

Research Briefing
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The UK's Overseas Territories and sanctions against Russia

Summary

In February 2022, the UK and other countries introduced sanctions against Russia in response to its military action against Ukraine, targeting its financial sector and assets held by Russian politicians and oligarchs.

This briefing describes how sanctions are applied by the UK's fourteen Overseas Territories (OTs). Only ten of these are inhabited, and include the Cayman Islands, the British Virgin Islands, and the Turks & Caicos Islands in the Caribbean.

For updates on the situation in Ukraine and related geopolitical aspects, visit the Commons Library's [Ukraine crisis](#) page.

The Commons Library briefing, [Sanctions against Russia](#), describes the measures in detail.

Value of Russian assets in the OTs

The value and number of Russian assets in the OTs is unknown, as are those liable to be sanctioned. Some organisations have offered estimates:

- In February 2022, [Transparency International linked £830 million worth of property in the UK's OTs and Crown Dependencies](#) (Jersey, Guernsey and the Isle of Man) to individuals close to Russian President Vladimir Putin or Russians accused of corruption.

- In 2018, Global Witness said [£34 billion was currently invested by Russians in the UK's OTs](#). It said the British Virgin Islands was the second most popular destination for money leaving Russia, behind Cyprus.

Applying sanctions in the OTs

The long-standing policy of the UK Government is [for the OTs to apply the same sanctions as the UK](#).

Two OTs—Barbados and Gibraltar—pass their own legislation aligned to the UK but for others, [Orders in Council implement the UK's sanctions](#). Orders in Council [are made by the Privy Council](#), and are mostly statutory instruments.

UK sanctions against Russia, as they existed in 2019, were extended to all the OTs (except Bermuda and Gibraltar) in [The Russia \(Sanctions\) \(Overseas Territories\) Order 2020](#) (as amended).

The sanctions introduced in 2022 have been [made as amendments to the 2019 legislation](#), meaning they are automatically extended to the OTs. They will also be enforced in Gibraltar and Bermuda.

This is a fast-moving situation, and this briefing should be read as correct at time of publication.

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The Overseas Territories

There are [fourteen UK Overseas Territories](#) (OTs), with a total population of around 260,000. Only ten have a permanent population:

- Gibraltar
- Anguilla
- Bermuda
- British Virgin Islands
- Cayman Islands
- Montserrat
- Turks & Caicos
- Pitcairn Islands
- Falkland Islands
- St Helena, Ascension and Tristan da Cunha.¹

Each Territory [has its own constitution, government, and local laws](#). However, “as a matter of constitutional law” the UK Parliament has “unlimited power to legislate” for them.²

¹ Foreign, Commonwealth and Development Office (FCDO), [Overseas territories governments on the web](#), updated 25 February 2019; United Nations, [World Population Prospects 2019: Total Population - both sexes](#), 2019. All sources accessed 1 March 2022 unless stated.

² Foreign & Commonwealth Office (FCO), [The Overseas Territories White Paper](#), Cm8374, June 2012, p14

2 How are sanctions usually applied in the OTs?

UK Government policy is for any UK sanctions [to be given effect in the OTs](#), as well as the Crown Dependencies (CDs) (Isle of Man, Jersey, and Guernsey).³

There are two ways in which the OTs generally implement sanctions:

- The UK legislates for the majority through Orders in Council. Orders in Council [are made by the Privy Council](#), and mostly take the form of statutory instruments.⁴
- Two legislate for themselves—Bermuda and Gibraltar—but follow what is implemented in the UK.

The Government argues this approach respects the rights of each jurisdiction and is “well established.”⁵

Section 63 of the [Sanctions and Anti-Money Laundering Act 2018](#) additionally allows the Crown, through an Order in Council, to extend UK sanctions to any of the OTs and CDs.⁶

3 UK sanctions against Russia, 2022

What are they targeting?

In response to Russian military action against Ukraine in February 2022, the UK and international partners coordinated a series of sanctions against Russia. These have included sanctions against:

- Individuals, such as prominent Russians associated with the Russian Government. This includes travel bans and asset freezes.
- Companies and banks, including Bank Rossiya and Promsvyazbank.
- Russian access to the UK's financial markets and Sterling.

These are in addition to those already imposed in 2014 in response to Russia's annexation of Crimea. In 2022, the Prime Minister, Boris Johnson, said there

³ FCDO, [UK sanctions](#), updated 24 February 2022

⁴ The Privy Council Office, [Orders](#), accessed 2 March 2022

⁵ HL Deb, [12 December 2017](#), c1518; HL Deb, [8 February 2021](#), c22GC

⁶ [Sanctions and Anti-Money Laundering Act 2018](#), section 63

will be “[a rolling programme of intensifying sanctions.](#)” suggesting the Government may go further in its actions.⁷

The Library briefing, [Sanctions against Russia](#), CBP 9481, describes the measures.

4 Russian assets in the OTs

The number, distribution, and value of Russia assets to be targeted by sanctions in the OTs is unknown, but some estimates have been published:

- In February 2022, Transparency International [linked £830 million worth of property in the UK's OTs and CDs](#) to individuals close to Russian President Vladimir Putin or Russians accused of corruption. This is 55% of £1.5 billion worth of property owned by the individuals it identified in the UK and its OTs/CDs.⁸
- In 2018, Global Witness said [£34 billion was currently invested by Russians](#) in the UK's OTs. The British Virgin Islands was identified as the second most popular destination for money leaving Russia, behind Cyprus.⁹

Its report also said that a total of £68.5 billion in foreign direct investment (FDI) from Russian residents had been directed towards the OTs from 2007 to 2016. This contrasted with £9 billion in the UK over the same period.

The British Virgin Islands had received £56.3 billion of the FDI over this period, Bermuda £7.1 billion, and Gibraltar £3.4 billion.¹⁰

Some funds may have already been returned to Russia: In 2018, the Russian Government created two offshore zones with tax incentives to encourage the return of assets. Around 70 companies are known to have returned since 2018, from all foreign jurisdictions.¹¹

In 2020, in a [report on Russian money in the United States](#), the Atlantic Council said that “traditionally” money has first left Russia via Cyprus, then

⁷ HC Deb, [24 February 2022](#), c576

⁸ Transparency International UK, [Stats reveal extent of suspect wealth in UK property \[...\]](#), 18 February 2022

⁹ Global Witness, [Five times more Russian money in the UK's havens than in the UK](#), 29 April 2018

¹⁰ Global Witness, [Missing the bigger picture? Russian money and the UK's tax havens](#) (opens PDF link), 2018, Appendix

¹¹ Forbes, [Inside the Russian tax havens set up by Putin to help sanctioned billionaires](#), 2 February 2022

“typically” is moved to the British Virgin Islands and Cayman Islands, before being moved finally to the US and UK.¹²

In 2018, the Commons Foreign Affairs Committee [cited concerns about illicit finance in the OTs](#).¹³

Transparency In the OTs

All the OTs have committed to adopt publicly accessible registers of beneficial ownership of companies to identify owners of companies by 2023.

“Beneficial ownership” refers to the person who ultimately owns or controls an asset, such as property or a company. This may differ from the direct legal owner, who may not control or benefit from that asset. A register allows law enforcement agencies, for example, to check who ultimately owns an asset.

The UK Government is providing technical support to help the Territories implement the policy.¹⁴

2023 is the set date because the UK Government believes that by that date such registers [will be a global norm](#).¹⁵

The Commons Library’s [Registers of beneficial ownership](#), CBP 8259, section 3.1, provides more details.

Since 2017, a process called Exchange of Notes (EoN) has been in place between the UK, OTs, and CDs, whereby law enforcement agencies in one can submit a request for information in another participating territory. This is used to support criminal investigations and access to beneficial ownership information.¹⁶

5 Applying sanctions against Russia in the OTs

After Russia’s annexation of Crimea in 2014 and its destabilisation efforts in eastern Ukraine, the EU imposed a series of embargoes and sanctions against Russia. As the UK was an EU member at the time, it applied these regulations.

¹² Atlantic Council, [Defending the US against Russian dark money](#), 2020, p6

¹³ Foreign Affairs Committee, [Moscow’s gold: Russian corruption in the UK](#), 2018, section 3

¹⁴ PQ 128635 [[British OTs: Companies](#)], 16 December 2020

¹⁵ PQ 211611 [[British OTs: Companies](#)], 28 January 2019

¹⁶ HCWS [[Statutory Review: Law enforcement sharing of company beneficial ownership information with the CDs and OTs](#)], 27 June 2019

These were [extended to each of the UK's OTs](#) at the time, either through Orders in Council or local legislation (in the case of Bermuda). At the time, EU Council regulations applied directly to Gibraltar.¹⁷

Under section 63 of the [Sanctions and Anti-Laundering Act 2018](#), the Government, acting through an Order in Council, can extend sanctions regulations to any of the UK's OTs and CDs.¹⁸

UK-Russia sanctions, as detailed in the [Russia \(Sanctions\) \(EU Exit\) Regulations 2019](#) (as amended) were extended to all the OTs (except Bermuda and Gibraltar) in [The Russia \(Sanctions\) \(Overseas Territories\) Order 2020](#).

Additional sanctions from early 2022

The new sanctions in February/March 2022 have been made as amendments to the 2019 Regulations:

- [The Russia \(Sanctions\) \(EU Exit\) \(Amendment\) Regulations 2022](#), which came into force on 10 February. This identifies sectors of “strategic significance” to the Russian Government, including the chemical, defence, energy, extractives, electronics, ICT and financial services sectors.
- [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No.2\) Regulations 2022](#), coming into force on 1 March. This introduced further restrictions on financial transactions and processing of sterling payments.
- [Russia \(Sanctions\) \(EU Exit\) \(Amendment\) \(No.3\) Regulations 2022](#), coming into force on 1 March. This prohibits the export, supply and delivery of “dual goods” (that is, products with both a civilian and military purpose such as some electronics and aerospace equipment).

These new sanctions will be implemented in the OTs, though the Government said during debate on the measures in the Commons on 1 March 2022 that there [may be a “small lag” in implementing them there](#).¹⁹

Discussing sanctions against Russia in February 2022, the Foreign Secretary, Liz Truss, said that the Government was “working closely” with the Territories to implement the new sanctions.²⁰

Statements by OT Governments, February/March 2022

The below is a not an exhaustive list of statements:

- The Government of the **British Virgin Islands** has said the sanctions will “apply in the same form and rigour” as in the UK. It says information can

¹⁷ PQ 193365 [[Sanctions: OTs](#)], 27 March 2015 c385W

¹⁸ [Sanctions and Anti-Money Laundering Act 2018](#), section 63 (3)

¹⁹ HC Deb, [1 March 2022](#), c991

²⁰ HC Deb, [28 February 2022](#), c719

be shared on beneficial ownership in as “little as one hour” under the EoN agreed with the UK.²¹

- The **Cayman Islands** has issued new guidance to apply the sanctions.²²
- The Government of **Bermuda** has confirmed it [will implement the sanctions](#). It says this is likely to “greatly impact “around 740 aircraft registered in the country that are used by Russian operators.”²³
- In **Gibraltar**, financial sanctions connected with Russia made in the UK come into effect [as soon as they come into operation in the UK](#). It also applies EU restrictive measures.²⁴

²¹ Government of the Virgin Islands, [The Government of the Virgin Islands expresses concern over the conflict between Ukraine and Russia](#), 28 February 2022, accessed 3 March 2022

²² Cayman Islands Government, [Financial reporting authority](#), accessed 3 March 2022

²³ The Royal Gazette, [Bermuda will follow UK sanctions against Russia](#), 2 March 2022, accessed 3 March 2022

²⁴ Gibraltar Financial Services Commission, [Sanctions against the Russian Federation](#), 2 March 2022, accessed 3 March 2022

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