

FINANCIAL REPORTING AUTHORITY

(CAYFIN)



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PUBLIC NOTICE

Fresh Sanctions as Russia invades Ukraine

The UK government has issued new restrictive economic measures in response to the invasion of Ukraine by Russia. What does this mean for the Cayman Islands?

The Russian Regime

[The Russia \(Sanctions\) \(EU Exit\) Regulations 2019, and amendments](#) made under the UK's Sanctions and Anti-Money Laundering Act 2018 (**SAMLA**) are extended with modifications, to ensure it can be effectively implemented in the Cayman Islands, via [Russia \(Sanctions\) \(Overseas Territories\) Order 2020, and amendments](#) (together "the Regulations"). The Regulations provide for the freezing of funds and economic resources of certain persons, entities or bodies involved in destabilising Ukraine or undermining or threatening the territorial integrity, sovereignty or independence of Ukraine, or obtaining a benefit from or supporting the Government of Russia.

HM Treasury Office of Financial Sanctions Implementation (**OFSI**) has issued several notices regarding Russia over the last week. You can access these from the [Financial Reporting Authority \(FRA\)](#) and the [Cayman Islands Monetary Authority \(CIMA\)](#) websites.

To date, several banks, individuals, and entities have had their assets frozen. Among the targets are:

- VTB, Russia's second-largest bank, worth £154bn;
- Rostec, Russia's defence giant, responsible for \$13bn of arms exports per year;
- Kirill Shamalov, the ex-son-in-law of the Russian President Vladimir Putin and Russia's youngest billionaire;
- Tactical Missiles Corporation Joint Stock Company, Russian state-owned defence company and one of the most prominent manufacturers of missiles in Russia;
- Uralvagonzavod is a wholly Russian-state owned company that produces military equipment, particularly tanks, for the Russian armed forces. It is one of the world's largest tank manufacturers; and
- Vladimir Putin (President of the Russian Federation), and Sergei Lavrov (Russian Foreign Minister).

What must be done?

- i. check whether you maintain any accounts or hold any funds or economic resources for the persons set out in the Annex to the Notice;
- ii. freeze such accounts, and other funds or economic resources and any funds which are owned or controlled by persons set out in the Annex to the Notice;
- iii. refrain from dealing with the funds or assets or making them available (directly or indirectly) to such persons unless licensed by the Governor;
- iv. report any findings to the FRA at financialsanctions@gov.ky, together with any additional information that would facilitate compliance with the Regulation;
- v. provide any information concerning the frozen assets of designated persons to the FRA at financialsanctions@gov.ky by completing and submitting a Compliance Reporting Form (CRF) available from the website <http://fra.gov.ky/contents/page/1>. Information reported to FRA may be passed on to other regulatory authorities or law enforcement.

Failure to comply with financial sanctions legislation or to seek to circumvent its provisions is a criminal offence.

It is therefore important that you fully understand the assets under the ownership and control of your clients. You must carry out appropriate customer due diligence on your clients which includes regular screening (including onboarding and on incoming/outgoing transactions) against the list of individuals and entities designated under this regime.

The full list of those subject to financial sanctions under the Russian Regime can be found at:

[Consolidated List of Financial Sanctions – Russia Regime Asset Freeze Targets](#)

[Consolidated List of Financial Sanctions – Russia Regime Investment Ban Targets](#)

Please see OFSI's [Guidance for the financial and investment restrictions in Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#).

For more information please see also OFSI's [General Guidance for Financial Sanctions](#) and the FRA's [Financial Sanctions Guidance](#).

This is a fluid situation and you are strongly encouraged to seek legal advice where necessary.

You must also be mindful of the current trade prohibitions in relation to Russia, including those that apply to military-related goods and technology; provision of technical assistance; energy-related goods and services, services related to the relevant infrastructure sector and tourism in Crimea etc.

The UK Department of Internal Trade (DIT) Export Control Joint Unit (in conjunction with the Foreign, Commonwealth and Development Office (FCDO) and OFSI) has issued detailed guidance in relation to Russia under s.43 of SAMLA. The latest guidance – updated on 14 February 2020 can be found [here](#).

OFFENCES AND PENALTIES

- **Offences can include:**

- making funds or economic resources available to a designated person (except where an exemption applies or under a licence issued by the Governor)
- dealing with funds or economic resources that must be frozen (except where an exemption applies or under a licence issued by the Governor)
- failing to comply with reporting obligations
- activities that circumvent an asset freeze
- breaches of licensing conditions

- **Penalties**

- Breaches of financial sanctions are considered to be a serious criminal offence. Offences under the Regulations carry a maximum of seven years imprisonment on conviction on indictment, or to a fine or both, or on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding £5,000 or its equivalent or to both.