

Russia Sanctions Update – New Divestment Licensing Ground

Ever since Russia's invasion of Ukraine in 2022, UK sanctions have made it very difficult for Cayman Islands and British Virgin Islands ("BVI") entities to divest themselves of sanctioned investments held in Russia and / or to remove sanctioned investors from their registers. A new legislative amendment that came into force on 14 March 2024 may now make both a possibility.

Cayman Islands and BVI entities can apply to their jurisdictions' respective Governors for a specific licence to permit an activity that would otherwise be prohibited by UK asset-freezing measures. Such applications must be made, and such specific licences may only be granted, under one or more specified licensing grounds set out in the legislation. Until recently, no such licensing ground existed to deal with the difficulties Cayman Islands and BVI entities have faced regarding frozen investments held in Russia and sanctioned investors on their registers.

That appears now to have changed. On 14 March 2024, a new 'Divestment' specific licensing ground came into force. As a result, Cayman Islands and BVI entities are now able to apply for specific licences that, if granted by the Governor (with the consent of the UK Secretary of State), would enable the Cayman Islands / BVI entity to:

- (a) transfer funds or economic resources located in Russia which it owns, holds or controls to a Designated Person or to the Russian Government, in order for the

Cayman Islands / BVI entity to divest itself (wholly or partially) of those funds or economic resources;

- (b) acquire from a Designated Person or the Russian Government an interest held in that Cayman Islands / BVI entity by the Designated Person or the Russian Government, so long as:
 - (i) the sole consideration for the acquisition is a transfer of funds from the Cayman Islands / BVI entity to the Designated Person or the Russian Government; and
 - (ii) such funds are credited to a frozen account in a jurisdiction where corresponding sanctions are in force, i.e. generally the Cayman Islands, BVI, another British Overseas Territory or the UK; or
- (c) enable another person to do any of the above.

We have yet to see how this new specific licensing ground will play out in practice, however, it appears to be welcome news for Cayman Islands / BVI entities that have relevant Russia-related sanctions exposure.

Our Regulatory & Financial Services team has significant sanctions expertise and practical experience of all types of sanctions licence

applications. If you would like to discuss further, please reach out to your usual Maples Group contact and / or to the partners listed here.

Further Assistance

If you need additional advice relating to your ongoing regulatory compliance obligations, please contact us. We would be delighted to assist.

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