

Newsflash: Russian Sanctions update in the light of the events in Ukraine

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What does this mean for financial services businesses in the Channel Islands?

In this article, we provide a quick guide of steps to take to manage sanctions exposure with the emergence of new sanctions at an unprecedented rate.

Guernsey and Jersey, by the implementation of local legislation, have adopted the Russia (Sanctions)(EU Exit) Regulations 2019 (the **Regulations**) (subject to certain modifications). These include the amendments on 10 February, to widen its designation power to include persons "*involved in ... obtaining a benefit from or supporting the Government of Russia*", those on 28 February extending the restrictions on dealing with transferable securities, money market instruments, loans and credit arrangements, restricting correspondent banking relationships with designated banks and imposing further trade restrictions and on 1 March new trade and maritime sanctions.

As events unfold apace in Ukraine we have seen the UK, Europe and a number of other nations, take action against Russia in the form of sanctions. By the end of last week, Russian troops had entered the Ukraine and Boris Johnson announced "*the largest and most severe package of economic sanctions that Russia has ever seen.*" We saw a number of sanctions brought in with near-immediate effect and others anticipated imminently. The UK government has announced its intention to take further restrictive economic measures in response to the invasion of Ukraine by Russia, by targeting the Central Bank of the Russian Federation.

The GFSC has issued a number of Notices in respect of the rapidly developing situation and last Friday (25 February) issued the following Notice (extract):

Please be advised that, following Russia's invasion of the Ukraine, further sanctions measures are expected to be introduced in addition to the designations already made this week. In addition to new measures being introduced by the UK, all of which are automatically applicable within the Bailiwick, amendments to previous listings have been and may continue to be issued.

All businesses are required to be proactive in monitoring the emergence of new sanctions and the changes to previous designations.

A very similar message was delivered by the JFSC and the Government of Jersey on the webinar they delivered yesterday.

The following is a quick guide of the proactive steps financial services businesses should now be taking to be best placed to manage sanctions exposure with the emergence of new sanctions and the changes to previous designations:

- Establish a sanctions framework proportionate to its risk of sanctions exposure (if one doesn't already exist);
- Appoint a designated person, or team, proportionate to the size of the business to identify and monitor sanctions exposure, and report to the Board as frequently as necessary;
- Have a clear and defined communications policy to ensure that all staff are made aware of any new sanctions or increased threats, such as cyber security;
- Check that the service provider of electronic sanctions screening technology is adopting new sanctions measures in real time and that screening controls remain effective;
- Ensure there is an effective escalation procedure in the event of a sanctions 'hit' and that it is well understood;
- Establish a defined procedure for communication with the Policy & Resources Committee;
- Ensure that staff are fully trained on sanctions risk and exposure and the penalty for breaches;
- Review all relationships, on a risk based approach, to ensure ownership structures, including direct and indirect connections, are fully understood and where appropriate verified exposure; and, remediate any gaps without delay. This should include a review of (E) CDD held on clients with geographical / sectoral / PEP exposure;
- Review operating terms and conditions to ensure sanctions, payment and enforcement clauses are fit for purpose;
- Understand and review the risk tolerances of your intermediaries and understand the sanctions regimes they are subject to. Where there may be misalignment between the intermediary and the firm consider whether you wish to continue to maintain the intermediary relationship;
- Ensure a robust audit trail of actions and decision making;
- Keep a close eye on regulatory and government websites and publications applicable to your jurisdiction to ensure you fully informed of the quickly evolving sanctions landscape that affects you.

The Notice set out measures that should be taken and information required to be provided pursuant to sections 14 and 15 of the Sanctions (Bailiwick of Guernsey) Law, 2018 (the **Sanctions Law**) in respect of action taken by the UK in regard to Russian sanctions as they apply in Guernsey. A very similar message was delivered by the JFSC and the Government of Jersey on their webinar.

While each case will be fact specific, as a minimum:

- any Guernsey firm that has an account or any kind of relationship with a designated individual or entity under the Regulations (as per the Notice) should, immediately on discovery, report to the Policy & Resources Committee under the subject header "Russia Sanctions" (a) that the relationship exists and how it exists; and, (b) that any funds, other assets or economic resources have been frozen;
- in Jersey, reports of relevant accounts or breaches should be made using the Sanctions Compliance Reporting Form available both on the Sanctions section of the JFSC website and the Jersey Government Sanctions website. Appropriate reports should also be made to the JFSC supervisory contact and

consideration given as to whether, in the circumstances, a suspicion is held that requires reporting to the Jersey Financial Crimes Unit.

We expect that both the Guernsey and Jersey governments will be looking to firms to conform to the substance of the sanctions implemented under the Regulations and act responsibility. Breach of the Sanctions Law may amount to an offence.

If you are in any doubt about what to do in the event of exposure and/or the emergence of new sanctions, seek legal advice without delay.

For more information please contact:



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