



THE CAYMAN ISLANDS



NATIONAL STRATEGY FOR COMBATTING MONEY LAUNDERING, TERRORIST FINANCING, AND PROLIFERATION FINANCING 2022-2025

The Anti-Money Laundering Steering Group
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FOREWORD

As Chairman of the Anti-Money Laundering Steering Group, it gives me great pleasure to present our third AML/CFT/CFP Strategy 2022-2025 on behalf of the Government of the Cayman Islands. The jurisdiction has significantly strengthened its AML/CFT/CFP framework since the first strategy was published in May 2017, and there has been a heightened awareness of the country's strategic direction as was manifested in the updated strategy of 2019-2022.

This new Strategy comes on the heels of the publication of our second National Risk Assessment and fulfils part of our mandate under Recommendation 1 and Immediate Outcome 1 to assess and understand our risks; develop and coordinate national AML/CFT/CFP policies and activities; and allocate resources on a risk-sensitive basis to prevent and mitigate identified risks.

Having been through the 4th Round CFATF Mutual Evaluation and the FATF International Cooperation Review Group (ICRG) process, the jurisdiction now has a more robust AML/CFT/CFP framework. Of the 63 recommended actions the Cayman Islands was asked to take to address deficiencies in the framework, only two remain outstanding and are being dealt with expeditiously. We must, however, continue to take steps to ensure that our AML/CFT/CFP measures move from “good” to “excellent”, particularly in light of evolving and ever-increasing requirements.

I am confident that, with the continued support of all relevant competent authorities, self-regulatory bodies, and the private sector, we will achieve much success in our 5th Round CFATF Mutual Evaluation, which could commence as early as 2025.

Hon. Samuel Bulgin QC, JP
Attorney General

STRATEGY FRAMEWORK

The Cayman Islands recognizes that an AML/CFT/CFP strategy is a critical compass for directing and organizing national efforts to combat money laundering (ML), terrorist financing (TF), and proliferation financing (PF). Since 2017 when its first AML/CFT Strategy was formulated, the Cayman Islands has consistently developed and communicated the country's strategic blueprint for addressing risks. Both the originally published 2017 Strategy and its 2019 update were developed to address risks identified in the country's AML/CFT/CFP framework, as articulated in the first comprehensive national risk assessment (the "2015 NRA") and the CFATF Mutual Evaluation Report (MER) published in March 2019.

This 2022-2025 AML/CFT/CFP Strategy (the "2022-2025 Strategy" or the "Strategy") provides a clear road map on how the Cayman Islands will continue to address the ML/TF/PF risks it faces and refine its AML/CFT/CFP regime—which in the last five years, has been significantly enhanced to make it into the robust system that it is today. Also included in the 2022-2025 Strategy are specific action points for addressing risks identified in the country's recently completed 2021 National Risk Assessment (the "2021 NRA" or the "NRA").

This 2022-2025 Strategy is divided into four main sections, consecutively ordered as follows:

1. **Introduction**—which outlines the purpose and general context for the Strategy.
2. **National Objectives**—which present overarching jurisdictional policy objectives, as is encapsulated in the Cayman Islands' AML/CFT/CFP Vision and Mission Statements and seven (7) overarching Strategic Themes.

3. **Situation Analysis**—which details and provide context on the jurisdiction’s AML/CFT/CFP trajectory as it responds to international AML/CFT/CFP obligations arising from (a) the CFATF Fourth Round Mutual Evaluation, (b) the International Co-operation Review Group (ICRG) process (more commonly referred to as the “grey list”) under which the Cayman Islands is currently being monitored because of strategic deficiencies in its AML/CFT/CFP regime; and (c) the 2021 NRA.
4. **Strategic Themes, Objectives, and Actions**—which outlines the specific actions to be taken over the 2022-2025 period to address identified risks and buttress ongoing national efforts to continuously revamp the domestic AML/CFT/CFP framework.

INTRODUCTION

This 2022-2025 Strategy updates the 2019 Strategy and is formulated in large part to direct national efforts in addressing the risks identified in the 2021 NRA and other focused risk assessments. It is also the mechanism through which national efforts are galvanized, coordinated, and monitored to ensure implementation efforts are effectively progressed. Another objective of the Strategy is to assist in the continuation of crystalizing for all relevant stakeholders the jurisdiction's trajectory in building a world-class AML/CFT/CFP regime.

Having conducted a previous comprehensive NRA and engaged in various risk assessment exercises over the last few years, the Cayman Islands has made the exercise of evaluating risk a seasoned, embedded, and obligated aspect of its regime to combat ML, TF, and PF. The 2021 NRA, along with the sectoral and targeted risk assessments, were therefore done to continue work to deepen the collective understanding of the risks to which the Cayman Islands is exposed. Through this appreciation of risk, the country continues to develop appropriately tailored and targeted strategies and action plans to remedy deficiencies within its regime.

Key findings from the 2021 NRA will be shared with all relevant public and private sector constituents through national and sector outreach sessions. These outreaches are intended not only to share findings on key risks, but also to inform regulated entities of annual supervisory priorities and prioritized collective efforts across the regime to mitigate risks. A key objective of the outreaches on the 2021 NRA is to reinforce the Cayman Islands' commitment to continue developing a first-rate regime that works continuously to deprive criminal elements of their illicit profits, while safeguarding the country's borders and financial and non-financial industries from such bad actors.

The full NRA will be published on the various websites of supervisors for financial and non-financial entities and other relevant competent authorities. It is expected that the outreaches and the published NRA will concretize and focus the collective minds of relevant public and private sector stakeholders of the risks that ought to be targeted for mitigation over the long term.

The Strategy is the result of a national collaborative approach to risk management and mitigation.

NATIONAL OBJECTIVES

The jurisdiction's 2022-2025 Strategy outlines national objectives to ensure that the country continues its commitment to finetune the framework to effectively deter and prevent ML, TF, and PF risks identified in the NRA and focused risk assessments. In doing so, the country is led by the following vision and mission:

VISION

A robust, adaptive, and responsive AML/CFT/CFP framework, consistent with international standards, and effective in maintaining the integrity of the Cayman Islands' financial system.

MISSION

To promote and adopt a multi-agency approach that incorporates the widest means of domestic and international cooperation for the protection of the Cayman Islands' financial system against money laundering, terrorist financing, and proliferation financing.

STRATEGIC THEMES

- 1. Enhancing the Jurisdiction's AML/CFT/CFP Legal and Regulatory Framework*
- 2. Implementing a Comprehensive Risk-based Supervisory Framework*
- 3. Strengthening of Sanctions, Intelligence, Enforcement, and Asset Recovery*
- 4. Enhancing Domestic Cooperation and Coordination*
- 5. Ensuring an Efficient and Effective System for International Cooperation; and,*

6. *Raising AML/CFT/CFP Awareness among All Stakeholders and the General public*

7. *Strengthening the Beneficial Ownership Transparency Framework*

SITUATION ANALYSIS

ICRG Process – Post-Observation Period

The Cayman Islands AML/CFT/CFP regime was assessed by CFATF during its fourth-round mutual evaluation process. On conclusion of the exercise following an onsite visit by the CFATF assessment team in December 2017, the MER was published in March 2019. The MER assessed the Cayman Islands on two overarching areas: (1) **technical compliance** based on the FATF 40 Recommendations, and (2) **effectiveness** based on 11 immediate outcomes (IOs).

For *technical compliance*, the Cayman Islands achieved ratings of 12 Complaint (C), 15 Largely Compliant (LC), 13 Partially Compliant (PC), and no Non-Compliant (NC). For *effectiveness*, the jurisdiction received the following ratings for its 11 IOs: 7 Moderate and 4 Low.

Following the adoption and publication of the MER, the Cayman Islands was placed in enhanced follow-up by CFATF for receiving eight or more PC/NC ratings for *technical compliance*. Subsequently, however, the jurisdiction, following rerating exercise by the CFATF, received rating upgrades on all the PC-rated Recommendations. As of November 2021, the Cayman Islands had achieved full compliance with the FATF's 40 Recommendations, having received upgraded ratings of 22 Compliant and 18 Largely Compliant. At the time of the rating, the Cayman Islands was only the second jurisdiction in the world to have a satisfactory rating on all the FATF's 40 Recommendations.

For the *effectiveness* aspect of the assessment, the Cayman Islands was placed under a one-year observation period in February 2019 by the FATF because the country received seven or more IOs of "Low" or "Moderate" for the *effectiveness* and satisfied the US\$5.0 billion threshold for broad money. This one-year observation period allowed the jurisdiction to remedy strategic deficiencies identified as Recommended Actions in the MER, and thereafter report on its progress. The MER set out 63 Recommended Actions for the Cayman Islands to address.

Through targeted and organized national efforts across the entire AML/CFT/CFP regime, the Cayman Islands substantially addressed 60 of the 63 Recommended Actions. While the Cayman Islands made some progress in addressing the remaining three Recommended Actions, the FATF placed the country on a *greylist* of jurisdictions subject to increased monitoring. In keeping with its commitment to continue as an active participant in the fight against ML and TF, the Cayman Islands made a high-level commitment to continue efforts to strengthen gaps in the three remaining Recommended Actions, which include sanctioning breaches of beneficial ownership requirements, prosecuting money laundering, and imposing sanctions consistent with the country's ML and TF risk profile.

Since then, the Cayman Islands has substantially progressed on these matters.

- Over the last three years, the Cayman Islands' financial supervisor, the Cayman Island Monetary Authority (CIMA), has imposed a myriad of effective, proportionate, and dissuasive administrative fines for beneficial ownership failures. These and other efforts were instrumental in elevating the level of required progress on one of the remaining Recommended Actions.
- The Registrar of Companies (ROC) has likewise sanctioned for similar failures while undertaking efforts to upscale its supervisory vigilance of legal persons.
- The prosecutorial framework for money laundering has also seen improvements. The Cayman Islands enhanced its efforts in completing complex ML cases and advancing them to prosecution and conviction. ML prosecutions and convictions have therefore increased in recent years. There is early engagement on ML matters between the prosecutors and the wider law enforcement network. In addition to increasing ML prosecutorial and investigative resources, significant training and capacity building continues to be an ongoing commitment. Overall, there is an increased focus on prosecuting ML and depriving bad actors of their illicit gain.

It is evident that much work was done in furtherance of satisfying obligations arising from the ICRG process. The jurisdiction recognizes, however, that more needs to be done to move its AML/CFT/CFP framework to a system that will remain excellent for many years.

THE 2021 NRA

The 2021 NRA was a collaborative, multi-stakeholder effort that included contributions from all relevant stakeholders—government departments, competent authorities, and the private sector. Fifteen working groups (15) were charged to evaluate national threats and inherent risks at the national and sectoral levels. From a sector perspective, inherent risks were assessed against critical risk categories that included nature, size, and complexity; customer; product/service/transaction; delivery channel; and geography as a dimension of all the other categories.

During the 2021 NRA initiative, national and sectoral understanding of ML/TF/PF risks had improved significantly with the conduct of various focused risk assessments, both at the national and sectoral levels. These included risk assessments on a) legal persons and legal arrangements; b) international components of risks faced by the jurisdiction as a significant international financial centre; c) TF risks and vulnerabilities; d) excluded persons under the Securities and Investment Business Act; and e) all regulated sectors in the Cayman Islands.

The 2021 NRA was also completed against the backdrop of a more robust AML/CFT/CFP infrastructure. Specifically, the AML/CFT/CFP regime was significantly revamped to satisfy changing demands in international standards and mitigation control requirements. Over the last five years, the jurisdiction has reengineered or made additional improvements to the legislative framework, domestic cooperation and coordination, beneficial ownership, tax transparency, financial intelligence, investigations and prosecution, confiscation, licensing and registration, and risk-based supervision.

The 2021 NRA is, therefore, more comprehensive in its scope and depth, as the Cayman Islands had significantly upgraded its systems for combatting ML, TF, and PF; and appreciation of these risks had elevated within the supervisors, law enforcement networks, other competent

authorities, and regulated entities. With the 2021 NRA, the Cayman Islands sought to accomplish several objectives:

- continue to deepen national and sectoral understandings of ML, TF, and PF risks;
- synthesize and consolidate in one place the risk understandings acquired from the conduct of sectoral and targeted risk assessments;
- evaluate areas that had recently become an international AML/CFT/CFP concern (e.g., virtual assets);
- update risk understanding on areas/sectors for which more information had become available, such as in the case of registrants in the securities sectors that were not previously subjected to robust AML/CFT/CFP oversight; and
- satisfy international obligations to regularly review and update the national risk assessment and ensure that it is responsive to new threats and trends.

Analysis in the 2021 NRA indicates that the primary threats of domestic origin continue to be drug trafficking, fraud/theft, and corruption, with drug trafficking posing the highest threat in terms of the amount of value generated in criminal proceeds. Overall, however, the greatest ML threat to the Cayman Islands emanates from proceeds generated from foreign crimes. Fraud, corruption/bribery, and tax evasion pose the highest foreign ML threats for the Cayman Islands. This finding highlights the country's continued exposure, as an international financial centre (IFC), to crimes committed overseas.

Reasonably good mitigating measures are in place to address these threats. This is evident in the enhancements made to financial intelligence, the increase in cross-border investigations, and upgrades to the country's investigative and prosecutorial resources across the law enforcement and legal networks.

Significant resources have been brought to bear on addressing ML threats. There is a need, however, for further upscaling and calibration of human and technological resources to effectively respond to the increasing use of technology to obscure criminal activities and evade detection.

Regarding terrorism and terrorist financing, the evidence reviewed and assessed indicated that these activities currently do not pose a significant threat for the Cayman Islands, particularly because of the country's demographics and geography. Some exposure to the threat of TF may exist for the country, especially through its cross-border financial transactions and activities and financial services providers that facilitate these services. However, the body of evidence reviewed does not support that the risk is present in the country. Nonetheless, all the elements of a strong framework for addressing the risk of terrorism and terrorist financing are in place.

As an IFC, the Cayman Islands offers an array of complex, innovative products, services, and corporate/investment vehicles that make it attractive to international players, which may include actors seeking to exploit the financial and economic system to advance their criminal agenda. The NRA identified that risks inherent to the country's status as an IFC expose the financial and DNFBPs sectors operating in it. These risks include:

- easy global access to Cayman Island's corporate and investment vehicles, a vast majority of which do not conduct domestic business and therefore have limited ties to the jurisdiction and can facilitate fund flows through foreign bank accounts;
- high volumes of cross-border activities and transactions, some of which may be high risk;
- high value of assets/funds under administration/management generated largely outside of the country;
- large transaction volumes with non-face-to-face customers that may include high-risk customers;

- a predominantly large international customer base that comprises of high-risk customers such as PEPs, high net worth individuals (HNWIs), ultra-high net worth individuals (UHNWIs), foreign UBOs;
- cross-jurisdictional reach of the sectors; and
- complexity of product/service offerings.

In the financial sector, mutual fund administrators, securities and investment businesses, trusts and corporate service providers (TCSPs)¹, money service businesses (MSBs), and banks were assessed as being most vulnerable for these ML risks. With respect to the DNFBPs, lawyers and real estate agents have the greatest risks of being exploited.

A blend of good risk mitigation and management measures exist within the supervisory framework to address these risks, including increased frequency in onsite and offsite examinations of higher risk regulated entities and the imposition of effective, dissuasive, and proportionate administrative penalties for AML/CFT/CFP failures. Increased human resource and technological tools within some supervisors have also been instrumental in addressing risks in the regulated sectors.

In terms of virtual asset providers (VASPs), the NRA identified the sector as medium-high risk owing to the complex nature and jurisdictional reach of virtual assets, their use in money laundering and other nefarious acts, and the lack of full implementation of an AML/CFT/CFP regime for the sector. Considering these variables, mitigating measures for the sector is currently satisfactory. Work is however currently underway by the designated supervisor, CIMA, to put in place the remaining aspects of the legal and supervisory regime for the sector, most notably of which will be to bring the Travel Rule into effect.

Quite a significant number of measures have been implemented to address sectoral risks prior to the conduct of the 2021 NRA. Findings from the

¹ For purposes of this document, TCSPs are treated as financial institutions because they are subjected to the same rigorous supervisory standards as core principles financial institutions

NRA however shows that more can be done to retool capacity and refine technological tools to enhance AML/CFT/CFP supervision—particularly within the context of evolving risks, such as those arising from virtual assets and the cross-cutting impact on other sectors.

Emerging risks evaluated in the NRA included virtual assets-related fraud and ransomware, gold storage, and human trafficking. Owing to the evolving nature of these activities for the jurisdiction, the assessment was limited to exploring their potential risk features, and the country's risk exposure to them. The Cayman Islands continues to be vigilant with respect to these areas, particularly with gold storage, given the country's experience storing gold, regulating the sale of stored gold, and investigating and prosecuting money laundering cases related to gold.

As noted earlier, the 2021 NRA was conducted within a risk management and mitigation environment that had been significantly upgraded since the Cayman Islands 2015 NRA and the 2017 MER. Some of these key improvements included:

- achieving full compliance with all of the FATF 40 Recommendations;
- significantly overhauling the legislative framework for AML/CFT/CFP;
- national and sectoral understanding of ML/TF/PF risks have improved significantly with the conduct of various targeted and focus risk assessments, both at the national and sectoral level;
- extending the AML/CFT/CFP regime and supervisory coverage to lawyers, accountants, real estate agents and developers, DPMS, Securities and Investment Business Act Registered Persons (SIBA-RPs), and VASPs;
- implementation of the risk-based approach to AML/CFT/CFP supervision for all regulated entities falling within the regime;

- strengthening the framework for domestic cooperation and coordination by including the Anti-corruption Commission as a member of both the AMLSG and IACC;
- upscaling technological and human resourcing to enhance AML/CFT/CFP supervision in the case of CIMA; in the case of the FRA to help it effectively execute its functions, one of which is the administration of TFS; in the case of the CIBFI to help it improve its investigative capacity; and in the case of the ODPP to successfully prosecute financial crimes;
- establishing the Cayman Islands Bureau for Financial Investigations (CIBFI) within the RCIPS to investigate crimes within the international financial sector of the Cayman Islands;
- enhancement in financial intelligence and an increase in the number of proactive requests and spontaneous disclosures made to overseas FIUs by the FRA;
- establishment of the Financial Crimes Focus Group (FCFG), Proliferation Inter-agency Group (PIAG), and the Supervisors Forum as sub-working groups under IACC to address operational matters in relation to financial intelligence, ML, TF, PF and coordination and cooperation among supervisors; and
- successfully confiscating assets valued totalling US\$10 million over the 2018 to 2020 period, and conducting 9 assets restraints in 2019 valued over US\$520 million.

Notwithstanding these accomplishments, there are still human and technological resource challenges existing across agencies with critical AML/CFT/CFP mandates.

Since the NRA concluded in December 2021, collective efforts across the domestic framework have been focused on outreach and the design of targeted risk mitigation and management measures to address identified

risks. These efforts have culminated in the formulation of this Strategy and the specific actions that must be taken within the short and long term to safeguard the Cayman Islands' financial and economic systems against the abuse of criminal actors.

Work under the Strategy has already commenced in some authorities, particularly for those matters that are to be accomplished within 2022.

STRATEGIC THEMES, OBJECTIVES & ACTIONS

Strategic Theme 1

Enhancing the Jurisdiction's AML/CFT Legal and Regulatory Framework

Strategic Objective:

1. *To secure a modern risk-based legislative framework that is consistent with international standards established by the FATF and which is effective in preventing, detecting, and responding to money laundering, terrorist financing and proliferation financing risks.*

The 2021 NRA and various targeted risk assessments highlighted that the Cayman Islands made very significant strides in building a robust legislative and regulatory framework for AML/CFT/CFP over the last few years. There is room however to continue improving these systems to align them with new and emerging risks and requirements, international best practices, and changing demands of what constitutes an effective AML/CFT/CFP framework regime.

Stakeholders Involved:

The AMLSG, the Ministry of Financial Services & Commerce (MFSC), the Inter-Agency Coordination Committee (IACC), the Anti-Money Laundering Unit (AMLU), the Cayman Islands Monetary Authority (CIMA), and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*.

Actions:

Relevant to Strategic Objective 1: *To secure a modern risk-based legislative framework that is consistent with international standards established by the FATF and which is effective in preventing, detecting, and responding to money laundering, terrorist financing and proliferation financing risks.*

- Amend the anti-money laundering regulations (AMLRs) to further fine-tune and amend the legal framework for AML/CFT/CFP to reflect changing requirements to detect, prevent, and respond to ML, TF, and PF risks
- Review and amend relevant laws to ensure adequate transparency of beneficial ownership for legal persons and legal arrangements, consistent with findings of risks in these areas and changes to the FATF standards on legal persons
- Periodically and where necessary, revise laws, regulations, guidance and procedures to ensure consistency with relevant international standards and to secure a more robust AML/CFT/CFP framework
- Review the Proliferation Financing (Prohibition) Act and amend it as necessary to ensure it fully complies with relevant international standards for addressing proliferation and proliferation financing, including virtual assets
- Review legislation relating to civil recovery provisions and make any necessary amendments
- Undertake an assessment of whether an offence of “structuring” is required given the implementation of Threshold Reporting for banks and MSBs

Strategic Theme 2

Implementing a Comprehensive Risk-Based Supervisory Framework

Strategic Objectives:

- 1. Implement a risk-based supervisory framework for financial institutions, DNFBPs, and VASPs, consistent with relevant international standards and effective for preventing and deterring ML, TF and PF risks*
- 2. Continue to ensure that the administrative fines regime allows supervisors to issue effective, proportionate, and dissuasive sanctions*
- 3. Maintain up-to-date ML, TF, and PF risk assessments at the national and sectoral levels to always allow for adequate appreciation of risks by relevant public and private sector stakeholders, and to inform the efficient allocation of resources and appropriate design of ML/TF/PF risk mitigation measures*
- 4. Maintain a risk-based framework for oversight of non-profit organisations consistent with relevant international standards and effective for preventing and deterring TF activities*

The *International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation* require, and regard as most efficient, a risk-based approach to addressing ML, TF, and PF. The Cayman Islands has integrated the risk-based approach throughout its legal, regulatory, and supervisory framework to ensure that ML, TF, and PF are swiftly deterred and sanctioned through the most resource-efficient means.

A risk-based approach requires the assessment of objective evidence on the risks posed by financial and non-financial services activities in the domestic and international spheres. Updated ML/TF/PF risk assessments will better equip supervisors and other competent authorities to design and implement appropriately tailored measures for countering criminal activities. These assessments are also instrumental in aiding short and medium-term strategic planning.

Risk-based supervision facilitates more efficient allocation of resources through the shifting of greater resources to those areas posing the greatest risks, while at the same time ensuring that lower-risk scenarios are appropriately addressed. This approach also empowers supervisors to act swiftly in addressing non-compliance with regulatory measures, thereby increasing the likelihood that demands for corrective action are heeded and supervisory breaches are minimized.

VASPs were identified in the NRA as a medium-high risk sector given their provision of services relating to virtual assets, which are inherently high risk because of their complexity, heavy involvement in cross-border transactions, anonymous nature, and global reach. Understanding risk in the sector is particularly challenging because of the many operational and technological considerations that must be evaluated to formulate findings on risks. Any supervisory imperative regarding VASPs must therefore include continuing efforts to update risk understanding commensurate with the evolving and complex nature of the sector. This will help to inform effective risk-based supervision and monitoring of the sector.

Establishing and maintaining a risk-based oversight framework dedicated to governing NPOs for TF purposes will better achieve the goal of deterring TF activities and other risks within the sector and significantly contribute to a more robust monitoring regime.

Stakeholders Involved:

The AMLSG, IACC, AMLU, ROC, CIMA, DCI and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*.

Actions:

Relevant to Strategic Objective 1: Implement a risk-based supervisory framework for financial institutions, DNFBPs, and VASPs consistent with relevant international standards and effective for preventing and deterring ML, TF, and PF risks.

- Ensure adequate staffing and training for financial and DNFBP supervisors
- Periodically review and where necessary, continue to enhance the supervisory framework for VASPs
- Supervisors verify if beneficial ownership information collected by financial institutions, DNFBPs, and VASPs is kept up-to-date, accurate and adequate

Relevant to Strategic Objective 2: *Continue to ensure that the administrative fines regime allows supervisors to issue effective, proportionate, and dissuasive sanctions.*

- Supervisors to develop and publish policies and procedures for the implementation of administrative fines and train their staff on the implementation of the fines regime.

Relevant to Strategic Objective 3: *Maintain up-to-date ML, TF and PF risk assessments at the national and sectoral levels to always allow for adequate appreciation of risks by relevant public and private sector stakeholders, and to inform the efficient allocation of resources and appropriate design of ML/TF/PF risk mitigation measures.*

- Regularly update risk assessments at the national and sectoral levels to ensure that the jurisdiction is continuously informed of its ML, TF, and PF risks. These will include identifying and assessing the risk associated with new and developing technologies, new products, and business practices
- Ensure that the results of national risk assessments are fully utilised in designing and implementing ML/TF/PF mitigation measures
- CIMA, DCI, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under sec 4(9) of the *Proceeds of Crime Act (2020 Revision)* to

- develop and keep up-to-date ML, TF, and PF risk profiles of their licensees, registrants, and in relation to emerging risk areas (such as gold storage);
 - ensure, through on-site and off-site inspections, that licensees and registrants are periodically assessing their own ML, TF, and PF risks;
 - verify, through on-site and off-site inspections and on a risk-sensitive basis, whether licensees and registrants are complying with their AML/CFT/CFP obligations and are continuously taking into account the results of the 2021 NRA and other targeted risk assessments;
 - develop typologies reflective of national threats and vulnerabilities to keep competent authorities, SRBs, and those engaged in relevant financial business informed; and
 - recruit suitably qualified, technical, and specialized resources to meet increased supervisory responsibilities.
- Via the PIAG, keep abreast of PF risks relevant to the jurisdiction
 - Conduct outreach to relevant sectors regarding results of national and sectoral risk assessments

Relevant to Strategic Objective 4: Maintain a risk-based framework for the oversight of non-profit organisations consistent with relevant international standards and effective for preventing and deterring TF activities.

- Ensure that the Registrar of Non-Profit Organisations is adequately staffed and trained on the oversight of NPOs and the monitoring of TF risks
- The Registrar of Non-Profit Organisations to continue outreach and awareness campaign on TF risks, with a particular focus on NPOs that represent a higher risk of TF

Strategic Theme 3

Strengthening of Sanctions, Intelligence, Enforcement, and Asset Recovery

Strategic Objectives:

1. *Enhance the use and sharing of financial intelligence in pursuit of ML and TF investigations*
2. *Ensure adequate levels of staffing, IT resources, and training at the FRA, CIBFI, and ODPP so that suspicions and reports of financial crime may be effectively investigated, pursued, and prosecuted*
3. *Pursue asset restraint and confiscation, domestically and internationally, in line with the jurisdiction's ML/TF/PF risk profile*
4. *Strengthen the framework for targeted financial sanctions for PF and TF to facilitate the freezing of assets without delay*

An effective AML/CFT/CFP regime requires a strong framework for investigating, pursuing, and sanctioning ML, TF, and PF cases. The Cayman Islands Government recognises that the key to such a framework is a strong and adequately resourced FRA, CIBFI, and ODPP and the establishment of an independent Sanctions Implementation Unit with staffing commensurate with the Unit's function. Additional staffing, as well as the requisite technological resources at the FRA and CIBFI to analyse, investigate, and manage suspicious activity reports or other instances of suspicion of financial crime, would lead to even greater effectiveness in deterring or punishing those engaged in criminal activities.

Stakeholders Involved:

The FRA, CIBFI, ACC, ODPP, IACC, FCFG, AMLU, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*.

Actions:

Relevant to Strategic Objective 1: Enhance the use and sharing of financial intelligence in pursuit of ML and TF investigations.

- Ongoing implementation of measures, including the development of Public-Private Partnership Arrangement, to widen the FRA's access to relevant information from both public and private sector stakeholders
- Promote regular and timely feedback from law enforcement agencies, AML/CFT/CFP supervisors, and SRBs to the FRA on whether its disclosures are meeting their operational needs
- Ensure all sources of financial intelligence are utilised (e.g., incoming requests)
- FRA to regularly provide feedback and education on the quality of SARs to all relevant stakeholders

Relevant to Strategic Objective 2: Ensure adequate levels of staffing, IT resources, and training at the FRA, CIBFI, and ODPP so that suspicions and reports of financial crime may be effectively investigated, pursued, and prosecuted.

- Regularly review and ensure the adequacy of staffing at the FRA to effectively manage and analyse SARs and to address other operational needs
- Ongoing training to develop intelligence based on AML/CFT/CFP trends, operational and strategic SAR analysis, and targeted financial sanctions
- Ongoing training in intelligence gathering and investigations to keep abreast with the advancing sophistication of modes of financial crime
- Maintain a proactive approach to investigations with a focus on stand-alone and third-party ML, as well as complex international money laundering cases

- Increase in human resources to build intelligence, investigative, prosecutorial, and enforcement capacity
- Access to and maintenance of technological resources across multi-agencies

Relevant to Strategic Objective 3: Pursue asset restraint and confiscation, domestically and internationally, in line with the jurisdiction's ML/TF/PF risk profile.

- Update policies and procedures regarding the jurisdiction's commitment to removing the benefit from crime and to provide guidance on civil recovery
- Make further enhancements to the training programme on civil recovery to deepen understanding on the area across relevant agencies involved in asset recovery efforts
- CIBFI to focus on stand-alone cases and the recovery of assets, both domestically and overseas, in line with the jurisdiction's risk profile
- Deepen and enhance focus on asset recovery with a view to increasing the volume and types of assets seized, confiscated, and recovered in the context of any proceeds generating and ML crime investigation/prosecution; and to diversifying types of assets subject to confiscation
- Establish MOUs between relevant agencies to facilitate a more effective asset recovery process
- Acquire and update specialized resources and technological tools across the relevant agencies to streamline and facilitate effective processes for asset forfeiture, thereby maximizing success rates in the area

Relevant to Strategic Objective 4: *Strengthen the framework for targeted financial sanctions for PF and TF to facilitate the freezing of assets without delay.*

- Continuously review the timeliness of communication of targeted financial sanctions notices
- Propose the establishment of a stand-alone Sanctions Implementation Unit with commensurate staffing to effectively discharge responsibilities regarding targeted financial sanctions
- Regularly provide outreach and update guidance on targeted financial sanctions in alignment with developments /activities in the area

Strategic Theme 4

Enhancing Domestic Co-operation and Co-ordination

Strategic Objectives:

1. *Secure and maintain mechanisms for domestic cooperation and coordination on ML, TF, and PF issues at the operational and policy levels consistent with relevant international standards and to facilitate the effective operation of the jurisdiction's AML/CFT/CFP framework*
2. *To strengthen the ability of the IACC and its sub-working groups to coordinate domestically on AML/CFT/CFP operational and national risk assessment implementation issues*

The Cayman Islands Government recognises that a coordinated multi-agency approach to dealing with ML, TF, and PF issues is critical to the effective design and implementation of measures to prevent, detect and deter these risks. The Cayman Islands is committed to meeting international obligations requiring that there are effective mechanisms in place at the policy and operational levels to allow relevant competent authorities to cooperate, and where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat ML, TF, and PF.

Stakeholders Involved:

The AMLSG, MFSC, IACC, FCFG, CIBFI, AMLU, CIMA, DCI, FRA, ODPP, CBC, the Cayman Islands Department of Immigration, CIBFI, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*.

Actions:

Relevant to Strategic Objective 1: *Secure and maintain mechanisms for domestic cooperation and coordination on ML, TF, and PF issues at the operational and policy levels consistent with relevant international standards and to facilitate the effective operation of the jurisdiction's AML/CFT framework.*

- IACC to meet at least once per quarter, and more frequently where necessary, to ensure greater coordination and communication amongst its members
- The FCFG, as a sub-working group of the IACC, to ensure that operational measures are taken to encourage and pursue pro-active approaches to financial intelligence gathering and investigation of ML, TF, and PF and ensure cooperation and coordination in the development of ongoing investigations
- Through the PIAG, relevant authorities to proactively cooperate and coordinate to identify potential breaches or violations of TFS related to TF and PF and the risks of TF and PF
- IACC sub-working groups to monitor effectiveness in accordance with relevant IOs and provide written reports to the IACC every quarter and more frequently as may be necessary: Supervisors Forum (IOs 3, 4, 5); FCFG (IOs 6,7, 8, 9); PIAG (IO.10); and assigned group for IO.11
- IACC members, through the respective sub-working groups, to monitor developments in ML, TF, and PF to include, but not limited

to, legislation, international cooperation, and any changes to AML/CFT/CFP standards

- The Supervisors Forum to continue to enhance the cooperation and coordination between supervisors
- Based on reports from sub-working groups, IACC to provide quarterly, or more frequently as may be necessary, reports to the AMLSG on matters of critical AML/CFT/CFP importance that may require ministerial or policy-level approval for action
- The AMLU to establish a formalized mechanism for monitoring and providing updates to the AMLSG on competent authorities' progress in meeting their Annual Action Plans

Relevant to Strategic Objective 2: To strengthen the ability of the IACC to coordinate domestically on AML/CFT operational and national risk assessment implementation issues.

- Review the staffing levels at AMLU to keep pace with coordination efforts and provide support to competent authorities
- Regularly review and update the AMLU website which will contribute to the dissemination of information to all competent authorities, supervised entities, and the public
- IACC to review and, where necessary, revise the MMOU among competent authorities on the sharing of information
- IACC members to develop and maintain statistics on matters relevant to understanding AML/CFT/CFP risks and taking measures to mitigate those risks, in accordance with FATF Standards

Strategic Theme 5:

Ensuring an Efficient and Effective System for International Co-operation

Strategic Objective:

- 1. Enhance the legal and operational frameworks in the Cayman Islands to allow for the provision of the widest range of international cooperation in a timely and efficient manner*

The Cayman Islands recognises that ML, TF, and PF are not only domestic threats but are global problems that require cooperation at the international level to be effectively addressed. Moreover, much of the jurisdiction's financial services business is international in nature; therefore, providing assistance to foreign territories investigating or prosecuting ML/TF/PF where a connection is established with the Cayman Islands is of the highest priority. Nevertheless, it is important to ensure that domestic investigations and prosecutions are pursued when appropriate.

Further, the FATF requires countries to have an adequate legal basis for providing assistance and, where appropriate, to have in place arrangements or other mechanisms to enhance cooperation. The Cayman Islands must continuously enhance its legal framework to incorporate these standards and international best-practices to ensure that in addition to fully complying with them, it goes beyond them and raises the bar for cooperating with foreign states. Consequently, the jurisdiction will be able to significantly reduce the likelihood of its financial system being used for financial crimes.

Stakeholders Involved:

The AMLSG, MFSC, Attorney General's Chambers (AGC), ODPP, FRA, CIMA, DCI, CIBFI, ACC, AMLU and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*

Actions:

Relevant to Strategic Objective: *Enhance the legal and operational frameworks in the Cayman Islands to allow for the provision of the widest range of international cooperation in a timely and efficient manner*

- Competent authorities provide (including spontaneously) and rapidly respond to international requests for Mutual Legal Assistance and other forms of international cooperation in an appropriate and timely manner
- Competent authorities proactively request timely assistance from other jurisdictions to facilitate the development of intelligence and investigation and prosecution of domestic ML, associated predicate offences, PF, and TF cases with transnational elements
- Competent authorities proactively seek feedback on the timeliness and quality of international cooperation assistance provided
- Competent authorities to continuously review and enhance operational procedures with a view to ensuring requests are addressed in a timely manner
- Competent authorities to explore avenues for further cooperation with overseas regulatory authorities such as through the initiation and signing of memoranda of understanding
- Competent authorities provide and respond to foreign requests for cooperation in identifying and exchanging basic and beneficial ownership information of legal persons and arrangements
- FRA to continuously review the timeliness of responses to requests for information from overseas financial intelligence units

- The FRA to proactively request assistance from overseas FIUs to facilitate the development of intelligence

Strategic Theme 6:

Raising AML/CFT Awareness among all Stakeholders and the General Public

Strategic Objective:

1. *Promote awareness to all stakeholders in the Government, the private sector and the general public of the jurisdiction's AML/CFT/CFP international obligations and their role in fulfilling those obligations*

Stakeholder awareness and participation are critical to the effective implementation of pertinent policies and strategies for addressing ML, TF and PF risks. Having coordinated and organized several national AML/CFT/CFP initiatives and the requisite collaboration across the entire network of stakeholders, the Cayman Islands now has an established mechanism for engaging and encouraging national awareness and participation.

It is expected that the collaboration among stakeholders and their continued involvement in the process of enhancing the jurisdiction's AML/CFT framework will raise awareness of AML/CFT issues and highlight the vested interest of each stakeholder in ensuring that the jurisdiction remains unattractive to those who seek to use of ML, TF and PF purposes. Additional measures for AML/CFT awareness enhancement will further deepen stakeholders' understanding of risks and mitigation tools and allow an opportunity for feedback to the competent authorities which will improve policymaking and implementation.

Stakeholders Involved:

The MFSC, CIMA, DCI, FRA, ODPP, CBC, the AMLU, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*.

Actions:

Relevant to Strategic Objective 1: Promote awareness to all stakeholders in the Government, the private sector, and the general public of the jurisdiction's AML/CFT international obligations and their role in fulfilling those obligations

- Design and deliver presentations and programmes for raising awareness of AML/CFT/CFP matters with Department Heads, Chief Officers, and Ministers of the Government
- Provide training for public sector employees handling transactions that may be vulnerable to the threats of ML/TF/PF.
- Supervisors and SRBs to raise awareness through outreach to FIs and DNFBPs on AML/CFT risks and obligations, and emerging risks
- Competent authorities ensure that adequate AML/CFT/CFP information is on their respective websites, in keeping with their roles and responsibilities
- Sanctions Coordinator, supervisors, and self-regulatory bodies to raise particular awareness to FIs, DNFBPs and VASPs, through outreach and guidance, with respect to targeted financial sanctions for TF and PF
- Continue professional development for all government entities by participating in e-learning platforms, webinars, and expert training organised by PIAG/IACC/AMLSG
- PIAG to encourage supervisors to conduct specific PF-related training to industry

Strategic Theme 7:

Strengthening the Beneficial Ownership Transparency Framework

Strategic Objective:

- 1. Implement a multipronged approach to the holding of and access to adequate, accurate, and up-to-date beneficial ownership information for legal persons and legal arrangements*
- 2. Ensure the adequacy of human and IT resources at relevant competent authorities to ensure transparency of beneficial ownership and to prevent the misuse of legal persons and legal arrangements*
- 3. Enhance national and sectoral understanding of the ML, TF, and PF risks associated with legal persons and legal arrangements registered in the Cayman*

Stakeholders Involved:

MFSC, CIMA, ROC, DCI, CILPA, CARA, AMLU, AMLSG, CIBFI and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with Anti-Money Laundering Regulations under section 4(9) of the *Proceeds of Crime Act (2020 Revision)*.

Actions:

Relevant to Strategic Objective 1: *Implement a multipronged approach to the holding of and access to adequate, accurate, and up-to-date beneficial ownership information for legal persons and legal arrangements*

- Continue to develop the ROC as the central registry for beneficial ownership of legal persons in the Cayman Islands.
- AML/CFT Supervisors to ensure compliance with beneficial ownership information obligations by regulated entities and legal arrangements through on-site and off-site inspection, and the administration of dissuasive sanctions
- Enhance the framework for the collection and retention of adequate, accurate, and up to date beneficial ownership information of legal arrangements

- Ensure that asset registries and precious metals storage facilities keep or have access to beneficial ownership information
- Ensure that legal and persons and legal arrangements obtain and hold adequate, accurate, and up-to-date information on their own beneficial ownership

Relevant to Strategic Objective 2: *Ensure that adequate human and IT resources are dedicated to appropriate oversight of the transparency of beneficial ownership and the prevention of misuse of legal persons and legal arrangements*

- Review and enhance the resources at competent authorities to ensure adequate oversight of the beneficial ownership regime including, assessing risks, verification of accuracy, and application of administrative penalties and other enforcement measures.
- Ensure that appropriate IT systems are in place within competent authorities and are suitable for assisting them in maintaining adequate, accurate and up to date beneficial ownership information.

Relevant to Strategic Objective 3: *Enhance national and sectoral understanding of the ML, TF, and PF risks associated with legal persons and legal arrangements registered in the Cayman Islands.*

- Conduct a thematic review of the level of compliance with beneficial ownership information obligations for legal persons and legal arrangements

POLICY IMPLEMENTATION, MONITORING, AND EVALUATION

Implementation

Under the *Proceeds of Crime Act*, the AMLSG is charged with responsibility for the general oversight of the AML policy of the Cayman Islands Government, including the development of the national strategies. The IACC, appointed by the AMLSG under section 5(3A) of the *Proceeds of Crime Act*, operationalizes these strategies/policies through the formulation of action plans, and is responsible for the overall implementation of the Strategy. In doing so, the IACC will facilitate coordination and cooperation between each supervisory authority, department of Government, or agency tasked with regulation for ML/TF/PF and will continue to assess the risks to the Cayman Islands related to ML/TF/PF.

Monitoring And Evaluation

Embedded in the country's framework for the development of AML/CFT/CFP policies and action plans to address them is an active monitoring mechanism, which routinely tracks and reports progress. Monitoring involves routinely and systematically collecting data and other information and reporting on how the planned actions are progressing. At the organizational level, each competent authority monitors the progress of action items relevant to its activities, and reports on such progress to the AMLSG and the Ministerial Sub-Committee of Cabinet. At the national level, the progress reports are collated and analysed to formulate a "big picture" view of the state of the country's overall progress on its stated AML/CFT/CFP objectives.

Monitoring responsibilities for the execution of the 2022-2025 AML/CFT/CFP Strategy follows this multi-prong approach, with the AMLSG, the Ministerial Sub-Committee, the IACC, and competent authorities sharing in the responsibility. The overall consolidated progress of the jurisdiction implementation efforts, including those related to the ICRG process, is also monitored through this structure.

Annex I: List of Abbreviations

ACC	Anti-Corruption Commission
AML	Anti-Money Laundering
AMLSG	Anti-Money Laundering Steering Group
AMLU	Anti-Money Laundering Unit
CBC	Customs and Border Control
CFATF	Caribbean Financial Action Task Force
CFT	Counter Financing of Terrorism
CILPA	Cayman Islands Legal Practitioners Association
CIIPA	Cayman Islands Institute of Professional Accountants
CIMA	Cayman Islands Monetary Authority
CPF	Counter Proliferation Financing
DCI	Department of Commerce and Investment
DNFBP	FATF Designated Non-Financial Businesses and Professions (under the Cayman Islands' legal framework these are persons engaged in relevant financial business but are not, except for Trust and Corporate Service Providers, supervised by CIMA)
FATF	Financial Action Task Force
FCFG	Financial Crime Focus Group
FCU	Financial Crimes Unit of the Royal Cayman Islands Police Service
FI	Financial Institution
FRA	Financial Reporting Authority
IACC	Inter-Agency Coordination Committee

ICRG	International Cooperation Review Group of the FATF
MER	Mutual Evaluation Report
MFSC	Ministry of Financial Services & Commerce
ML	Money Laundering
MOU	Memorandum of Understanding
NPO	Non-Profit Organization
ODPP	Office of the Director of Public Prosecutions
PF	Proliferation Financing
PIAG	Proliferation Inter-Agency Group
ROC	Registrar of Companies
SAR	Suspicious Activity Report
SC	Sanctions Coordinator
SRB	Self-Regulatory Body
TCSP	Trust or Corporate Service Provider
TF	Terrorist Financing
TFS	Targeted Financial Sanctions

Annex II: Chart for Key Agencies



Annex III: Cayman Islands Government Organisational Structure for the Implementation of AML/CFT/CPF Measures

