

Russia: Cayman Islands Sanctions Update

The Cayman Islands is subject to the United Kingdom's The Russia (Sanctions) (EU Exit) Regulations 2019 (the "Regulations"), which are extended to various British overseas territories through law, specifically via The Russia (Sanctions) (Overseas Territories) Order 2020. The Regulations restrain persons from dealing in funds or economic resources owned or controlled by, or making funds or economic resources available to, persons or entities listed under related sanctions orders ("Designated Persons"). The Regulations also provide for a mechanism through which general licences can be issued, which allow multiple parties to undertake activities which would otherwise be prohibited by the Regulations without the need for a specific licence. On 4 October 2022, the Governor of the Cayman Islands issued such a general licence (the "General Licence").

The General Licence is aimed at Cayman Islands investment funds "owned or controlled directly or indirectly" by a Designated Person and whose assets are frozen as a result (a "Relevant Investment Fund"). The analysis of whether a specific investment fund is "owned or controlled directly or indirectly" by a Designated Person is fact sensitive and often complex. As such, legal advice should be obtained prior to taking any action potentially permitted by the General Licence.

Subject to certain ongoing reporting and record-retention requirements, the General Licence can permit actions that would otherwise have been prohibited as "dealing" for the purposes of the ongoing operation of the Relevant Investment Fund, including redemptions to non-Designated

Persons and payment of fees relating to the operating of the fund (e.g. legal fees and director fees). The General Licence does not, however, authorise any act potentially resulting in funds or economic resources being made available to Designated Persons, so nothing has changed in that respect.

We continue to monitor the changes to the Cayman Islands sanctions regimes with respect to Russia. Please do not hesitate to contact us should you be in need of advice in this area.

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