# Sanctions

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## Sanctions

- What is a sanction?

- Financial sanctions orders prohibit the carrying out of transactions with a person or organisation (the "Target") by the freezing of funds and economic resources.

- Intent is to

  – Change conduct of listed country, regime or persons

  – Impose punitive measures where international peace and security threatened.
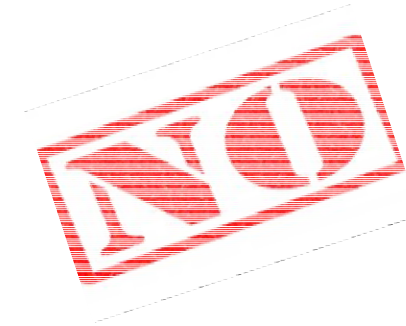
# Industries

- Nuclear Weapons

- Weapons

- Oil and Gas

- Finance

## Other areas

- Imports into jurisdiction

- Restricted goods in and out of jurisdiction

## Who does it apply to

- Any person in the Territory

- A person elsewhere who is a British citizen, BOTC, British Overseas citizen and is ordinarily resident in the Territory

- A body incorporated in the Territory

    - If offence committed by a body corporate with:

        - The consent or connivance of an officer of the body corporate

    OR

        - Attributable to any neglect on the part of an officer of the body corporate

    The officer as well as the body corporate is guilty of an offence.

# Who sets sanctions?

2 Key International Bodies:

- United Nations

- European Union

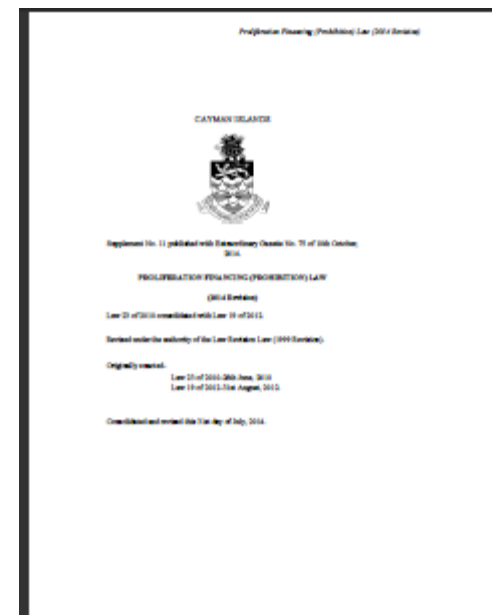- Also Office of Foreign Asset Control

## How it applies

- Sanctions are passed as secondary legislation and take effect in the Territory through an Order-in-Council (not passed by domestic law).

- Passed in the EU and then the UK government extends to the Overseas Territories

# How it applies cont'd

- Proliferation Financing (Prohibition) Law

- **Iran**

- **North Korea**

# Useful links

- Cayman Islands Monetary Authority website

## Sanctions Observed in the Cayman Islands

This page covers:
- International Sanctions
- Anti-Proliferation Financing Orders
- Responsibility of Financial Services Providers
- List of sanctions applicable in the Cayman Islands

**List of Sanctions applicable in the Cayman Islands**

A list of orders in force in the Cayman Islands can be found here: Sanctions orders. Please note that the Authority does not guarantee that this list is accurate, complete and up to date. It is the responsibility of every Financial Services Provider to keep itself updated and to comply with the sanctions in force in the Cayman Islands. Official sanctions orders applicable in the Cayman Islands are published in the Cayman Islands Gazette.

## How it applies

- Under the MLRs financial service providers are required to have systems and controls in place to:

    – conduct initial due diligence

    – monitor on an ongoing basis

    – report

# Consequences

- Penalties

  - Upon Indictment

    - A term not exceeding 7 years or to a fine or both

  - Summary Conviction

    - Imprisonment not exceeding six months or to a fine not exceeding £5,000 or its equivalent or both.

    - 2 years imprisonment or a fine or both.

# What to do?

Determination whether to:

1.	Turn down business

2.	Continue with business – if so:

	Applications can be made to the Governor for licences to deal with sanctioned persons or entities* - this is specific in the legislation.

3.	File a SAR

## How is this done

- Screen clients against Her Majesty's Treasury list

- Who to screen?

  - New clients

  - Existing clients

  - Beneficial owners

  - Directors

  - Third party payors

## Systems and controls

- Ensure screening captures sanctioned lists

- Ensure screening is done on a regular basis

- Do not assume screening already done by previous service provider or referee. – Different risk profile

- AML screening is different from sanctioned screening

- Collect information on Individuals/Entities on

    – Place of residence and country of origin

    – Location of business and country in which business is conducted

## Systems and Controls cont'd

- Where AML function is outsourced ensure that it covers Sanctions- AML consultants might not include sanctions in coverage.

## Common Pitfalls

- No review of financial sanctions procedures during internal audits

- Exempted as only process low value transactions

- No need to screen as do not hold client money

- Screening done days or weeks after take on of business rather than at the beginning

- Training does not incorporate sanctions

# Questions?

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