



**Financial Reporting Authority
Portfolio of Legal Affairs**

FINANCIAL SANCTIONS

Guidance

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This Financial Sanctions guidance is produced by the Financial Reporting Authority (FRA), part of the Portfolio of Legal Affairs. The Governor of the Cayman Islands is the competent authority for the implementation of financial sanctions in the Cayman Islands; however, pursuant to the Governor's delegation, the FRA is responsible for carrying out certain functions with respect to the implementation of targeted financial sanctions for terrorism, terrorist financing, proliferation and proliferation financing in the Cayman Islands (as noted under the "Financial sanctions in force in the Cayman Islands" below).

The purpose of this guidance is to assist relevant institutions, businesses and professions in complying with their obligations under financial sanctions including the approach to licensing and compliance issues.

This guidance is general in nature so you should also refer to the relevant, up-to-date legislation as well as any other relevant guidance issued by competent authorities or sector specific guidance where it is available.

This guidance does not constitute legal advice. As appropriate you should obtain legal advice to assist in understanding your legal obligations in order to ensure your compliance with the Cayman Islands' sanctions regime.

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National AML/CFT/CPF Governance

Anti-Money Laundering Steering Group (AMLSG)

- 1) The AMLSG is the governing body responsible for the general oversight of anti-money laundering (AML), counter financing of terrorism (CFT) and counter proliferation financing (CFP) policy in the Cayman Islands. It is also responsible for the general administration of the Financial Reporting Authority (FRA), overseeing its work and promoting effective collaboration between regulators and law enforcement agencies.

Anti-Money Laundering Unit (AMLU)

- 2) The AMLU is the secretariat for the AMLSG, and also chairs the Inter-Agency Coordination Committee (IACC). The role of the Anti-Money Laundering Unit is to:
 - Coordinate the AML/CFT National Risk Assessment (NRA) on behalf of the AMLSG and provide information on the results of the risk assessment to all relevant competent authorities and self-regulatory bodies (SRBs), financial Institutions and DNFBPS;
 - Coordinate and prepare for mutual evaluations conducted by the Caribbean Financial Action Task Force (CFATF) and follow-up actions;
 - Oversee the implementation of new legislation or amendments to existing AML/CFT legislation; and
 - Act as the central agency for the collection, compilation of AML/CFT data and statistics.

Inter-Agency Co-ordination Committee (IACC)

- 3) The (IACC) is the body responsible, at the operational level, for the implementation of AMLSG policies; inter-agency cooperation and coordination with respect to anti-money laundering, counter terrorism financing and counter proliferation financing; and coordinating the assessment of national money laundering and terrorism financing risks.

- 4) The IACC is expected to play a vital role in the implementation of targeted financial sanctions as it will be involved in the assessing and proposing of persons or entities for designation.

Financial Reporting Authority (FRA)

- 5) The FRA is the Cayman Islands' Financial Intelligence Unit (FIU) with responsibility for receiving, requesting, analysing and disseminating disclosures of financial information concerning the proceeds of criminal conduct, money laundering and the financing of terrorism. In 2017 the FRA assumed the responsibility for ensuring the implementation of targeted financial sanctions with respect to terrorism, terrorism financing, proliferation, proliferation financing, and other restrictive measures related to anti-money laundering (AML) and combatting the financing of terrorism (CFT) and proliferation (CFP) from and within the Cayman Islands.

Sanctions Coordinator (SC)

- 6) The SC of the FRA is responsible for coordinating the implementation of targeted financial sanctions with respect to terrorism, terrorism financing, proliferation and proliferation financing. The SC will take a holistic approach to ensuring compliance with the sanctions regime to cover the whole lifecycle of compliance. For example, by promoting compliance by publishing financial sanctions, engaging with the private sector, and providing guidance and alerts to help them discharge their own compliance responsibilities. The SC will also perform a central and proactive role in the making of recommendations for designation to the Governor.

Financial Crimes Unit (FCU)

- 7) The FCU is the unit within the Royal Cayman Islands Police Service with responsibility for investigating all financial crimes with links to the Cayman Islands. This includes money laundering (ML) investigations, with the exception of ML related to corruption as a predicate offence, which is dealt with by the Anti-Corruption Commission (ACC), and TF investigations. The FCU also conducts parallel investigations with other sections of the RCIPS.

Cayman Islands Monetary Authority (CIMA)

- 8) Under the Monetary Authority Law (MAL), one of CIMA's four principal functions is its regulatory function, which includes an obligation to monitor compliance with applicable sanctions obligations, including the requirements under the Anti-Money Laundering Regulations ("AMLRs"), the Guidance Notes and other regulatory measures, primarily through inspections. CIMA must therefore ensure that persons or entities under its regulatory laws are aware of applicable international targeted financial sanctions and any local designations or directions that are in force as well of their responsibilities for sanctions screening and reporting.
- 9) Regulation 5 of the AMLRs requires that persons carrying out relevant financial business must consider sanctions at the time of conducting risk assessments. Financial Service Providers (FSPs) must therefore ensure that, among other things, they
 - have adequate systems to identify risk in relation to persons, countries and activities which includes checks against all applicable sanctions lists (Regulation 5 A (v))
 - have procedures for the ongoing monitoring of business relationships or one-off transactions 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. (Regulation 5 A (viii))
 - have procedures to ensure compliance with targeted financial sanctions obligations applicable in the Islands. (Regulation 5 A (viii))
 - take appropriate measures for making employees aware of the enactments relating to money laundering, terrorist financing, proliferation financing and targeted financial sanctions (Regulation 5 (c) (ii)) ; and

- provide employees with training in the recognition and treatment of transactions carried out by, or on behalf of, any person who is, or appears to be, engaged in money laundering, terrorist financing of proliferation financing, or whose assets are subject to targeted financial sanctions applicable in the Islands. (Regulation 5 (d))
- 10) CIMA also reviews regulated entities' reports and returns, paying special attention to persons, entities or countries listed on any autonomous list of designations and applicable international targeted financial sanctions. CIMA in the course of its duties will file a report with the Financial Reporting Authority if there is any evidence or suspicion of any sanctions breaches by a regulated entity.

Department of Commerce and Investment (DCI)

- 11) DCI is central in providing the necessary framework conducive to a successful business environment through its licensing, regulatory and enforcement functions. In March 2017, DCI was designated as the supervisory authority to monitor compliance with the AMLRs for dealers in precious metals and stones, and real estate agents.

The General Registry (GR)

- 12) The Registrar of non-profit organisations (NPOs) is the competent authority for the AML/CFT supervision of the NPOs and has the appropriate regulations and enforcement powers in place to safeguard NPOs from abuse. The Non-Profit Organisation Law (NPO Law) and associated Regulations came into force on August 1, 2017 and imposed a stringent set of disclosure requirements on those entities registered as NPOs.

Cayman Islands Institute of Professional Accountants (CIIPA)

- 13) In December 2017, CIIPA, a self-regulatory organisation, was designated as the supervisory authority responsible for the oversight and monitoring of accountants with regard to their compliance with the requirements of the AMLRs.

Cayman Islands Legal Practitioners Association (CILPA)

- 14) In February 2019, CILPA a self-regulatory organisation (SRO), was designated as professional supervisory body for firms of attorneys and sole practitioners in the Cayman Islands. CILPA constituted The Cayman Attorneys Regulation Authority (CARA), which has been delegated supervisory functions.

Proliferation Inter-Agency Group (PIAG)

- 15) PIAG is a sub-committee of the IACC which was established by the AMLSG in April 2019 to provide a more focused approach on the implementation of PF-related matters. The SC is the Chairperson and members are representatives from CIMA, AMLU, FRA, DCI, GR, FCU, the Office of the Director Public Prosecution (ODPP), Customs & Border Control (CBC), the Ministry of Financial Services (MFS), Maritime Authority of the Cayman Islands and the Ministry of Finance and Economic Development. The core purpose of PIAG is to ensure coordination and cooperation in the area of PF and to help equip FIs and DNFBPs with a better understanding of PF risks in order to successfully mitigate against those risks.

A. FINANCIAL SANCTIONS OVERVIEW

1. What are sanctions?

- 16) Sanctions are used as a foreign policy tool as part of a broader political and diplomatic strategy to achieve a desired outcome from a target country or regime. They are usually agreed and coordinated at an international level by the United Nations Security Council and the European Union. They may include travel, arms, financial and trade restrictions against the individuals and entities that are subject to the restrictions.

- 17) The primary aim of all UN sanctions, as set out in Chapter VII of the UN Charter, is to implement decisions by its Security Council for the maintenance of international peace and security. There are three categories of sanctions namely (1) terrorism/terrorist financing (2) proliferation financing and (3) general sanctions against countries (internal conflicts).
- 18) The EU imposes sanctions to further its Common Foreign and Security Policy objectives.

2. Why do we have financial sanctions?

- 19) Financial sanctions are restrictions put in place by the UN, EU, or UK to achieve a specific foreign policy or national security objective. They can:
- limit the provision of certain financial services
 - restrict access to financial markets, funds and economic resources¹.

3. Why are financial sanctions imposed?

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

¹ OFSI – Financial sanctions: general guidance page 6

4. How are sanctions imposed?

- 21) **The United Nations (UN)** imposes financial sanctions and requires member states to implement them through Resolutions passed by the UN Security Council (UNSC)².
- 22) **The European Union (EU)** implements all financial sanctions imposed by the UN. It does this through EU regulations which have direct legal effect in the UK and all other EU member states.

The EU can also impose its own financial sanctions, sometimes referred to as 'EU autonomous' sanctions. These are also implemented through regulations that have direct effect in all member states³.
- 23) **The United Kingdom (UK)** makes statutory instruments (UK regulations) to impose penalties for any breach of EU regulations and to obtain, provide and use information relating to the operation of these regulations.
- 24) In addition, the UK has its own domestic regime to impose financial sanctions and restrictions pursuant to domestic legislation⁴.
- 25) **The Cayman Islands** can impose its own financial sanctions and restrictions under the *Terrorism Law (2018 Revision)* (TL) and the *Proliferation Financing (Prohibition) Law (2017 Revision)* (PFPL).

5. Financial sanctions in force in the Cayman Islands

- 26) The financial sanctions in force in the Cayman Islands are essentially the same as those imposed in the UK. There are currently 33 regimes that are subject to financial sanctions in the UK which can be found on the HM Treasury Office of Financial Sanctions Implementation (OFSI)⁵ website.

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>.

² The UN website provides further information on financial sanctions:
<https://www.un.org/sc/suborg/en/sanctions/information>

³ Additional information on financial sanctions in the EU can be found here:
https://eeas.europa.eu/headquarters/headquarters-homepage/423/sanctions-policy_en

⁴ UK domestic legislation: Terrorist Asset-Freezing etc. Act 2010, Counter Terrorism Act 2008 and Anti-Terrorism, Crime and Security Act 2001

⁵ OFSI is the competent authority for the implementation of financial sanctions in the UK.

27) Below is a list of financial sanctions targets by regime, which can also be found on CIMA's website with direct links to OFSI, that are in force in the Cayman Islands. The FRA does not guarantee that this list is accurate, complete or up-to date; therefore, it should not be relied upon as the sole source of information. It is the responsibility of the relevant institution to keep itself informed and up to date with all applicable sanctions and changes thereto:

1. Financial sanctions, [Afghanistan](#)
2. Financial sanctions, [Belarus](#)
3. Financial sanctions, [Burma](#)
4. Financial Sanctions, [Burundi](#)
5. Financial sanctions, [Central African Republic](#)
6. Financial sanctions, [Chemical weapons](#)
7. Financial sanctions, [Democratic Republic of the Congo](#)
8. Financial sanctions, [Egypt](#)
9. Financial sanctions, [Republic of Guinea](#)
10. Financial sanctions, [Republic of Guinea-Bissau](#)
11. **Financial sanctions, [Iran \(human rights\)](#)**
12. Financial sanctions, [Iran \(nuclear proliferation\)](#)
13. Financial sanctions, [Iraq](#)
14. **Financial sanctions, [Isil \(Da'esh\) and Al-Qaida organisations](#)**
15. Financial sanctions, [Lebanon and Syria](#)
16. Financial sanctions, [Libya](#)
17. Financial sanctions, [Mali](#)
18. Financial sanctions, [North Korea \(Democratic People's Republic of Korea\)](#)
19. Financial sanctions, [Somalia](#)
20. Financial sanctions, [South Sudan](#)
21. Financial sanctions, [Sudan](#)
22. Financial sanctions, [Syria](#)
23. List of designated persons, [terrorism and terrorist financing](#) - (UN Security Council Resolution 1373, the EU Council Regulation (EU) No 2580/2001 and UK's Terrorist Asset-Freezing etc. Act 2010 (TFA 2010):
24. Financial sanctions, [Tunisia](#)
25. Financial sanctions, [Ukraine \(Misappropriation and Human Rights\)](#)
26. Financial sanctions, [Ukraine \(Sovereignty and Territorial Integrity\)](#)
27. Financial sanctions, [Venezuela](#)
28. Financial sanctions, [Yemen](#)
29. Financial sanctions, [Zimbabwe](#)

28) As a British Overseas Territory (BOT), the Cayman Islands is not a member of the EU in its own right and is reliant upon the EU and UK framework for implementing sanctions from the UNSC and the EU.

- 29) The UK extends sanctions measures to the Cayman Islands by way of Overseas Territories Orders in Council (OOIC) for the various sanctions regimes. Each OOIC implements the UN and/or EU sanctions measures.
- 30) The Governor of the Cayman Islands is the competent authority for implementation of financial sanctions measures and under each OOIC has certain powers and duties in relation to the administration of these measures. Such powers and duties include: the power to grant vary and revoke licences; the duty to publish certain lists; and power to delegate any of the Governor's functions.
- 31) The current OOICs that give effect to targeted financial sanctions in the Cayman Islands are:
- For UNSCR 1267 and EU Regulations 881/2002 and 753/2011, are the Afghanistan (United Nations Measures) (Overseas Territories) Order 2012 and the Isil (Da'esh) and Al-Qaida (Sanctions) (Overseas Territories) Order 2016 respectively.
 - For UNSCRs 1718 and 2231 and EU Regulations 2017/1509 and 267/2012, the Democratic People's Republic of Korea (Sanctions) (Overseas Territories) Order 2012 and the Iran (Sanctions) (Overseas Territories) Order 2016 respectively
- 32) UNSCRs 1267, 1718 and 2231 are also implemented without delay through the TL and PFPL. The TL defines a designated person in Schedule 4A paragraph 2 and by definition, such designations are automatically adopted as recognised by the UN. Similar to the TL, section 2 of the PFPL defines a designated person as including any subsidiary or other entity owned or controlled by that person, to whom Security Council anti-proliferation financing measures relate.
- 33) EU and UK Terrorism and Terrorist Financing regimes (UNSCR 1373) are also implemented in the Cayman Islands pursuant to the Schedule 4A paragraph 2 (b) (iii) and (iv) of the TL.

Delegation of the Governor’s functions to the FRA

34) Effective November 15, 2017, the Governor of the Cayman Islands, delegated the function of receiving reports to the FRA pursuant to:

- i. Articles 7(2) – 7(4) of The Isil (Da'esh) and Al-Qaida (Sanctions) (Overseas Territories) Order 2016
- ii. Articles 22(1) – 22(3) of The Afghanistan (United Nations Measures) (Overseas Territories) Order 2012;
- iii. Articles 6(2) – 6(4) of The Democratic People’s Republic of Korea (Sanctions) (Overseas Territories) Order 2012;
- iv. Articles 8(2) – 8(4) of The Iran (Sanctions) (Overseas Territories) Order 2016
- v. Paragraph 20 of Schedule 4A of the Terrorism Law (2017 Revision)

Table 1: Cayman Islands Government Departments and Agencies involved in sanctions

Departments	Responsibility
UK Foreign & Commonwealth Office	<ul style="list-style-type: none"> • Negotiates all international sanctions for Cayman Islands.
The Governor	<ul style="list-style-type: none"> • Cayman Islands competent authority for implementing financial sanctions (certain functions delegated to the FRA).
Anti-Money Laundering Steering Group (AMLSG)	<ul style="list-style-type: none"> • The body responsible for the general oversight of anti-money laundering (AML), counter financing of terrorism (CFT) and counter proliferation financing (CFP) policy in the Cayman Islands.

<p>Inter-Agency Co-ordination Committee (IACC)</p>	<ul style="list-style-type: none"> • Responsible, at the operational level, for the implementation of AMLSG policies; inter-agency cooperation and coordination with respect to AML, CFT and CFP. • Assessing and proposing of persons or entities for designation.
<p>Supervisory Authorities:</p> <ul style="list-style-type: none"> • Cayman Islands Monetary Authority (CIMA) • Department of Commerce and Investment (DCI) • The Cayman Attorneys Regulation Authority (CARA) • Cayman Islands Institute of Professional Accountants (CIIPA) 	<ul style="list-style-type: none"> • Regulate relevant institutions, relevant businesses and professions. Can enforce administrative fines.
<p>The Financial Reporting Authority (FRA)</p>	<ul style="list-style-type: none"> • Coordinating the implementation of financial sanctions. • Designated body to receive financial sanctions reports as delegated by the Governor. • Receiving and analyzing SARs. • Monitor persons operating in the financial sector for the purpose of securing compliance with the PFPL. • Issue directions under the PFPL to any relevant persons; and persons operating in the financial sector. • Empowered to impose penalties for failure to comply with requirements under the PFPL.
<p>Customs and Border Control (CBC)</p>	<ul style="list-style-type: none"> • Implements trade sanctions and embargoes, and travel bans • Control shipment at border, provide licence and expertise on dual-use goods
<p>Financial Crime Unit</p>	<ul style="list-style-type: none"> • Investigates breaches of financial sanctions • Conduct criminal investigation and pursue civil penalties

Proliferation Inter-Agency Group (PIAG)	<ul style="list-style-type: none"> • Ensure coordination and cooperation in the area of PF and to help equip relevant institutions, relevant businesses and professions to better understand and mitigate PF Risk. • To exchange information for the development and implementation of PF policies and to keep abreast of risks, trends, and findings in the area of PF.
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6. Types of financial sanctions?

35) Financial sanctions come in many forms as they are developed in response to a given situation. The most common types of financial sanctions are:

- **Targeted asset freezes** - apply to named individuals, entities and bodies, restricting access to funds and economic resources. An individual or entity subject to an asset freeze will be listed on OFSI's consolidated list:
<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>
- **Restrictions on a wide variety of financial markets and services** - can apply to named individuals, entities and bodies, specified groups or entire sectors. Such restrictions have taken the form of:
 - investment bans;
 - restrictions on access to capital markets;
 - directions to cease banking relationships and activities;
 - requirements to notify or seek authorisation before certain payments are made or received; and
 - restrictions on provision of financial, insurance, brokering, advisory services or other financial assistance.
- **Directions to cease all business** - of a specified type, with a specific person, group, sector territory or country.

7. Who needs to comply with financial sanctions?

36) Financial sanctions apply more broadly than to the persons subject to them. The following sets out where financial sanctions apply and who needs to comply with them.

- EU financial sanctions (including those implementing UN sanctions) apply within the territory of the EU and to all EU persons, wherever they are in the world.
- UK financial sanctions apply within the territory of the UK and to all UK persons, wherever they are in the world.

37) In the Cayman Islands UN, EU and UK financial sanctions apply to:

- All individuals and legal entities who are within or undertake activities within the Cayman Islands must comply with the EU and UK financial sanctions that are in force. The OOIC provide that financial sanctions apply to⁶:
 - a) any person in the Cayman Islands,
 - b) any person elsewhere who is—
 - i. a British citizen, a British Overseas Territories citizen, a British Overseas citizen, a British subject, a British National (Overseas) or a British protected person and is ordinarily resident in the Territory (Cayman Islands), or
 - ii. a body incorporated or constituted under the law of any part of the Cayman Islands, and
 - c) any person onboard a ship or aircraft that is registered in the Cayman Islands

38) Any person in breach of an obligation under a relevant sanctions measure will be guilty of an offence and liable to a maximum of seven years imprisonment, a fine or both.

⁶ Article 3 of Isil (Da'esh) and Al-Qaida (Sanctions) (Overseas Territories) Order 2016 and in all other OOICs.

8. Non-UN, EU or UK financial sanctions?

39) The FRA does not provide guidance on compliance with foreign sanctions; however, some foreign sanctions have extra-territorial reach, and financial sanctions imposed by other governments may also impact your ability to operate where:

- i. The ownership of your business is by a foreign corporation
- ii. goods originate from that country (if importing goods)
- iii. you are dealing in their currency
- iv. If breached can face legal and financial repercussions

Example OFAC/US Sanctions:

- If you plan to transact in US dollars or work with US persons or companies, check that you comply with OFAC/US sanctions. Remember to consider “owned and controlled by” scenarios.
- Consider filing a SAR to the FRA, if applicable
- You may need a licence from OFAC.
- Seek legal advice

B. FINANCIAL SANCTIONS OBLIGATIONS AND RESTRICTIONS

1. Who is subject to financial sanctions

40) OFSI publishes the ‘consolidated list’ of designated individuals and entities subject to financial sanctions. The consolidated list is maintained by OFSI with a direct link also on the fra.gov.ky financial sanctions webpage.

The consolidated list can be found here:

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets/consolidated-list-of-targets>

- 41) The consolidated list includes all designated persons subject to financial sanctions under EU and UK legislation, as well as those subject to UN sanctions, which are implemented through EU regulations. The consolidated list will assist businesses and individuals in complying with financial sanctions.

2017 legislative changes provide swift implementation of UN listing

The UK implemented legislation that enables all new UN listings for existing EU sanctions regimes to have direct effect in the Overseas Territories, including the Cayman Islands, as soon as they are made by the UN for 120 days, or until the Order in Council implementing the relevant UN financial sanctions Resolution enters into force in the Territory, whichever is sooner (Article 9 of The Policing and Crime Act (Financial Sanctions) (Overseas Territories) Order 2017). The Policing and Crime Act came into force in the UK on 1 April 2017, and the Policing and Crime Act (Financial Sanctions) (Overseas Territories) Order came into force in the Cayman Islands on 2 November 2017.

OFSI has indicated that where listings have been made under a new UN Security Council Resolution the Linking Regulations will be amended to include the new Resolution within 48 hours. As soon as they have been amended the listing will have direct effect in the Cayman Islands as noted above.

The Policing and Crime Act (Financial Sanctions) (Overseas Territories) Order 2017 also enables the Treasury to create a temporary sanctions regime where the UN makes a new listing and there is no corresponding EU sanctions regulation in place to implement it. The temporary regime lasts for 120 days in the Cayman Islands or until the Order in Council implementing the relevant UN financial sanctions Resolution enters into force in the Territory, whichever is sooner (Article 7 of the Policing and Crime Act (Financial Sanctions) (Overseas Territories) Order 2017).

- 42) The FRA will publish on the FRA financial sanctions webpage a “Cayman Islands Domestic Consolidated List of Designated Persons by the Governor” whenever the Governor makes a final designation under the Terrorism Law (2018 Revision). The list will be maintained by the FRA.

2. The consolidated list

2.1 How to use the consolidated list

- 43) The Consolidated list provides information to help you decide whether you are dealing with a designated person. Information on an individual may include:
- full name
 - aliases
 - date of birth
 - nationality
 - passport details

- national identification numbers
 - last known address
 - employment information
 - government role
 - date the designated person was added to the list
- 44) You can [perform a simple search](#) of the consolidated list and you may find that the name of an individual or entity you are dealing with matches one or more entries on the consolidated list. This is known as a **name match**. This does not necessarily mean that the individual or entity you are dealing with is the same one on the list. If you are satisfied that this is the case, you do not need to take further action.
- 45) If the individual or entity you are dealing with matches all the information on the consolidated list, this is likely to be a **target match**.
- 46) If you have reviewed all of the information on the consolidated list against all of the information that you have about the person or entity and you are still unsure as to whether you have a target match, you should contact the FRA for assistance.
- 47) The required steps to take when you have a target match will depend on the specific sanctions that apply to the target. Asset freezes are outlined below in paragraphs 54-56.

2.2 How to get updates to the consolidated list

2.2.1 OFSI updates

- 48) OFSI publishes Notices describing changes to financial sanctions on GOV.UK: <https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>
- 49) You can subscribe to OFSI to receive email updates whenever a new notice is published by clicking on the link here: <https://public.govdelivery.com/accounts/UKHMTREAS/subscriber/new>

2.2.2. FRA updates

- 50) When the FRA receives a notice from OFSI advising of a change to a financial sanctions regime the FRA:
- Converts the notice to a FRA Notice which includes: use of the FRA letter head; changing licence to be from the Governor; changing reporting to the FRA, reference to Guidance by the FRA; enquiries to be made to the SC at financialsanctions@gov.ky.
 - Publishes the FRA notice on the <http://fra.gov.ky/contents/page/1>
 - Sends an automated email to all online subscribers, contacts for regulated entities that have been provided by their respective supervisor, designated contacts at local law enforcements agencies, supervisory authorities to share with their supervised entities, self-regulated bodies, and to other government agencies.
- 51) You can subscribe to receive email updates from the FRA whenever a new notice is published by clicking on the 'Subscribe to sanctions notices' on <http://fra.gov.ky/contents/page/1>.

3. Restrictions and prohibitions

- 52) You are prohibited from carrying out certain activities or behaving in a certain way if financial sanctions apply.
- 53) You should always refer to the up-to-date version of the legislation imposing the specific financial sanctions which apply in your case to understand exactly what is prohibited.

4. Asset freezes

4.1 What does an asset freeze do?

- 54) Where the financial sanction takes the form of an asset freeze, it is generally prohibited to:

- deal with the frozen funds or economic resources, belonging to or owned, held or controlled by a designated person;
- make funds or economic resources available, directly or indirectly, to, or for the benefit of, a designated person; or
- engage in actions that, directly or indirectly, circumvent the financial sanctions prohibitions.

55) The funds and economic resources are to be frozen immediately by the person in possession or control of them.

4.2 What are you required to do?

56) If you **know** or have “**reasonable cause to suspect**” that you are in possession or control of, or are otherwise dealing with funds or economic resources owned, held or controlled by a designated person you must:

- freeze the funds or economic resources
- not deal with them or make them available to, or for the benefit of, the designated persons, unless:
 - there is an exemption in the legislation you can rely on
 - you have been issued a licence from the Governor
- you report them to the FRA (see Section D)

Reasonable cause to suspect refers to an objective test that asks whether there were factual circumstances from which an honest and reasonable person should have inferred knowledge or formed the suspicion. Breaching sanctions requirements may result in criminal prosecution or a civil penalty or an administrative fine.

4.3 Asset freezing terminology

57) **Funds** generally means financial assets and benefits of every kind, including (but not limited to):

- cash, cheques, claims on money, drafts, money orders and other payment
- instruments;
- deposits with financial institutions or other entities, balances on accounts, debts and debt obligations;

- publicly and privately-traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts;
- interest, dividends or other income on or value accruing from or generated by
- assets;
- credit, right of set-off, guarantees, performance bonds or other financial commitments;
- letters of credit, bills of lading, bills of sale;
- documents showing evidence of an interest in funds or financial resources;

58) **Economic resources** means assets of every kind, whether tangible or intangible, movable or immovable, which are not funds, but may be used to obtain funds, goods or services.

59) **Goods** include items, materials and equipment.

60) **Dealing with funds** includes to move, transfer, alter, use, access, or to deal with in any way which would result in any change in the funds' volume, amount, location, ownership, possession, character, destination or any other change that would enable use, including portfolio management i.e. the management of securities (shares, bonds, etc.) and other assets.

61) **Dealing with economic resources** means using the economic resources to obtain funds, goods, or services in any way, including, but not limited to, by selling, hiring or the mortgaging resources. It is not prohibited for a designated person to use their own economic resources for personal consumption (e.g. using their car to do the shopping). However, a designated person could not sell or use the resource to generate funds (e.g. by selling the car or using it for a taxi or courier business) without a licence.

62) **Making available funds or economic resources, directly or indirectly, to a designated person** - if a person makes funds available (directly or indirectly) to a designated person, or economic resources are made available (directly or

indirectly) that would likely be exchanged, or used in exchange, for funds, goods or services by the designated person, this is a criminal offence

- 63) **Making available funds or economic resources for the benefit of a designated person** – if funds or economic resource are made available for the benefit of a designated person and they obtain, or are able to obtain, a “significant financial benefit” from the funds or economic resources, this is an offence. In this instance financial benefit includes the discharge of a financial obligation for which the designated person is wholly or partly responsible.
- 64) **Financial services** – pursuant to Schedule 4A paragraph 38 of the Terrorism Law, means services provided by the regulated sector. Schedule 4A sections 14 and 15 provide restrictions on the provision of financial services.

5. Other financial restrictions

- 65) **Financial sanctions regimes may include other restrictions in addition to asset freezes.** Where these exist, they will be listed on the individual regime pages on GOV.UK:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidatedlists-and-releases>

C OWNERSHIP AND CONTROL

- 66) A designated person is recorded on the consolidated list. However, an asset freeze and some financial services restrictions will also apply to entities that are owned or controlled, directly or indirectly, by a designated person. The entities may not be designated in their own right, so their name may not appear on the consolidated list. However, those entities are similarly the subject of the financial sanctions⁷.

⁷ OFSI Financial sanctions – general guidance page 14-16

1. Ownership

- 67) In line with EU guidance, the key criterion to assessing whether a legal person or entity is owned by another legal person or entity is the possession of more than 50% of the proprietary rights of an entity or having a majority interest in it. If this criterion is met, and the owner is also a designated person, then financial sanctions will also apply to the entity that is owned by the designated person.
- 68) 'Owned' is interpreted to include direct and indirect ownership. If it is determined that a designated person is the ultimate beneficial owner of an entity (for example, the designated person owns a corporate body that owns another corporate body), the view taken is that all entities that are part of the ownership chain are subject to financial sanctions.

1.1 Minority interests

- 69) When a designated person has a minority interest in another legal person or entity this does not necessarily mean that financial sanctions also apply to them as the ownership criterion has not been met.
- 70) However, you should remain vigilant to any changes in the stake held by the designated person in case it increases to greater than 50% (or the designated person obtains a majority interest) at which point financial sanctions will also apply to that legal person or entity.
- 71) You should also consider whether a designated person is in 'control' of another legal person or entity. Financial sanctions apply in this situation even where a designated person may only possess a minority interest.

2. Control

- 72) In line with EU guidance, satisfaction of at least one of the following criteria is sufficient to establish whether a legal person or entity is controlled by another legal person or entity, alone or pursuant to an agreement with another shareholder or other third party:

- Having the right or exercising the power to appoint or remove a majority of the members of the administrative, management or supervisory body of such legal person or entity
- Having appointed solely as a result of the exercise of one's voting rights a majority of the members of the administrative, management or supervisory bodies of a legal person or entity who have held office during the present and previous financial year financial year
- Controlling alone, pursuant to an agreement with other shareholders in or members of a legal person or entity, a majority of shareholders' or members' voting rights in that legal person or entity
- Having the right to exercise a dominant influence over a legal person or entity, pursuant to an agreement entered into with that legal person or entity, or to a provision in its Memorandum or Articles of Association, where the law governing that legal person or entity permits its being subject to such agreement or provision
- Having the power to exercise the right to exercise a dominant influence referred to in the point above, without being the holder of that right (including by means of a front company)

73) The EU's Best Practices guide can be found here:

<http://data.consilium.europa.eu/doc/document/ST-10254-2015-INIT/en/pdf>

EU guidance will be interpreted broadly in respect of ownership and control. The above list of criteria is intended to be indicative of the factors leading to control being established, however it is not an exhaustive list.

74) It is possible that a designated person may have control or use of another person's bank accounts or economic resources and may be using them to circumvent financial sanctions.

75) Examples could include a designated person registering assets in the name of associates or family members or using non-designated persons' bank accounts to hold funds and facilitate transfers.

- 76) Such actions may constitute a breach of the prohibitions or circumvention of financial sanctions and may result in a criminal prosecution.

D. YOUR REPORTING RESPONSIBILITIES TO THE FRA

1. General obligations to report

- 77) Sanctions obligations under the legislation (OOICs, TL and PFPL) require natural and legal persons to supply the FRA as soon as practicable, with any information that would 'facilitate compliance' with the legislation.
- 78) Any information provided to the FRA will only be used for the purposes for which it was provided or received.

2. Who must report?

- 79) The sanctions legislation, which enforces the EU and UK regulations, set out specific reporting obligations for a "relevant institution⁸" and a "relevant business or profession⁹".

3. Relevant institution, or relevant business or profession

- 80) A relevant institution includes –
- a body or person who is part of the regulated sector; or
 - a person conducting relevant financial business, as defined in the Proceeds of Crime Law (2020 Revision). See **Annex 1** for activities falling within the definition of relevant financial business.
- 81) Relevant business or profession means any of the following:
- an auditor;
 - a dealer in precious metals or stones;

⁸ Paragraph 1 of Schedule 4 A of the Terrorism Law (2018 Revision)

⁹ Article 9 of The ISIL (Da'esh) and Al-Qaida (Sanctions) (Overseas Territories) Order 2016 as amended by The Sanctions (Overseas Territories) (Amendment of Information Provisions) Order 2018, and in other OOICs

- an external accountant;
- an independent legal professional;
- a real estate agent;
- a tax adviser; and
- a trust or company service provider

4. Responsibilities of relevant institution, business or profession

- 82) As a relevant institution, business or profession, you must have adequate policies and procedures to comply with the sanctions measures, which should be properly documented, reviewed and endorsed by senior management, including the Board.
- 83) You should determine your risk profile with reference to the following non-exhaustive list of risk factors:
- customer, product and activities,
 - distribution channels,
 - complexity and volume of transactions,
 - processing and systems,
 - operating environment,
 - screening processes of intermediaries, and
 - geographic risk.
- 84) You should also determine reasonable and proportionate due diligence and screening measures to understand your customers (including ownership and control information) and the activities undertaken by each customer. Due diligence and screening should be commensurate with the nature of the transaction or activity concerned and the likelihood that it may otherwise give rise to an infringement of sanctions. Due diligence should be conducted wherever possible at the commencement of any business relationship and thereafter on an ongoing basis. The frequency of screening will depend on factors such as the type of customer, business relationship, product or transaction.
- 85) You should also have systems and controls in place to prevent any participation in prohibited activities with designated or listed persons and

restricted goods and services etc. It is also important for all relevant staff to be trained, and assessed, on how to comply with the established sanctions compliance procedures.

4.1 Checking the consolidated list

- 86) Before engaging in a business relationship or providing a financial service you should screen the names of your customers, including the beneficial owners, against the consolidated list to ensure you are not dealing with a designated person. You should also check the Consolidated List against your existing customers on an ongoing basis in the event of updates.
- 87) Upon receipt of a Financial Sanctions Notice advising of an addition of an individual or entity to the consolidated list, and If you know or have reasonable cause to suspect that you are in possession or control or are otherwise dealing with the funds or economic resources of a designated person, you **MUST**:
- immediately freeze the funds, or economic resources of the designated person;
 - not enter into financial transactions or provide financial assistance or services in relation to: (i) designated person or any third party; or (ii) proliferation and nuclear or other sanctioned activities; unless there is an exemption in the legislation that you can rely on or you have a licence from the Governor;
 - Immediately report them to FRA
 - Complete and submit the Compliance Reporting Form (CRF) - (**See annex 2**) to the FRA as soon as practicable.
- 88) Where you have already reported details of accounts, other funds or economic resources held frozen for designated persons, you are not required to report these details again.
- 89) If there are details of any other involvement with a listed individual or entity, directly or indirectly, or of any attempted (or suspected attempted) transactions involving those individuals or entities, this should also be reported to the FRA.

- 90) Failure to comply with financial sanctions legislation or to seek to circumvent any provision is a criminal offence which may result in criminal prosecution (See Penalties below).

4.2 Record Keeping

- 91) You should maintain records of any potential matches to names on sanctions lists - whether the match turns out to be a true match or a false positive (see false positives below).
- 92) You should, as a minimum, keep the following information about any match –
- The information or other grounds which triggered the match (e.g. a “hit” provided by screening software);
 - any further checks or enquiries undertaken;
 - the sanctions regime;
 - the person(s) involved, including any members of compliance or senior management who authorised treatment of the match as a false positive;
 - the nature of the relationship with the person or entity involved, including attempted or refused transactions;
 - subsequent action taken (e.g. freezing of funds);
 - if you consulted with, or filed a report with the FRA

4.3 What you must report

- 93) If you are a relevant financial institution or a relevant business or profession, you are required to report to the Governor (through the FRA) as soon as practicable if you know or have a reasonable cause to suspect that a person¹⁰:
- is a designated person;
 - has committed an offence under the legislation.

¹⁰ Article 22 The Afghanistan (United Nations Measures) (Overseas Territories) Order 2012 and all other OOIC and the Schedule 4A section 20 of the TL

Examples:

- (1) If you work in a company, for example a law or accountancy firm, and become aware that one of your clients may be dealing in funds that belong to a designated person, your client may be breaching financial sanctions and you must report this information to the FRA, along with any information by which they can be identified.
- (2) You are a financial institution and have blocked a payment going to someone you suspect is a designated person. Your investigation into the blocked payment has given you reasonable cause to suspect that the person sending the funds has committed an offence by attempting to make funds to a designated person. You must report this to the FRA as soon as is practicable along with any information you hold about that person by which can be identified.

- 94) You are required to report this information, or other matter on which the knowledge or suspicion is based, if it came to you in the course of carrying on your business.
- 95) When reporting to the FRA you **must** include:
 - the information or other matters on which the knowledge or suspicion is based; and
 - any information you hold about the individual or designated person by which the customer can be identified.
- 96) If you know or have reasonable cause to suspect that a person is a designated person, and that person is a customer of your institution or business, you must also state the nature and amount or quantity of any funds or economic resources held by you for the customer.
- 97) If you are unsure of any of your reporting obligations, you should seek independent legal advice.
- 98) Failure to comply with your reporting obligations, as set out in the relevant legislation, constitutes an offence, which may result in a criminal prosecution.

4.3 How to report

- 99) A Compliance Reporting Form (CRF) must be completed when making a report to the FRA (see Annex 2). The CRF should be used when reporting suspected designated persons, assets you have frozen, and suspected breaches of

financial sanctions and should be emailed to financialsanctions@gov.ky, and can also be sent by mail to the FRA¹¹. The CRF is also located on the fra.gov.ky webpage here: <http://fra.gov.ky/contents/page/1>

100) All reports to the FRA that involve a designated person should include the Group ID reference number. The Group ID is a unique identifier for a designated person which can be found in their entry on the consolidated list:

<https://www.gov.uk/government/publications/financial-sanctions-consolidatedlist-of-targets/consolidated-list-of-targets>

101) Both OOIC and the Cayman domestic regimes make clear that your reporting requirements do not apply to information to which legal professional privilege is attached; however, the FRA expects legal professionals to carefully ascertain whether legal privilege applies, and which information it applies to.

102) Failure to comply with your reporting obligations, as set out in the relevant legislation, constitutes an offence, which may result in a criminal prosecution.

4.4 Powers to require information from you

103) Under the OOICs¹², an authorised officer has powers to require you to provide information or produce any document or goods in your possession or control which he may require for the purpose of:

- securing compliance, or detecting evasion
- obtaining evidence of the commission of an offence
- establishing the extent of funds and economic resources belonging to, owned, held or controlled by or on behalf of a designated person

104) The power to require information, or produce for inspection a document or goods, includes a power to specify the form in which the information or document should be given, and the period within which the information, document or goods should be provided or produced for inspection.

¹¹4th Floor – Government Administration Building, 133 Elgin Avenue, George Town, Grand Cayman, P.O. Box 1054, Grand Cayman KY1-1102, Cayman Islands

¹² Article 1 Schedule 3 of The ISIL (Da'esh) and Al-Qaida (Sanctions) (Overseas Territories) Order 2016

- 105) Where such a request is made, you must comply with it within such time and in such manner as may be specified in the request.
- 106) Under Schedule 4A paragraph 21(5) of the TL, the Governor has similar requesting powers.
- 107) Failure to comply with a request for information, including providing false information, destroying documents or, otherwise intentionally obstructing the Governor when exercising these powers, is an offence and may result in a criminal prosecution¹³.

4.6 Other reporting obligations

- 108) Your obligation to report is in addition to any other non-financial sanctions reporting obligations you may have. These could include reporting required by your supervisors (CIMA, DCI, CARA or CIIPA), or submitting Suspicious Activity Reports (SARs) to the FRA under the Proceeds of Crime Law (2019 Revision).
- 109) Reporting to your supervisor or submitting a SAR to the FRA, does not meet your reporting obligations under the financial sanctions regimes. If you have information to report regarding financial sanctions, this must be sent to the FRA at financialsanction@gov.ky or by mail.
- 110) If you are unsure of your reporting obligations, you should seek independent legal advice.

E. EXEMPTIONS AND LICENSING

- 111) The following sections provide a general overview of the standard exemptions and licensing grounds found in financial sanctions legislation. The grounds may vary from regime to regime so it is important that you check the relevant, up-to-date legislation.
- 112) Specific exemptions and licensing powers are generally contained in financial sanctions legislations and can allow otherwise prohibited transactions to take place in some circumstances.
- 113) A licence is a written authorisation from the Governor with the consent (consult for licence granted under the TL) of the UK Secretary of State, permitting an otherwise prohibited act.
- 114) An exemption to a prohibition applies automatically in certain defined circumstances and does not require you to obtain a licence from Governor.

1. Crediting frozen accounts

- 115) Asset freezing legislation generally permits you to make the following payments into a frozen account without the need for a licence from the Governor, provided those funds are frozen after being paid in:
- any interest or earnings on the account
 - any payments due to a designated person under contracts, agreement or obligations that were concluded or arose before the date the person became sanctioned
- 116) The legislation also generally permits you to credit a frozen account with payments from a third party without the need for a licence, provided that the incoming funds are also frozen and that you inform the Governor of the transaction without delay.

2. Licensing overview

117) The Governor may grant licences to allow exceptions to the freeze. If a licence is being granted under an OOIC, the Governor must obtain the consent of the UK Secretary of State; whereas a licence issued pursuant to the TL requires the Governor to consult with the UK Secretary of State. It is important to note that the Governor can only issue licences where there are specific and relevant licensing grounds to do so, and where the specific conditions in the grounds have been met. The available grounds can be found in the legislation underpinning each particular financial sanctions regime:

<https://www.gov.uk/government/collections/financial-sanctions-regimespecific-consolidated-lists-and-releases>

118) In order to licence as proportionately as possible whilst mitigating the risk of terrorist financing, the Governor may also attach conditions to a licence. Licence conditions apply safeguards to ensure that funds or economic resources can be made available to designated persons in a way that protects against terrorist financing risks. In this way, appropriate conditions facilitate the granting of a licence that it might otherwise not be possible to grant.

119) The conditions that would apply to licences reflect two broad policy objectives:

- to ensure that designated persons do not have access to large amounts of cash, which can be more easily diverted to terrorist activity;
- to ensure that there is a reasonable audit trail to address terrorist finance risks and that the Governor can monitor compliance with the terms of the licence and identify if any breaches of the legislation has occurred.

120) The licence will contain strict reporting conditions, requiring you to provide the Governor with proof of purchase etc. A failure to comply with these reporting requirements may result in the revocation, suspension or termination of a licence or further restrictions being included in it. It may also result in a criminal prosecution.

121) A licence will not be issued retrospectively and the granting of a licence will be considered on a case by case basis. You should not assume that a licence will

be granted or engage in any activities prohibited by financial sanctions until you have received an appropriate licence.

122) If you are dealing with funds that should be frozen or make economic resources available to a designated person without an appropriate licence, you will commit a criminal offence.

123) “It is also an offence for you to knowingly or recklessly provide false or misleading information in any licence application. Any such licence granted is void from the time it was granted”. Doing so may result in a criminal prosecution.

4.3 Licensing grounds

4.3.1 Overseas Orders in Council (OOIC)

124) Some common licensing grounds for obtaining a licence in the Cayman Islands are for: basic expenses of the designated person or dependent family members; reasonable professional fees and disbursements of incurred expenses in relation to legal services; fees or service charges for the maintenance of frozen funds or economic resources; extraordinary expenses; obligations under a contract entered into or an obligation which arose prior to the designated person of the person in question. To see the full list of grounds, please consult the Licence Application Form (Annex 3).

4.3.2 Terrorism Law

The TL contains a broad licensing ground such that the prohibitions in the TL do not apply to anything done under a licence granted by the Governor

4.4 Applying for a licence

125) You must provide evidence to support an application and demonstrate that all criteria of the relevant licensing grounds (where applicable) have been met. A completed application is one where all the information is received that would enable a decision to be made about whether there is a legal basis to grant a licence. Incomplete applications will be sent back, or you will be asked for

additional information until the Governor is satisfied that your application can be considered complete.

126) It is anticipated that a licence application will be considered within 4 weeks of receipt of completed application, however this does not mean that a licence will necessarily be issued within 4 weeks. Failure to submit a complete application (including all relevant or requested supporting documentation) will result in delays to your application being processed.

127) You should not engage in any activities prohibited by financial sanctions until you have received an appropriate licence.

4. 4.1 Urgent Cases

128) The Governor will prioritise urgent and humanitarian cases. If a request is urgent, please indicate this in your application, and explain why.

129) The Governor will endeavour to assist applicants who contact him to understand the licensing process as well as our evidentiary requirements. However, the Governor cannot provide legal advice and applicants should consider taking independent legal advice before applying, especially for complicated matters.

130) The Governor expects that legal and professional advisers will have fully considered the relevant law and formed a view about an application before approaching the Governor for guidance or submitting an application.

131) The Governor does not charge a fee for licences.

4. 4.2 Submitting a licence application

Under OOIC

132) Applicants¹⁴ should use the online form (**See Annex 3**) to apply for a licence from the Governor and submit completed application to the Governor via financialsanctions@gov.ky .

The form is available at: <http://fra.gov.ky/contents/page/1>.

133) Applicants will generally be required to provide:

- the licensing ground(s) being relied upon in the application including supporting Arguments
- full information on the parties involved in the proposed transaction, e.g.:
 - the designated person(s)
 - any financial institution(s) involved (e.g. remitter, correspondent, beneficiary)
 - the ultimate beneficiary of the transaction
- the complete payment route including account details
- the amount (or estimated amount) of the proposed transaction

134) Applicants are encouraged to always refer to the up-to-date version of the legislation that imposes the relevant sanctions regime. Links to these can be found on the relevant financial sanctions regime pages:

<https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidatedlists-and-releases>

Tips for applicants¹⁵

1. Read this guide and the up-to-date version of the relevant legislation
2. Identify the appropriate licensing ground
3. Use the licence application form on our website
4. Provide a clear description of the payment chain and all parties involved

¹⁵ OFSI's Financial Sanctions: general guidance page 27

5. Ensure that all relevant information and supporting evidence is included within the application
6. Apply for the licence well before you need it.
7. Be available to fully engage with the Governor on your application
8. Where applicable, make sure your bank is aware of the

Terrorist Financing

135) If you seek a licence under Terrorism and Terrorist Financing or the ISIL (Da'esh" and Al-Qaida organisations regime, you should email the Governor via (financialsanctions@gov.ky) setting out the full details of the proposed transaction.

4.5 Notification and approvals

136) On the grant, variation or revocation of a licence, the Governor will give written notice to the person, category of persons or entity. In cases involving a general licence or licence granted to a category of persons, the Governor shall take such steps as deemed appropriate to publish the grant, variation or revocation of the licence.

4.6 Amending a licence

137) Requests for an amendment, variation or extension of a licence should be submitted to the Governor via financialsanctions@gov.ky as soon as it is apparent that a change is required. Full supporting information and arguments should be provided.

138) It is anticipated that an amendment request will be considered within 2 weeks of receipt.

4.7 Refusal of a licence

139) If the Governor refuses to issue a licence, the proposed transaction or activities will not be lawful. The Governor will write to the applicant giving reasons for refusing the application.

140) The Governor may also refuse an application if the applicant does not require a licence for the proposed transaction or activities (See Crediting frozen accounts above).

141) If an application for a licence is refused, the applicant has the following options:

- appeal to the Governor to review his decision
- re-apply with new or supplementary evidence or new supporting arguments
- seek to judicially review the decision

142) Under the TL (schedule 4A paragraph 28), an applicant can apply to the Grand Court for a review of the decision.

4.8 Complying with a licence

143) Any conduct outside the terms of the licence, such as use of a different payment route or payments in excess of a specific payment cap, is a breach of financial sanctions, and is a criminal offence.

4.9 Reporting under a licence

144) A licence issued by the Governor contains a requirement for specified information to be reported to the Governor within a prescribed time frame. A failure to comply with reporting requirements may result in the revocation, suspension or termination of a licence or further restrictions being added to the licence. Failing to report is a criminal offence.

4.10 Travel to the Cayman Islands

145) The FRA expects all designated persons planning to visit the Cayman Islands to apply for an appropriate licence from the Governor authorising any proposed use of funds or economic resources in order to support themselves while in the country.

- 146) If a visa application is also required, the licence application should include a request for permission to pay any visa application fees. The granting of a licence does not guarantee that the person will be granted a visa.
- 147) The requirement to obtain a licence before travelling may also apply to non-designated persons visiting the Cayman Islands who are funded, in whole or in part, by a designated person.
- 148) The FRA works closely with other parts of government to ensure that designated persons travelling to the Cayman Islands have an appropriate licence for the duration of their stay in the Cayman Islands.
- 149) Anyone dealing with funds that should be frozen, or who makes economic resources available to a designated person without an appropriate licence will be committing an offence, which may result in a criminal prosecution.

4.11 Export licences

- 150) If you import or export goods, you need to consider if financial sanctions apply to you. You may need a licence from the Governor as well as from CBC.

F. COMPLIANCE AND ENFORCEMENT

- 151) The Supervisory Authorities for relevant institutions, businesses or professions (CIMA, DCI, CARA and CIIPA) are responsible for monitoring compliance with financial sanctions for their respective supervised entities and for assessing suspected breaches. They have the power to impose administrative fines for breaches of financial sanctions and to refer cases to law enforcement agencies for investigation and potential prosecution. The AMLRs provide for administrative fines to be imposed on firms in breach (Regulation 55R(2)) which shall be determined based on whether classed as minor, serious or very serious as prescribed in Schedule 2 of the Regulations.
- 152) The FRA's assessment of breaches is informed by our overall approach to financial sanctions compliance. This approach covers the whole lifecycle of

compliance in respect of financial sanctions. We endeavour to take a holistic approach to support those seeking to comply and to raise the level of financial compliance awareness. The FRA will effect this by:

- promoting compliance, publicising financial sanctions, and engaging with the private sector
- enabling compliance, by making it easier to comply, and providing customers with guidance and alerts to help them fulfil their own compliance responsibilities
- responding to non-compliance, by intervening to disrupt attempted breaches and by tackling breaches effectively
- doing these things to change behaviour, directly preventing future noncompliance by the individual and more widely through the impact of compliance and enforcement actions.

153) While a decision to pursue a criminal prosecution for breaches of financial sanctions ultimately lies with the ODPP, the FRA will consider the following when initially considering the course of action to take:

- whether the breach was self-disclosed fully and promptly
- the level of cooperation with any inquiries
- any action being taken to improve future compliance.

154) Timely reporting of breaches would help the FRA prevent and deter further breaches, as well as understand the [complex evasion tactics](#)¹⁶ used by some parties, such as those financing the development of nuclear weapons. Reporting breaches also protects the integrity of sanctions and assists government and law enforcement agencies in tackling serious crime.

¹⁶ ¹⁶ OFSI's Blog – North Korea: proliferation and compliance challenges

1. Reporting a suspected breach of financial sanctions

155) Your reporting obligations to the FRA are set out in the 'Your Reporting Responsibilities' in this guide. Where you know or have reasonable cause to suspect that a breach has occurred, this must be reported to the FRA as soon as practicable.

2. Offences

156) Offences will depend on the particular legislation (OOICs, TL or PFPL), but can include:

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

3. Penalties for breaches of financial sanctions

3.1 Penalties

157) Breaches of financial sanctions are considered to be a serious criminal offence. Offences under the OOICs relating to UN/EU financial sanctions carry, after conviction on indictment, a maximum of seven years' imprisonment or a fine or both or, on summary conviction, imprisonment for a term not exceeding six months or a fine not exceeding £5,000 or its equivalent in the Cayman Islands dollars or both.

158) Similarly offences under Schedule 4A of the TL carry, after conviction on indictment, a maximum of seven years' imprisonment or a fine or both or,

on summary conviction, a fine of CI\$10,000, or a maximum of twelve months' imprisonment or both.

159) Under the PFPL the FRA has the power to impose civil penalties of such amount as it considers appropriate (not exceeding CI\$40,000) on a person who fails to comply with freezing and reporting obligations of any frozen funds or economic resources. 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.

G. DESIGNATIONS

160) The Foreign and Commonwealth Office (FCO) negotiates all international sanctions for the UK and its overseas territories, including the Cayman Islands. The FCO is also the competent authority in the UK for proposing designations to the UN via the UK Mission to the UN. The Governor of the Cayman Islands is the competent authority that has responsibility for proposing persons or entities for designations under: existing sanctions regimes; the Cayman's domestic sanctions regime; and at the request of another country. However, operationally the SC of the FRA will be responsible for coordination of the designation process and communication should be sent to the FRA at financialsanctions@gov.ky.

1. Proposing designations under UNSCRs 1267/1989

161) Under existing regimes the Governor's powers to propose a designation are met by complying with the requirements of the specific regime as outlined by the relevant UNSCR committee. The Governor carries out his powers through coordination with relevant domestic partners and the FCO.

- 162) Upon identification of a target for proposal, a Designation Impact Assessment (DIA) form is prepared. The DIA records the reason for the proposed designation and the relevant substantiating evidence. The evidence provided for a designation proposal must satisfy the standard of proof, which is 'reasonable suspicion' of association with the specified terrorist organisation.
- 163) After review and consideration by the relevant domestic partners, a proposal for designation is made to the Governor. If in agreement with the proposal for designation the Governor will contact the FCO. After a policy and legal assessment, the FCO of the UK, as the Member State to the UN, will decide whether to take the designation forward to the relevant UN Sanctions Committee or the Security Council.

1. Domestic designations under UNSCR 1373

- 164) For the national designations process the Governor is the Competent Authority for making final designations under TL (section 3 Schedule 4A) However before making a final designation the Governor must consult with the UK Secretary of State. As with proposing designations under UNSCRs 1267/1989, the Governor carries out his powers through coordination with relevant domestic partners.
- 165) The provisions under TL provide that the Governor may make a final designation where he believes:
- that the person is or has been involved in terrorist activity
 - that the person is owned or controlled directly or indirectly by a person involved in terrorist activity
 - that the person is acting on behalf of or at the direction of a person involved in terrorist activity
 - that it is necessary for purposes connected with protecting members of the public from terrorism that financial restrictions should be applied in relation to the person.
 - Involvement in terrorist activity includes conduct that facilitates the commission, preparation or instigation of such acts or that is intended to do so.

2. Request for designation by another country

- 166) The process for domestic designation can also be used by the Governor to make designations at the request of other countries, provided the statutory test in TL is met.
- 167) Designation is not automatic upon receipt of a request. The requesting third country has to provide the reasons for proposing financial sanctions against the person as well as the evidence to support the designation. They are also required to give a commitment to provide updated information for each annual case review.
- 168) The request would be reviewed promptly and follows the same process as with a domestic designation.

3. Notification of domestic designation

- 169) Where a final designation is made by the Governor, the name of the designated person or entity will be added to the “Cayman Islands Domestic Consolidated List of Designated Persons by the Governor” on the FRA financial sanctions webpage within one business day of written notice being delivered to the designated person. A detailed “General Notice of Final Designation” will also be published on the financial sanctions webpage and the distribution to supervisory authorities etc., will be notified in the manner previously prescribed in ‘FRA updates’ (see section B - Financial sanctions obligations and restrictions).

H. DE-LISTING AND CHALLENGING DESIGNATIONS

1. De-listing designated persons

- 170) Designated persons and entities who are subject to financial sanctions can challenge their listing by making a request for de-listing. The financial sanctions will remain in place while the challenge or request is being considered.

- 171) When a decision is reached that supports the challenge, the listed individual or entity is removed from the consolidated list of financial sanctions targets. That is, OFSI removes the individual or entity and communicates EU and UN de-listings, as well as UK revocations of designations under the **Terrorist Asset-Freezing etc. Act 2010** (TAFSA), by updating its consolidated list within one business day.
- 172) The revocation of a Cayman Islands designation listing would result in the FRA reflecting the change in the “Cayman Islands Domestic Consolidated List of Designated Persons by the Governor” on the FRA financial sanctions webpage, and notifying designated person/entity and the supervisory authorities as under “Notification of domestic designation” above.

1. When to request delisting

- 173) De-listing is considered appropriate wherever the criteria for listing under the applicable regimes are no longer met. Some examples include: evidence of mistaken listing, a relevant subsequent change in facts, emergence of further evidence, death of a listed person or the liquidation of a listed entity.

1.1 False positives

- 174) Where a “false positive” occurs, i.e. where a person or entity is wrongfully subject to sanctions measures (such as an asset freeze), and they assert that they are not the intended target.
- 175) False positives are potential matches to listed persons or entities, either due to the common nature of the name or due to ambiguous identifying data, which on examination prove not to be matches.
- 176) Distinguishing between designated and non-designated persons or entities may be difficult even with additional identifiers. In some cases the funds of a person/entity that was not the intended target of the restrictive measures will be frozen due to identifiers that match with those of a designated person/entity. As a precautionary measure, you should refrain from entering into a business

relationship with any person or entity that the available identifiers match, unless it is clear that it is not the same as the designated person or entity.

- 177) If a person/entity whose funds or economic resources are frozen claims that they are not the intended target of the restrictive measures, they should first contact the relevant institution that froze the assets, requesting an explanation, including why the relevant institution believes the person is a target match on the consolidated list. The burden of proof concerning determination of a question of a 'false positive' rests with the person/entity, who should submit documentary evidence to the relevant institution of their identity and a detailed statement as to why they are not the listed person/entity. If the relevant institution or the person/entity, after using all the available sources cannot resolve the issue as to whether a customer is in fact the designated person/entity, then both should inform the FRA.
- 178) Where the FRA concludes, after examination of all relevant facts and circumstances, that the person/entity concerned **is not** the designated person/entity, they will inform the relevant institution and/or the person/entity of the finding. The relevant institution should therefore take steps to unfreeze the funds or economic resources immediately and also inform the FRA of the action taken as soon as practicable.
- 179) Where the FRA concludes, after examination of all relevant facts and circumstances, that the person/entity concerned **is** the designated person/entity, they will inform the relevant institution and/or the person/entity of the finding. The asset freeze will therefore remain in place.
- 180) In cases where the FRA is not able to establish the correctness of the claim of mistaken identity, and the claim is not manifestly unfounded, they will inform OFSI and request provision of an authoritative finding regarding the person's identity. Upon receipt, the FRA will communicate the authoritative finding to the relevant institution and/or person/entity.

2. How to make a delisting request?

181) Written de-listing request (or petitions) with the relevant supporting information are sent to the Governor.

3 UN listings

182) To challenge a UN listing, a Caymanian, person resident in the Cayman Islands or an entity incorporated or otherwise established in the Cayman Islands, can submit a de-listing request through the Governor or directly through one of the applicable UN de-listing agencies (the Office of the Ombudsperson or the UN Focal Point). De-listing requests to the Governor should be sent via the FRA.

183) Requests for de-listing submitted to the Governor are initially assessed by the FRA, and after following a similar assessment process as outlined in paragraphs 161-163 above, the Governor will submit the de-listing petition to the FCO. The FCO will ultimately decide whether to take the de-listing forward to the relevant UN Sanctions Committee or the Security Council.

184) To petition the Governor, you should contact the FRA at:

Address: The Sanctions Coordinator
Financial Reporting Authority
P.O. BOX 1054
Grand Cayman KY1-1102
Cayman Islands
Telephone: 345-244-2394
Email: financialsanctions@gov.ky

185) Alternatively, for UN listings under ISIL (Da'esh) and Al-Qaida sanctions regime, a petition for delisting can be made to the UN Office of the Ombudsperson to the ISIL (Da'esh) and Al-Qaida Sanctions Committee.

Address: Office of the Ombudsperson
Room DC2 2206

United Nations
New York, NY 10017
United States of America

Telephone: +1 212 963 8226

Email: ombudsperson@un.org

186) For more information about the Office of the Ombudsperson please see the UN's website:

<https://www.un.org/sc/suborg/en/node/189>

187) For all other UN listings, request should be sent to the UN focal point for delisting.

Address: Focal Point for De-listing
Security Council Subsidiary Organs Branch
Room DC2 0853B
United Nations
New York, N.Y. 10017
United States of America

Telephone: +1 917 367 9448

Email: delisting@un.org

188) More information about the focal point is on the UN's website:

<https://www.un.org/sc/suborg/en/sanctions/delisting>

4. The Cayman Islands listings under UNSCR 1373

189) Designated person or entities should submit a petition for de-listing to the Governor. Following an assessment of the petition, where in agreement with the de-listing, the Governor will consult with the UK Secretary of State. Where they are in agreement with the petition, the Governor will revoke a final designation pursuant to Schedule 4A paragraph 6 of the TL.

190) Where the Governor declines the de-listing petition, the designated person may appeal any such decision to the Grand Court.

5. EU listings

To challenge an EU listing, you should contact the EU directly:

Address: Council of the European Union
General Secretariat
DG C 1C
Rue de la Loi/Wetstraat 175
1048 Bruxelles/Brussel
BELGIQUE/BELGIË

Email: sanctions@consilium.europa.eu

6 UK listings

191) For UK listings under its domestic regimes there are avenues of appeal and judicial review within the specific legislation under which the designation is made. Legal correspondence should be sent to:

Address: The Treasury Solicitor
Government Legal Department
One Kemble Street
London
WC2B 4TS
DX 123242 Kingsway

7 What you must do upon notification of De-listings

192) In the event that the UN Sanctions Committees and/or the Security Council de-list any person/entity or a person/entity has been de-listed pursuant to UNSCR 1373, the obligation to freeze no longer exists. The funds or assets that have been frozen must therefore be unfrozen.

193) You must immediately on receipt of the Financial Sanction Notice advising of the removal of a person and/or entity from the Consolidated List –

- Check whether you have frozen assets of any person or entity removed from the Consolidated List
- Verify that the person or entity is no longer subject to an asset freeze
- Remove the person or entity from your institution's list of persons/entities subject to financial sanction
- Un-freeze the assets of the person or entity and where necessary re-activate all relevant accounts;
- Send advice to the person or entity that the assets are no longer subject to an asset freeze;
- Advise the FRA of the actions taken as soon as practicable

194) Where the funds or other assets of a person or entity inadvertently affected by a freezing mechanism, upon verification that the person or entity is not a designated person, you must take all necessary measures to carry out the instructions from points 2 to 4 above (see False Positive above).

I GENERAL GLOSSARY

Disclaimer: The following is a general description of the terms used throughout this guide. Please see the most recent version of the relevant legislation for the exact terms used in context. If you are in doubt about any of the below, please contact the FRA or seek independent legal advice.

Asset freeze	<p>A type of financial sanction. Under an asset freeze it is generally prohibited to:</p> <ul style="list-style-type: none">• deal with the frozen funds or economic resources, belonging to or owned, held or controlled by a designated person• make funds or economic resources available, directly or indirectly, to, or for the benefit of, a designated person• engage in actions that, directly or indirectly, circumvent the financial sanctions prohibitions
Competent Authority	<p>Refers to all public authorities (This includes financial supervisors established as independent non-governmental authorities with statutory powers) with designated responsibilities for combating money laundering and/or terrorist financing. In particular, this includes the FCU; the authorities that have the function of <i>investigating and/or prosecuting</i> money laundering, associated predicate offences and terrorist financing, and seizing/freezing and confiscating criminal assets; authorities receiving reports on cross-border transportation of currency & BNIs; and authorities that have AML/CFT supervisory or monitoring responsibilities aimed at ensuring compliance by financial institutions and DNFBPs with AML/CFT requirements. SRBs are not to be regarded as competent authorities.</p>
Cayman Regulations	<p>See Statutory instruments</p>
Consolidated List	<p>list maintained by OFSI containing designated persons subject to financial sanctions.</p>
Dealing with economic resources	<p>generally means using economic resources to obtain funds, goods, or services in any way, including (but not limited to) by selling, hiring or mortgaging them.</p>

Dealing with funds	Generally means moving, transferring, altering, using, accessing or otherwise dealing with funds in any way which would result in any change to their volume, amount, location, ownership, possession, character, destination or other change that would enable the funds to be used, including portfolio management.
Cayman Regulations	See Statutory Instruments
Cayman Regulations	<p>A person subject to financial sanctions. The term designated person or entity refers to:</p> <p>i) individual, groups, undertakings and entities designated by the Committee of the Security Council established pursuant to resolution 1267 (1999) (the 1267 Committee), as being individuals associated with Al-Qaida, or entities and other groups and undertakings associated with Al-Qaida;</p> <p>(ii) individuals, groups, undertakings and entities designated by the Committee of the Security Council established pursuant to resolution 1988 (2011) (the 1988 Committee), as being associated with the Taliban in constituting a threat to the peace, stability and security of Afghanistan, or entities and other groups and undertakings associated with the Taliban;</p> <p>(iii) any natural or legal person or entity designated by jurisdictions or a supra-national jurisdiction pursuant to Security Council resolution 1373 (2001);</p> <p>iv) any individual, natural or legal person or entity designated for the application of targeted financial sanctions pursuant to Security Council resolution 1718 (2006) and any future successor resolutions by the Security Council in annexes to the relevant resolutions, or by the Security Council Committee established pursuant to resolution 1718 (2006); and</p> <p>(v) any natural or legal person or entity designated for the application of targeted financial sanctions pursuant to Security Council resolution 2231 (2015) and any future successor resolutions by the Security Council</p>
Designation	<p>The term <i>designation</i> refers to the identification of a person (<i>natural or legal</i>), individual or entity that is subject to targeted financial sanctions pursuant to:</p> <ul style="list-style-type: none"> - United Nations Security Council resolution 1267 (1999)

	<p>and its successor resolutions;</p> <ul style="list-style-type: none"> - Security Council resolution 1373 (2001), including the determination that the relevant sanctions will be applied to the person or entity and the public communication of that determination; - Security Council resolution 1718 (2006) and any future - successor resolutions; - Security Council resolution 2231 (2015) and any future successor resolutions; and - Any future Security Council resolutions which impose targeted financial sanctions in the context of the financing of proliferation of weapons of mass destruction. <p>As far as Security Council resolution 2231 (2015) and any future successor resolutions are concerned, references to “designations” apply equally to “listing”.</p>
Economic resources	Generally means assets of every kind – tangible or intangible, movable or immovable – which are not funds but may be used to obtain funds, goods or services.
Exemption	Generally found in financial sanctions legislation. An exemption to a prohibition applies automatically in certain defined circumstances and does not require you to obtain a licence.
FRA	The Financial Reporting Authority is part of the Portfolio of Legal Affairs. Cayman Islands competition authority for implementation of financial sanctions
Funds	<p>Generally means financial assets and benefits of every kind, including but not limited to:</p> <ul style="list-style-type: none"> • cash, cheques, claims on money, drafts, money orders and other payment instruments; • deposits with financial institutions or other entities, balances on accounts, debts and debt obligations; • publicly- and privately-traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts • interest, dividends or other income on or value accruing from

	<p>or generated by assets;</p> <ul style="list-style-type: none"> • credit, right of set-off, guarantees, performance bonds or other financial commitments; • letters of credit, bills of lading, bills of sale; and • documents showing evidence of an interest in funds or financial resources.
Goods	Generally means items, materials and equipment
Legal persons	<i>Legal persons</i> refer to any entities other than natural persons that can establish a permanent customer relationship with a financial institution or otherwise own property. This can include companies, bodies corporate, foundations, anstalt, partnerships, or associations and other relevantly similar entities.
Licence	A written authorisation from the Governor permitting an otherwise prohibited act.
Name match	The situation where a person you are dealing with partially matches the details of a designated person on the consolidated list. Unlikely to be a target match.
OFSI	Office of Financial Sanctions Implementation. Part of HM Treasury and the UK's competent authority for implementing financial sanctions.
Ownership	The possession of more than 50% of the proprietary rights of an entity or having a majority interest in it. Includes both direct and indirect ownership.
Person	Can be a natural person (an individual), or a legal person, body or entity.
Reasonable cause to suspect	Refers to an objective test that asks whether there were factual circumstances from which an honest and reasonable person should have inferred knowledge or formed the suspicion.
Relevant Institutions	<p>A relevant institution includes –</p> <ul style="list-style-type: none"> • any person who may lawfully accept deposits in or from within the Cayman Islands by way of business, or • any society established lawfully in the Cayman Islands

	<p>whose principal purpose is the making of loans secured on residential property where such loans are funded substantially by its members.</p> <ul style="list-style-type: none"> • a person conducting relevant financial business, as defined in the Proceeds of Crime Law (2019 Revision)
	<p>Also referred to as secondary, delegated or subordinate legislation. A form of legislation that allows an Act of Parliament to be brought into force or amended without Parliament having to amend that Act. For financial sanctions, SIs generally implement enforcement powers for directly applicable EU regulations.</p>
Target Match	<p>The situation where the person you are dealing with matches the details of a designated person on the consolidated list. Likely to be a confirmed match for that person</p>
Terrorist	<p>The term <i>terrorist</i> refers to any natural person who: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully; (ii) participates as an accomplice in terrorist acts ; (iii) organises or directs others to commit terrorist acts ; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.</p>
Terrorist act	<p>A terrorist act includes:</p> <p>(a) an act which constitutes an offence within the scope of, and as defined in one of the following treaties: (i) Convention for the Suppression of Unlawful Seizure of Aircraft (1970); (ii) Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1971); (iii) Convention on the Prevention and Punishment of Crimes against Internationally Protected Persons, including Diplomatic Agents (1973); (iv) International Convention against the Taking of Hostages (1979); (v) Convention on the Physical Protection of Nuclear Material (1980); (vi) Protocol for the Suppression of Unlawful Acts of Violence at Airports Serving International Civil Aviation, supplementary to the Convention for the Suppression of Unlawful Acts against the Safety of Civil Aviation (1988); (vii) Convention for the Suppression of Unlawful Acts against the Safety of Maritime Navigation (2005); (viii) Protocol for the</p>

	<p>Suppression of Unlawful Acts against the Safety of Fixed Platforms located on the Continental Shelf (2005); (ix) International Convention for the Suppression of Terrorist Bombings (1997); and (x) International Convention for the Suppression of the Financing of Terrorism (1999).</p> <p>(b) any other act intended to cause death or serious bodily injury to a civilian, or to any other person not taking an active part in the hostilities in a situation of armed conflict, when the purpose of such act, by its nature or context, is to intimidate a population, or to compel a Government or an international organisation to do or to abstain from doing any act.</p>
Terrorist financing	<p><i>Terrorist financing</i> is the financing of terrorist acts, and of terrorists and terrorist organisations</p>
Terrorist Organisation	<p>The term <i>terrorist organisation</i> refers to any group of terrorists that: (i) commits, or attempts to commit, terrorist acts by any means, directly or indirectly, unlawfully and willfully; (ii) participates as an accomplice in terrorist acts; (iii) organises or directs others to commit terrorist acts; or (iv) contributes to the commission of terrorist acts by a group of persons acting with a common purpose where the contribution is made intentionally and with the aim of furthering the terrorist act or with the knowledge of the intention of the group to commit a terrorist act.</p>
Without delay	<p>The phrase without delay means, ideally, within a matter of hours of a designation by the United Nations Security Council or its relevant Sanctions Committee (e.g. the 1267 Committee, the 1988 Committee, the 1718 Sanctions Committee). For the purposes of S/RES/1373(2001), 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.</p>

ABBREVIATIONS

AG	Attorney General
AML/CFT	Anti-Money Laundering / Countering the Financing of Terrorism (also used for <i>Combating the financing of terrorism</i>)
AMLSG	Anti- Money Laundering Steering Group
BOT	British Overseas Territory
CARA	Cayman Attorneys Regulation Authority
CFATF	Caribbean Financial Action Task Force
CIIPA	Cayman Islands Institute of Professional Accountants
CILPA	Cayman Islands Legal Practitioners Association
DCI	Department for Commerce and Investment
DNFBPs	Designated Non-Financial Business Professions
FATF	Financial Action Task Force
EU	European Union
FCO	Foreign & Commonwealth Office
FCU	Financial Crimes Unit
FRA	Financial Reporting Authority
IACC	Inter-Agency Coordination Committee
OFSI	Office of Financial Sanctions Implementation
OOIC	Overseas Orders in Council
PFPL	Proliferation Financing (Prohibition) Law (2017 Revision)
PIAG	Proliferation Inter-Agency Group
SC	Sanctions Coordinator
TL	Terrorism Law (2017 Revision)
UK	United Kingdom
UNSCRs	United Nations Security Council Resolutions

Annex 1

Proceeds of Crime Law (2020 Revision) - Schedule 6

Activities falling within the Definition of “Relevant Financial Business”

Any activity related but not limited to —

1. Acceptance of deposits and other repayable funds from the public.
2. Lending.
3. Financial leasing.
4. Money or value transfer services.
5. Issuing and managing means of payment (e.g. credit and debit cards, cheques, traveller’s cheques, money orders and bankers’ drafts, electronic money).
6. Financial guarantees and commitments.
7. Trading in —
 - (a) money market instruments (cheques, bills, certificates of deposit, derivatives etc.);
 - (b) foreign exchange;
 - (c) exchange, interest rate and index instruments;
 - (d) transferable securities; or
 - (e) commodity futures trading.
8. Participation in securities issues and the provision of financial services related to such issues.
9. Advice to undertakings on capital structure, industrial strategy and related questions and advice and services relating to mergers and the purchase of undertakings.
10. Money broking.
11. Individual and collective portfolio management and advice.
12. Safekeeping and administration of cash or liquid securities on behalf of other persons.

13. Safe custody services.
14. Financial, estate agency (including real estate agency or real estate brokering), legal and accounting services provided in the course of business relating to —
 - (a) the sale, purchase or mortgage of land or interests in land on behalf of clients or customers;
 - (b) management of client money, securities or other assets;
 - (ba) organization of contributions for the creation, operation or management of companies;
 - (c) management of bank, savings or securities accounts; and
 - (d) the creation, operation or management of legal persons or arrangements, and buying and selling of business entities.
- 14A. Undertaking property development within the meaning set out in section 2 of the Trade and Business Licensing Law (2019 Revision) and the subsequent sale of that property without using a real estate agent or broker.
- 14B. Undertaking property investment without using a real estate agent or broker.
15. The services of listing agents and broker members of the Cayman Islands Stock Exchange as defined in the CSX Listing Rules and the Cayman Island Stock Exchange Membership Rules respectively.
16. The conduct of securities investment business.
17. Dealing in precious metals or precious stones, when engaging in a cash transaction that is equivalent to fifteen thousand United States dollars or more.
18. The provision of registered office services to a private trust company by a company that holds a Trust licence under section 6(5)(c) of the Banks and Trust Companies Law (2020 Revision).
19. Otherwise investing, administering or managing funds or money on behalf of other persons.
20. Underwriting and placement of life insurance and other investment related insurance.
21. Providing virtual asset services.
22. Operating a single family office.

Annex 2

FINANCIAL REPORTING AUTHORITY

(CAYFIN)

Delivery Address:

133 Elgin Ave, 4th Floor
Government Administrative Building
Grand Cayman
Cayman Islands
Tel No. (345) 945-6267
Fax No. (345) 945-6268
E-mail: financialsanctions@gov.ky



Mailing Address:

P.O. Box 1054
Grand Cayman KY1-1102
Cayman Islands

COMPLIANCE REPORTING FORM

- This form should be used to report all compliance-related information to the Financial Reporting Authority (FRA) including information regarding suspected designated persons (Part B); assets you have frozen (Part C); and suspected breaches of financial sanctions (Part D).
- Please note that the information you provide may be shared for the purpose of facilitating or ensuring compliance with financial sanctions regulations, in accordance with the FRA's information sharing powers.
- Annexes B and C to this form provide key terms and information to assist you in completing your report.
- Your financial sanctions reporting and compliance obligations are described in FRA's Industry Guidance. You should consult this guidance prior to completing this form. You should note that for some businesses there is a legal obligation to report, and that not doing so is a criminal offence:
- Please ensure that when you complete this form, you believe that the facts and information provided in this form are accurate and true to the best of your knowledge.
- You should note that a criminal offence may be committed if you contravene any of the prohibitions in respect of the financial sanctions regime(s) detailed in part 12 below, or you intentionally participate in activities knowing that the object or effect of them is to circumvent any of those prohibitions or enables or facilitates the contravention of any of those prohibitions.

- Please email completed forms, including any associated documents, to financialsanctions@gov.ky with “SUSPECTED DESIGNATED PERSON”, “FROZEN ASSETS”, or “SUSPECTED BREACH” as applicable in the subject line.
- Alternatively, completed forms can be posted to:

The Sanctions Coordinator
 Financial Reporting Authority
 P.O. BOX 1054
 Grand Cayman KY1-1102
 Cayman Islands

If you are unsure of your compliance or reporting obligations under financial sanctions, you should seek independent legal advice.

PART A: GENERAL INFORMATION

Please complete this part of the form and indicate what you are reporting on.

1. Person submitting this report	
a. Name (Including title)	
b. Job title	
c. Company / organisation	
d. Address	
e. Contact number(s)	
f. Email address	

2. Date submitted
(dd/mm/yyyy)

3. Are you submitting this form on behalf of a third party? Tick box	Yes	
	No	
If yes, please provide the third party's contact details, including their Group ID if they are a designated person.		

4. What are you reporting? Tick all applicable	
Suspected designated person <i>[please complete Part B of this form]</i>	
Frozen assets <i>[please complete Part C of this form]</i>	
Suspected breach <i>[please complete Part D of this form]</i>	

PART B: REPORTING A SUSPECTED DESIGNATED PERSON

This part should be used to report your knowledge or suspicion that an individual, business or organisation is a designated person and therefore subject to financial sanctions. Please complete a separate form for each designated person on whom you are reporting.

Your report should include information by which a designated person can be identified. For example, aliases or alternative identities that could be used to evade sanctions.

[If you are also reporting that you have frozen](#) the assets of a designated person, please complete Part C of this form. If you are also reporting a suspected breach of financial sanctions, please complete Part D of this form.

5. Suspected designated person (including persons owned or controlled by them)	
a. Group ID from the consolidated list	
b. Name of the designated person as given on the consolidated list	

c. Name of the person/entity if owned/controlled by a designated person	
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6. Information on which your knowledge or suspicion is based	
a. What has caused you to know or suspect that the person you are reporting on is a designated person (or is owned/controlled by one)?	<i>Please provide as much detail as possible, including your relationship with the person, what information you hold and how it came to you.</i>
b. Please provide any information not already on the consolidated list by which the designated person can be identified	<i>e.g. new aliases, dates of birth, addresses, passport numbers, additional trading names, etc.</i>

PART C: INFORMATION ON FROZEN ASSETS

This part should be used to report that you have frozen the assets of a designated person. Please complete a separate form for each designated person whose assets you have frozen.

[If you know or suspect that a person is a designated person, please complete Part B of this form.](#) If you are also reporting a breach of financial sanctions, please complete Part D of this form.

7. Designated person (DP)	
a. Group ID from the consolidated list	
b. Name of the designated person as given on the consolidated list	
c. Name of the person/entity if owned/controlled by a	

designated person	
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8. Please provide information on all funds and economic resources you have frozen (For definitions and guidance on what to include please see Annexes B & C.)

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Part D: INFORMATION ABOUT A SUSPECTED BREACH

This part should be used to report any suspected or known breach of financial sanctions. Please complete one form for each overarching activity. Multiple transactions/transfers relating to an overarching activity may be listed in one form.

Your report should include all known details in relation to the suspected breach activity. Additional supporting material should be attached to your submission and noted in section 22. Where information is not known or not applicable, please state.

9. Who do you suspect has committed, or has attempted to commit, the suspected breach? Please provide details

--

10. Summary of facts

Including the date(s) the suspected breach (or breaches) was discovered, how it was discovered, and the series of actions that led to a suspected breach taking place (where known).

--

11. Does this information relate to a suspected completed or suspected attempted, breach? Tick box

Completed	<input type="checkbox"/>
Attempted (<i>including blocked or rejected activity</i>)	<input type="checkbox"/>

12. Financial sanctions regime(s) under which the suspected breach has occurred

The list of all financial sanctions regimes in effect in the UK can be found on OFSI's on GOV.UK: <https://www.gov.uk/government/collections/financial-sanctions-regime-specific-consolidated-lists-and-releases>

Additionally, the list of all financial sanctions regimes in effect in the Cayman Islands can be found on the FRA website:

<http://fra.gov.ky/contents/page/1>

a. Financial sanctions regime(s)	
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b. Act/Regulation(s) <i>(if known)</i>	
c. Relevant section(s), article(s), regulation(s) suspected of having been breached <i>(if known)</i>	

DETAILS OF SUSPECTED BREACH

See Annex B for a description of what can constitute funds, economic resources, and financial services.

13. What does the suspected breach involve: Tick all applicable

Funds		
Describe, in full, the type(s) of funds involved.		
Economic resource(s)		
Describe, in full, the economic resource(s) involved.		
Financial Services		
Describe, in full, what the financial services are, including how and when they were provided.		
Licence conditions		
Give the licence condition(s) and describe, in full, how you suspect it has been breached. Please include the licence no.		

Reporting obligations

Give the reporting obligation and describe, in full, how you suspect it has been breached. Please include the licence no. where relevant.

14. Total value of the suspected breach (actual or estimated)

Please provide this information in the currency that was used at the time of the transfer (or provide an estimated value in KYD if unknown).

15. Method(s) of payment and/or transfer

e.g. bank transfer, cash, cheque, money order, internet/electronic, or physical asset transfer – road, rail, air, sea, etc.

16. Remitter/sender information

Please provide full information on the remitter/sender of the funds and/or economic resources, including: dates, goods involved, amount(s), currencies, account names, account numbers and sort codes, bank details, and nationalities of payers, dates of birth, where known.

If more space is required, please complete Annex 1 (A1), or attach supporting documents with your submission.

17. Intermediary information

Please provide any information you have on intermediaries involved in the activity, including: role in transfer, name(s), date of birth, company registration information, country of operation/nationality, address/location, account name, account number and sort code and bank details, where known.

If more space is required, please complete Annex 1 (A2), or attach supporting documents with your submission.

18. Ultimate beneficiary information

Please provide information on the ultimate beneficiaries of the funds and/or economic resources,

including: name, account name, account number and sort code, bank details, residential/company address, date of birth and nationality, where known.	
If more space is required, please complete Annex 1 (A3) or attach supporting document(s) with your submission.	

19. Please list all external parties who have been made aware that this information is being passed to FRA, including any designated persons

20. Has this matter been reported to any other authority? If so, please provide their contact details.

21. Other relevant information

Please provide any other information you think will help us understand what has happened

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22. Are you providing any supporting documents?

Please include any documents that support the information provided, such as bank statements, transaction reports, copies of licences, paperwork, contracts, etc. including those from other jurisdictions.

Yes	
No	

Please list the supporting documents you are providing.

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Compliance Reporting Annex A

Additional remittances *(for Section 15 Remitting information)*

A1. Additional remittance information

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Additional intermediaries involved *(for Section 16 Intermediary information)*

A2. Additional intermediaries

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Additional beneficiaries involved *(for Section 17 Ultimate beneficiary(ies) information)*

A3. Additional beneficiaries

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Compliance Reporting Form Annex B

This Annex describes some of the common terms used in financial sanctions legislation.

Designated Persons

A designated person is an individual, entity or body, listed under EU or UK legislation as being subject to financial sanctions.

The list of designated persons can be found on Office of Financial Sanctions Implementation (OFSI) consolidated list of asset freeze targets here:

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

Note that the financial sanctions also apply to persons and entities that are **owned or controlled**, directly or indirectly, by a designated person. Those persons or entities may not be designated in their own right, so their name may not appear on the consolidated list. However, those persons or entities are similarly the subject of the financial sanctions. For more information on ownership and control see the FRA's Industry Guidance on Financial Sanctions.

Funds

Funds mean financial assets and benefits of every kind, including but not limited to:

- Cash, cheques, claims on money, drafts, money orders and other payment instruments;
- Deposits with financial institutions or other entities, balances on accounts, debts and debt obligations;
- Loans and mortgages;
- Publicly and privately traded securities and debt instruments, including stocks and shares, certificates representing securities, bonds, notes, warrants, debentures and derivatives contracts;
- Interest, dividends or other income on or value accruing from or generated by assets;
- Credit, right of set-off, guarantees, performance bonds or other financial commitments;
- Letters of credit, bills of lading, bills of sale;
- Documents evidencing an interest in funds or financial resources;
- Any other instrument of export-financing.

Economic Resources

Economic resources mean assets of every kind, whether tangible or intangible, movable or immovable, (such as goods, property, or rights) which are not funds themselves but which can be used to obtain funds, goods or services.

Group ID

All reports to the FRA involving a designated person should include their 'Group ID' reference number. The Group ID is a unique identifier for a designated person which can be found in their entry on the consolidated list.

<https://www.gov.uk/government/publications/financial-sanctions-consolidated-list-of-targets>

Financial Services

Financial services mean any service of a financial nature, including, but not limited to:

- Insurance-related services consisting of:
 - Direct life assurance;
 - Direct insurance other than life assurance;
 - Reinsurance and retrocession;
 - Insurance intermediation, such as brokerage and agency;
 - Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

- Banking and other financial services consisting of:
 - accepting deposits and other repayable funds;
 - lending (including consumer credit, mortgage credit, factoring and financing of commercial transactions);
 - financial leasing;
 - payment and money transmission services (including credit, charge and debit cards, travelers' cheques and bankers' drafts);
 - providing guarantees or commitments;
 - financial trading (as defined below);
 - participating in issues of any kind of securities (including underwriting and placement as an agent, whether publicly or privately) and providing services related to such issues;
 - money brokering;

- asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, custodial, depository and trust services;
 - settlement and clearing services for financial assets (including securities, derivative products and other negotiable instruments);
 - providing or transferring financial information, and financial data processing or related software (but only by suppliers of other financial services);
 - providing advisory and other auxiliary financial services in respect of any activity listed in sub-paragraphs (i) to (xi) (including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy).
- “Financial trading” means trading for own account or for account of customers, whether on an investment exchange, in an over-the-counter market or otherwise, in:
 - money market instruments (including cheques, bills and certificates of deposit);
 - foreign exchange;
 - derivative products (including futures and options);
 - exchange rate and interest rate instruments (including products such as swaps and forward rate agreements);
 - transferable securities;
 - other negotiable instruments and financial assets (including bullion).

Compliance Reporting Form Annex C

Frozen accounts

All reports of frozen accounts should include the following information:

- Name of financial institution holding the account
- Account name
- Details of the account holder
- Date account frozen
- Type of account
- Account number
- Sort code (where relevant)
- Credit balance
- Debit balance
- Currency
- Date account opened
- Any other relevant information relevant to the freezing of the account

Frozen payments / transactions

All reports of frozen payments or transactions should include the following information:

- Details of the institution/person who has frozen the transaction
- Details of their role in the transaction
- Date of transaction (Inc. amount and currency)
- Date transaction frozen
- All relevant account details (originator, intermediaries, beneficiary)
- Details of the originator of the transaction (name, address, etc.)
- Details of the originating financial institution (name, address, etc.)
- Details of any intermediary financial institutions (name, address, etc.)
- Details of the beneficiary of the transaction (name, address, etc.)
- Details of the beneficiary financial institution (name, address, etc.)
- Any additional information found in the originator-to-beneficiary or bank-to-bank information

Any other additional information relevant to the freezing of the transaction, including the payment instruction where available