



CAYMAN ISLANDS

**EMBARGOED UNTIL 11 DECEMBER**

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– FACT SHEET/BACKGROUNDER –

## **Caribbean Financial Action Task Force Third-Round Mutual Evaluation of the Cayman Islands' Anti-Money Laundering and Combating the Financing of Terrorism Regimes**

### **BACKGROUND**

- The Cayman Islands is a founding member of the Caribbean Financial Action Task Force (CFATF), established in 1990 to implement measures to address the problem of money laundering and subsequently, terrorist financing. The CFATF is the regional affiliate of the Financial Action Task Force (FATF). Two previous CFATF peer evaluations in 1995 and 2002 confirmed the Cayman Islands' commitment to international anti-money laundering (AML) and combating the financing of terrorism (CFT) standards.
- The CFATF third-round evaluation of the Cayman Islands' AML and CFT regime was conducted off-site by means of a detailed evaluation questionnaire and on-site in the Cayman Islands in June 2007. The resulting evaluation report was approved at the CFATF plenary and ministerial meeting held in Costa Rica from 20-23 November 2007.
- The full report is available from 11 December from the CFATF Web site ([www.cfatf.org](http://www.cfatf.org)).
- A key conclusion of the report is:
  - ~ **“In terms of the AML/CFT compliance culture in the Cayman Islands, it was evident to the assessors that the country in general and the financial service providers in particular all have a keen sense of awareness of AML/CFT issues. Additionally, the financial service providers displayed a healthy compliance culture, based on an appreciation of the reputation risk of AML/CFT for the jurisdiction. The strong compliance culture was also demonstrated by the financial service providers' pro-active cooperation with the authorities in implementing AML/CFT measures.”(para. 9)**
- The assessment was based on the FATF 40 recommendations on money laundering and the nine special recommendations on terrorist financing (known as the FATF 40+9) and was prepared using the latest FATF AML/CFT methodology as of February 2007.
- The evaluation was conducted by an expert assessment team which comprised: a member of the CFATF secretariat as team leader; CFATF members Jamaica (financial expert) and The Bahamas (legal expert); and FATF members U.S. (financial expert) and Canada (law enforcement expert). This was the first time that a CFATF evaluation team included FATF members, as provided for under recent amendments to the CFATF evaluation protocols and procedures.
- The experts reviewed the institutional framework, the relevant AML/CFT legislation and guidance notes, the regulatory and other systems in place to deter money laundering (ML) and the financing of terrorism (FT), as well as the capacity, implementation and effectiveness of Cayman's regime.

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## REPORT FINDINGS

- The CFATF assessed the Cayman Islands as ‘compliant’ (C) or ‘largely compliant’ (LC) with 38 of the FATF 40+9. This compares very favourably with the out-turn of the 16 third-round evaluations conducted to date of FATF member countries, where there was an average of 26 C/LC ratings (including a high of 43 and a low of 12).
- Some specific findings:
  - ~ The Cayman Islands was commended for its due compliance with the FATF recommendations on the criminalisation of money laundering. The report further noted that, “[t]he appointment of the Anti-Money Laundering Steering Group [AMLSG] is particularly commendable as it brings a deliberate and prudent focus to AML issues.” (para. 90)
  - ~ A “strong compliance culture” (para. 9; see also para. 144)
  - ~ Cayman’s Financial Reporting Authority (FRA) appears to be performing its functions in an appropriate and effective manner. It has a cadre of personnel that have a great deal of experience and who are well trained. (para. 166)
  - ~ The judiciary, prosecution and law enforcement authorities in the Cayman Islands exhibit a high degree of competency in matters related to AML/CFT and other criminal related matters. (para. 199)
  - ~ The report found that the supervisory regime implemented by the Cayman Islands Monetary Authority (CIMA) is comprehensive and in accordance with international requirements for the various sectors. CIMA utilizes appropriate supervisory techniques and has well qualified, competent, experienced staff. (para. 542; see also para. 499)
  - ~ The Cayman Islands has an effective system for domestic co-operation to counter money laundering and terrorism financing at policy and operational levels. (para. 646)
  - ~ The Cayman Islands was commended for fully implementing the relevant articles of the Palermo and Terrorist Financing Conventions, in the absence of due extension by the United Kingdom. (para. 653)
  - ~ The legislative provisions and measures established for mutual assistance are comprehensive, and effective. (para 676)
  - ~ The system for extradition is the same as for mutual assistance and has a similar level of compliance with FATF requirements. (para. 683)

## FURTHER ACTION

- The CFATF made a number of important recommendations on improving compliance with the FATF 40+9, including areas where the provisions need to track more closely with FATF requirements. An example is the specifications for institutions’ internal audit function in relation to their AML/CFT measures. Cayman also needs to convert aspects of the comprehensive due diligence process currently dealt with in the guidance notes to requirements under the country’s Money Laundering Regulations; and introduce specific provisions for correspondent banking activity (which is not a prevalent activity in Cayman, but requires specific coverage nevertheless).
- The implementation of the report’s recommendations is a top priority for the Cayman Islands Anti-Money Laundering Steering Group (AMLSG) and Cayman is required to report back on progress to the CFATF May 2008 plenary.

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