*While the Guidance Notes issued by Supervisory Authorities are not by themselves enforceable, Regulation 56(2) the AMLRs provides that, in determining whether a person has complied with any of the requirements of these Regulations a court - (a) shall take into account any relevant supervisory or regulatory guidance which applies to that person; and (b) may take into account any relevant guidance issued by a body in the islands that regulates … that person. Similarly, Reg 56(4) provides that in determining whether to exercise any of its enforcement powers for breach of these regulations, the Supervisory Authority shall take into account - (a) these Regulations; and (b) any applicable supervisory or regulatory guidance.*" 3. Page 15, para 68. Summarizes paras 65-67 by stating "Cayman Islands has addressed the identified deficiencies in the MER. Recommendation 28 is re-rated as **Compliant**." 4. Page 20, para 87. states Cayman Islands was rated PC with R.35 ***primarily*** (emphasis added) on the ground that (1) sanctions do not apply to all persons categorised as DNFBPs by the Standards.			

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	5. Page 20, para 90. To sum up, Cayman Islands has amended Schedule 6 of the POCL to cover all the categories of DNFBPs. Cayman Islands has noted that the prosecution may seek to have criminal matters heard before the Grand Court rather than tried summarily in order to enlarge the range of sanctions and to ensure that they are proportionate, dissuasive, and persuasive. Cayman Islands is rated as **Compliant for R. 35**. 6. For the above reasons, it is the opinion that any 'gap' has already been addressed and the proposed measures as documented are unnecessary and the justification is misleading. The proposed measures also appear to abandon the concept of risk-based policies and procedures in favour of a very prescriptive, rules-based approach and leave little room for rational, proportionate compliance measures. 7. An overarching concern exists whereby the Authority is creating rules around a process that is intended to be risk-based. Risk-based thinking relies on evaluating context, likelihood, and impact to allocate attention and resources, turning it into fixed rules strips away that judgment.			

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
2.	While the PSA welcomes the Authority's implementation of FATF recommendations, particularly, the recommendation "requiring countries to have 'effective, proportionate and dissuasive sanctions' for failure to comply with AML-CFT requirements" which is understood as the purpose of introducing the Proposed Measures, the view is, that the current AML-CFT framework in place for reinsurers is sufficient from a FATF perspective. Furthermore, the belief is that the more prescriptive requirements imposed under the Proposed Measures would provide limited additional value to the Authority in its supervision of reinsurers, noting the risk-based model employed by the FATF already recognizes the low risk posed by reinsurers. The PSA recommends that the Authority continue to recognize the nuances and sectoral-risk presented when developing and implementing the Proposed Measures as a standardized approach across all regulated categories could undermine the risk-based approach which is central to FATF's AML-CFT Policy. Applying a standarised approach could create a risk of over-applying AML-CFT measures to sectors such as reinsurance even though such measures are more appropriate for other sectors presenting a higher risk of money laundering and terrorist financing such as funds and retail banking. Additionally, the definition of "financial institutions" contained in the FATF Recommendations applies to insurance undertakings and insurance intermediaries involved in life insurance and other investment-related insurance" but limits the insurance sector to these products and does not cover reinsurance in the definition unless the reinsurer also conducts life insurance and investment related insurance activities themselves. The Anti-Money Laundering Regulations apply to financial service providers (**FSPs**) conducting "relevant financial business" as that term is defined in the Proceeds of Crime Act (As Revised) (**POCA**). However, the definition of "insurance business" contained in the POCA explicitly excludes reinsurance business. It is noted that provision 5.1 (*Scope of Application*) of the Compliance Rule states the rule is intended to apply to all FSPs regulated and supervised by the Authority under the Regulatory Acts. The term "Regulatory Acts" as defined in the Compliance Rule, cross-refers to Acts prescribed in section 2		The Authority acknowledges the comments. As per paragraph 6.3 of the Rule, the "Rule applies to Regulated Persons, which comprises of FSPs, who are regulated and supervised by CIMA under the Regulatory Acts." Footnote 10 (now footnote 11) provides that "Regulated Persons comprises of an authorised person, registered person, registrant, licencee, 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." Therefore, reinsurers fall within the scope of applicability of this Rule.	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	of the Monetary Authority Act and regulations made thereunder (which includes the Insurance Act) (As Amended) (**Insurance Act**). In light of the above, the PSA would welcome confirmation from the Authority that reinsurers classified as FSPs by virtue of being licensed under the Insurance Act, but not conducting "relevant financial business" (i.e., engaging in pure reinsurance only) fall outside the scope of the Proposed Measures. Specifically, the PSA seeks clarification that the Proposed Measures apply only where an entity: - (a) is an FSP; **and** - (b) conducts "relevant financial business". It is further noted that the scope of the Compliance Rule extends beyond FSPs to include amongst others, affiliates and subsidiary members of a CIMA-regulated financial group. Given that many class B(iii) and class D reinsurers have affiliated entities, as mentioned above, clarity is welcomed from the Authority on applicability, given the potential group-wide implication – especially what the Authority considers to be an "affiliated" entity. **The PSA would welcome the opportunity to meet with the Authority in-person at a convenient time for the Authority.**			
3.	The Rule applies to Financial Service Providers (FSPs), which may create potential inconsistency with other regulatory frameworks, including the Anti-Money Laundering Regulations (AMLRs) and the Internal Controls Rules and Statement of Guidance, which generally use broader terms such as regulated entities or a person carrying out relevant financial business. It is noted that the CIMA Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands (February 2024) state that the Guidance Notes provide general guidance for Financial Service Providers. In addition, CIMA's Regulatory Policy on Assessing Fitness and Propriety defines a *Financial Service Provider* as: ".."		The Authority acknowledges the recommendation. As per paragraph 6.3 of the Rule, the "Rule applies to Regulated Persons, which comprises of FSPs, who are regulated and supervised by CIMA under the Regulatory Acts." Footnote 10 (now footnote 11) provides that "Regulated Persons comprises of an authorised person, registered person, registrant, licencee, licence-holder and supervised person under the	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	To promote clarity and consistency across the regulatory framework, consideration could be given to aligning the scope terminology used in the Rule with existing regulations and guidance.		Regulatory Acts. These terms are used interchangeably in regulatory measures published by the Authority, from time to time." FSPs and Regulated Persons are used for clarity.	
4.	Overall, the PSA supports the Authority's objective to demonstrate sustained effectiveness and technical compliance and to materially reduce the risk of adverse finding in the upcoming 5th Round Mutual Evaluation. The following observations and recommendations are offered to ensure the proposed measures are necessary and the outcome does not impose unnecessary rules on financial service providers, and undermine a risk-based, proportionate regulatory framework. The overarching tone is one of concern with the measures as drafted. As a jurisdiction, it must be careful to avoid blanket or prescriptive burdens that do not improve effectiveness or compliance. At the outset, the underlying premises of the proposed measures appear to duplicate provisions already outlined in the existing regulatory framework and therefore merit closer examination. The Authority is asked to reconsider the implementation of these rules and fully address industry's concerns.		The Authority acknowledges the comments. The Sanctions Rule operationalizes legislation and supports Cayman's AML/CFT/CPF framework.	No amendment
5.	Grateful for clarification as to how the Rules will take precedence over / supersede the Cayman Island Monetary Authority's (CIMA) Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands (Guidance Notes). Section 34(4) of the Monetary Authority Act (Revised) (MAA) suggests that the Guidance Notes are on the same footing as rules or statements of principle or guidance issued under section 34(1) of the MAA. Therefore, it seems potentially unclear rationale for converting the Guidance Notes to Rules when the Rules seem to be of the same statutory effect as the Guidance Notes.		The Authority acknowledges the question. 8.2 provides that "[i]n 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." This is because the breach of a rule can attract an administrative fine under the Monetary Authority (Administrative	Amendment to 8.2. *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.* ***In the event of any inconsistency or conflict between the Rule and the POCA, AMLRs, TA, PFPA or BOTA (together, the***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	This also raises the question of double jeopardy potentially as there are existing penalties for failure to comply with applicable sanctions regime since the restating of these requirements as Rules under the MAA arguably gives CIMA separate authority to take enforcement action (noting potential for an action to breach the Anti-Money Laundering Regulations, the Guidance Notes and the proposed new Rules).		Fines) Regulations (2025 Revision). 8.2 is amended to provide further clarity. Paragraph 8.3 is added. The Authority will make necessary amendments to the *Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands* to improve clarity and address any inconsistencies in due course.	***"Legislation"), the Legislation shall prevail to the extent of that inconsistency.*** New 8.3 is added. ***8.3 In any circumstance where the Authority determines that there has been a breach of a provision of the AMLRs, along with a breach of any corresponding rule, the Authority will exercise its discretion in imposing the relevant administrative fine in a manner that is consistent with the applicable acts, and procedures outlined in the Enforcement Manual – the Regulatory Handbook Volume 2, and with consideration to preclude duplication or avoid a double jeopardy scenario for the same breach.***
6.	CIMA has issued a number of supervisory circulars over time that address specific compliance expectations but sit outside the binding framework that these Rules are intended to create. For example, the supervisory circular issued on 19 May 2022 addresses third party reliance testing for Agents, Nominees and Eligible Introducers under Regulations 24 and 25 of the AMLRs. The circular confirms that regulated entities must conduct third party reliance testing where reliance is placed on an Eligible Introducer under Regulation 25 and must obtain a written assurance from any person acting as a Nominee under Regulation 24. It further reiterates that the regulated entity retains ultimate responsibility for compliance with CDD requirements regardless of such reliance. These are substantive obligations with direct bearing on the CDD and EDD provisions of the Compliance Rule and should be expressly incorporated or cross-referenced rather than left to stand as a standalone circular that FSPs may overlook.		The Authority acknowledges the recommendation. Supervisory circulars are issued from time to time, to address emerging risks and trends that Regulated Persons should consider. CIMA's supervisory circulars aim to support compliance with Acts, Regulations and Rules.	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	Suggest the Authority conduct a systematic review of all supervisory circulars and determine which should be incorporated into the Rule, cross-referenced with a specific citation or addressed in updated Guidance Notes. Circulars that have been superseded or are inconsistent with the proposed Rules should be formally withdrawn or updated at the same time to avoid conflicting guidance to industry.			
7.	Please ensure that the acronyms defined at page 3 are used in the Rule, and not defined on multiple occasions throughout.		The Authority acknowledges the comment. The relevant paragraphs have been amended.	Amendment to 2.1.13. (now 2.1.16.). *2.1.16.* ***"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.~~* ***has the same meaning as "Regulatory Laws", as defined in Section 2 of the Monetary Authority Act ("MAA").*** Amendment to 6.1. *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.* Amendment to 7.6 (now 7.7.). *~~7.6.~~* ***7.7*** *Regulated Persons must file a ~~Compliance Reporting Form ("CRF")~~*~~[13]~~*[16]* ***with the FRA[17] if they discover a relationship that contravenes a sanctions order or a direction under***

No.	Section	Comments	Authority’s Response	Consequent Amendments to the Proposed Measure
				the PFPA. ~~*when making a report to the FRA.*~~ [~~13~~16] *The form can be obtained from the FRA’s website.* [17] ***Reporting is required under Section 2C of the PFPA and the FRA’s guidance on sanctions.***
8.	**Going Beyond the AMLRs** 8. Sections 5(a) (viiia) and (viiib) of the AMRLs states the following: “*5. A person carrying out relevant financial business shall not, in the course of the relevant financial business carried out by the person in or from the Islands, for a business relationship, or carry out a one-off transaction, with or for another person unless that person-* *(a) maintains an appropriate, having regard to the money laundering risks, terrorist financing risks and proliferation financing risks and the size of the business, the following procedures in relation to that business —* *(viiia) procedures for the assessment of one-off transactions and the ongoing monitoring of business relationships for the purposes of preventing, countering and reporting money laundering, terrorist financing and proliferation financing and such procedures allowing for the identification of assets subject to targeted financial sanctions applicable in the Islands;* *(viiib) procedures to ensure compliance with targeted financial sanctions obligations in the Islands.* *9.* Sections 5(c) and (d) address making employees aware of and training them in the recognition of transactions subject to targeted financial sanctions obligations in the Islands. 10. As it was seen with the proposed Compliance Rule, the proposed Sanction Rule goes beyond the provisions of the AMLRs to create a prescriptive regime.		The Authority acknowledges the recommendation. The Sanctions Rule establishes how FSPs and Regulated Persons must comply with Cayman’s AML/CFT/CPF legislation.	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	11. If the AMLRs are inadequate in some material respect, they should be revised to correct the perceived inadequacy rather than create a separate set of rules for FSPs to deal with.			
9.	Under the Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions, why are certain obligations under the respective Orders in Council (OIC) being restated. The relevant OICs already impose obligations not to make funds or economic resources available to a Designated Person, etc. It is asked why there needs to be a binding set of rules that repeat the same prohibitions / requirements including in relation to asset freezes.		The Authority acknowledges the recommendation. Rules 7.15 and 7.16 requires that Regulated Persons have internal controls, systems and procedures in place to promote compliance with existing obligations.	No amendment.
10.	**Redundancy with Existing Sanctions Legislation** The same overarching concern of redundancy and duplication applies with particular force to the Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions. The relevant Orders in Council (OICs), the Terrorism Act, the PFPA, and the POCA already impose obligations not to make funds or economic resources available to Designated Persons, to freeze assets, and to report to the competent authorities. These obligations apply to all persons in the Cayman Islands, not merely regulated persons. It is therefore unclear why there needs to be a separate, binding set of Rules that restates the same prohibitions and requirements, including in relation to asset freezes. This duplication creates the risk of enforcement action under multiple instruments for the same underlying obligation, with no added protective value for the financial system.		The Authority acknowledges the recommendation. The Sanctions Rule operationalises the legislation. Paragraph 8.3 is added to address concerns of enforcement action under multiple instruments, for the same breach.	New 8.3 is added. ***8.3 In any circumstance where the Authority determines that there has been a breach of a provision of the AMLRs, along with a breach of any corresponding rule, the Authority will exercise its discretion in imposing the relevant administrative fine in a manner that is consistent with the applicable acts, and procedures outlined in the Enforcement Manual – the Regulatory Handbook Volume 2, and with consideration to preclude duplication or avoid a double jeopardy scenario for the same breach.***
11.	**Observation:** Specific sections of the Guidance Notes are being converted into enforceable Rules; however, the provisions being elevated are not identified. **Clarification Requested:** Consider whether mapping document identifying incorporated GN provisions would assist regulated entities. **Rationale:** Enhances legal certainty and supports consistent implementation.		The Authority acknowledges the comments. Sections of the Rules correspond with sections of the Guidance Notes. For example, Sanctions/Orders monitoring and Asset Freezing/Freezing Mechanisms.	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			The Authority will make the necessary amendments to the *Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands* to improve clarity and address any inconsistencies in due course.	
12.	**Observation:** Hierarchy clarified; discretion referenced to avoid duplication in enforcement. **Clarification Requested:** Clarification on how breaches engaging both AMLRs and Rule provisions will be categorised under the Administrative Fines framework. **Rationale:** Assists financial institutions in aligning internal control testing with enforcement exposure.		The Authority acknowledges the comments. Paragraph 8.3 is added.	New 8.3 is added. ***8.3 In any circumstance where the Authority determines that there has been a breach of a provision of the AMLRs, along with a breach of any corresponding rule, the Authority will exercise its discretion in imposing the relevant administrative fine in a manner that is consistent with the applicable acts, and procedures outlined in the Enforcement Manual – the Regulatory Handbook Volume 2, and with consideration to preclude duplication or avoid a double jeopardy scenario for the same breach.***
13.	**Observation:** Training and systems costs recognised. **Clarification Requested:** Clarification as to whether implementation requires modification of existing governance/reporting arrangements, or whether formal documentation of compliant frameworks would be sufficient**.** **Rationale:** Will guide proportional implementation across institutions.		The Authority acknowledges the comments. Compliance with Financial Sanctions and TFS is an absolute obligation in the context that FSPs and Regulated Persons must apply immediate, full, and without-exception or discretion in the implementation of the	No amendment.

No.	Section	Comments	Authority’s Response	Consequent Amendments to the Proposed Measure
			prohibitions against Designated Persons. With respect to an FSP’s or Regulated Person’s existing obligations around the assessment of risks, reference is made to Regulation 8 (2) (h) and (i) that covers the steps and measures FSP’s and Regulated Persons must carry out in the identification, mitigation, detection and evasion of financial sanctions and TFS.	
14.	More generally, the wish is to limit the potential for developments to the regulatory framework to bring into scope for review FATF Recommendations, which are currently not in scope for the jurisdiction's 5th round mutual evaluation. Under the CFATF's mutual evaluation procedures, Recommendations to be reviewed include "those where the country has made legal, regulatory or operational framework changes since the country's last previous MER (or Follow-Up Report with Technical Compliance Re-Rating)…"		The Authority acknowledges the comment.	No amendment.
15.	A provision should be included in the Rule which states that in the event of any inconsistency between the POCA, the AMLRs, The Terrorism Act, the Proliferation Financing (Prohibition) Act or any other Act or Regulation relevant to the AML/CFT/CPF framework, the Acts or Regulations shall prevail to the extent of that inconsistency. Although this may already be understood within the legal framework, it is necessary to include this language to signal to mutual evaluation assessors that the findings relating to the POCA, AMLRs, TA and PFPA in the MER are not adversely impacted by the implementation of these Rules.		The Authority acknowledges the recommendation. Paragraph 8.2 is amended.	Amendment to 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.* ***In the event of any inconsistency or conflict between the Rule and the POCA, AMLRs, TA, or PFPA (together, the “Legislation”), the Legislation shall prevail to the extent of that inconsistency****.*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
INTRODUCTION				
16.	**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] 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.	(a) Consider whether when referring to the delegation of certain functions to the FRA here there should be mention of receiving applications relating to licences. (b) Footnote 1: To be consistent with the CRF consider using "suspected Designated Persons, frozen assets ***or*** suspected breaches of Financial Sanctions.	The Authority acknowledges the comments. 1.2 and footnote 1 is amended.	Amendment to 1.2. and footnote 1 (now footnote 2). *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* ***and applications for Licences*** *to the Financial Reporting Authority ("FRA").*[**1**] *Therefore, all reports relating to Targeted Financial Sanctions ("TFS") should be made to the* ~~*Governor through the*~~ *FRA.*[~~1~~**2**] [**1**] ***The FRA can be contacted at financialsanctions@gov.ky.*** [~~1~~**2**] *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*~~ ***or*** *suspected breaches of Financial Sanctions.*
17.	**Footnote 3** As defined in section 2.1.8 of this Rule.	Page 4 footnote 3 incorrectly references section 2.1.8 – this should be 2.1.12.	The Authority acknowledges the recommendation. Footnote 3 is amended.	Amendment to footnote 3 (Now footnote 4). [~~3~~**4**] *As defined in* ~~*section*~~ ***subparagraph*** *2.1.*~~*8*~~***15*** *of this Rule.*
18.	[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,	Footnote #4 at the bottom on this page has no reference in the body of the text on the page.	The Authority acknowledges the comment. Footnote 4 (now footnote 5) is referred to in paragraph 1.6.e) (now paragraph 1.6. f)).	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	Financial Sanctions 101: A quick guide to help you understand and comply with financial sanctions, https://fra.gov.ky/guides-to-financial-sanctions/			
19.	**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 Council[4] ("OOIC"); 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 PF[5]; and i) any other relevant Acts, regulatory instruments and guidance issued by the Authority from time to time. [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	Consider adding the "Beneficial Ownership Transparency Act" (as BO items contained in this Rule are material requirements and the BO Act supports POCA and ML compliance).	Amended as recommended.	New 1.6.d) has been added. *1.6 The Rule should be read in conjunction with the following:* ***d) Beneficial Ownership Transparency Act ("BOTA");*** Paragraph 8.2 was amended to include BOTA: *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.* ***In the event of any inconsistency or conflict between the Rule and the POCA, AMLRs, TA, PFPA or BOTA (together, the "Legislation"), the Legislation shall prevail to the extent of that inconsistency****.*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	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/ [5] Guidance is comprehensively covered at https://fra.gov.ky/guides-to-financial-sanctions/			
20.	**1.6.e)** The Rule should be read in conjunction with the following: e) UK's Overseas Orders in Council[4] ("OOIC"); [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/	Footnote 4: (a) European Union ("EU") should be changed to United Kingdom "UK". (b) For section mentioning "such as those under the EU and United Kingdom", it is noted that the TA needs to be amended to remove references to the EU. (c) As this footnote is referring to Terrorism and Terrorist Financing, consider removing reference to the PFPA here.	The Authority acknowledges the comments. Footnote 4 is amended.	Amendment to footnote 4 (now footnote 5). ~~[4]~~**[5]** *The Cayman Islands are a British Overseas Territory. Therefore, the ~~UK's~~* ***United Kingdom's ("UK")*** *Overseas Orders in Council extend United Nations ("UN") and ~~European Union ("EU")~~* ***UK*** *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/*
21.	**1.6.i)** The Rule should be read in conjunction with the following: i) any other relevant Acts, regulatory instruments and guidance issued by the Authority from time to time.	Consideration should be given to expanding this wording to encapsulate additional guidance which may be issued by the FRA from time to time.	The Authority acknowledges this recommendation. Paragraph 1.6.h) is amended.	Amendment to 1.6.h) (now 1.6.i)). *The Rule should be read in conjunction with the following:* *~~h)~~* ***i)*** *the FRA's guidance on sanctions and PF*~~[5]~~**[6]**~~;~~***, and any additional guidance issued by the FRA from time to time;*** *and*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
				[56] Guidance is comprehensively covered at https://fra.gov.ky/guides-to-financial-sanctions/
		DEFINITIONS		
22.		The term "consolidated list" is used in various sections throughout this Rule but is not formally defined. To ensure that there is no ambiguity and to ensure consistent interpretation, it is recommended that the term "consolidated list" be added to the list of Definitions in section 2 of the Rule.	The Authority acknowledges the recommendation. The UK Sanctions List is now the only source for all UK sanctions designations. The OFSI Consolidated List of Asset Freeze Targets closed on Wednesday, 28 January 2026, and is no longer being updated. Therefore, all references to the consolidated list will be replaced with references to the UK Sanctions List. A definition for the UK Sanctions List has been added to the Rule. "Consolidated list" has been removed and replaced in 7.12.2. (now 7.13.2.).	New 2.1.22. is added. ***2.1.22. "UK Sanctions List" is published by the Foreign, Commonwealth and Development Office and provides a comprehensive list of individuals, entities and ships designated under the UK's Sanctions and Anti-Money Laundering Act 2018.*** Amendment to 7.12.2. (now 7.13.2.). *~~7.12.~~* **7.13.** *Regulated Persons must comply with their legal obligations to:* *~~7.12.2.~~* **7.13.2.** *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~~* ***UK Sanctions List, maintained by the Foreign, Commonwealth and Development Office****;*
23.		**Observation** - The term "consolidated list" is not defined and may give rise to ambiguity. **Clarification Requested** - Section 2 (Definitions) to include a definition of "Consolidated List", to avoid ambiguity and ensure consistent interpretation. **Rationale** - Ensures consistent interpretation.	The Authority acknowledges the recommendation. The UK Sanctions List is now the only source for all UK sanctions designations. The OFSI Consolidated List of Asset Freeze Targets closed on Wednesday, 28 January 2026, and is no longer being updated. Therefore, all references to the consolidated list	New 2.1.22. is added. ***2.1.22. "UK Sanctions List" is published by the Foreign, Commonwealth and Development Office and provides a comprehensive list of individuals, entities and ships designated under the UK's Sanctions and Anti-Money Laundering Act 2018.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			will be replaced with references the UK Sanctions List. A definition for the UK Sanctions List has been added to the Rule. "Consolidated list" has been removed and replaced in the Rule.	
24.	**2.1.6., Footnote 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.	It is suggested that the definitions as set out in Cayman Islands law rather than the FATF are used. e.g. "funds" and "economic resources" for these purposes are defined by the Terrorism Act in Schedule 4A, para 37. These are also defined by section 2 of the Proliferation Financing (Prohibition) Act.	The Authority acknowledges the suggestion. Paragraph 2.1.6., footnote 6 is amended.	Amendment to Footnote 6 (now Footnote 7). [7] ***"Funds" has the same meaning as defined in the TA.*** *~~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~~*
25.	**2.1.7.** **"Financial Service Providers"** or **"FSPs"** means all individuals carrying on Relevant Financial Business specified in the POCA.	The definitions of FSP says "individuals" carrying on RFB, however, the accepted definition of individual is normally taken to mean natural person; the definition should refer to "persons" instead of	The Authority acknowledges the recommendation. Paragraph 2.1.7. is amended.	Amendment to 2.1.7. (now 2.1.10.). *~~2.1.7.~~* ***2.1.10. "Financial Service Providers"*** *or* ***"FSPs"*** *means all ~~individuals~~* ***persons*** *carrying on*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		"individuals" and would align with the definition in App I.		*Relevant Financial Business specified in the POCA.*
		Amend the word "individuals" to "persons" (which may include legal or natural persons).	The Authority acknowledges the suggestion. The definition in 2.1.7. is amended.	
26.	**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.	Consider whether CIMA has a sufficient legal basis in the MAA or under POCA to describe "Regulatory Acts" as including any regulations made under the POCA as stated in the definition of "Regulatory Acts". It is not clear that CIMA has legal authority to treat regulations under the POCA as a regulatory law.	The Authority acknowledges the suggestion. The definition in 2.1.13. is amended.	Amendment to 2.1.13. (now 2.1.16.). ***2.1.16. "Regulatory Acts" has the same meaning as "Regulatory Laws", as defined in Section 2 of the Monetary Authority Act ("MAA").*** *~~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.~~*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
27.	**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.	The definition does not currently include guidance with respect to operations. By amending the definition, this will ensure clarity and consistency of compliance in practice. Consider amending as follows - '"Without Delay" means action to be taken, where appropriate, immediately upon confirmation of a true match of an individual or entity against a sanctions list and without giving prior notice to the Designated Person and 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.'	The Authority acknowledges the recommendation. 2.1.18. is amended.	Amendment to 2.1.18. (now 2.1.23.). ~~*2.1.18.*~~ ***2.1.23. "Without Delay" means, ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee. For the purposes of Cayman legislation, the phrase without delay means upon having reasonable grounds, or a reasonable basis, to suspect or believe that a person or entity is a terrorist, one who finances terrorism or a terrorist organisation. In both cases, the phrase 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.*
28.	**3.3., footnote 11** This includes government officials, elites who support them or members of non-government entities. However, this is not exhaustive.	Indicate here that parties may include natural or legal persons including government officials, elites who support them or members of non-government entities. However, this list is not exhaustive.	The Authority acknowledges the suggestion. Footnote 11 is amended.	Amendment to footnote 11 (Now footnote 12). [12] *This includes* ***natural or legal persons****, government officials, elites who support them or members of non-government entities. However, this is not exhaustive.*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
29.	**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.	Consider changing "funds or other assets" to "frozen funds or economic resources" to reflect the new changes in OFSI guidance and new Financial Sanctions Notices. **This suggested amendment is applicable in 7.12.4, 7.16, 7.19, 7.20. 7.25.1, 7.25.4, 7.26 as well.** Consider adding "or to a person who is owned or controlled directly or indirectly by a Designated Person". This suggested amendment is also applicable in rule 7.16 and 7.22. Consider adding "The funds and economic resources are to be frozen immediately by the person in possession or control of them. An asset freeze does not involve a change in ownership of the frozen funds or economic resources, nor are they confiscated or transferred to the FRA for safekeeping." to this section.	The Authority acknowledges the comments. 3.4, 7.12.4, 7.16 and 7.19 are amended. With the exception of 7.20. 7.25.1, 7.25.4, 7.26, as the suggested amendment is no longer relevant. A new 3.5 is added. A definition for "economic resources" is added to the Rule.	Amendment to 3.4. *3.4 Where the Financial Sanction takes the form of an asset freeze, it is generally prohibited to:* *a) ~~D~~**d**eal with the ~~funds or other assets~~ **frozen funds or Economic Resources**, belonging to or owned, held or controlled by a Designated Person **or to a person who is owned or controlled directly or indirectly by a Designated Person**;* *b) ~~M~~**m**ake ~~funds or other assets~~ **frozen funds or Economic Resources** available, directly or indirectly, to, or for the benefit of a Designated Person; or* *c) ~~E~~**e**ngage in actions that, directly or indirectly, circumvent the Financial Sanctions prohibitions.* New 3.5. is added. ***3.5 Funds and Economic Resources are to be frozen immediately by the person in possession or control of them. An asset freeze does not involve a change in ownership of the frozen funds or Economic Resources, nor are they confiscated or transferred to the FRA for safekeeping.*** Amendment to 7.12.4 (now 7.13.3.2). *~~7.12~~ **7.13**. Regulated Persons must comply with their legal obligations to:* ***7.13.3. if a Regulated Person knows or has reasonable cause to suspect that it is in possession or***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
				control of, or is otherwise dealing with, the funds or Economic Resources of a Designated Person it must: *~~7.12.4~~* ***7.13.3.2****. refrain from dealing with* ***frozen*** *funds or ~~assets~~* ***Economic Resources*** *or making them available to Designated Persons, unless licensed by the Governor;* ***and*** Amendment to 7.16 (now 7.17). *~~7.16.~~* ***7.17.*** *Regulated Persons must freeze, Without Delay, and without prior notice, the funds or ~~other assets~~* ***Economic Resources*** *of Designated Persons* ***or a person who is owned or controlled directly or indirectly by a Designated Person****.* Amendment to 7.19 (now 7.20). *~~7.19.~~* ***7.20*** *Regulated Persons must provide regular training for staff on the identification of individuals, entities and/or ~~assets~~* ***frozen funds and Economic Resources*** *subject to TFS, which must include the processes that are to be followed where such individuals, entities and/or ~~assets~~* ***frozen funds and Economic Resources*** *are identified.* New 2.1.6. is added. ***2.1.6. "Economic Resources" has the same meaning as defined in the TA****.*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		STATEMENT OF OBJECTIVES		
30.	**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.	As currently worded, reg. 8 of the AMLRs refers to the nature and size of the business but does not include a requirement to take steps that are proportionate to the, complexity, structure, and risk profile of their operations to identify, assess and understand ML risks.	The Authority acknowledges the suggestion. The Authority notes that it considers the risk-based approach relating to the '*nature*' of a business to include the complexity, structure, and risk profile of its operations which aligns with the FATF's Interpretive Notes on proportionality.	Amendment made to 4.3 (now 5.3). ***5.3*** *"…Regulation 8 requires a person carrying out relevant financial business to take steps appropriate to the size and nature of the business to identify, assess and understand its ML risks, TF risks and PF risks…"*
31.	**4.4.** Therefore, this Rule supports the requirements under Regulations 5 and 8 of the AMLRs.	It is recommended that reference is made to the *Rule on Risk Management for Insurers* - 5.1.4(h).	The Authority acknowledges the recommendation. The Rule is amended. 4.4 is deleted. A new paragraph 5.5 is added to the Rule.	New 5.5. ***5.5. Furthermore, with respect to all insurers regulated by the Authority under the Insurance Act, this Rule also supports existing requirements set out in the Rule on Risk Management for Insurers[13].*** ***[13] Reference is made to Rule 5.1.4 (h) which provides that "[t]he risk management framework must address the measurement, monitoring and control of all material risks. These risks may include, but are not limited to (h) money laundering, terrorist financing and fraud risk."***
32.	**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	Consider defining who is classified as 'within scope'. Explanation via footnote recommended or reference **Rule 6.**	The Authority acknowledges the recommendation. Paragraph 4.5. is amended to align with paragraph 6.3.	Amendment to 4.5. (now 4.2.). ***4.2****. The objective of issuing this Rule is to ensure that* ***FSPs and*** *Regulated Persons ~~within scope~~ take a comprehensive approach to maintaining compliance with the AMLRs, as well as*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	obligations with regards to Financial Sanctions and TFS; thereby strengthening the integrity of the financial system in the Cayman Islands.			*upholding international and domestic obligations with regards to Financial Sanctions and TFS; thereby strengthening the integrity of the financial system in the Cayman Islands.*
STATUTORY AUTHORITY				
33.	**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."*	Given CIMA's powers under 34(1) of the MAA, consider whether there is need for an amendment to the MAA to allow CIMA to issue rules in respect of the AMLRs. Note that 34(1)(b) appears to refer only to the issuing or amending of statements of guidance in respect of the AMLRs. On the other hand, there is clear statutory power under 34(1)(a) for the issuing of rules in relation to persons to the extent that the regulatory laws apply.	The Authority acknowledges the recommendation and clarifies that it has the requisite statutory authority to issue the Rule under MAA section 34(1)(c) which states that *"After private sector consultation and consultation with the Minister charged with responsibility for Financial Services, the Authority may — … 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."* The Authority is satisfied that this provision, provides a clear legal basis for the Authority to issue this Rule.	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	SCOPE OF APPLICATION			
34.	**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.	**Observation** - Universal sanctions compliance referenced; Rule applicability limited to CIMA-supervised entities. **Clarification Requested** - Confirmation that enforceable obligations under this Rule apply only to CIMA-regulated entities. **Rationale** - Clarifies regulatory perimeter.	The Authority acknowledges the question. Paragraph 6.1. recognizes that in the Cayman Islands, everyone must comply with Financial Sanctions and TFS. Paragraph 6.3. limits the scope of applicability of the Rule to Regulated Persons, which comprises of FSPs, who are regulated and supervised by CIMA under the Regulatory Acts. Irrespective of the type of financial business conducted in and from within the Cayman Islands.	No amendment.
35.	**6.2.** CIMA recognizes that some FSPs who conduct Relevant Financial Business are supervised by CIMA, while some are supervised by other Supervisory Authorities.	States that "some FSPs who conduct Relevant Financial Business…" However, FSPs are defined in the Rule as meaning "all [individuals] carrying out Relevant Financial Business specified in the POCA." Therefore, the words "who conduct Relevant Financial Business" are not necessary and could give the impression that some FSPs conduct Relevant Financial Business while some do not.	The Authority acknowledges the suggestion. Paragraph 6.2 will be amended.	Amendment to 6.2. *6.2 CIMA recognizes that some FSPs ~~who conduct Relevant Financial Business~~ are supervised by CIMA, while some are supervised by other Supervisory Authorities.*
36.	**6.3** This Rule applies to FSPs and Regulated Persons who are regulated and supervised by CIMA under the Regulatory Acts.	**Observation** - Universal sanctions compliance referenced; Rule applicability limited to CIMA-supervised entities. **Clarification Requested** - Confirmation that enforceable obligations under this Rule apply only to CIMA-regulated entities. **Rationale** - Clarifies regulatory perimeter.	The Authority acknowledges the question. Paragraph 6.3. limits the scope of applicability of the Rule to Regulated Persons, which comprises of FSPs, who are regulated and supervised by CIMA under the Regulatory Acts. Irrespective of the type of financial	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			business conducted in and from within the Cayman Islands.	
		Is the intention of this paragraph to extend the application of obligations that are created by the AMLRs to entities that do not conduct Relevant Financial Business?	The Authority acknowledges the question. The intention of this paragraph is to ensure that the Scope of Application of this Rule extends to all FSPs and Regulated Persons that are regulated and supervised by CIMA under the Regulatory Acts, whether or not the Regulated Person conducts Relevant Financial Business as defined under the POCA.	
	GENERAL OBLIGATIONS			
37.	**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.	The prohibition against assessing geographic risk as "low" where sanctions apply is understood in principle. However, clarity is needed on the interaction between this rule and risk-based approaches, particularly where a customer's connection to a sanctioned jurisdiction is tangential or historic.	The Authority acknowledges the recommendation. In circumstances where ML/TF/PF risks have been rated by the UK, Governor and UN, FSPs and Regulated Persons must rate in alignment with the same. Rule 7.3 illustrates that the Rule mandates that geographic risk cannot be rated as "low" in any circumstances where there is a connection or relation to a sanctioned jurisdiction.	No amendment.
		Reference is made to 'geographical risk' but does not specify a definition. Please clarify what constitutes 'geographical risk' in this context.	The Authority acknowledges the question. According to the FATF, examples of country or geographic risk factors provided include (but are not limited to):	New 2.1.11. is added. ***2.1.11. "Geographic Risk" arises from a country or jurisdiction where customer transactions or business activity is located.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Furthermore, the paragraphs mentions customers located in countries subject to UK and/or UN sanctions related to ML/TF/PF risks. Given that UK and UN sanctions are typically targeted and list-based rather than comprehensive country-wide embargoes, what specific UK and UN sources should regulated entities utilize to identify and assess these geographical risk?	• Countries identified by credible sources, such as mutual evaluations or detailed assessment reports or published follow-up reports, as not having adequate AML/CFT systems. • Countries subject to sanctions, embargos or similar measures issued by, for example, the United Nations. Specific UK and UN sources that could be used to identify and assess geographic risk are the UK Sanctions List and the United Nations Security Council Consolidated List. Definition for "Geographic risk" is added to the Rule.	
		Observation - Prohibits classification of sanctioned jurisdictions as low risk. The current wording may unintentionally imply that the Governor of the Cayman Islands has an independent power to impose or prescribe sanctions on countries or geographic areas as it relates to ML/TF/PF risk. **Clarification Requested** - Clarification whether this applies to all sanctions regimes including sectoral sanctions. This be consistent with CIMA's website that states "The sanctions in force in the Cayman Islands are essentially the	The Authority acknowledges the comment. Rule 7.3 is amended.	Amendment to 7.3. *7.3 Regulated Persons must not assess a Customer's* ***G***~~*g*~~*eographic* ***R***~~*r*~~*isk 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,* ***United States of America and/or the Office of Foreign Assets Control***~~*or as prescribed by the Governor of the Cayman Islands*~~*.*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		same as those imposed in the United Kingdom ("UK")." **Rationale** - Supports consistent geographic risk assessment.		
		Consider including US/OFAC sanctions in scope here taking into account their extraterritorial nature.	The Authority acknowledges the recommendation. Rule 7.3 is amended.	
38.	**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 conducting, business involving any Designated Person or individual associated with a Designated Person or sanctioned country.	New Rule 7.4 provides: *"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 conducting, business involving any Designated Person or individual associated with a Designated Person or sanctioned country."* (emphasis added) It is recommended that this Rule be narrowed to enable FSPs to adopt risked-based approach to sanctions screening, to reflect that it will not always be appropriate using a risk-based approach to screen, for example, service providers of a regulated customer. Further, new Rule 7.4 closely reflects Part II, Section 13(B)(4) of the Authority's Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation	The Authority acknowledges the recommendation. Sanctions screening for the parties listed in Rule 7.4. is an absolute obligation. With respect to an FSP's or Regulated Person's existing obligations around the assessment of risks, reference is made to Regulation 8 (1) (h) and (i) that covers the steps and measures FSP's and Regulated Persons must carry out in the identification, mitigation, detection and evasion of financial sanctions and TFS. Rule 7.4 is amended to include "Connected Persons". A definition for "Connected Person" is added to the Rule.	Amendment to 7.4. *7.4. Regulated Persons must screen applicants, Customers, beneficial owners[15], transactions, service providers and other relevant parties (including* ***C***~~*c*~~*onnected* ~~*parties*~~ ***Persons****), to determine whether they are conducting, or suspected of conducting, business involving any Designated Person or individual associated with a Designated Person or sanctioned country.* ***[15] With the exception of publicly traded companies where the responsibility for compliance with Financial Sanctions and TFS of the shareholders/owners lies with the securities intermediary, as required by a relevant competent authority.*** New 2.1.3. is added. ***2.1.3. "Connected Person" has the same meaning as defined in the AMLRs.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Financing in the Cayman Islands ("**Guidance Notes**"). However, the inclusion of the term *"connected parties"* in Rule 7.4 is new and it is unclear what persons are intended to be captured by this new term. Accordingly, it would be helpful if the Authority could clarify the intended meaning of this term. **Suggested wording:** *Regular Persons must**, based on its assessment of risk and the application of risk-based approach,** screen **relevant parties (e.g.** applicants, Customers, beneficial owners, transactions, service providers ~~and other relevant parties (including connected parties)~~), to determine whether they are conducting, or suspected of conducting, business involving any Designated Person or individual associated with a Designated Person or sanctioned country.*		
		New Rule 7.4 provides: *"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 conducting, business involving any*	The Authority acknowledges the recommendation. Rule 7.4 is amended to include "Connected Persons". A definition for "Connected Person" is added to the Rule. Compliance with Financial Sanctions and TFS is an absolute	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Designated Person or individual associated with a Designated Person or sanctioned country." (emphasis added) New Rule 7.4 closely reflects Part II, Section 13(B)(4) of the Authority's Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ("**Guidance Notes**"). However, the inclusion of the term *"connected parties"* in Rule 7.4 is new and it is unclear what persons are intended to be captured by this new term. Accordingly, it would be helpful if the Authority could clarify the intended meaning of this term. It is also noted that the provision appears to relate to existing business relationships. **Suggested wording:** *"Regulated Persons must screen ~~applicants,~~ Customers, beneficial owners, transactions, service providers and other relevant parties (including* ***related*** *~~connected~~ parties), to determine whether they are conducting, or suspected of conducting, business involving any Designated Person or individual*	obligation in the context that FSPs and Regulated Persons must apply immediate, full, and without exception or discretion in the implementation of the prohibitions against Designated Persons. Compliance with Financial Sanctions and TFS is an absolute obligation.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		associated with a Designated Person or sanctioned country." Paragraph 7.4 outlines requirements for screening systems. Would it be appropriate to consider allowing regulated entities to design and implement their screening systems based on a risk-based approach, tailored to the nature, size, and specific risks of their business? For example, the UK Financial Conduct Authority (FCA) Handbook adopts a similar approach for the implementation of screening systems.		
		The Sanctions Rule does not specify a threshold for beneficial owner screening. Please confirm whether the sanctions screening obligation applies to all beneficial owners regardless of ownership percentage (outside of publicly trading companies). Sanctions screening is not/should not be limited by CDD identification thresholds because a sanctioned person with even a minority ownership interest can trigger an asset freezing obligation. If this is the intent it should be stated expressly. The AML Regulations allow the application of Simplified Due Diligence where the Client qualifies. For example, SDD is applied where	The Authority acknowledges the recommendation. A footnote is added to 7.4.	Amendment to 7.4. New footnote 15 is added. ***[15] With the exception of publicly traded companies where the responsibility for compliance with Financial Sanctions and TFS of the shareholders/owners lies with the securities intermediary, as required by a relevant competent authority.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		the client is a publicly traded company. If this section is unclear, the Cayman Islands Monetary Authority could expect licensees to identify and verify all shareholders of a publicly traded company on an ongoing basis for the purpose of screening which is not only unfeasible, but also impractical and disregards the risk mitigating factors that SDD approach currently recognizes. Suggest the wording be amended to reflect the application of simplified due diligence by entities regulated by the CIMA. Where the FSP applies SDD to a customer or applicant, it must continue to conduct sanctions screening of relevant persons in accordance with the requirements of the AMLRs and the Cayman Islands sanctions regime. Relevant persons would be those persons whose due diligence documentation is mandatory even under SDD.		
		- Please consider deleting "applicants" as the requirement refers to existing business relationships. - Please consider replacing "connected" with "related" for consistency with the reference in Section 7.10.	The Authority acknowledges the recommendation. Applicants must also be screened. Rule 7.4 is amended to include "Connected Persons". A definition for "Connected Person" is added to the Rule.	Amendment to 7.4. *7.4. Regulated Persons must screen applicants, Customers, beneficial owners*[15]*, transactions, service providers and other relevant parties (including ~~connected parties~~* ***Connected Persons****), to determine whether they are conducting, or suspected of conducting, business involving any*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Appendix II expands sanctions obligations to include screening not only customers and applicants, but also service providers and connected parties. Question: What minimum standards or criteria should apply when screening service providers and connected parties? Where are the lines drawn as to who is or is not connected for this purpose?	The Authority acknowledges the questions. Rule 7.4 is amended to include "Connected Persons". A definition for "Connected person" is added to the Rule. FSPs and Regulated Persons must develop and implement policies, procedures and systems for screening for financial sanctions and TFS in alignment with their size, complexity, structure, nature of business, and risk profile of their operations.	*Designated Person or individual associated with a Designated Person or sanctioned country.* ***[15] With the exception of publicly traded companies where the responsibility for compliance with Financial Sanctions and TFS of the shareholders/owners lies with the securities intermediary, as required by a relevant competent authority.*** New 2.1.3. is added. ***2.1.3. "Connected Person" has the same meaning as defined in the AMLRs.***
		The term "connected parties" should be defined. Note the AMLRs define the term "connected persons".	The Authority acknowledges the suggestion. "Connected parties" is changed to "Connected Persons". A definition for "Connected Person" is added to the Rule.	
		The AML Rule permits simplified due diligence for lower-risk customers in certain circumstances. However, the Sanctions Rule creates an obligation to screen all customers and relevant parties for sanctions purposes regardless of their CDD risk classification. Rule 7.10 additionally requires re-screening of existing customers whenever a sanctions list is updated.	The Authority acknowledges the recommendation. A new Rule 7.5. is added to the Rule.	New 7.5 is added. ***7.5 As simplified due diligence does not reduce or waive screening obligations, Regulated Persons must re-screen all customers where there is an update to a Sanctions List, regardless of the customer's due diligence risk classification.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		The two Rules together could mean that even a customer on simplified due diligence must be subject to ongoing sanctions screening. This does not appear to be explicitly addressed in either of the two Rules. Suggest the Authority confirm expressly in either this Rule or the AML Rule that simplified due diligence does not reduce or waive sanctions screening obligations, and that re-screening on list updates applies to all customers regardless of their CDD risk classification. A cross-reference between the two Rules on this point would be helpful for clarity.		
		Greater clarity should be provided in relation to the word "they". Does this refer to the Regulated Person or the applicant/customer?	The Authority acknowledges the recommendation. "They" refers to applicants, customers, beneficial owners, transactions, service providers and other relevant parties (including Connected Persons).	No amendment.
39.	**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.	Consider including OOICs here.	The Authority acknowledges the comment. 7.5. is amended.	Amendment to 7.5 (now 7.6). *~~7.5.~~* ***7.6.*** *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,* ***PFPA and OOICs****.*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
40.	**7.6.** Regulated Persons must file a Compliance Reporting Form ("CRF")[13] when making a report to the FRA. [13] The form can be obtained from the FRA's website.	Consider whether appropriate statutory powers are in place to underpin this Rule as the AMLRs do not refer to the FRA's Compliance Reporting Form. Would this be a Rule made in relation to the Terrorism Act? Consider whether appropriate statutory powers exist for CIMA to make Rules in respect of the Terrorism Act.	The Authority acknowledges the recommendation. A footnote is added to clarify reporting requirements.	New footnote 17. ***[17] Reporting is required under Section 2C of the PFPA and the FRA's guidance on sanctions.***
		In addition to CRF reporting obligations please consider: Relevant firms (as defined in the UK regulations under the Sanctions Act ("UK regulations") and extended via OT Orders), are required to inform the FRA as soon as practicable if they know or reasonably suspect a person is a designated person or has breached a prohibition or failed to comply with an obligation under specified provisions of the UK regulations, where that information is received in the course of carrying on their business. (**DP + breach**). Relevant firms must also inform the FRA If they know or have reasonable cause to suspect that a person is a designated person and that person is a customer of your relevant firm, you must also state the nature and amount or quantity of any funds or economic resources held by you for that customer. (**Frozen funds**). Additional reporting under Russia regime.	The Authority acknowledges the comment. 7.6 is amended. In accordance with the comment, a new 7.8 is added to the Rule.	Amendment to 7.6 (now 7.7). ~~*7.6.*~~ ***7.7.*** *Regulated Persons must file a* ~~*Compliance Reporting Form (*~~*"CRF*[16]~~*")*~~ ~~[13]~~ ~~*when making a report to*~~ *with the FRA*[17] ***if they discover a relationship that contravenes a sanctions order or a direction under the PFPA****.* ~~[13]~~[16] *The form can be obtained from the FRA's website.* ***[17] Reporting is required under Section 2C of the PFPA and the FRA's guidance on sanctions.*** New 7.8 is added. ***7.8* Regulated Persons must comply with all reporting requirements to the FRA related to their obligations specified under the OOICs.**

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		In addition to relevant firms existing reporting obligations in relation to frozen assets, an additional reporting requirement where: A relevant firm is required to inform the Governor as soon as practicable if it knows, or has reasonable cause to suspect, that it holds funds or economic resources for a person to whom financial services must not be provided to under regulation 18A(1) (a "**prohibited person**"). A prohibited person means the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, the Ministry of Finance of the Russian Federation, a person owned or controlled directly or indirectly by these entities, or a person acting on behalf of or at the direction of these entities. Relevant firms that hold funds or economic resources for a prohibited person must complete a reporting form template and submit to the FRA. This form must be submitted when making the initial report and, thereafter, by no later than 30 November in each calendar year, providing a report to OFSI as to the nature and amount or quantity of those funds or economic resources		

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		held by that firm as of 30 September in that calendar year. Suspected DP, breach & frozen funds currently reported to the FRA on CRF. **All OT Orders apply to Cayman Islands individuals or entities regardless of where they are in the world.** Also, **FAR** reporting obligations for a **Person** for e.g. regulation 70 (4A-4D) of the Russia Regs. **Additional Reporting Obligations for designated persons under the Russia and Belarus regimes** **Who must report?** The Frozen Asset Report relates to all sanctions regimes in the Cayman Islands which contain financial measures. For example, the financial reporting obligations under regulation 70 of the Russia (Sanctions) (EU Exit) Regulations 2019 as extended to the Cayman Islands (with modifications) by the Russia (Sanctions) Overseas Territories) Order 2020 ("Modified Russia Regulations") includes the following obligations for "A **Relevant firm**", "An **Involved**		

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Person", "A **Person**" as it relates frozen assets: • A **Relevant firm** must notify the Governor as soon as practicable if it knows or has reasonable cause to suspect – ○ that a person is designated person or has or has breached a prohibition or failed to comply with an obligation under specified provisions of the Modified Russia Regulations, where that information is received in the course of carrying on its business. ○ that it holds funds or economic resources for a prohibited person, where that information is received in the course of carrying on its business. It must by no later than 30th November in each calendar year provide a report to the Governor as to the nature and amount or quantity of those funds or economic resources held by it as of 30th September in that calendar year. ○ must also state the nature and amount or quantity of any funds or economic resources held by it for the		

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		customer at the time when it first had the knowledge or suspicion. (Please include the DP's UK Sanctions List "Unique ID" as an identifier). • An **Involved Person** must notify the Governor as soon as practicable if it knows or has reasonable cause to suspect: ○ that a person has breached a prohibition or failed to comply with an obligations under specified provisions of the Modified Russia Regulations, where that information is received in the course of carrying on its business. ○ must also state the nature, amount, value or quantity of any goods or services related to the suspected offence at the time when it first had the knowledge or suspicion. • Where a **Person** knows, or has reasonable cause to suspect, that it holds funds or economic resources owned, held or controlled by a designated person, it must by no later than 30th November in each calendar year provide a report to the Governor as to the nature and amount or quantity of those		

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		funds or economic resources held by it as of 30th September in that calendar year. (Frozen Asset Report – FAR). For ongoing compliance, reports of information regarding suspected designated persons, of accounts and amounts frozen and suspected breaches of financial sanctions should be made to the FRA using the Compliance Reporting Form (CRF).		
		Wouldn't this be already covered under 7.5 as part of their reporting obligations?	The Authority acknowledges the question. 7.6 and 7.7 have been combined.	
41.	**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.	There is a section in the FRA's Compliance reporting form which is dedicated to reporting instances of contravention of sanctions or sanctions breaches. Consideration should be given to clarifying whether in those scenarios, CIMA expects a SAR form to be submitted in addition to the compliance reporting form. This measure is creating duplicate paperwork.	The Authority acknowledges the recommendation. Rule 7.7. is amended.	Amendment to 7.7. *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.~~* ***CRF[16] with the FRA[17] if they discover a relationship that contravenes a sanctions order or a direction under the PFPA.*** ***[16] The form can be obtained from the FRA's website.*** ***[17] Reporting is required under Section 2C of the PFPA and the FRA's guidance on sanctions.***
		Consider whether POCA, the TA or the PFPA requires a SAR in relation to contravention of a sanctions order. Consultations with the FRA should assist in ensuring alignment with relevant statutory provisions.	The Authority acknowledges the suggestion.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		With regard to "must file a SAR", a CRF covers suspected breaches of sanctions; as such a separate SAR may not always be required. There is no mention of SAR in PFPA & TA PFPA PFPA sections 2B – Freezing of funds and economic resources without direction from the Financial Reporting Authority PFPA 2C - Reporting action taken under section 2B Under the **PFPA 2D** the FRA has the power to impose civil penalties of such amount as it considers appropriate on a person who fails to comply with freezing and reporting obligations of any frozen funds or economic resources. Criminal penalties under PFPA 2E - . A person who fails to comply with a freezing obligation is also liable on summary conviction to a fine of $50,000, or on conviction on indictment, to a fine of CI$70,000, or imprisonment for a term of three years, or to both. A person who fails to comply with a reporting obligation is liable on summary conviction to a fine of $10,000.	The Authority acknowledges the comments. The reference to "SAR" has been removed. 7.6 and 7.7 have been combined for clarity and to prevent duplication.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		TA TA Sch 4A section 12 - Freezing of funds and economic resources; section 13 - Making funds or financial services available to designated person; section 14 - Making funds or financial services available for benefit of designated person; section 15 - Making economic resources available to designated person; section 16 - Making economic resources available for benefit of designated person; section 20 - Reporting obligations of relevant institutions – same as OOIC for a known or reasonable cause to suspect is a DP, committed offence, if customer, the relevant institution shall also state the nature and amount or quantity of any funds or economic resources held by it for the customer at the time when it first had the knowledge or suspicion. Section 21 - Powers to request information Section 30 - Penalties - offences under Schedule 4A **of the** TA carry a maximum of seven years imprisonment on conviction on indictment or to a fine or to both, or on summary conviction, to a fine of CI$10,000, or to term of imprisonment of twelve months, or to both.		

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Again, wouldn't this be covered under the reporting obligations?	The Authority acknowledges the question. 7.6 and 7.7 have been combined.	
42.	**7.8.** Regulated Persons must document and record all actions taken to comply with the sanctions' regime, along with the rationale for each action.	The requirement to record "the rationale for each action" taken to comply with the sanctions regime requires clarification. Given that the actions performed are required by law (under POCA, AMLRs, and TA), it is unclear what additional "rationale" must be documented beyond confirming compliance with statutory obligations.	The Authority acknowledges the comment. 7.8 is amended. Documenting and recording the rationale is necessary to validate the reasoning or basis for deciding on a particular course of action and is in keeping with proper internal controls and record keeping requirements and practices.	Amendment to 7.8. (now 7.9.). *~~7.8.~~* ***7.9.*** *Regulated Persons must document and record all actions taken to comply with ~~the sanctions' regime~~* ***Rule 7.6****, along with the rationale for each action.*
		Rule 7.8 notes 'Regulated Persons must document and record all actions taken to comply with the sanctions' regime, **along with the rationale for each action**'. It is requested that CIMA elaborate on what is meant by 'the rationale for each action' given that the actions performed are required to fulfil sanctions' obligations pursuant to the POCA, AMLRs and TA.		
		It is felt documenting all actions taken should be applied in a context of materiality. The scope should be limited to only those that are relevant.		
		Rule 7.8 notes 'Regulated Persons must document and record all actions taken to comply with the sanctions' regime, along with the rationale for each action'.	The Authority acknowledges the comment. 7.8 is amended.	

No.	Section	Comments	Authority’s Response	Consequent Amendments to the Proposed Measure
		This section is quite broad and vague. Is the expectation here that this is to be done on an ongoing basis relative to ongoing compliance or in specific instances where sanctions risk, exposure and/or breaches have been identified? Consideration should be given to amending wording to provide more clarity in this regard. It is requested that CIMA elaborate on what is meant by 'the rationale for each action' given that the actions performed are required to fulfil sanctions' obligations pursuant to the POCA, AMLRs and TA.	Documenting and recording the rationale is necessary to validate the reasoning or basis for deciding on a particular course of action and is in keeping with proper internal controls and record keeping requirements and practices. This is required on an ongoing basis.	
		The intention of this rule is unclear. Is the documentation obligation meant to apply only in situations where a Regulated Person identifies a confirmed or suspected sanctions match, or is it intended to cover all sanctions-related activities (including routine screening and false positives)? Clarifying the intended scope would help ensure consistent application by Regulated Persons.	The Authority acknowledges the suggestion. The documentation obligation is meant to apply in situations where there is a true match or a suspicion. 7.8 is amended for clarity.	
43.	**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.	This rule suggests that an FSP must maintain its own list of relevant sanctions. It further suggests that there must be internal records that are used to assess and determine whether an individual or an entity is a Designated Person. The requirement to maintain a list of sanctions is erroneous and	The Authority acknowledges the comment. Rule 7.9. is amended.	Amendment to 7.9. (now 7.10.). *~~7.9.~~ **7.10.** 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~~**, or is***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		unnecessary as most FSPs are using databases to screen for sanctions. It is unclear what internal records, other than a list of client names would be used.		***owned or controlled by a Designated Person or is a person who is owned or controlled directly or indirectly by a Designated person, in accordance with all relevant Sanctions Lists.***
		Consider whether Regulated Persons are required to keep/maintain records of all relevant sanctions lists. The Rule presumes there is an obligation to maintain such records in the first place, which is not clear from regs 5 or 31 of the AMLRs.	The Authority acknowledges the suggestion.	
		Consider adding "owned or controlled by a Designated Person or to a person who is owned or controlled directly or indirectly by the Designated person".	The Authority acknowledges the comment. 7.9 is amended.	
		Propose to change to without delay to align with 7.10 and 7.15. Ideally, the entities internal records should be promptly updated and the screening would follow suit. Thus, proposal above.	The Authority acknowledges the recommendation. 7.10 (now 7.11) was amended to include "Without Delay".	New 7.11. ~~*7.10*~~ ***7.11*** *When a* ~~*s*~~***S****anctions* ~~*l*~~***L****ist is updated,* ~~*the*~~ ***a*** *Regulated Person must have systems in place to* ~~*promptly*~~ *screen its existing Customers*~~*,*~~ *and* ~~*those related parties*~~ ***Connected Persons****,* ***Without Delay,*** *against the updated* ***Sanctions List in accordance*** ~~*list. Where there is a true match or suspicion, the Regulated Person must comply*~~ *with Rule 7.*~~*5*~~***4****.*
44.	**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.	New Rule 7.10 requires that a Regulated Person have systems in place to "promptly" screen its existing Customers, and those related parties, when a Sanctions List is updated. However, no specific timeframe is specified. Clarification is required on the expected operational timeframe, and as such,	The Authority acknowledges the questions. Rule 7.10 is amended to remove "promptly" and to add "Without Delay". Due to a change in numbering, the reference to Rule 7.5 is changed to Rule 7.4.	Amendment to 7.10. (now 7.11) ~~*7.10*~~ ***7.11*** *When a* ~~*s*~~***S****anctions* ~~*l*~~***L****ist is updated,* ~~*the*~~ ***a*** *Regulated Person must have systems in place to* ~~*promptly*~~ *screen its existing Customers*~~*,*~~ *and* ~~*those related parties*~~ ***Connected Persons****,* ***Without Delay,*** *against the updated* ***Sanctions List in accordance*** ~~*list. Where there is*~~

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		at what point will a Regulated Person be deemed in noncompliance with this Rule 7.10.	A definition for Sanctions List is added to the Rule.	*~~a true match or suspicion, the Regulated Person must comply~~ with Rule 7.~~5~~**4**.* New 2.1.18 is added. ***2.1.18. "Sanctions List" includes the UK Sanctions List and any other sanctions list that applies to the Cayman Islands as determined by the OOICs****.*
		Observation - Requires prompt re-screening when sanctions lists updated; timeframe not specified **Clarification Requested** - Clarification of expected operational timeframe. **Rationale** - Promotes consistent implementation.	The Authority acknowledges the question. Rule 7.10 is amended to remove "promptly" and to add "Without Delay".	
		Consider substituting list and consolidated list for "UK Sanctions List". This suggested amendment is also applicable in rule 7.18 and 7.21.	The Authority acknowledges the suggestion. 7.10 is amended. The amendment is no longer relevant to 7.18 and 7.21.	
45.	**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	Kindly replace "terrorist" at line 3 with "TF" or "Terrorist Financing". Suggested wording: "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 TF and PF; which must also outline the identification process of assets subject to applicable TFS.	The Authority acknowledges the recommendation. 7.11 is amended.	Amendment to 7.11. (now 7.12.). *~~7.11.~~ 7.12. 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~~ **TF** and PF~~;~~**,** which must also outline the identification process of assets subject to applicable TFS.*
		Kindly replace "terrorist" at line 3 with "TF" or "Terrorist Financing".		

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		"countering and reporting terrorist and PF…" should be amended to read "countering and reporting terrorist financing and PF…".	The Authority acknowledges the suggestion. 7.11 is amended.	
		Consider substituting terrorist for "terrorist financing".	The Authority acknowledges the comment. 7.11. is amended.	
46.	**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 designations[14] 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	7.12.2: Consider replacing consolidated list with "UK Sanctions List", and Office of Financial Sanctions Implementation with "Foreign, Commonwealth and Development Office (FCDO)". 7.12.3, 7.12.4 and 7.12.5: Consider updating the language to align with the new Financial Sanctions Notices. 7.12.6: This has been included above in 7.12.5. Consider adding a subparagraph before freeze as the foregoing relates to "if they know or have 'reasonable cause to suspect' that they are in possession or control of, or are otherwise dealing with, the funds or economic resources of a designated person they must: …This is line with the new FRA Financial Sanction Notice (see example attached).	The Authority acknowledges the comments.	Amendment to 7.12. (now 7.13). *~~7.12~~. **7.13.** Regulated Persons must comply with their legal obligations to:* *~~7.12 .1~~. **7.13.1.** regularly monitor sanctions, and take the necessary actions to amend systems or lists to include local designations~~[14]~~ **[18]** made by the Governor;* *~~7.12.2~~. **7.13.2.** review their Customers and/or third-party service providers against the lists of Designated Persons and the ~~consolidated list~~ **UK Sanctions List**, maintained by the ~~UK's Office of Financial Sanctions Implementation~~ **Foreign, Commonwealth and Development Office**;* *~~7.12.3.~~ **7.13.3. if a Regulated Person knows or has reasonable cause to suspect that it is in possession or control of, or is otherwise dealing with, the funds or Economic Resources of a Designated Person it must:*** *~~7.12 .3.~~ **7.13.3.1.**freeze any accounts, other funds or ~~e~~**E**conomic ~~r~~**R**esources belonging to, owned**[19]**, held or controlled by Designated Persons;*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	individual or 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. [14]These designations are published in the Gazette and on the FRA's website.			*~~7.12.4.~~**7.13.3.2.** refrain from dealing with **frozen** funds or ~~assets~~ **Economic Resources** or making them available to Designated Persons, unless licensed by the Governor; **and*** *~~7.12.5.~~ **7.13.3.3.** report to ~~the Governor, through~~ the FRA, via the CRF, Without Delay, if they know or have reasonable cause to suspect that ~~an individual~~ **a person** or an entity is a Designated Person or has committed an offence under ~~any relevant legislation~~ **the TA or PFPA**; and* *~~7.12.6.~~ **7.13.4.** disclose to ~~the Governor, through~~ the FRA, via the CRF, details of any frozen funds or **Economic Resources** ~~other assets~~ or actions taken in compliance with the prohibition requirements[20] of all applicable sanctions, including attempted transactions.* ***[18] These designations are published in the Gazette and on the FRA's website.*** ***[19] With the exception of publicly traded companies where the responsibility for compliance with Financial Sanctions and TFS of the shareholders/owners lies with the securities intermediary, as required by a relevant competent authority.*** ***[20] Pursuant to the TA.***
47.	**7.12.2.** Regulated Persons must comply with their legal obligations to: 7.12.2. review their Customers and/or third-party service providers against the lists of Designated Persons and the consolidated list,	Remove reference to OFSI Consolidated List given recent change to single UK Sanctions List. The reference to the OFSI Consolidated List should be updated to reflect the recent change to a single UK Sanctions List.	The Authority acknowledges the recommendation. 7.12.2 is amended.	Amendment to 7.12.2. (now 7.13.2.). *~~7.12.~~ **7.13.** Regulated Persons must comply with their legal obligations to:* *~~7.12.2.~~ **7.13.2.** review their Customers and/or third-party service providers against the lists of Designated Persons*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	maintained by the UK's Office of Financial Sanctions Implementation;	The consolidated list is no longer used. This has been replaced with the UK Sanctions List. Consultations with the FRA should assist in ensuring correct references to relevant lists.	The Authority acknowledges the suggestion. 7.12.2 is amended. A definition for the "UK Sanctions List" is added to the Rule.	*and the ~~consolidated list, maintained by the UK's Office of Financial Sanctions Implementation~~* ***UK Sanctions List, maintained by the Foreign, Commonwealth and Development Office****;* New 2.1.22 definition added. ***2.1.22 "UK Sanctions List" is published by the Foreign, Commonwealth and Development Office and provides a comprehensive list of individuals, entities and ships designated under the UK's Sanctions and Anti-Money Laundering Act 2018.***
48.	**7.12.5.** Regulated Persons must comply with their legal obligations to: 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 an entity is a Designated Person or has committed an offence under any relevant legislation; and	**Observation** - Reporting to FRA must occur 'Without Delay'; broadly defined. **Clarification Requested** - Clarification that reasonable internal investigation may precede reporting where asset-freezing obligations are preserved. **Rationale** - Ensures effective compliance without premature reporting.	The Authority acknowledges the question. 7.12.5. is amended. Reporting must be completed Without Delay.	Amendment to 7.12.5. (now 7.13.3.3.). *~~7.12.~~* ***7.13.*** *Regulated Persons must comply with their legal obligations to:* ***7.13.3. if a Regulated Person knows or has reasonable cause to suspect that it is in possession or control of, or is otherwise dealing with, the funds or Economic Resources of a Designated Person it must:*** *~~7.12.5.~~* ***7.13.3.3.*** *report to ~~the Governor, through~~ the FRA, via the CRF, Without Delay, if they know or have reasonable cause to suspect that ~~an individual~~ a person or an entity is a Designated Person or has committed an offence under ~~any relevant legislation~~ the TA or PFPA; and*
		Consider a revision to the language in this Rule as it appears to require reporting to the Governor not only where there is cause to suspect an entity is a Designated Person but also where an entity has committed an offence under any relevant legislation. Should this be where a Designated Person (as opposed to any person) commits an offence	The Authority acknowledges the recommendation. 7.12.5. is amended.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		under relevant legislation? What are the pieces of legislation that would be relevant legislation? Should "entity" be changed to "person" to include natural or legal persons?		
49.	**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.	The reference to "fostering a culture of compliance" may be difficult to measure or enforce as a Rule. It may be helpful to clarify whether the enforceable requirement is the establishment of clear policies, procedures, systems, and controls, rather than the broader concept of "culture," which is subjective and not easily assessed.	The Authority acknowledges the suggestion. 7.13 is amended.	Amendment to 7.13 (now 7.14). *~~7.13.~~ **7.14**. 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.*
50.	**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.	'Security Council resolutions' – can it be clarified who makes these resolutions? Does this refer to **formal decisions made by the United Nations Security Council (UNSC)?**	The Authority acknowledges the recommendation. Paragraph 7.17. is amended.	Amendment to 7.17. (now 7.18.). *~~7.17.~~ **7.18.** Regulated Persons must not make any **frozen** funds, ~~e~~**E**conomic ~~r~~**R**esources, other assets, financial services or other related services, available, directly or indirectly, wholly or jointly, for the benefit of: ~~7.17.1.~~ **7.18.1** Designated Persons; ~~7.17.2.~~ **7.18.2** entities owned[22], held or controlled, directly or indirectly, by Designated Persons; and ~~7.17.3.~~**7.18.3** individuals and/or entities acting on behalf of, or at the direction of, Designated Persons, unless licensed~~, —~~**by the Governor or** authorised under the **TA or the PFPA**. ~~or otherwise notified in accordance with the relevant Security Council resolutions~~.*
		Asset Freezing/Freezing Mechanism 1. Paragraphs 7.17.2 of the proposed Sanctions Rule states the following: "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 …………………..;* *7.17.2 entities owned, held or controlled, directly or indirectly, by Designated Persons; and*	The Authority acknowledges the comment. 7.17. is amended. This Rule is in accordance with the existing obligation under Section 2B of the Proliferation Financing (Prohibition) Act (2017 Revision).	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		7.17.3 individuals and/or entities acting on behalf of or at the direction of Designated Persons, unless licensed ……………………". 2. Paragraphs 7.17.2 and 7.17.3, would be very difficult or impossible to comply with.		***[22] With the exception of publicly traded companies where the responsibility for compliance with Financial Sanctions and TFS of the shareholders/owners lies with the securities intermediary, as required by a relevant competent authority.***
		Regarding "… unless licensed, authorised or otherwise notified in accordance with the relevant Security Council resolutions…", the reference to Security Council resolutions specifically does not seem appropriate. Suggest amending to read "… unless licensed or authorised under applicable law" would better reflect the Cayman Islands sanctions regime.	The Authority acknowledges the recommendation. Rule 7.17. is amended.	
		Consider adding "licensed by the Governor".	The Authority acknowledges the comment. 7.17 is amended.	
		The term "economic resources" is included without definition. See definitions in TA and PFPA.	The Authority acknowledges the recommendation "Economic resources" is defined and capitalized throughout the Rule.	New 2.1.6 definition added. ***2.1.6. "Economic Resources" has the same meaning as defined in the TA.***
51.	**7.17.2** 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:	CIMA should confirm that "owned or controlled directly or indirectly" bears the same meaning as set out under applicable UK sanctions regulations as extended to the Cayman Islands, and it may be pertinent to expressly state this in the Rule for clarity.	The Authority acknowledges the recommendation. This Rule is in accordance with an existing obligation under Section 2B of the Proliferation Financing (Prohibition) Act (2017 Revision).	No amendment.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	7.17.2. entities owned, held or controlled, directly or indirectly, by Designated Persons; unless licensed, authorised or otherwise notified in accordance with the relevant Security Council resolutions.	Rule 7.17.2 notes 'entities owned, held or controlled, directly or indirectly, by Designated Persons'. It is requested that CIMA define what is meant by 'owned', as it currently could be interpreted that any shareholder (even those with a <1% minority ownership interest) must be screened for sanctions.	The Authority acknowledges the recommendation. Footnote 22 is added. This Rule is in accordance with an existing obligation under Section 2B of the Proliferation Financing (Prohibition) Act (2017 Revision).	New footnote 22 is added. ***[22] With the exception of publicly traded companies where the responsibility for compliance with Financial Sanctions and TFS of the shareholders/owners lies with the securities intermediary, as required by a relevant competent authority.***
52.	**7.17.3** 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: 7.17.3. 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.	Not all sanctions applicable in the Cayman Islands arise from UN Security Council Resolutions. For example, sanctions relating to Russia apply under separate OIC regimes. References to UNSCRs should be used carefully and not treated as covering all sanctions regimes in the jurisdiction. The wording should be broadened to encompass all applicable sanctions regimes.	The Authority acknowledges the recommendation.	No amendment.
		In the Cayman Islands, not all sanctions come from the UN Security Council. UNSC sanctions are mainly relevant to terrorism and weapons-proliferation matters and are implemented through specific laws like the Terrorism Act and the Proliferation Financing Act. Other sanctions — such as those relating to Russia — do not arise from UNSC resolutions and instead apply under separate sanctions regimes that are extended to Cayman entities under OICs. Therefore, references to UNSCRs should be used carefully	The Authority acknowledges the comment.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		and not treated as covering all sanctions regimes in Cayman.		
53.	**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.	Record retention is not currently included in this requirement and should be addressed to improve quality of relevant documentary evidence retained. 'To avoid False Positives, Regulated Persons must take reasonable steps to confirm and document 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 and retaining relevant documentation in accordance with record keeping requirements .' The consolidated list is no longer used. This has been replaced by the UK Sanctions List. Consultations with the FRA should assist in ensuring correct references to relevant lists. The reference to "avoiding False Positives" may be misleading, as false positives are an inherent and unavoidable part of sanctions screening. The intention appears to be to require Regulated Persons to verify potential matches to determine whether they are true matches or false positives. It may be helpful to revise the wording to	The Authority acknowledges the recommendation. Rule 7.18. is amended.	Amendment to Rule 7.18. (now 7.19.). *~~7.18~~. **7.19.** To avoid False Positives, Regulated Persons must take reasonable steps to **verify potential sanctions matches by comparing the name against other identifying information to determine whether the individual or entity is, in fact, the Designated Person**. ~~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.~~*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		reflect this, for example by referring to the verification or resolution of potential matches rather than the avoidance of false positives. Suggested re-wording: "*<u>Regulated Persons must take reasonable steps to verify potential sanctions matches by comparing the name against other identifying information to determine whether the individual or entity is, in fact, the Designated Person.</u>*"		
54.	**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.	The Rule requires "regular" training for staff but does not define the term. The Rule should clarify that what is considered appropriate frequency will be for the firm to determine based on its size, complexity, and risk assessment, consistent with the principle of proportionality.	The Authority acknowledges the recommendation. FSPs and Regulated Persons must develop and implement training policies, procedures and systems associated with financial sanctions and TFS in alignment with their size, complexity, structure, nature of business, and risk profile of their operations.	No amendment.
		Observation - Rule 7.19 refers to training and internal controls in relation to sanctions and targeted financial sanctions; however it is not clear whether this provision is intended to create a standalone training obligation or whether such training is to form part of the broader AML/CFT/CPF training programme. **Clarification Requested** - Clarification is requested as to whether sanctions and targeted financial sanctions training is	The Authority acknowledges the recommendation. Sanctions training can be standalone or a part of a wider AML/CFT/CPF/TS training programme.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		required as a separate stand-alone training programme. **Rationale** – Promotes consistency of interpretation and avoids unintended duplication of training requirements.		
		Rule 7.19 refers to the provision of regular training for staff on ID of individuals, entities/assets subject to TFS. If 'regular' is not defined and firms have flexibility, could language be included to clarify that what is considered appropriate will be for the firm to determine based on size, complexity and its risk assessment?	The Authority acknowledges the recommendation. FSPs and Regulated Persons must develop and implement training policies, procedures and systems associated with financial sanctions and TFS in alignment with their size, complexity, structure, nature of business, and risk profile of their operations.	
55.	**7.20. – 7.24.** 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	Consultations with the FRA should assist in ensuring alignment with the reporting obligations under the TFS framework.	The Authority acknowledges the recommendation. The Section on **Reporting Obligations *to the Competent Authority*** is updated and now comprises a single Rule 7.21.	Amendment to 7.20 – 7.24 (now 7.21). ***Reporting Obligations to the Competent Authority*** ***7.21.*** ~~***7.20.***~~ *Regulated Persons must* ~~*report to the Governor, through the FRA, any assets frozen or actions taken in compliance*~~ ***implement appropriate policies, systems and controls to comply*** *with the* ***statutory reporting framework for sanctions reporting requirements as administered by the the FRA.***[23] ~~*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.*~~
		Several provisions in this section appear to prescribe or expand reporting obligations to the Governor and the FRA. As sanctions reporting requirements are set out in legislation and administered by the Governor and the FRA, it would be helpful to ensure that the Rules do not create new reporting duties or redefine existing ones. To remain within CIMA's supervisory remit, the Rules should focus on Regulated Persons having systems and controls to comply with the	The Authority acknowledges the comment. Rules 7.20 – 7.24 are amended.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	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.	statutory reporting framework, rather than prescribing the reporting process itself. **7.12.6 requires the** disclosure 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. Therefore, it is believed that such is applicable with delisting. Section 2F imposes the requirement on the FRA to request delisting of persons under the conditions of subsections (a) and (b).		~~***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.*~~ ***[23]Pursuant to the TA.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
56.	**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.	Consider the following sections from the TA: TA SCH 4A – section 20 20. (1) A relevant institution shall inform the Governor as soon as practicable if — (a) it knows, or has reasonable cause to suspect, that a person — (i) is a designated person; or (ii) has committed an offence under any provision of paragraphs 12 to 16; and (b) the information or other matter on which the knowledge or suspicion is based came to it in the course of carrying on its business. (2) Where a relevant institution informs the Governor under subparagraph (1), it shall state — (a) the information or other matter on which the knowledge or suspicion is based; and (b) any information it holds about the person by which the person can be identified. (3) Subparagraph (4) applies if — (a) a relevant institution informs the Governor under subparagraph (1) that it knows, or has reasonable cause to suspect, that a person is a designated person; and (b) that person is a customer of the institution. (4) The relevant institution shall also state the nature and amount or quantity of any funds or economic resources held by it for the customer	The Authority acknowledges the comment. 7.20 is amended.	Amendment to 7.20 (now 7.21). *~~7.20~~* ***7.21*** *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.~~* ***implement appropriate policies, systems and controls to comply with the statutory reporting framework for sanctions reporting requirements as administered by the FRA.[23]*** ***[23] Pursuant to the TA.***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		at the time when it first had the knowledge or suspicion. 4A -A relevant institution shall — (a) report any action taken in accordance with the prohibitions of this Schedule; and (b) report any transaction attempted by a designated person to deal with funds, economic resources or other assets.		
57.	**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.	The consolidated list is no longer used. This has been replaced by the UK Sanctions List. Consultations with the FRA should assist in ensuring correct references to relevant lists.	The Authority acknowledges the recommendation. The Section on **Reporting Obligations *to the Competent Authority*** is updated and now comprises of a single Rule 7.21.	Amendment to 7.21. *7.21. Regulated Persons must implement appropriate policies, systems and controls to comply with the statutory reporting framework for sanctions reporting requirements as administered by the FRA.*[23] [23] *Pursuant to the TA.*
58.	**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	Consider replacing "legislation" at line 4 with "the TA or the PFPA". **<u>Suggested wording:</u>** *"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 **TA or the PFPA** ~~legislation~~. The information reported must include"*	The Authority acknowledges the recommendation. 7.22 has been deleted.	None.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	7.22.3. the nature and amount of funds or economic resources held by that individual or entity.	Recommendation: The Authority should include how/what form the report should take, for example: "Regulated Persons must report to the Governor, through the FRA, **via the CRF**, 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" It would be useful to have specifics on the format required for such a report.		
		Reporting Obligations to the Competent Authority 3. Paragraph 7.22 states, in the preamble before paragraph 7.22.1, the following. The words of concern are highlighted (other than the concern about grammar): "*7.22* ***Regulated persons must report to the Governor, through the FRA, Without Delay, if it is aware or have reasonable cause to suspect that an individual*** *or an entity is a Designated person or* ***has committed an offence under the legislation ………………"*** 4. What individual is Paragraph 17.22 referring to? Is it the individual referred to in paragraph 7.17.3 (individuals acting on behalf	The Authority acknowledges the questions. 7.22 has been deleted.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		or, or at the discretion of, Designated Persons? 5. What legislation is Paragraph 7.22 referring to?		
		Consider replacing "legislation" at line 4 with "the TA or the PFPA".	The Authority acknowledges the recommendation. 7.22 has been deleted.	
59.	**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.	Recommendation: The Authority should include how/what form the report should take, for example: "Once an individual or entity is delisted, such Regulated Persons must advise the Governor, through the FRA, **via the CRF**, of any actions taken in relation to that delisted individual or entity, Without Delay." It would be useful to have specifics on the format required for such a report.	The Authority acknowledges the recommendation. 7.23 has been deleted.	None.
		Consider removing the Governor. Persons must advise the FRA.	The Authority acknowledges the comment. The amendment is no longer relevant to 7.23 because the rule has been deleted.	
60.	**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.	As stated, this requirement is not clear but the rule appears to be focusing on criminal conduct by the Designated Person. **<u>Suggested wording</u>:** "<u>*In addition to their reporting obligations under the sanctions*</u>	The Authority acknowledges the recommendation. 7.24 has been deleted.	None.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		regime, Regulated Persons must file a SAR if they suspect or have grounds to suspect criminal conduct ***on the part of*** ~~*that is separate from*~~ *the Designated Person that is the target of TFS.*"		
		As stated, this requirement is not clear. Please consider replacing "that is separate" with "on the part of" at lines 2 to 3.		
		Consider replacing regime with "legislations".	The Authority acknowledges the comment. The amendment is no longer relevant to 7.24 because the rule has been deleted.	
		6. Paragraph 7.24 of the proposed Sanctions Rule states the following: *"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 TPS."* 7. It is not clear what Paragraph 7.24 is trying to say. Is it just saying that a Designation Person must comply with the AMLRs as they relate to SARs with respect to any person who is not connected to the Designated Person?	The Authority acknowledges the question. 7.4 has been deleted.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
61.	**Unfreezing Assets** **7.25. – 7.26.** 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.	This section appears to introduce detailed obligations relating to the unfreezing of assets and account reactivation. As unfreezing is governed by the sanctions framework administered by the Governor and reported to the FRA, it may be helpful to clarify whether these steps are grounded in existing legal requirements. If not, the Rule may risk extending beyond CIMA's supervisory remit. It may be more appropriate to focus on Regulated Persons having adequate systems and controls to comply with the legal unfreezing process, rather than prescribing specific actions that are not set out in legislation.	The Authority acknowledges the suggestion. 7.25 – 7.26 are amended.	Amendment to 7.25 – 7.26 (now 7.22). ***Unfreezing Assets*** ***7.22 Where an individual or an entity is no longer subject to an asset freeze, Regulated Persons must implement appropriate policies, systems and controls to comply with unfreezing processes, as guided by the FRA.*** ~~*7.25. Upon* becoming aware or receiving notification advising that an individual or entity is no longer designated under a sanctions regime, a Regulated Persons 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.~~
		It is also noted that the Proliferation Financing (Prohibition) Law Part 1A addresses the freezing of funds but is devoid of a provision to unfreeze funds.		
		Consultations with the FRA should assist in ensuring alignment with obligations under the TFS framework.	The Authority acknowledges the recommendation. The Section on **Unfreezing Assets** is updated into a single Rule 7.22	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
				~~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.~~
62.	**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.	Consider replacing no longer designated under a sanctions regime with "no longer subject to an asset freeze". 7.25.5: Consider adding "where necessary". 7.26 Consider replacing notify the Governor, through the FRA with "advise the FRA at financialsanctions@gov.ky".	The Authority acknowledges the comment. 7.25 has been replaced. The FRA's email address has been added as a footnote to paragraph 1.2.	New 7.25 (now 7.22). *~~7.25~~* ***7.22 Where an individual or an entity is no longer subject to an asset freeze, Regulated Persons must implement appropriate policies, systems and controls to comply with unfreezing processes, as guided by the FRA.*** *~~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~~*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
				Amendment to 1.2. *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* ***and applications for Licences*** *to the Financial Reporting Authority ("FRA").*[**1**] *Therefore, all reports relating to Targeted Financial Sanctions ("TFS") should be made to the ~~Governor through the~~ FRA.*[~~1~~**2**] [1] ***The FRA can be contacted at financialsanctions@gov.ky.*** [~~1~~**2**] *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~~* ***or*** *suspected breaches of Financial Sanctions.*
		LICENSING		
63.	**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 form[*18*]. [*18*]The form can be obtained from the FRA's website.	It is suggested the name of the prescribed form be included to avoid any ambiguity.	The Authority acknowledges the recommendation. Rule 7.27 is amended to include the Asset Freeze and Trust Services Prohibitions Licence Application Form.	Amendment to 7.27. (now 7.23.). *~~7.27~~* ***7.23*** *Any Regulated Person seeking a Licence ~~for the release of funds or other assets, which are subject~~ to* ***allow*** *an ~~"asset freeze",~~* ***act that would otherwise breach prohibitions imposed by Financial Sanctions or TFS,*** *must apply to the* ***Governor, with a copy to the FRA,*** *using the* ***Asset Freeze and Trust Services Prohibitions Licence Application Form or any other form*** *prescribed ~~form~~* ***by the FRA***[~~16~~**24**]*.* [~~16~~**24**] *The form can be obtained from the FRA's website.*
		Consider changing for the release of funds or other assets, which are subject to an asset freeze with "to allow an act that would otherwise breach prohibitions imposed by Financial Sanctions of TFS" Consider adding ", with a copy to the FRA" after must apply to the Governor.	The Authority acknowledges the comments. 7.27 is amended.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
ENFORCEMENT				
64.	**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.	Consider whether the enforcement powers/fines available for breaches of these Rules would comply with FATF Rec. 25 on Sanctions i.e. that they are proportionate and dissuasive and will also apply to an entity's directors and senior management. Further, consider whether the below language is necessary: "In the event of any inconsistency or conflict between the Rule and any prior or existing guidance notes, policy statements, or interpretive materials issued by the Authority, the provisions of the Rule shall take precedence." Since guidance is not legally binding, there should be no question concerning which will take precedence.	The Authority acknowledges the suggestion.	No amendment.