

FINANCIAL REPORTING AUTHORITY

(CAYFIN)



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PUBLIC NOTICE

REMINDER TO ALL RELEVANT INSTITUTIONS, BUSINESSES OR PROFESSIONS OF YOUR OBLIGATIONS UNDER THE FINANCIAL SANCTIONS REGIMES IN THE CAYMAN ISLANDS

SANCTIONS IMPLEMENTATION IN THE CAYMAN ISLANDS

From time-to-time, the UK Government passes Overseas Territories Orders in Council (OOICs or Orders) implementing UN and EU sanctions and extending such sanctions to its British Overseas Territories. When extended to the Cayman Islands, these OOICs have the force of law in the jurisdiction, breaches of which may constitute an offence for which fines and/or criminal convictions may result. Sanctions will apply to **all relevant institutions, businesses or professions.**

The [Orders that are in force in the Cayman Islands](http://www.fra.gov.ky/) can be found on the <http://www.fra.gov.ky/> website.

The Cayman Islands can also impose its own domestic financial sanctions in certain circumstances under **Section 2 (a) of Schedule 4A** the Terrorism Law (2018 Revision) (TL) and **Section 3 (1)** of the Proliferation Financing (Prohibition) Law (2017 Revision) (PFPL).

A significant obligation under the TL and the PFPL is for you to:

- **Freeze without delay** and without prior notice, the funds or economic resources owned, held or controlled by a designated person.

PROHIBITIONS

You are prohibited from carrying out certain activities if financial sanctions apply. What is prohibited depends on the exact terms of the relevant financial sanctions legislation (OOIC, TL and PFPL).

You should always refer to the up-to-date version of the legislation imposing the specific financial sanctions that apply in your case to understand exactly what is prohibited.

If the financial sanction takes the form of an asset-freeze, you are generally prohibited from:

- dealing with the funds or economic resources belonging to or owned, held or controlled by a designated person,
- making funds or economic resources available, directly or indirectly, to, or for the benefit of, a designated person, or
- engaging in actions that directly or indirectly circumvent the financial sanctions.

REPORTING OBLIGATIONS

You are obliged to report to Governor (using the office of the Financial Reporting Authority (FRA)) as soon as practicable if you know or have a reasonable cause to suspect that a person:

- is a designated person,
- has committed an offence under the legislation.

You are required to report this information, or other matters on which your knowledge or suspicion is based, if it came to you in the course of conducting your business.

When reporting to the FRA, you must include:

- the information or other matter on which the knowledge or suspicion is based, and
- any information you hold about the person or designated person by which they can be identified.

If you know or have a 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 them for that customer.

You are also required to report credits to frozen accounts and any actions taken in compliance with the prohibition requirements of the United Nations Security Council Resolutions (UNSCRs), including attempted transactions.

Financial institutions, trust or company services providers, auditors, accountants, dealers in precious metals or stones, real estate agents and legal professionals, are generally considered ‘relevant institutions, businesses or professions’ under financial sanctions legislation.

The [FRA Industry Guidance](#) provides more information on reporting obligations.

If you are unsure of your reporting obligations, you should seek independent legal advice.

You must carry out appropriate customer due diligence on your clients which includes regular screening (including onboarding and on incoming/outgoing transactions) against the ‘[Consolidated List](#)’ of individuals and entities designated under international sanctions regimes. The Consolidated List is maintained by the Office of Financial Sanctions Implementation UK (OFSI) with a link provided on the <http://www.fra.gov.ky/>.

HOW TO REPORT

A [Compliance Reporting Form \(CRF\)](#) (new) must be completed when making a report to the FRA. The CRF should be used when reporting suspected designated persons, frozen assets, and suspected breaches of financial sanctions.

You should email the CRF, including any associated documents, to financialsanctions@gov.ky. You should include “Suspected breach”, “Suspected designated person” or “Frozen assets” in the subject line of their email, whichever is most applicable.

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.

OFFENCES AND PENALTIES

- **Offences will depend on the particular legislation, 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, and
 - breaches of licensing conditions.
- **Penalties:**
 - Breaches of financial sanctions are considered to be a serious criminal offence. Offences under the **OOICs** carry a maximum of seven years imprisonment on conviction on indictment, or to a fine or to both, or on summary conviction, to imprisonment for a term not exceeding six months, or to a fine not exceeding £5,000 or its equivalent or to both.
 - Similarly offences under **Schedule 4A of the TL** carry a maximum of seven years imprisonment on conviction on indictment or a fine or to both, or on summary conviction, to a fine of CI\$ 10,000, or to term of imprisonment of twelve months, or to both.
 - Under the **PFPL**, the FRA has the power to impose civil penalties of such amounts 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 (a) on summary conviction to a fine of CI\$50,000; or (b) 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 CI\$10,000.

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