



CAYMAN ISLANDS

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**Fact Sheet/Backgrounder – Anti-Money Laundering
and Combating the Financing of Terrorism**

**INTERNATIONAL MONETARY FUND ASSESSMENT OF THE SUPERVISION
AND REGULATION OF THE FINANCIAL SECTOR IN THE CAYMAN ISLANDS**

- Based on a review of Cayman Islands legislation and regulations for anti-money laundering (AML) and combating the financing of terrorism (CFT) as part of the Proceeds of Criminal Conduct (Money Laundering) Regulations (MLR).
- The assessment was also conducted based on the *Methodology for Assessing Compliance with the AML/CFT International Standard* issued by the Financial Action Task Force (FATF). It contains 40 recommendations plus an additional 8 specifically for CFT, which together 128 specific recommendations for consideration.
 - ~ The FATF was formed in 1989 and focuses on the development and promotion of policies, both at national and international levels, to combat money laundering and terrorist financing. The Task Force is therefore a “policy-making body” which works to generate the necessary political will to bring about national legislative and regulatory reforms in these areas.
- IMF assessed the Cayman Islands as “compliant” or “largely compliant” for all recommendations rated, with the exception of FATF 17 and FATF 20, which were rated as “materially non-compliant.”¹
 - ~ A five point rating scale for each of the principles was used:
 - Compliant – all “essential” criteria are met without any significant deficiencies
 - Largely compliant – minor shortcomings, but not sufficient enough to raise doubts about the authority’s ability to achieve the objective of a given recommendation
 - Materially non-compliant – shortcoming is sufficient to raise doubts about the authority’s ability to achieve compliance
 - Non-compliant – no substantive progress towards compliance has been achieved
 - Not applicable – a principle deemed by the assessors to not have relevance

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¹ FATF 17 relates to tipping off – the assessors found that a) the tipping off offence under the MDL only related to restraint and production orders, and not SARs and b) the tipping off offence should apply from the moment a person has a suspicion, not only when there is an investigation or proposed investigation – Cayman disagrees with b) as indicated in the authorities’ response section. FATF 20 relates to the application of home AML/CFT rules to domestic branches and subsidiaries located abroad; the assessors acknowledge that there are few of these, but consider that the Guidance Notes should address the matter.

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- Evaluation involved a qualitative on-site and off-site analysis by expert assessors based on the following information:
 - ~ Discussions with H.E. the Governor
 - ~ Discussions with senior officials from a number of Cayman Islands government departments and agencies, including the Attorney General
 - ~ Discussions with industry representatives

- The IMF assessors were Ms. Nancy Rawlings, Monetary and Financial Systems Development and Ms. Margaret Cotter, Consulting Counsel, Legal Department and an independent assessment expert under IMF supervision, Ms. Amalin Flanegin, Public Prosecutor, Aruba, who evaluated the law enforcement sections of the methodology.

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