SUMMARY OF PRIVATE SECTOR CONSULTATION AND FEEDBACK STATEMENT FOR THE *Rule on Effective Compliance Programme for the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing for Financial Services*

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	GENERAL COMMENTS			
1.		It is noted that the proposed Rule largely duplicates existing requirements in the Anti-Money Laundering Regulations ("AMLRs"), which are already legally enforceable. For example: • Section 7.1 includes a requirement to designate an AMLCO and MLRO, which is already an enforceable requirement as per Regulation 3(1) and Regulation 33(1), respectively. Section 12.6 includes a requirement to designate a DMLRO, which is duplicative of Regulation 33(2) of the AMLRs. • Section 9 largely duplicates the requirements in Regulation 8 of the AMLRs, which requires FSPs to document and maintain a risk assessment of their business, including considering all relevant risk factors, maintaining mechanisms to provide information to competent authorities, implement policies, controls and procedures, and so forth.	The Authority acknowledges the comment and notes that the Rules supplement the AMLRS by setting minimum requirements intended to provide additional clarity and ensure the regulatory outcomes anticipated by the AMLRS are achieved. In the event of enforcement actions, consideration will also be given to prevent duplication or to avoid double jeopardy for the same breach. Although there are similarities and some necessary repetition, this approach is intended to promote clarity and accessibility for FSPs. Throughout the Rules, the relevant sections further clarify and respond to feedback specific to each area, providing additional guidance on how the AMLRs should be applied in practice.	No amendment required.

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		• Section 10.4 is largely duplicative of Part 4 of the AMLRs, for example: - Section 10.4.2. duplicates the requirement in 12(2)(a) and (b) of the AMLRs; - Section 10.4.3 duplicates the requirement in 12(1)(a) of the AMLRs; - Section 10.4.6 duplicates Regulation 10 of the AMLRs; - Section 10.4.8 duplicates the requirement in Regulation 11(1) of the AMLRs; - Section 10.4.13 largely duplicates Regulation 13 of the AMLRs; - Section 10.4.14 to 10.4.16 largely duplicates Regulation 12(4) of the AMLRs; - Section 10.4.18 duplicates Regulation 18(a) of the AMLRs; - Section 10.4.18 largely duplicates Regulation 17 of the AMLRs; - Section 10.5.1 largely duplicates the requirement in Regulation 31(1) of the AMLRs. This duplication may be unnecessary, as the AMLRs already satisfactorily establish the headline requirements (and often in language that mirrors the actual FATF Recommendations). It is noted from the consultation cover note that the Ministry recognises this duplication, but the PSA's members would welcome further clarity why the proposed Rule is nevertheless still needed. The PSA notes that the Authority already has significant fining powers in that regard under the Monetary Authority		

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		Act; and in relation to non-fine enforcement measures, each of the regulatory laws already has specific provisions that would enable the Authority to apply such measures in respect of contraventions of the AMLRs -- e.g., SIBA s.17; Insurance Act s.24; VASP Act s.25; Mutual Funds Act s.30; Private Funds Act s.25. For those Acts that do not specifically reference the AMLRs (BTCA, Money Services Act, Companies Management Act, Cooperative Societies Act and Building Societies Act) the Authority would have recourse to the 'detrimental to the public interest' and/or 'direction and management of licensee's business not conducted in a fit and proper manner' heads.		
2.	**General**	Please ensure that the acronyms defined at page 3 are used in the Rule and not defined on multiple occasions.	The Authority acknowledges the comment and the occurrences of the acronyms and definitions, and updates them as necessary.	Occurrences of the acronyms and definitions are updated as necessary throughout.
3.	**General**	A provision should be included in the Rule which states that in the event of any inconsistency between the POCA, the AMLRs, The Terrorism Act, the Proliferation Financing (Prohibition) Act or any other Act or Regulation relevant to the AML/CFT/CPF framework, the Acts or Regulations shall prevail to the extent of that inconsistency. Although this may already be understood within the legal framework, it is necessary to include this language to signal to mutual evaluation assessors that the findings relating to the	The Authority acknowledges the proposed amendment.	Section 4.4 has been added and will read as follows: ***"In the event of any conflict or inconsistency between the provisions of these Rules and the AMLRs, the AMLRs shall take precedence and shall prevail ."***

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		POCA, AMLRs, TA and PFPA in the MER are not adversely impacted by the implementation of these Rules.		
4.	Background (para. 7)	Specific sections of the Guidance Notes are being converted into enforceable Rules; however, the provisions being elevated are not identified. Consider whether a mapping document identifying incorporated GN provisions would assist regulated entities. Enhances legal certainty and supports consistent implementation.	The Authority acknowledges the comment. The Rules are intended to reflect and reinforce existing expectations set out in the Guidance Notes, while making clear which elements must be in place for an FSP to meet its obligations under the AMLRs. The Authority notes the suggestion regarding a mapping of Guidance Note provisions and the value of clarity and consistency for regulated entities. The Authority considers that clarity will be most effectively supported through the development of updated sector-specific guidance, which will provide practical direction on how the AMLRs and these Rules apply to different types of FSPs	No amendment required.
5.	Application (paras 18–20)	Hierarchy clarified; discretion referenced to avoid duplication in enforcement. Clarification on how breaches engaging both AMLRs and Rule provisions will be categorised under the Administrative Fines framework. Assists financial institutions in aligning internal control testing with enforcement exposure.	The Authority acknowledges the comment and notes that the Rule provisions will be categorised in a manner consistent with the existing categories of breach under the Administrative Fines framework, with a view to avoiding duplication. Consideration will also be given to the relevant laws, particularly regarding the breaches and the circumstances surrounding them.	No amendment required.

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6.	Section F (Cost and Benefit Analysis)	Training and systems costs recognised. Clarification as to whether implementation requires modification of existing governance/reporting arrangements, or whether formal documentation of compliant frameworks would be sufficient. Will guide proportional implementation across institutions.	The Authority acknowledges the comment and clarifies that FSPs should review their compliance programmes to assess if they meet the requirements of the Rule and make necessary changes.	No amendment required.
7.	SANCTIONS	The term "consolidated list" is not defined and may give rise to ambiguity. Section 2 (Definitions) to include a definition of "Consolidated List", to avoid ambiguity and ensure consistent interpretation. Ensures consistent interpretation.	The Authority acknowledges your comment and has included a footnote that references the Authority's Rule on Sanctions Compliance and Targeted Sanctions.	Footnote 3 added. ***"As stipulated within the Authority's Rule on Sanctions Compliance and Targeted Financial Sanctions."***

8.	Redundancy and Duplication with Existing Legal Framework	The proposed Rules are substantively redundant and duplicative of the existing legal and regulatory framework that already applies to all regulated persons. The obligations set out in the Proceeds of Crime Act (POCA), the Anti-Money Laundering Regulations (AMLRs), the Terrorism Act (TA), the Proliferation Financing (Prohibition) Act (PFPA), and the existing Guidance Notes already impose comprehensive requirements on Financial Service Providers in respect of AML/CFT/CPF compliance programmes, customer due diligence, record keeping, suspicious activity reporting, training, and risk assessment. The Cayman Islands was re-rated as Compliant for both Recommendation 28 and Recommendation 35 in the CFATF 2nd Enhanced Follow-Up Report & Technical Compliance Re-Rating (2021). The Follow-Up Report expressly acknowledged that Regulation 56(2) of the AMLRs provides that courts shall take into account any relevant supervisory or regulatory guidance when determining compliance, and that Regulation 56(4) provides that Supervisory Authorities shall take into account the Regulations and applicable guidance when exercising enforcement powers. The identified deficiencies from the 2019 Mutual Evaluation Report have therefore already been addressed. It is therefore unclear why it is necessary to layer an additional set of Rules on top of legislation that is already applicable and enforceable. The proposed measures appear to abandon the risk-based approach in favour of a highly prescriptive,	The Authority acknowledges the comment and notes that the Rules supplement the AMLRs by setting minimum requirements intended to provide additional clarity and ensure the regulatory outcomes anticipated by the AMLRs are achieved. In the event of enforcement actions, consideration will also be given to prevent duplication or to avoid double jeopardy for the same breach.	No amendment required.

		rules-based framework that leaves little room for rational, proportionate compliance measures. Risk-based thinking relies on evaluating context, likelihood, and impact to allocate attention and resources; converting this into fixed rules strips away that professional judgment. Furthermore, restating existing legislative obligations as Rules under the Monetary Authority Act (MAA) raises a serious concern regarding double jeopardy. Regulated persons would potentially face enforcement action under the AMLRs, the Guidance Notes, and these proposed new Rules for the same underlying conduct. Section 34(4) of the MAA suggests that the Guidance Notes are on the same statutory footing as rules or statements of principle issued under section 34(1) of the MAA, making the rationale for conversion unclear. The Authority should also conduct a systematic review of all supervisory circulars (for example, the May 2022 circular on third-party reliance testing under Regulations 24 and 25 of the AMLRs) and determine which should be incorporated into or cross-referenced within the Rules, and which should be formally withdrawn or updated to avoid conflicting guidance to industry.		

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9.	General- Definition of Financial Service Provider (FSP)	The Rule applies to Financial Service Providers (FSPs), which may create potential inconsistency with other regulatory frameworks, including the Anti-Money Laundering Regulations (AMLRs) and the Internal Controls Rules and Statement of Guidance, which generally use broader terms such as regulated entities or a person carrying out relevant financial business. It is noted that the CIMA Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands (February 2024) state that the Guidance Notes provide general guidance for Financial Service Providers. In addition, CIMA's Regulatory Policy on Assessing Fitness and Propriety defines a Financial Service Provider as: "a person, licensee, registrant, or other entity subject to the Authority's regulatory functions under the Regulatory Laws or monitored by the Authority under the Anti-Money Laundering Regulations." To promote clarity and consistency across the regulatory framework, consideration could be given to aligning the scope terminology used in the Rule with existing regulations and guidance.	The Authority acknowledges the comment and notes that although some FSPs are defined under POCA as all persons carrying on relevant financial business, the FSPs within the scope of the Rule are those subject to the Authority's regulatory functions under the Regulatory Laws.	No amendment required.

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10.	General – Clarification on Scope of Application	The PSA would welcome clarification on whether investment funds regulated under the Mutual Funds Act and the Private Funds Act fall within the scope of the Rule. The PSA seeks confirmation of the understanding that, as a result of Rule 12, all fund FSPs registered under the Mutual Funds Act and Private Funds Act would not automatically fall within scope of the AML audit requirement. While all CIMA licensees and registrants are subject to supervisory oversight, only those conducting relevant financial business (RFB) are required to comply with the Anti-Money Laundering Regulations and related rules. Based on this interpretation, investment funds themselves would generally not be conducting RFB and therefore would not be subject to the AML audit requirement. This interpretation appears consistent with CIMA's published AML/CFT supervisory reports for the period 2022–2024, which indicate that mutual fund administrators have been inspected for AML/CFT compliance, rather than the funds themselves. Clarification on this point would assist in ensuring consistent interpretation and implementation of the Rule across the industry.	The Authority acknowledges the comment and notes that, while investment funds largely rely on mutual fund administrators for compliance with the AMLRs, they also have their own obligations under the AMLRs and remain ultimately responsible for complying with them. The activities of an investment fund will fall under one or more of the activities within the definition of RFB under Schedule 6 - at the very least, they will be in scope under para. 19 of the schedule, which states, "*Otherwise investing, administering or managing funds or money on behalf of other persons". A paragraph on reliance on third parties has been added to the measure for additional clarity*".	New Rule 5.3 states: ***"Where an FSP relies on a third party or a member of its financial group to perform AML/CFT/CPF functions, it shall, notwithstanding such reliance, remain satisfied that such functions comply with this Rule and the Anti-Money Laundering Regulations of the Cayman Islands, and shall retain ultimate responsibility for such compliance."***

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11.	General - Independent Audit Function and Approved Auditor	The Rule introduces the requirement for FSPs to establish and maintain an independent audit function to review and test the effectiveness of their Compliance Programme. While the PSA supports measures that strengthen the effectiveness of AML/CFT frameworks, the PSA would encourage the Authority to undertake a comparability analysis with other leading financial centres to ensure that Cayman's requirements remain proportionate and do not create unnecessary competitive disadvantages. Ensuring that Cayman's framework is aligned with international standards, while avoiding requirements that may be viewed as overly burdensome relative to peer jurisdictions, would help safeguard the jurisdiction's competitiveness. To the extent that an audit is required and the resulting report is to be submitted to the Authority, it is important that audit procedures and reporting are conducted in a consistent and comparable manner. Establishing an agreed audit framework would help ensure that the Authority can place appropriate reliance on the adequacy and reliability of the work performed. In this regard, consideration could be given to requiring that the external service provider performing such audits be an auditor approved by the Authority.	The Authority acknowledges the comment. The requirement for an independent audit or review of the AML/CFT Compliance Programme is aligned with FATF Recommendation 18, which expressly permits financial institutions to meet the independent testing requirement through a range of approaches, including internal audit functions, external auditors, external specialists, or other suitably qualified independent professionals. The Authority does not intend to limit the options available to FSPs in determining how independent review and testing of their Compliance Programme is delivered, provided the function is objective and appropriately independent. The Rules are intended to ensure that independent review and testing are performed to an appropriate standard, while preserving flexibility and proportionality. To that end, where an audit is conducted and the resulting report is provided to the Authority, the Authority expects that such reviews will be carried out using robust, recognised audit methodologies, enabling the Authority to place appropriate reliance on the work performed. Consistency of approach is achieved through supervisory expectations and review, rather than through prescriptive rules. While the Authority notes the suggestion regarding the use of Authority-approved auditors or service providers, it does not consider it appropriate to mandate	Rule 12.2 amended to read: ***"The FSP must ensure that:*** ***(a) the audit is carried out at a frequency commensurate with its size, complexity, structure, nature of business, and the risk profile, as determined by the FSP's risk assessment or as otherwise required by the Authority;*** ***(b) the audit is carried out by suitably qualified persons who are independent and separate from those involved in the design, implementation, or operation of the policies, procedures, systems, and controls under audit, and who are free from any conflict of interest that could impair their objective judgment;*** ***(c) the FSP must, upon request, provide the Authority with the documentation of the independence of any person who performed the audit of the Compliance Programme, including the basis on which such independence has been determined; and*** ***(d) the audit report is filed with the Authority as soon as practically possible after the completion of the***

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		Mandating the use of an approved auditor would help ensure appropriate professional standards, consistency of approach, and quality assurance across the industry. Engaging a recognised auditor would also enhance the Authority's ability to rely on the conclusions drawn from these audits/reviews. It is further noted that most FSPs are already serviced by auditors approved by the Authority for the purposes of their financial statement audits. As such, certain efficiencies and cost synergies may be achieved where these same auditors are also engaged to perform the AML effectiveness audit. Such auditors would already be independent of the FSP and possess the necessary professional expertise and familiarity with Cayman's AML framework.	approved auditor lists or prescribe specific providers. Such an approach could unduly constrain market capacity and reduce FSPs' flexibility. The Authority remains satisfied that audit quality and independence can be effectively addressed through the existing Rules, supervisory engagement, and the application of professional standards by audit providers.	***audit, or as otherwise prescribed by the Authority.***
12.	General - Independent Audit Function to Review and Test the Compliance Programme	It is noted that the Rule introduces the concept of an "independent audit function" as the primary assurance mechanism over the Compliance Programme but does not provide a definition of what constitutes such independence. The term "independent" appears to be used in different contexts within the Rule. Sections 12.1 and 12.2 refer to independence in terms of organizational separation from operations and compliance, while Section 12.4 distinguishes between internal and external delivery of the audit function. This creates potential ambiguity regarding	The Authority acknowledges the comment and notes that expectation is for the audit to be performed by persons separate from those involved in the design, implementation, or operation of the policies, procedures, systems, and controls under audit.	

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		the standard of independence expected. In addition, while the Rule requires auditors to be "independent of operations and compliance functions," it does not establish criteria for assessing or documenting such independence. This may present practical challenges for many FSPs, particularly smaller entities where structural independence within the organization may not be feasible due to limited staffing. Furthermore, the Rule does not require firms to document their independence assessment, which may result in inconsistent interpretation and implementation across the industry. 1. Definition of Independent Audit Function. Consider defining "independent audit function" within Section 6.1 (Definitions). The definition could distinguish between: o Organizational independence (e.g., reporting lines separate from operational and compliance functions); and o Practitioner independence (e.g., absence of conflicts of interest and no involvement in the design or operation of the Compliance Programme being reviewed). 2. Clarification of Independence Criteria Section 12.2 could be expanded to include specific criteria for assessing independence, such as: o The reviewer having no involvement in the design, implementation, or operation of the Compliance Programme during the review period; o Direct reporting to the Governing Body		

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		or equivalent oversight function; o No conflicts of interest that could impair objectivity; and o Documentation of the independence assessment, retained by the firm and available to the Authority upon request.		
13.	General	The rationale for the proposed Compliance Rule is stated in paragraphs B5. and B.7 of the Private Sector Consultation paper, as follows: 5. The Caribbean Financial Action Task Force ("CFATF") 4^^ Round Mutual Evaluation noted CIMA's Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ("GNs") "do not meet the criteria of enforceable means as sanctions are not applicable for a failure to comply with the requirements of the GNs."^ This assessment indicates a lack of effectiveness and noncompliance with FATF's 40 Recommendations, and it potentially exposes the jurisdiction to significant regulatory, financial, operational, and reputational risks.	The Authority acknowledges the comment. The Rules are intended to provide FSPs with a clear and practical roadmap for meeting their obligations under the AMLRs, rather than to introduce new or additional substantive requirements. In this context, the Rules articulate the minimum elements that must be in place for a Compliance Programme to be considered adequate and effective for the purposes of complying with the AMLRs. The Authority wishes to clarify that the risk-based approach remains central to the AML/CFT framework. The Rules do not displace or diminish this principle. Instead, they are designed to ensure a common baseline of controls while allowing FSPs to implement and tailor those controls proportionately, having regard to their size, nature, complexity, structure, and risk profile. The manner, depth, and frequency with which the minimum requirements are applied should continue to be determined by each FSP through its own risk assessments, consistent with the AMLRs and international standards. Accordingly, the Rules are intended to reinforce clarity, consistency, and supervisory certainty, while preserving	No amendment required.
14.	General	In addition, FATF's Recommendations "require countries to have 'effective, proportionate and dissuasive sanctions' for failure to comply with AML/CFT requirements."^ To address this gap, it is proposed that specific sections of the GNs be converted into the Proposed Measures to make them legally enforceable. In the PSA's opinion, the stated rationale is in error for the reasons which follow. The PSA shall start with paragraph B5. The		

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		first sentence of paragraph B5 states: The Caribbean Financial Action Task Force ("CFATF") 4th Round Mutual Evaluation noted CIMA's Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman islands ("GNs") "do not meet the criteria of enforceable means as sanctions are not applicable for a failure to comply with the requirements of the GNs" This is simply a statement of fact to which the answer is "of course not; they are guidance notes.	flexibility and proportionality in implementation. The Authority does not consider the Rules to represent a departure from the established risk-based approach underpinning the Cayman Islands' AML/CFT regime	
15.	General	The second sentence of paragraph B5. states: This assessment indicates a lack of effectiveness and non-compliance with FATF's 40 Recommendations, and it potentially exposes the jurisdiction to significant regulatory, financial, operational, and reputational risks. The second sentence does not follow from the first as the statement of fact by the CFATF does not justify the conclusion of non-compliance with the FATF's 40 recommendations.		
16.	General	Moving to paragraph B7., this paragraph states: "In addition, FATF's Recommendations "require countries to have "effective, proportionate and dissuasive sanctions' for failure to comply with AML/CFT requirements.""^ To address this gap, it is proposed that specific sections of the GNs be converted into the Proposed Measures to make them legally enforceable. In the PSA's opinion, the FATF's		

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		recommendations referred to above have been met by the Anti-Money Laundering Regulations (2025 Revision) made pursuant to the Proceeds of Crime Act (2025 Revision); there is no need for overkill and Rules which go beyond the AMLRs (see below)		
17.	General	Undue Collective Effect: Individually, each of the proposals below is concerning. Collectively, they represent a fundamental shift towards prescriptive, process-heavy compliance, reduced flexibility, increased recurring cost and operational slowdowns and ineffectiveness. The perceived need to correct the deficiencies identified by the stated rationale, in the PSA's opinion erroneously, in the 4* Round Mutual Evaluation does not mean that the proposed Compliance Rule has to reject long-standing principles which made Cayman a sought-after jurisdiction in which to do business		
18.	General	Rejection of the Proportionality Principle: The Cayman Islands has long been recognised for implementing international AML standards in a proportionate and commercially workable manner. The proposed Compliance Rules states this expressly in paragraph 14 of the Private Sector Consultation Paper, as follows: "74. The Authority also acknowledges the significance of the proportionality principle and the application of the Compliance Rule commensurate with the size, complexity, structure, nature of business and the risk profile of an FSP s operations." Unfortunately, for the reasons stated		

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		above in "Undue Collective Effect" the proportionality principle seems to be rejected in favour of a heavy-handed prescriptive approach.		
19.	General	Consequences of Bringing These Rules Into Force: If these Rules are brought into force without substantial revision, they risk; (a) making routine onboarding unduly burdensome; (b) increasing cost structures across the industry (c) driving business to other jurisdictions perceived as more pragmatic; and (d) undermining the risk-based approach that CIMA itself purports to endorse in the proposed Compliance Rule, examples of which follow: Paragraph 2.2 of the Compliance Rule: "2,2 CIMA implements a well-de/ined and proportionate, Risk-Based Approach ("RBA ") to supervision....." Paragraph 5,3 of the Compliance Rule: "5.3 Each FSP must implement a compliance programme that is commensurate with its size, complexity, structure, nature of business, and the risk profile of its operations." Paragraph 7(3)(c), in part, of the Compliance Rule: " 7.3(c)..... to evaluate risks from clients, services, locations and technology to effectively apply a risk-based approach..... " Paragraph 10.3(a) of the Compliance		

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		Rule: "10.3 .....At a minimum, such policies and procedures shall address: € Assessment of risk and application of the risk-based approach.		

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	SECTION-SPECIFIC COMMENTS			
20.	**1.1**	The Rule applies to FSPs, which may create inconsistency with other regulatory frameworks (AMLRs, Internal Controls Rules and SOG) that use broader terms such as regulated entries. Suggestion: Consider aligning the scope	The Authority acknowledges the comment. The term "Financial Service Providers" (FSPs), as used in the Rules, is intended to apply to all persons carrying on relevant financial business as specified in POCA, and therefore aligns substantively with the scope of the AMLRs and related regulatory frameworks, notwithstanding differences in terminology.	No amendment required.
21.	**1.3**	Informational language "FSPs should be aware ..." is used which is non-binding, despite appearing in a Rule that imposes enforceable and mandatory obligations. This language should be replaced to reinforce the mandatory nature of the legally binding rule. Consider amending to read - 'FSPs must ensure that relevant personnel are informed of the enforcement powers of the Supervisory Authorities under the AMLRs.'	The Authority acknowledges the comment. The reference to "FSPs should be aware" is intended as introductory and contextual language to preface the Rule, rather than to create a standalone enforceable obligation. The mandatory requirements are set out in the operative provisions of the Rule itself. The Authority considers that the Rule, when read in its entirety,	

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			clearly sets out binding obligations, and that the introductory explanatory language does not affect its enforceability.	
22.	**3.1**	The proposed footnote reads: "For requirements relating to compliance with sanctions and targeted financial sanctions, FSPs must refer to the Rule on Sanctions Compliance and Targeted Financial Sanctions." The PSA suggests that FSPs should also be directed to the Financial Reporting Authority and relevant sanctions legislation.	The Authority acknowledges the comment, and clarifies that the Rules on Sanctions Compliance notes the FRA's legislation and guidance.	
23.	**4.2**	Given CIMA's powers under 34(1) of the MAA, consider whether there is a need for an amendment to the MAA to allow CIMA to issue rules in respect of the AMLRs. Note that 34(1)(b) appears to refer only to the issuing or amending of statements of guidance in respect of the AMLRs. On the other hand, there is clear statutory power under 34(1)(a) for the issuing of rules in relation to persons to the extent that the regulatory laws apply.	Authority acknowledges the comment and clarifies that it has the requisite statutory authority to issue the Rule under MAA section 34(1)(c). The Authority is satisfied that this provision allows the Authority to issue measures, including Rules, for the purpose of reducing the risk of FSP being used for money laundering or other criminal purposes, together with paragraph (a), which provides a clear legal basis for the Authority to issue the Rule.	
24.	**5.1**	The PSA would suggest this Rule is amended to clarify that it applies only in the context of a FSP that is the parent of a "financial group". The proposed Rule reads as follows: This Rule applies to all FSPs that are regulated and supervised by CIMA under the Regulatory Acts, inclusive of branches,	The Authority acknowledges the comment. The Rule is intended to apply where an FSP forms part of, or exercises control within, a CIMA-regulated financial group, so as to ensure appropriate group-wide	

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		subsidiaries, affiliates and any other members of a CIMA-regulated financial group. Suggested language: This Rule applies to all FSPs that are regulated and supervised by CIMA under the Regulatory Acts, inclusive of branches or subsidiaries where the FSP is the parent or other legal person which exercises control over a CIMA-regulated financial group.	application of AML/CFT obligations. The reference to branches, subsidiaries, affiliates, and other group members is intended to describe the scope of entities within the group perimeter, rather than to extend group-level responsibilities to entities that do not exercise control. The Authority considers the existing drafting sufficiently clear and no amendment is necessary.	
25.	**4.3(a)**	Regulation 3 of the AMLRs refers to designating an AMLCO. It does not refer to relevant financial business implementing appropriate compliance programmes, systems, and training as indicated in para 4.3(a). This reference should be reviewed.	The designation of an AMLCO is covered in Section 8 of the measure, Regulation 3 of the AMLRs applies to the measure.	
26.	**5.1**	New Rule 5.1 provides: This Rule applies to all FSPs that are regulated and supervised by CIMA under the Regulatory Acts, inclusive of branches, subsidiaries, affiliates and any other members of a CIMA-regulated financial group. As outlined above, the PSA asks the Authority to review the scope of application to clarify that applicability will depend on an entity being an FSP and conducting relevant financial business. The PSA suggests amending the following wording: "This Rule applies to all FSPs that are regulated and supervised by CIMA under the Regulatory Acts conducting Relevant Financial Business, inclusive of branches, subsidiaries, affiliates and any other members of a CIMA-regulated financial group". Please clarify the Compliance Rule only applies where the FSP (i.e., Cayman regulated entity) is the parent of a "financial group".	The Authority acknowledges the comment. The scope of Rule 5.1 is intended to apply to FSPs that are regulated and supervised by CIMA and that are carrying on relevant financial business, consistent with the AMLRs and POCA. The reference to branches, subsidiaries, affiliates, and other members of a CIMA-regulated financial group is intended to describe the potential group perimeter within which AML/CFT obligations may apply, where	

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27.	**5.1**	States the Rule applies to "branches, subsidiaries, affiliates and any other members of a CIMA-regulated financial group," yet there is no requirement for a group-level independent audit or consolidated compliance assurance report. This could result in fragmented assurance across group entities.	relevant, and is not intended to extend the application of the Rule to entities that are not themselves FSPs or that do not conduct relevant financial business.	
28.	**5.1 – 5.4**	5.1 This Rule applies to all FSPs that are regulated and supervised by CIMA under the Regulatory Acts, inclusive of branches, subsidiaries, affiliates and any other members of a CIMA-regulated financial group. 5.2 All FSPs who are conducting relevant financial business must comply with the requirements set out in the AMLRs. 5.3 Each FSP must implement a compliance programme that is commensurate with its size, complexity, structure, nature of business, and the risk profile of its operations. 5.4 References to any act or regulation shall be construed as references to those provisions as commenced, amended, modified, re-enacted or repealed and replaced from time to time. From a reading of paras 5.1 – 5.4, it appears the intention may be for the Rule to apply not only to entities that are conducting relevant financial business, but more broadly to entities regulated and supervised by CIMA under the Regulatory Acts. If this is the case, the use and definition of the term "FSPs" appear to restrict the application of the Rule to persons conducting relevant financial business	The Authority agrees with the proposed clarification and confirms that this Rule applies exclusively to FSPs regulated by the Authority.	Rule 5.2 was removed.
29.	**5.2**	States that "all FSPs who are conducting relevant financial business must comply with the requirements set out in the AMLRs." However, FSPs are defined in the Rule as meaning "all persons carrying out Relevant Financial Business specified in the POCA." Therefore, the words "who conduct Relevant Financial Business" give		

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		the impression that some FSPs conduct Relevant Financial Business while some do not.		
30.	**6**	Definition- the section does not include a definition of the new requirement i.e.) Ongoing Fit &Proper (F&P) of MLRO and DMLRO. Authority should define this requirement and issue guidance on the minimum considerations for compliance or remove the requirement(see 12.7 comments below)	The Authority acknowledges the comment and clarifies that in subsequent sections the fit and proper requirement was removed.	No amendment required.
31.	**6.1**	Section 6.1 does not include a definition of the independent internal audit function. Suggested wording: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations conducted in accordance with the International Professional Practices Framework® of the Institute of Internal Auditors. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.	The Authority acknowledges the comment. While the Authority recognises that the proposed wording reflects a well-established professional standard for internal audit functions, it does not consider it necessary to include a detailed definition of an independent internal audit function within the Rules. The concept of independence and objective assurance is already well understood within the regulatory and professional context, and the Rules are intended to allow flexibility for FSPs to adopt audit arrangements appropriate to their size, structure, and risk profile. Prescribing a specific definition or professional framework within the Rules could be unduly restrictive and	No amendment required.

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			is therefore not considered necessary	
32.	**6.1**	New Rule 6.1(g) defines "electronic-Know Your Customer" or "e-KYC" as: "means the conducting of a customer's identification process through digital technology verification mechanisms." This differs from the definition of e-KYC in the Authority's Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ("Guidance Notes"), which defines e-KYC as (see Part II, Section 3(D)(13)): "E-KYC refers to the processes whereby a customer's identity is verified via electronic means." The AMLRs treat the "identification" and "verification" of a customer's (or beneficial owner's) identity as two separate steps. The PSA considers that the definition of e-KYC in the Authority's Guidance Notes is more accurate, as it is the verification of the customer's identity (i.e. to confirm the customer is "who they say they are") that is undertaken by digital technology means, not the customer identification process itself. It is also noted that e-KYC should not be limited to the verification of a customer's identity and should apply equally to the verification of a beneficial owner's identity. Suggested wording: "electronic-Know Your Customer" or "e-KYC" means the conducting of a customer's identification process refers	The Authority acknowledges the comment. The definition of "electronic-Know Your Customer" or "e-KYC" is intended to describe, in practical terms, the use of digital or electronic technologies within the customer due diligence process. The Authority considers the definition to be appropriate and sufficiently clear and intended to be read consistently with the AMLRs and the Guidance Notes, which distinguish between customer identification and verification. The definition is not intended to narrow or alter existing AML/CFT obligations, nor to suggest that e-KYC applies only at the identification stage. Digital verification mechanisms may be applied, where appropriate, to customers and beneficial owners alike in line with the AMLRs.	No amendment required.

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		to the processes whereby a customer's (or beneficial owner's) identity is verified through verification electronic means."		
33.	**6.1**	The PSA considers that a new definition of "beneficial owner" is required, which clarifies that the term should be defined by reference to the definition in the AMLRs. Suggested wording: "Beneficial Owner" has the same meaning as defined in the AMLRs.	The Authority acknowledges the comment and has included a definition for Beneficial Owner.	Rule 6.1 amended to include: ***"Beneficial Owner" has the same meaning as defined in the AMLRs.***
34.	**6.1**	The following definitions are provided for the purposes of this Rule: (o) "Regulatory Acts" means any one or more of the Acts as prescribed in Section 2 of the MAA and any Regulations made under them or the POCA, and any other Act that may be prescribed by the Cabinet by regulations made under Section 46 of the MAA. Consider whether CIMA has a sufficient legal basis in the MAA or under POCA to describe "Regulatory Acts" as including any regulations made under the POCA as stated in the definition of "Regulatory Acts". It is not clear that CIMA has legal authority to treat regulations under the POCA as a regulatory law.	The Authority acknowledges the comment and clarifies that the definition in the Rule was purely for convenience purposes and was not intended to replace the statutory definition in the MAA. The Authority convey this in the preamble of section 6.1 where we say- "The following definitions are provided for the purposes of this Rule". However, the Authority acknowledges the comment and agree that the language in the Rule including definitions which are already defined terms in legislation should be consistent with those statutory definitions for the avoidance of doubt.	Section 6.1(o), now 6.1 (p)has been revised to read as follows: ***The following definitions are provided for the purposes of this Rule:*** ***(p)"Regulatory Acts" has the same meaning as "Regulatory Laws", as defined in Section 2 of the Monetary Authority Act (MAA).***

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35.	**7**	Requires documented governance framework and Board oversight. Confirmation that existing governance arrangements compliant with Corporate Governance Rule would satisfy this requirement if appropriately documented. Ensures alignment and avoids duplication.	The Authority acknowledges the comment and notes that the governance of the compliance programme could be part of the broader corporate governance framework. However, the FSP should demonstrate that such a broader corporate governance framework meets the requirements of the Rule.	No amendment required.
36.	**7.1**	It is not clear whether the items at (a) to (d) refer to the "governance framework" or the Compliance Program. Can this be clarified?	The Authority acknowledges the comment and has amended 7.1.	Rule 7.1 has been amended and now reads: ***"The Governing Body of the FSP shall establish and maintain a clear governance framework for the Compliance Programme, and such governance framework, at a minimum, must: …"***
37.	**7.1**	Proportionality should be included to clarify governance oversight and ensure consistency with section 6(3)(d) of the Monetary Authority Act (2020 Revision) ("MAA") and the Anti-Money Laundering Regulations (as revised) ("AMLRs"). Consider amending as follows - The Governing Body of the FSP shall establish and maintain a clear governance framework proportionate to the size, complexity and risk profile of the FSP for the Compliance Programme, which at a minimum must: …'		
38.	**7.1a**	Rule 7.1(a) notes that the Governing Body must document, define, assign, and communicate the roles and responsibilities of all persons involved in the implementation and oversight of the programme. If this is to be taken literally, this would be a burdensome task and would be subject to frequent updates when there are changes in staff. Suggested wording: 'must document, define, assign, and communicate the responsibilities of the roles involved in the implementation and oversight of the programme.	The Authority acknowledges the comment and has amended 7.1a.	Rule 7.1a has been amended and now reads: ***(a) document, define, assign, and communicate the roles and responsibilities of all senior persons involved in the implementation and oversight of the Compliance Programme ;***

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39.	**7.1a**	New Rule 7.1(a) provides: "The Governing Body of the FSP shall establish and maintain a clear governance framework for the Compliance Programme, which at a minimum must: *(a) document, define, assign, and communicate the roles and responsibilities of all persons involved in the implementation and oversight of the programme;" (Our emphasis)* It would be helpful if the Authority could clarify if this requirement is intended to apply at the level of key roles and functions rather than naming individually "all" persons involved in the implementation and oversight of the Compliance Programme. A requirment that the Governing Body must "document, define, assign, and communicate the roles and responsibilities of all persons involved in the implementation and oversight of the programme" would, if taken literally, be a burdensome task and subject to frequent updates when there are changes in staff. Suggested wording: 'Must document, define, assign and communicate the responsibilities of the roles involved in the implementation and oversight of the programme'.		
40.	**7.1a**	New Rule 7.1(a) provides: "The Governing Body of the FSP shall establish and maintain a clear governance framework for the Compliance Programme, which at a minimum must: (a) document, define, assign, and communicate the roles and responsibilities of all persons involved in the implementation and oversight of the programme;" (Our emphasis)		

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		It would be helpful if the Authority could clarify if this requirement is intended to apply to "all" persons involved in the implementation and oversight of the Compliance Programme as currently stated, or only "senior" persons. Whilst the wording does refer to persons involved in the "implementation" and "oversight" of the compliance program the PSA respectfully submits that this could still capture a very wide audience and the better approach would be to clarify that the Rule is intended to only apply to "senior" persons only. Suggested wording: "The Governing Body of the FSP shall establish and maintain a clear governance framework for the Compliance Programme, which at a minimum must: (a) document, define, assign, and communicate the roles and responsibilities of all senior persons involved in the implementation and oversight of the programme;"		
41.	**7.1a**	Rule 7.1(a) requires the Governing Body to document, define, assign, and communicate the roles and responsibilities of "all persons" involved in the implementation and oversight of the programme. Taken literally, this would be an extremely burdensome task subject to frequent updates with every change in staff. Suggested wording: "must document, define, assign, and communicate the responsibilities of the roles involved in the implementation and oversight of the programme."	The Authority acknowledges the comment and has amended 7.1a. The Authority further clarifies that documentation of the roles of the persons involved would suffice.	See comment above regarding 7.1 (a)
42.	**7.1b**	Rule 7.1(b) requires an entity to "appropriately assign responsibilities to promote accountability and effectiveness". The phrase "appropriately assign" is subjective. The PSA	The Authority acknowledges the comment and has amended 7.1b.	Rule 7.1b has been amended and now reads: ***"...assign responsibilities in a manner that promotes accountability and***

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		suggests clarifying the expected standard, for example: "assign responsibilities in a manner that ensures clear accountability, independence, and effective oversight.		***effectiveness of the Compliance Programme;"***
43.	**7.1b**	Rule 7.1(b) requires an entity to "appropriately assign responsibilities to promote accountability and effectiveness". The phrase "appropriately assign" is subjective. The PSA suggests clarifying the expected standard, for example: *"assign responsibilities in a manner that promotes clear accountability, independence, and effective oversight."*		
44.	**7.1b**	The phrase "appropriately assign" is subjective and lacks a clear standard. Suggested wording: "Assign responsibilities in a manner that ensures clear accountability, independence, and effective oversight."		
45.	**7.1c**	"lower than a management level" should be "lower than at management level.	The Authority acknowledges the proposed amendment.	Section 7.1(c) has been revised to read as follows: ***"...designate an Anti-Money Laundering and Compliance Officer ("AMLCO"), who is a natural person operating no lower than at management level, to be responsible for the compliance programme; and"***
46.	**7.1d**	The Governing Body of the FSP shall establish and maintain a clear governance framework for the Compliance Programme, which at a minimum must: (d) appoint a Money Laundering Reporting Officer. Rule 7.1(d) currently does not reference a Deputy Money Laundering Reporting Officer while it is referenced in Rule 12.6. Suggested wording: Appoint a Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer.	The Authority acknowledges the comment and has amended 7.1d.	Section 7.1(d) has been amended and now reads as follows: ***"...designate a Money Laundering Reporting Officer ("MRLO") and a Deputy Money Laundering Reporting Officer ("DMLRO") who are natural persons operating at no lower than management level."***

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47.	**7.1d**	Reg. 33(2) of the AMLRs also requires a Deputy MLRO to be appointed.	The Authority acknowledges the proposed amendment and clarifies that the appointment of the DMLRO is included in the measure under section 8.	See comment above regarding 7.1 (d).
48.	**7.1d**	Please consider replicating the language at 7.1 (c) (specifically "designate rather than "appoint") as this sub-section refers to the framework/program rather than an activity completed by the Governing Body.	The Authority acknowledges the comment and has amended 7.1d.	
49.	**7.1d**	This section addresses the appointment of an MLRO. Consideration should be given to including the requirement to appoint a DMLRO as well as prescribed in the AMLRs		
50.	**7.1d**	Rule 7.1(d) currently references only the appointment of a Money Laundering Reporting Officer but does not reference a Deputy Money Laundering Reporting Officer, despite the DMLRO being referenced later in Rule 12.6. Suggested wording: "Appoint a Money Laundering Reporting Officer and Deputy Money Laundering Reporting Officer."		
51.	**7.2**	New Rule 7.2 provides: "FSPs must establish, implement, and maintain a comprehensive and effective Compliance Programme that is designed to detect, prevent, and report on ML/TF/PF/TFS as required under the AML/CFT/CPF Framework." (Our emphasis) The PSA agrees that FSPs must establish, implement and maintain a comprehensive and effective Compliance Programme to detect, prevent and report on money laundering, terrorist financing and proliferation financing. However, "Targeted Financial Sanctions" ("TFS") are a type of financial sanctions, which aim to limit the provision of certain financial services and/or	The Authority acknowledges the comment and has amended Rule 7.2.	Rule 7.2 has been amended and now reads: ***"FSPs must establish, implement, and maintain a comprehensive and effective Compliance Programme that is designed to detect, prevent, and report on ML/TF/PF and comply with TFS as required under the AML/CFT/CPF Regime."***

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		restrict access to financial markets, funds and other assets to persons or entities. FSPs do not need to "detect" and "prevent" TFS – rather, they need to comply with such measures. Suggested wording: "FSPs must establish, implement, and maintain a comprehensive and effective Compliance Programme that is designed to detect, prevent, and report on ML/TF/PF,/ and comply with TFS, as required under the AML/CFT/CPF Framework."		
52.	**7.2**	New Rule 7.2 provides: "FSPs must establish, implement, and maintain a comprehensive and effective Compliance Programme that is designed to detect, prevent, and report on ML/TF/PF/TFS as required under the AML/CFT/CPF Framework." (Our emphasis) The PSA agrees that FSPs must establish, implement and maintain a comprehensive and effective Compliance Programme to detect, prevent and report on money laundering, terrorist financing and proliferation financing. However, "Targeted Financial Sanctions" ("TFS") are a type of financial sanctions, which aim to limit the provision of certain financial services and/or restrict access to financial markets, funds and other assets to persons or entities. FSPs do not need to "detect" and "prevent" TFS – rather, they need to comply with such measures. Suggested wording: "FSPs must establish, implement, and maintain a comprehensive and effective Compliance Programme that is designed to detect, prevent, and report on ML/TF/PF,/ and comply with TFS, as required under the AML/CFT/CPF Framework."		

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53.	**7.2**	Consideration should be given to explicitly adding the word "sanctions" to "AML/CFT/CPF Framework" in this section and throughout the Rule as applicable in order to highlight its importance and its direct link to/impact on the effectiveness of the overall framework.		
54.	**7.3**	Update indentation on the first line Lower case each point for consistency throughout the document.	The Authority acknowledges the comment and has amended 7.3	Changes adopted.
55.	**7.3**	Section 7.3 lists five core components of the Compliance Programme: (a) AMLCO designation; (b) policies and procedures; (c) risk assessment; (d) training; and (e) development and ongoing evaluation. The independent audit/effectiveness review is not explicitly listed. Suggestion: To consider adding effectiveness review as a foundational part of the compliance program: (f) Demonstration of the effectiveness of the Compliance Programme through an independent internal audit function, as set out in Section 12.	The Authority acknowledges the comment and has amended 7.3 *The Authority has added a footnote at the end of 7.3(e) for further clarification*	Rule 7.3's footnote has been amended and now reads The footnote reads as follows: ***"For further details on obligations for Demonstration of Effectiveness, please see Section 12."***
56.	**7.3**	Mandatory Requirement for a Cayman Islands-Based AML Officer Section 7.3 should mandate that at least one of the designated AML compliance officers (AMLCO, MLRO, or DMLRO) must be based in the Cayman Islands. This is absolutely necessary to ensure an effective understanding of the Cayman Islands' specific AML/CFT/CPF obligations, regulatory expectations, and local practices. In practice, a significant number of overseas-based AML officers who are appointed to Cayman Islands hedge funds and other regulated entities do not have an adequate appreciation of what is required under the Cayman Islands' AML/CFT/CPF framework. Many have openly admitted that they have never received any form of AML training specific to the Cayman Islands. Despite this, they continue to accept appointments as AML	The Authority acknowledges the concerns raised regarding the practical effectiveness of AML compliance officers who are based outside of the Cayman Islands and the importance of ensuring sufficient understanding of the Cayman Islands' AML/CFT/CPF framework. While the Authority does not consider it appropriate to prescribe a mandatory Cayman Islands residency requirement, the Authority considers that the key objective is to ensure that designated AML compliance	No change required.

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		officers to Cayman Islands entities without due regard to the rules, regulations, guidance notes, and supervisory expectations that apply in this jurisdiction. This creates a material risk to the integrity of compliance programmes and undermines the very objectives the Authority seeks to achieve through these Rules. A local presence requirement would ensure that at least one key compliance officer has direct knowledge of and familiarity with the Cayman Islands' regulatory environment, including the AMLRs, the Guidance Notes, CIMA's supervisory circulars, the National Risk Assessment, and the practical expectations of the Authority's supervisory teams. Suggested addition to Rule 7.3: "At least one of the designated AML compliance officers (AMLCO, MLRO, or DMLRO) must be a natural person based in the Cayman Islands, with demonstrable knowledge of the Cayman Islands' AML/CFT/CPF framework, including applicable legislation, regulations, rules, and guidance issued by the Authority."	officers possess adequate knowledge, experience and understanding of the Cayman Islands' legal and regulatory requirements, and are able to effectively discharge their functions and engage with the Authority as required. FSPs are expected to ensure that their appointed AMLCO, MLRO and DMLRO are appropriately qualified, accessible, and capable of effectively fulfilling their roles, having regard to the nature, size, complexity and risk profile of the business. As needed, the Authority may ask an FSP to demonstrate how it achieved these outcomes.	
57.	**7.3**	Section 7.3 lists five core components of the Compliance Programme: (a) AMLCO designation; (b) policies and procedures; (c) risk assessment; (d) training; and (e) development and ongoing evaluation. The independent audit/effectiveness review is not explicitly listed. CIMA to consider adding effectiveness review as a foundational part of the compliance program: (f) Demonstration of the effectiveness of the Compliance Programme through an independent internal audit function, as set out in Section 12.	The Authority notes the comment and clarifies that this is included in 7.3 (e) and further obligations in section 12. The Authority has added a footnote at the end of 7.3(e) for further clarification	Rule 7.3 has been amended and now reads: ***7.3 (e) "...Development, maintenance, and conducting of ongoing evaluations of the effectiveness of the Compliance Programme in a manner proportionate to the nature, type, and scope of the activities conducted by the FSP."*** The footnote reads as follows: ***"For further details on obligations for Effectiveness, please see Section 12."***
58.	**7.3a**	Proposed amendment to replace the word "overseeing" in this section with the words "oversight of"	The Authority acknowledges the comment and has amended 7.3a accordingly.	Rule 7.3a has been amended and now reads:

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59.	**7.3a**	It may also be helpful to include that the AMLCO is expected to be the point of contact with competent authorities for the purposes of activities relevant to the AMLRs.	The Authority acknowledges the comment and has accepted the proposed amendment.	***"designation of an AMLCO who is responsible for the implementation and oversight of the Compliance Programme…"***
60.	**7.3b**	For a Rule, the use of "etc." is too broad without context, and can lead to misunderstandings. Rule 7.3(b) notes 'Documentation of detailed written policies and procedures for Know Your Customer, reporting, etc., approved by the Governing Body'. The use of etc. is quite vague and the PSA kindly requests for CIMA to specify all relevant required topics.	The Authority acknowledges the comment and has amended 7.3b.	Rule 7.3b has been amended and now reads ***"documentation of detailed written policies and procedures of the Compliance Programme"***
61.	**7.3b**	For a Rule, the use of "etc." is too broad without context, and can lead to misunderstandings Suggest that "etc." is removed		
62.	**7.3b**	Rule 7.3(b) notes 'Documentation of detailed written policies and procedures for Know Your Customer, reporting, etc., approved by the Governing Body'. For a Rule, the use of "etc." is too broad without context, and can lead to misunderstandings. The PSA suggests that all relevant required topics are specified or none.		
63.	**7.3b**	For a Rule, the use of "etc." is too broad without context, and can lead to misunderstandings Suggest that etc. is removed		
64.	**7.3b**	New Rule 7.3(b) provides: The Compliance Programme, at a minimum, must include the following core components: Documentation of detailed written policies and procedures for Know Your Customer, reporting, etc., approved by the Governing Body. In relation to provisions 7.3(b) and 10.2 requiring both policies and	The Authority acknowledges the comment and has amended 7.3b. The Authority notes that delegation from the Governing Body is acceptable in respect of	

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		procedures to be approved by the Governing Body, the PSA acknowledges the importance of board oversight, and on that basis agree that AML-CFT policies should be approved by the board as these policies should contain the strategic direction, risk appetite and governance expectation. However, in the PSA's view, as procedures are operational in nature, intended to provide practical guidance to staff on implementing requirements, and requiring ongoing updates to reflect legislative changes, operational improvements and evolving risks, the PSA respectfully requests the Authority allows AML-CFT procedures to be approved and updated by senior management (e.g., Head of Compliance (or equivalent)) with direct responsibility for AML-CFT compliance. In the PSA's view, this approach would preserve the board's supervisory authority for policies and regular reporting whilst ensuring that operational procedures can continue to be updated on a more frequent basis than policies to support an effective compliance programme. Accordingly, the PSA respectfully asks the Authority to clarify the scope of the Governing Body's role to approving policies and removing reference in these provisions to "and procedures". Suggest also removing the reference to "etc" in 7.3(b) as it is unclear what the Authority expects from in-scope FSPs.	procedures and this would be assessed in the context of the governance mechanisms of the FSP.	
65.	**7.3b**	Use of "etc." in this section results in its scope being quite broad and open- ended and less prescriptive, which does not appear to be in line with the nature of a CIMA Rule as opposed to Guidance. Consideration should be given to removing "etc." and rewording the section to be more prescriptive and closed ended. This should result in more objectivity in scenarios when determining whether the rule has been breached and a clearer basis for any enforcement action as a result.	The Authority acknowledges the comment and has amended 7.3b. The Authority also clarifies that section 10 includes further details on various policies and procedures of the Compliance Programme.	

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		For example: "Detailed clearly documented written AML/CFT/CPF and Sanctions policies and procedures approved by the Governing Body addressing at a minimum: • Customer due diligence measures; • Application of a Risk Based Approach ("RBA"); • Controls to combat ML/TF/PF, including appropriate compliance management arrangements; • Adequate systems to identify ML/TF/PF and Sanctions risks relating to persons, countries and activities which should include checks against all applicable sanctions lists; • Record keeping procedures; • Internal reporting procedures; • Ongoing monitoring including screening procedures; • An appropriate employee training programme; • An audit function to test the AML/CFT/CPF and Sanctions framework.		
66.	**7.3b**	The use of "etc." in a binding rule is too vague. CIMA should specify all relevant required topics rather than using open-ended language. Suggested wording: Remove "etc." and replace with an exhaustive or illustrative list of the policies and procedures required.	The Authority acknowledges the comment and has amended 7.3b	
67.	**7.3c**	New Rule 7.3(c) provides: "The Compliance Programme, at a minimum, must include the following core components: … (c) Development, documentation and implementation of a risk management framework including a periodic risk assessment programme to evaluate risks from clients, services, locations and technology to effectively apply a risk-based approach and mitigate the risks of ML/TF/PF occurring in the course of business;" The requirement under Regulation 8(1) of the AMLRs, is	The Authority acknowledges the comment and has amended 7.3c	Rule 7.3c has been amended and now reads ***"(c) development, documentation and implementation of a risk management framework including a periodic risk assessment programme to evaluate ML/TF/PF risks presented by customers, products/services, transactions, country or geographic area, and delivery channels, to effectively apply a risk-based approach and mitigate the risks occurring in the course of business…"***

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		for a FSP to take steps appropriate to the nature and size of the business to identify, assess and understand its money laundering risks, terrorist financing risks and proliferation financing risks in relation to: (a) its customers; (b) the country or geographic area in which the customer resides or operates; (c) its products, services and transactions; (d) its delivery channels. New Rule 7.3(c) does not include reference to some of the items that a FSP needs to "identify, assess and understand", namely the "country" or "geographic area" in which the customer resides, its "products" and "transactions" and its "delivery channels". It also uses different terminology in places (for example, "client" rather than the defined term "customer"). The PSA recommends that these items be included in new Rule 7.3(c) for consistency with the AMLRs. Suggested wording: "The Compliance Programme, at a minimum, must include the following core components: … (c) Development, documentation and implementation of a risk management framework including a periodic risk assessment programme to evaluate risks from clientscustomers, products, services, and transactions, locations the country or geographic area in which the customers reside or operate and technology delivery channels to effectively apply a risk-based approach and mitigate the risks of ML/TF/PF occurring in the course of business;"		

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68.	**7.3c**	Consider replacing "from" on line 3 with "presented by".		
69.	**7.3c**	New Rule 7.3(c) provides: "The Compliance Programme, at a minimum, must include the following core components: … (c) Development, documentation and implementation of a risk management framework including a periodic risk assessment programme to evaluate risks from clients, services, locations and technology to effectively apply a risk-based approach and mitigate the risks of ML/TF/PF occurring in the course of business;" The requirement under Regulation 8(1) of the AMLRs, is for a FSP to take steps appropriate to the nature and size of the business to identify, assess and understand its money laundering risks, terrorist financing risks and proliferation financing risks in relation to: (a) its customers; (b) the country or geographic area in which the customer resides or operates; (c) its products, services and transactions; (d) its delivery channels. New Rule 7.3(c) does not include reference to some of the items that a FSP needs to "identify, assess and understand", namely the "country" or "geographic area" in which the customer resides, its "products" and "transactions" and its "delivery channels". It also uses different terminology in places (for example, "client" rather than the defined term "customer"). The PSA recommends that these items be included in new Rule 7.3(c) for consistency with the AMLRs. Suggested wording: "The Compliance Programme, at a minimum, must include the following core components: … (c) Development, documentation and implementation of a risk management framework including a periodic risk assessment programme to evaluate risks from clients, customers, products, services, and transactions, locations the country or		

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		geographic area in which the customers reside or operate and technology delivery channels to effectively apply a risk-based approach and mitigate the risks of ML/TF/PF occurring in the course of business;"		
70.	**7.3c**	More concise wording proposed to replace "...to evaluate risks from clients…" as follows: "….to evaluate risk in relation to clients…."		
71.	**7.3d**	To update governance body to "Governing Body" for document consistency	The Authority acknowledges the comment and has amended 7.3d	Rule 7.3d has been amended and now reads: ***"Delivery of ongoing compliance training programme and training plan for all staff, the Governing Body, and any other relevant parties, to ensure awareness of and compliance with applicable AML, CFT, CPF, and TFS obligation; …"***
72.	**7.3d**	It would be helpful for CIMA to indicate the "relevant parties" that need to be trained.	The Authority acknowledges the proposed amendment.	See comment above regarding Rule 7.3d
73.	**7.3d**	New Rule 7.3(d) provides: "The Compliance Programme, at a minimum, must include the following core components: … (d) Delivery of ongoing compliance training programme and plan for all staff, including the governance body and relevant parties on AML, CFT, CFP and TFS obligations; and" (Our emphasis) It would be helpful if the Authority could clarify the meaning of "ongoing". The Authority's Guidance Notes	The Authority acknowledges the comment and has amended 7.3d. The Authority clarifies that section 11 provides further context regarding obligations on training, including that the training frequency should be proportionate to the FSP's risk profile. The Authority also notes that, where applicable, service	Rule 7.3d has been amended and now reads: ***"(d) delivery of ongoing compliance training programme and training plan for all staff, the Governing Body, and any other relevant parties, to ensure awareness of and compliance with applicable AML, CFT, CPF, and TFS obligations…"***

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		state (see Part II, Section 10(E)(1)(1)): "Training to staff should be provided at least annually, or more frequently where there are changes to the applicable legal or regulatory requirements or where there are significant changes to the FSP's business operations or customer base". Is the requirement for an "ongoing" compliance training programme intended to align with the timing set out in the Authority's Guidance Notes? If so, it would be helpful if the Rules could clarify this. It is also noted that Rule 7.3(d) states that the compliance training programme and plan should cover other "relevant parties". However, the requirement under Regulation 5 of the AMLRs is to provide training to "employees" only. The Authority's Guidance Notes clarify that this requirement encompasses "Directors" and "Senior Management", but it does not extend the requirement to third parties, such as agents and service providers authorized to act on a FSP's behalf, who should be responsible for the training of their own staff. To require otherwise would be duplicative and unnecessary. Accordingly, the PSA strongly recommends that Rule 7.3(d) be limited to all staff, including the Governing Body. Finally, the PSA recommends that Rule 7.3(d) uses the defined term "Governing Body", rather than "governance body". Suggested wording: "The Compliance Programme, at a minimum, must	providers should be aware of the FSP's AML, CFT, CFP and TFS obligations. The responsibility for ensuring this rests with the FSP.	

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		include the following core components: … (d) Delivery of a ongoing compliance training programme and plan, on at least an annual basis, for all staff, including the governance Body and relevant parties on AML, CFT, CFP and TFS obligations; and"		
74.	**7.3d**	The PSA respectfully submits that the requirement is awkwardly worded. Please consider: i) replacing "ongoing" with "periodic (at minimum annual)" ii) deleting "programme and plan" iii) deleting "relevant parties" as it introduces ambiguity		
75.	**7.3d**	New Rule 7.3(d) provides: "The Compliance Programme, at a minimum, must include the following core components: … (d) Delivery of ongoing compliance training programme and plan for all staff, including the governance body and relevant parties on AML, CFT, CFP and TFS obligations; and" (Our emphasis) It would be helpful if the Authority could clarify the meaning of "ongoing". The Authority's Guidance Notes state (see Part II, Section 10(E)(1)(1)): "Training to staff should be provided at least annually, or more frequently where there are changes to the applicable legal or regulatory requirements or where there are significant changes to the FSP's business operations or customer base". Is the requirement for an "ongoing" compliance training programme intended to align with the timing set out in the Authority's Guidance Notes? If so, it would be helpful if the Rules could clarify this. It is also noted that Rule 7.3(d) states that the compliance training programme and plan should cover other "relevant parties". However, the requirement under Regulation 5 of the AMLRs is to provide training to "employees" only. The Authority's Guidance Notes clarify that this requirement encompasses "Directors" and "Senior Management", but it does not extend the requirement to third parties, such as agents and service providers authorized to act on a FSP's behalf, who should be responsible for the training		

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		of their own staff. To require otherwise would be duplicative and unnecessary. Accordingly, the PSA strongly recommends that Rule 7.3(d) be limited to all staff, including the Governing Body. Finally, it is recommend that Rule 7.3(d) uses the defined term "Governing Body", rather than "governance body". Suggested wording: "The Compliance Programme, at a minimum, must include the following core components: … (d) Delivery of a ongoing compliance training programme and plan, on at least an annual basis, for all staff, including the governance Governing Body and relevant parties on AML, CFT, CFP and TFS obligations; and"		
76.	**7.3e**	The PSA would welcome further clarification from the Authority regarding what is expected in practice in relation to the "ongoing evaluation" of the programme. Specifically, it would be helpful to understand whether this requirement is intended to be satisfied through existing independent assurance mechanisms, such as periodic AML/CFT reviews conducted by Internal Audit or external independent reviewers, or whether the Authority expects the compliance function to conduct formalised effectiveness assessments. In many regulated entities, programme effectiveness is evaluated primarily through independent assurance functions in accordance with established audit cycles. Clarification as to whether periodic AML/CFT audits conducted as part of an approved audit plan would generally be considered sufficient to meet this requirement would assist regulated entities in aligning their governance and assurance frameworks with the intent of the Rule while avoiding duplication between compliance monitoring and independent assurance functions.	The Authority acknowledges the comment has amended 7.3 (e) and has incorporated a footnote referencing section 12, which provides further context on obligations regarding effectiveness including the application of proportionality in demonstrating effectiveness.	7.3(e) has been amended. ***"...Development, maintenance, and conducting of ongoing evaluations of the effectiveness of the Compliance Programme in a manner proportionate to the nature, type, and scope of the activities conducted by the FSP."*** Footnote reads, ***"For further details on obligations for Demonstration of Effectiveness, please see Section 12"***

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77.	**7.3e**	The obligation to "ensure effectiveness" is not tied to defined evidencing standards or proportionality. Proposed clarification (amend Section 7.3(e)): … and ensures its effectiveness, as demonstrated through proportionate governance, monitoring, management information, independent testing and remediation activities appropriate to the Financial Service Provider's risk profile		
78.	**7.3e**	Rule 7.3(e) provides: "The Compliance Programme, at a minimum, must include the following core components: … (e) the development, maintenance, and ongoing evaluation of a compliance programme that reflects the nature, type, and scope of activities conducted, and ensures its effectiveness." (Our emphasis) The PSA understands that the requirement in Rule 7.3(e) relates, at least in part, to the "Effectiveness Review" set out in Rule 12, which appears to be an "annual", rather than an "ongoing", requirement. Accordingly, it is recommended that this be clarified. Suggested wording: "The Compliance Programme, at a minimum, must include the following core components: … (e) the development, maintenance, and ongoing evaluation of a compliance programme that reflects the nature, type, and scope of activities conducted, and ensures its effectiveness on an annual basis."	The Authority acknowledges the comment. The requirement for an independent AML audit is an existing obligation under section 5(a)(ix) of the Anti-Money Laundering Regulations (AMLRs), which requires persons carrying out relevant financial business to maintain, having regard to money laundering, terrorist financing and proliferation financing risks and the size of the business, an appropriate and effective independent audit function as part of their internal controls. The Rule has been clarified to confirm that the independent AML audit is to be conducted on a risk-based basis, with the frequency, scope, and depth of testing determined by the FSP by reference to its risk profile. The Rule does not prescribe that audits be conducted on an annual basis where such frequency is not risk-justified. In addition, the Rule has been	No amendment required

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			clarified to remove a fixed filing date, allowing greater flexibility while preserving the Authority's ability to request the most recent audit report where warranted.	
79.	**7.3e**	The PSA respectfully submits that this requirement does not read like a core component of a compliance program. Please consider removing it as a subsection and including as a stand-alone section eg. 7.4.	The Authority acknowledges the comment and considers this to be a core component of the compliance programme. The subsection has been reworded for additional clarity and a footnote added cross referencing to Section 12.	No further amendment required.
80.	**7.3e**	Rule 7.3(e) provides: "The Compliance Programme, at a minimum, must include the following core components: … (e) the development, maintenance, and ongoing evaluation of a compliance programme that reflects the nature, type, and scope of activities conducted, and ensures its effectiveness." (Our emphasis) The PSA understands that the requirement in Rule 7.3(e) relates, at least in part, to the "Effectiveness Review" set out in Rule 12, which appears to be an "annual", rather than an "ongoing", requirement. Accordingly, it is recommended that this be clarified. Suggested wording: "The Compliance Programme, at a minimum, must include the following core components: … (e) the development, maintenance, and ongoing evaluation of a compliance programme that reflects the nature, type, and scope of activities conducted, and ensures its effectiveness on an annual basis."		No further amendment required.

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	SECTION-SPECIFIC COMMENTS			
81.	**8.1**	FSP must ensure that AMLCOs are "financially sound."- As per Rule 7.1(c). the AMLCO within a business must be at management level. The AMLCO is an usually employee of the FSP or outsourced, and is not always 'senior' management or an officer of the FSP. Assessing "financial soundness" can be highly subjective and vary across jurisdictions and it is unclear how this would be accomplished. What constitutes financial soundness (debt levels, credit scores, solvency ratios) may differ, making uniform application difficult and potentially arbitrary. Suggested wording: "FSPs must ensure, at the time of designation and on an ongoing basis, that the AMLCOs are suitably qualified and experienced to perform their functions, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard" Additional Comment Section 2(c)(5) of the Guidance Notes already sets out the fit and proper test for the AMLCO and there is no need to expand on these requirements which are reasonable for an employee/management role. AMLCOs are responsible for anti-money laundering governance, policy implementation, monitoring, and	The Authority agrees that suitability should be assessed in line with existing expectations, which already provide an appropriate and proportionate framework for evaluating an individual's integrity, competence, and capability. Accordingly, the Authority has revised the requirement.	Rule 8.1 has been amended and now reads: ***"FSPs must ensure, at the time of designation and on an ongoing basis, that the AMLCOs are of good repute, possess integrity, are suitably qualified with sufficient skills and experience to perform their functions, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard."***

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		escalation. Financial solvency is largely unrelated to their ability to perform these duties. Requiring financial soundness conflates personal finance with professional competency. Tying eligibility to financial status can exclude capable professionals that may be younger, from smaller firms, non-profit sectors, or jurisdictions with different socio- economic environments. In an outsourcing situation, it would be difficult for an FSP to determine financial soundness of a person not directly employed by the FSP. Further, the named AMLCO may be employed by another firm, such as a fund administrator or other third party. The AMLCO's independence is better served by governance structures (reporting lines, escalation rights, budget authority, access to training) rather than by personal financial metrics.		
82.	**8.1**	Further guidance may be needed on how to determine that AMLCOs possess integrity.	The Authority notes the feedback provided; and has amended Rule 8.1 to remove the Fit and Proper requirement.	
83.	**8.1**	New Rule 8.1 provides: "FSPs must ensure, at the time of designation and on an ongoing basis, that the AMLCOs are of good repute, possess integrity, are suitably qualified and experienced to perform their functions, and are financially sound, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard." (Our emphasis) The Authority's Guidance Notes stipulate that the AMLCO must be a person who is fit and proper to assume the		See comment above regarding Rule 8.1.

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		role and who has sufficient skills and experience (see Part II, Section 2(C)(5)). Importantly, the Authority's Guidance Notes do not specifically state that the AMLCO must be "financially sound". While the PSA does not take issue with the requirement for the AMLCO to be "financially sound", it is unclear how a FSP should assess and evidence the "financial soundness" of an AMLCO (i.e. how should "financial soundness" be measured?). In this regard, it is noted that the Authority's Regulatory Policy on Fitness and Propriety states at 1.3-1.4: "1.3 To determine whether a person is fit and proper, the MAL and the Regulatory Law list the following criteria: a) Honesty, integrity and reputation; b) Competence and capability; and c) Financial soundness. 1.4 Honesty, integrity and reputation relate to a person's character and reliability; competence and capability relate to the educational background, work experience of the person, and/or continued professional development of the person as it relates to the job he or she will be performing; and financial soundness establishes the person's financial integrity." (Our emphasis) The Authority's Regulatory Policy on Fitness and Propriety goes on to state at 9.1 regarding "Financial Soundness": 9.1 The assessment of financial soundness is aimed at determining whether the person can meet his/her		

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		personal liabilities when they become due and mitigate financial risks on a constant basis. It would be helpful if the Authority could confirm that (1) an AMLCO will be regarded as "financially sound" if they have met a bankruptcy check; and (2) evidence of a bankruptcy check having been undertaken would be regarded as sufficient evidence of an AMLCO's "financial soundness" by the Authority.		
84.	**8.1**	New Rule 8.1 provides: "FSPs must ensure, at the time of designation and on an ongoing basis, that the AMLCOs are of good repute, possess integrity, are suitably qualified and experienced to perform their functions, and are financially sound, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard." (Our emphasis) The Authority's Guidance Notes stipulate that the AMLCO must be a person who is fit and proper to assume the role and who has sufficient skills and experience (see Part II, Section 2(C)(5)). Importantly, the Authority's Guidance Notes do not specifically state that the AMLCO must be "financially sound". While the PSA does not take issue with the requirement for the AMLCO to be "financially sound", it is unclear how a FSP should assess and evidence the "financial soundness" of an AMLCO (i.e. how should "financial soundness" be measured?). In this regard, the PSA notes that the Authority's Regulatory Policy on Fitness and Propriety states at 1.3-1.4: "1.3 To determine whether a person is fit and proper, the MAL and the Regulatory Law list the following criteria: a) Honesty, integrity and reputation; b) Competence and capability; and c) Financial soundness. 1.4 Honesty, integrity and reputation relate to a person's character and reliability; competence and capability		

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		relate to the educational background, work experience of the person, and/or continued professional development of the person as it relates to the job he or she will be performing; and financial soundness establishes the person's financial integrity." (Our emphasis) The Authority's Regulatory Policy on Fitness and Propriety goes on to state at 9.1 regarding "Financial Soundness": 9.1 The assessment of financial soundness is aimed at determining whether the person can meet his/her personal liabilities when they become due and mitigate financial risks on a constant basis. It would be helpful if the Authority could confirm that (1) an AMLCO will be regarded as "financially sound" if they have met a bankruptcy check; and (2) evidence of a bankruptcy check having been undertaken would be regarded as sufficient evidence of an AMLCO's "financial soundness" by the Authority.		
85.	**8.1**	Reference to "financially sound" In this section is very broad. If the intention here is to identify and address financial risk in a manner similar to that outlined in Section 7A questions 27, 28 C 30 of CIMA's PQ then similar content in this regard could be included in this section. Otherwise, more clarity is required in this section to facilitate a clearer route to compliance for CIMA registrants and licensees.		
86.	**8.1**	The term "financially sound" is referenced in the Rule but is not defined. The absence of a definition may create ambiguity when assessing whether a candidate is suitable for appointment to the AMLCO role. Providing a definition would help ensure consistent interpretation and application of this requirement across the industry. Consideration could be given to aligning the definition with the Authority's existing fitness and		

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		propriety assessment practices, including the Regulatory Policy on Fitness and Propriety. It is also noted that Regulation 55H of the Anti-Money Laundering Regulations, which sets out the fit and proper person test for DNFBPs, requires competent authorities to have regard to financial matters when assessing suitability. In particular, Regulation 55H(2)(b)(ii) refers to consideration of financial circumstances, including the conduct of discharged or undischarged bankrupts. It may be helpful for the Rule to either cross-reference the existing fit and proper framework or include a definition aligned with these provisions.		
87.	**8.1**	The term "financially sound" is referenced in the Rule but is not defined. The absence of a definition may create ambiguity when assessing whether a candidate is suitable for appointment to the AMLCO role. Providing a definition would help ensure consistent interpretation and application of this requirement across the industry. Consideration could be given to aligning the definition with the Authority's existing fitness and propriety assessment practices, including the Regulatory Policy on Fitness and Propriety. It is also noted that Regulation 55H of the Anti-Money Laundering Regulations, which sets out the fit and proper person test for DNFBPs, requires competent authorities to have regard to financial matters when assessing suitability. In particular, Regulation 55H(2)(b)(ii) refers to consideration of financial circumstances, including the conduct of discharged or undischarged bankrupts. It may be helpful for the Rule to either cross-reference the existing fit and proper framework or include a definition aligned with these provisions.		

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88.	**8.2**	To update the last acronym in the point for consistency .... with applicable AML/CFT/CPF obligations, including the AMLRs....	The Authority acknowledges the comment and has made the applicable amendment.	Section 8.2 (a) now reads ***"possess the authority to oversee the effectiveness of the FSP's AML/CFT/CPF systems and ensure compliance with applicable AML/CFT/CPF and TFS obligations, including the AMLRs and this Rule"***
89.	**8.2**	The rule requires an AMLCO operate independently of the business and operational functions. This requirement appears to have conflated the words 'independent' and 'autonomous'. An AMLCO at management level is generally autonomous in their decision-making within specific guidelines, but this doesn't mean they're independent as they must follow reporting lines, internal policies and make decisions within a defined scope and guidelines. Suggested wording: The designated AMLCO must:(c) act autonomously. In practice this would be very challenging as AMLCOs traditionally have responsibilities within the operational functions which allows the AMLCO to have a better understanding of the compliance programme to which they oversee. It would be useful to clarify under what conditions independence is considered preserved (factoring in the size, nature and complexity or organizations). An AMLCO cannot be truly independent if they have a vested interest in the underlying activity.	The Authority acknowledges the comments regarding the requirement for the AMLCO to operate independently of business and operational functions, including the distinction drawn between "independence" and "autonomy." The Authority notes that the intent of the requirement is to ensure that the AMLCO can perform their functions objectively and without undue influence, supported by appropriate reporting lines, authority, and governance arrangements. The Authority recognises that, in practice, AMLCOs may have operational responsibilities, particularly in smaller or less complex institutions.	Section 8.2 (c) now reads: ***"perform the compliance function independently and objectively from the business and operational functions subject to their oversight, and, where full separation is not practicable, ensure conflicts of interest are effectively managed."***

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			Accordingly, the Authority will clarify that independence refers to functional and reporting independence, and does not necessarily require complete structural separation, provided that conflicts of interest are appropriately identified, managed, and mitigated. The Authority will also consider providing additional guidance on how independence may be demonstrated in a proportionate manner, taking into account the size, nature, and complexity of the FSP.	
90.	**8.2**	If not addressed separately in the proposed Rule on Financial Sanctions and TFS For Consultation consideration should be given to: 1. Including "TFS" as part of "AML/CFT/CPF" in the second line of this section. 2. Adding CPF and TFS to AML/CFT in the last sentence of this section	See comment above regarding Rule 8.2 (a)	See comment above regarding Rule 8.2 (a)
91.	**8.2**	AMLCO must operate independently (term not defined). Clarification that independence refers to functional/reporting independence and does not necessarily require structural separation where conflicts are managed. Supports proportionality across institutions.	See comment above regarding Rule 8.2 (c), addressing independence of the AMLCO.	See comment above regarding Rule 8.2 (c), addressing independence of the AMLCO.
92.	**8.2**	The requirement for the AMLCO to operate independently of the business and operational functions is very challenging in practice, particularly for smaller entities. AMLCOs traditionally have responsibilities within operational functions which allows them to have a better understanding of the compliance programme they oversee.		

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		CIMA should clarify under what conditions independence is considered preserved, factoring in the size, nature, and complexity of organisations.		
93.	**8.2**	Rule 8.2(c) notes that the designed AMLCO must 'operate independently of the business and operational functions that they oversee to ensure an objective and unbiased assessment of the compliance programme'. In practice this would be very challenging as AMLCOs traditionally have responsibilities within the operational functions which allows the AMLCO to have a better understanding of the compliance programme to which they oversee. It would be useful to clarify under what conditions independence is considered preserved.		
94.	**8.2**	Please replace "operates" with "operate".	The Authority acknowledges the comment and notes that the word "operates" is no longer in usage in the revised paragraph 8.2 (c)	No change required.
95.	**8.2(c)**	New Rule 8.2(c) provides: The designated AMLCO must: operate independently of the business and operational functions that they oversee to ensure an objective and unbiased assessment of the compliance programme. Provision 8.2 (c) of the Compliance Rule specifies that the AMLCO must operate independently of the business and operational functions that they oversee. Then, section 8.4 states that the AMLCO must develop and maintain the FSP's compliance systems and controls. Further clarification may be helpful to confirm this does not mean an external person, especially considering the business model of many reinsurers.	The Authority acknowledges the request for clarification regarding the requirement for the AMLCO to operate independently of the business and operational functions, particularly in the context of Section 8.4, which assigns responsibility for developing and maintaining the compliance programme.	Section 8.4 has been amended for additional clarity and now reads: "***The AMLCO must ensure the development and maintenance of the FSP's compliance systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate allocation of roles and responsibilities for countering ML/TF/PF across the FSP's governance and internal control framework."***

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96.	**8.2(c)**	"operates" should be "operate"	The Authority acknowledges the comment and has updated the Rule accordingly.	Section 8.2(c) has been revised to read as follows: ***The designated AMLCO of an FSP must:*** ***"perform the compliance function independently and objectively from the business and operational functions subject to their oversight, and, where full separation is not practicable, ensure conflicts of interest are effectively managed."***
97.	**8.4**	"The AMLCO must develop and maintain the FSP's compliance systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF." This is an extension of the AML CO role which is not supported by the AML Regs. The AML Regs say the AML CO is to (a) ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated that Anti-Money Laundering Compliance Officer; and (b) function as the point of contact with competent authorities for the purpose of these Regulations. To have the AML CO develop and maintain the FSPs compliance systems and controls as broadly as iterated in the proposed rule will effectively break the independence of the AML CO argued for in section 8.2 c of this proposed rule. Develop and maintain are ownership where ensure is independent governance. Finally, this adjustment should consider the implications on the Fund industry itself in that regulated funds are	The Authority acknowledges the comment and has updated the section to provide additional clarity regarding the oversight functions of the AMLCO. The Authority also notes that, although the AMLCO may delegate in line with the FSP's governance mechanisms, this does not absolve the AMLCO from its responsibility. Similarly, when the AMLCO function is outsourced, the ultimate responsibility lies with the FSP to ensure that the outsourced provider meets the obligations under AMLRs and this Rule – as applicable to the FSP.	Section 8.4 has been amended for additional clarity and now reads: *"**The AMLCO must ensure the development and maintenance of the FSP's compliance systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate allocation of roles and responsibilities for countering ML/TF/PF across the FSP's governance and internal control framework."***

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		required to have AML Officers as well. Since a Fund outsources its work to the Manager and the Fund Administrator, having the AML CO develop and maintain the compliance systems and controls would be impractical. Suggest that language be edited to be consistent with the AML Regs: The AMLCO must develop and maintain ensure the FSP's compliance with requirements for systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF.		
98.	**8.4**	New Rule 8.4 provides: "The AMLCO must develop and maintain the FSP's compliance systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF." The AMLRs state in Regulation 4 that the AMLCO is required to: (a) Ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated the AMLCO; and (b) Function as the point of contact with competent authorities for the purposes of these Regulations. The Authority's Guidance Notes state in Part II, Section 2(C)(6) that: "6. An FSP may demonstrate clearly apportioned roles for countering ML and TF where the AMLCO (or other audit, compliance, review function):	See comment above regarding Rule 8.4.	See comment above regarding Rule 8.4.

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		(1) Develops and maintain systems and controls (including documented policies and procedures) in line with evolving requirements;" However, both the AMLRs and the Guidance Notes acknowledge that a FSP may choose to delegate the performance of the compliance functions to a person (an "AML Delegate") or rely on a person to perform the compliance function (a "Relied Upon Person"). If this is the case, then the AMLCO will not be "developing and maintaining the FSP's compliance systems and controls, including the documentation of the policies and procedures", rather such functions will be undertaken by the AML Delegate or the Relied Upon Person. The PSA considers that the potential outsourcing of certain compliance functions, including the development and maintenance of the FSP's compliance systems, needs to be taken into account in the Rule 8.4. Suggested wording: "Unless the FSP has delegated the performance of, or chosen to rely on a person to perform, the compliance function, Tthe AMLCO must ensure the development and maintainance of the FSP's compliance systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF."		
99.	**8.4**	This requirement is extensive for one individual and seems more appropriately suited to an AML Compliance function. Please consider including replacing "develop and maintain" with "support the development and maintenance of "		
100.	**8.4**	New Rule 8.4 provides: "The AMLCO must develop and maintain the FSP's compliance systems and controls, including the documentation of the policies and procedures.		

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		This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF." The AMLRs state in Regulation 4 that the AMLCO is required to: (a) Ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated the AMLCO; and (b) Function as the point of contact with competent authorities for the purposes of these Regulations. The Authority's Guidance Notes state in Part II, Section 2(C)(6) that: "6. An FSP may demonstrate clearly apportioned roles for countering ML and TF where the AMLCO (or other audit, compliance, review function): (1) Develops and maintain systems and controls (including documented policies and procedures) in line with evolving requirements;" However, both the AMLRs and the Guidance Notes acknowledge that a FSP may choose to delegate the performance of the compliance functions to a person (an "AML Delegate") or rely on a person to perform the compliance function (a "Relied Upon Person"). If this is the case, then the AMLCO will not be "developing and maintaining the FSP's compliance systems and controls, including the documentation of the policies and procedures", rather such functions will be undertaken by the AML Delegate or the Relied Upon Person. The PSA consider that the potential outsourcing of certain compliance functions, including the development and maintenance of the FSP's compliance systems, needs to be taken into account in the Rule 8.4. Suggested wording: "Unless the FSP has delegated the performance of, or chosen to rely on a person to perform, the compliance function, Tthe AMLCO must develop and maintain the FSP's compliance systems and controls,		

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		including the documentation of the policies and procedures. This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF."		
101.	**8.4**	This is an extension of the AML CO role which is not supported by the AML Regs, The AML Regs say the AMLCO is to (a) ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated that Anti-Money Laundering Compliance Officer; and (b) function as the point of contact with competent authorities for the purpose of these Regulations. To have the AML CO develop and maintain the FSPs compliance systems and controls as broadly as iterated in the proposed rule will effectively break the independence of the AML CO argued for in section 8,2 c of this proposed rule. Develop and maintain are ownership where ensure is independent governance. Finally, this adjustment should consider the implications on the Fund industry itself in that regulated funds are required to have AML Officers as well. Since a Fund outsources its work to the Manager and the Fund Administrator, having the AML CO develop and maintain the compliance systems and controls would be impractical. Suggest that language be edited to be consistent with the AML Regs: The AMLCO must develop-and maintain ensure the FSP's compliance with requirements for systems and controls, including the documentation of the policies and procedures. This documentation must clearly demonstrate apportioned roles for countering ML/TF/PF.		

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102.		It is not clear what is meant and what intention or expectation for compliance is here when reference is made to "…must clearly demonstrate apportioned roles…" for the purposes of a CIMA rule. Consider whether there is any detail which can be drawn from elsewhere within the wider AML/CFT/CPF and TFS framework and included here to provide more clarity to this section.		
103.	**8.5**	"The AMLCO must ensure that the FSP's Compliance Programme includes the maintenance of records, including those for declined business, register of Politically Exposed Persons ("PEPs") (including family members and Close Associates), Competent Authority requests, Suspicious Activity Reports ("SARs"), transaction alerts, and sanctions monitoring." This assigns SAR record custody to the AMLCO within the AML programme oversight function. However, SARs are generated by the MLRO and DMLRO per POCA/AMLRs and Rule 12.5, and they are separately responsible for receiving, assessing and filing SARs with the FRA. Rule 12.8 also notes that the FSP must ensure appropriate arrangements are in place to safeguard the confidentiality and restricted use of such information. If the AMLCO is a different individual to the MLRO and the DMLRO, then this rule would require the MLRO/DMLRO to share SAR records with the AMLCO? CIMA should either: (a) clarify that Rule 8.5 refers to programme-level SAR procedures and policy records rather than individual SAR case files, which remain under MLRO custody; or (b) explicitly state that the AMLCO's records obligation in Rule 8.5 is satisfied through oversight of the MLRO function rather than direct custody of SAR files. Additional Rationale	The Authority acknowledges the comment regarding the reference to Suspicious Activity Reports ("SARs") within Rule 8.5 and the potential implication that the AMLCO is responsible for maintaining SAR records. Accordingly, the Authority has updated the section for additional clarity.	Section 8.5 was updated and now reads: ***"The AMLCO must ensure that the FSP's Compliance Programme includes appropriate systems, controls and procedures to ensure effective maintenance of records, including those for declined business, register of Politically Exposed Persons ("PEPs") (including family members and Close Associates), Competent Authority requests, Suspicious Activity Reports ("SARs"), transaction alerts, and sanctions monitoring."***

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		In practice, the MLRO and DMLRO are responsible for the record keeping of SARs and not the AMLCO. This is to maintain confidentiality and governance, although in larger organizations this can be sensitive with centralized teams supporting the MLRO and DMLRO with SAR filings (e.g. Banks).		
104.	**8.7**	Consider replacing "(or alternate Deputy Money Laundering Reporting Officer ("DMLRO")) with "or Deputy Money Laundering Reporting Officer"	The Authority acknowledges the suggestion to simplify the reference to the Deputy Money Laundering Reporting Officer (DMLRO). Accordingly, the Authority will revise the drafting to streamline the reference for clarity and consistency, while maintaining the intended meaning.	Section 8.7 has been updated now reads: ***"The AMLCO must ensure that the FSP's employees are trained on the provisions of the AMLRs and the process for escalating suspicious transactions to the Money Laundering Reporting Officer ("MLRO") (or Deputy Money Laundering Reporting Officer ("DMLRO"))for further review. "***
105.	**8.8**	"The AMLCO must ensure that the Governing Body is kept informed of the operations of the Compliance Programme, which includes escalating any ML/TF/PF or sanctions issues as appropriate" Suggest that "as appropriate" be updated to "at least on an annual basis" which would align to Rule on Corp Governance.	The Authority acknowledges the suggestion to replace "as appropriate" with a defined reporting frequency. The Authority notes the importance of ensuring that the Governing Body is kept adequately informed of the operations of the Compliance Programme. However, the Authority considers that retaining the phrase "as appropriate" allows for a risk-based and proportionate approach, ensuring that material	Section 8.8 has been updated now reads: ***"The AMLCO must ensure that the Governing Body is kept informed of the operations of the Compliance Programme, including escalating any ML/TF/PF or sanctions issues as appropriate, and providing periodic reports, at least annually."***

No.	Section	Comments	Authority's Response	*Consequent Amendments to the Proposed Measure*
			ML/TF/PF or sanctions issues are escalated in a timely manner. The suggestion for, at least annually, has been incorporated.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	SECTION-SPECIFIC COMMENTS			
106.	**9.1**	"FSP must perform and document a risk assessment of its business to establish, implement and document an RBA to AML/CFT/CPF risk present in its business that is commensurate with the nature, size, complexity, structure, and risk profile of its operations." Please confirm if section 9 (9.1-9.8) solely relates to the FSPs Business Risk Assessment and not the "Customer Risk Assessment. Suggest the Authority provides clarity on rules relating the FSPs Business Risk Assessment versus the Customer Risk Assessment used by the FSP as this section appears to combine a mixture of both types of risk assessments. Change AML/CFT/CPF to ML/TF/PF.	The Authority acknowledges the comments regarding the distinction between the Financial Service Provider's business risk assessment and customer-level risk assessments. Section 9 is intended to address the enterprise-wide ML/TF/PF risk assessment in accordance with the AMLRs. To enhance clarity and avoid ambiguity, the Authority refined the drafting of relevant measures in Section 9, as necessary, to clearly distinguish the business risk assessment from customer-level risk assessments, which are addressed under the Customer Due Diligence	Rule 9.1 has been amended and now reads: ***"An FSP shall establish, implement, and apply a Risk-Based Approach ("RBA") designed to identify, assess, manage, and mitigate ML/TF/PF risks it is exposed to. The RBA must be proportionate to the nature, size, complexity, structure, and risk profile of its operations and in line with applicable acts and regulatory requirements."***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			requirements. The Authority also aligned terminology to refer consistently to ML/TF/PF risks.	
107.	**9.1**	New Rule 9.1 provides: "FSP must perform and document a risk assessment of its business to establish, implement and document an RBA to AML/CFT/CPF risk present in its business that is commensurate with the nature, size, complexity, structure, and risk profile of its operations." (Our emphasis) The requirement under Regulation 8(1) of the AMLRs, is for a FSP to take steps appropriate to the nature and size of the business to identify, assess and understand its "money laundering risks, terrorist financing risks and proliferation financing risks" in relation to its customers, the customer's country or geographic area in which the customer resides or operates, its products, services and transactions and its delivery channels. Accordingly, the PSA considers that new Rule 9.1 uses the wrong acronym, namely, "AML/CFT/CPF", rather than "ML/FT/PF". Suggested wording: "FSP must perform and document a risk assessment of its business to establish, implement and document an RBA to AML/CFT/CPFML/TF/PF risk present in its business that is commensurate with the nature, size, complexity, structure, and risk profile of its operations."	The Authority acknowledges the comment and has updated Rule 9.1 for additional clarity.	See comment above regarding Rule 9.1.
108.	**9.1**	Kindly replace "FSP" with "FSPs". The PSA are not comfortable with the requirement that a "Risk-Based Approach" be documented as this typically informs and is captured in an institution's policies and procedures. Please consider replacing	The Authority acknowledges the comment regarding the use of "FSP" and has	See comment above regarding Rule 9.1.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		"to establish, implement and document an" with "to establish and implement".	updated in line with the context of the paragraph. With respect to the documentation of the Risk-Based Approach, the Authority notes that the RBA forms a fundamental component of an FSP's compliance framework and must be capable of being demonstrated to the Authority. Accordingly, the requirement to document the RBA will be retained	
109.	**9.1**	New Rule 9.1 provides: "FSP must perform and document a risk assessment of its business to establish, implement and document an RBA to AML/CFT/CPF risk present in its business that is commensurate with the nature, size, complexity, structure, and risk profile of its operations." (Our emphasis) The requirement under Regulation 8(1) of the AMLRs, is for a FSP to take steps appropriate to the nature and size of the business to identify, assess and understand its "money laundering risks, terrorist financing risks and proliferation financing risks" in relation to its customers, the customer's country or geographic area in which the customer resides or operates, its products, services and transactions and its delivery channels. Accordingly, the PSA considers that new Rule 9.1 uses the wrong acronym, namely, "AML/CFT/CPF", rather than "ML/FT/PF". Suggested wording: "FSP must perform and document a risk assessment of its business to establish, implement and document an RBA to AML/CFT/CPFML/FT/PF risk present in its business that is commensurate with the nature, size, complexity, structure, and risk profile of its operations."	The Authority acknowledges the comment regarding the use of terminology in Rule 9.1. The Authority agrees that, in alignment with the AMLRs, references should consistently be made to ML/TF/PF risks. See comment above regarding Rule 9.1 above regarding documentation of the RBA.	See comment above regarding Rule 9.1.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
110.	**9.1**	Typographical inconsistency: change "AML/CFT/CPF" to "ML/TF/PF" for consistency with the terminology used throughout the rest of the Rule.	*See comment above regarding Rule 9.1.*	See comment above regarding Rule 9.1.
111.	**9.1**	Consider changing "FSP" to "FSPs"	*See comment above regarding Rule 9.1.*	See comment above regarding Rule 9.1.
112.	**9.2a**	New Rule 9.2(a) provides: In implementing and applying the RBA, the FSP must: (a) identify and assess ML/TF/PF risks in relation to their applicants/customer types, geographic area in which the applicants/customers reside or operate, and where the FSP operates, the products and services that the FSP offers and their delivery channels;" As noted above in relation to Rule 9.1, the requirement under Regulation 8(1) of the AMLRs, is for a FSP to take steps appropriate to the nature and size of the business to identify, assess and understand its money laundering risks, terrorist financing risks and proliferation financing risks in relation to: (e) its customers; (f) (g) (h) the country or geographic area in which the customer resides or operates; its products, services and transactions; its delivery channels. New Rule 9.2(a) does not include reference to some of the items that the FSP needs to "identify, assess and understand", namely the "country" in which the customer resides or operates and its "transactions". It also omits reference to the requirement to "understand" the risks. It is recommended that these items be included in new Rule 9.2(a) for consistency with the AMLRs. Suggested wording: "In implementing and applying the RBA, the FSP must: (a) Identify, and assess, and understand their ML/TF/PF risks in relation to their applicants/customer types, the country or geographic area in which the applicants/customers reside or operate, and where the FSP operates, the products, and services and transactions that the FSP offers and their delivery channels;"	The Authority acknowledges the comment regarding alignment with Regulation 8(1) of the AMLRs. To ensure consistency with the legislative framework, the Authority will refine Rule 9.2(a) to incorporate references to "country" and "transactions", and to include the requirement to "understand" ML/TF/PF risks.	Rule 9.2(a) has been amended and now reads: ***"identify, assess, and understand their ML/TF/PF risks in relation to its applicants/customer types, the country or geographic area in which the applicants/customers reside or operate, and where the FSP operates, the products, services and transactions that the FSP offers, and delivery channels;"***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
113.	**9.2a**	States that the FSP should identify and assess risks relating to their "applicants/customer types". Clarification may be required around the use of the word "types" in this regard. Does this mean that the FSP would proceed by categorizing customers by types of customers as opposed to identifying and assessing risks in relation to each customer? Note that reg. 8(1) of the AMLRs requires identification and assessment of risk in relation to each customer of the person.	The Authority acknowledges the proposed amendment; however, as the Guidance Notes use the term "customer types," this terminology was retained for consistency.	See comment above regarding Rule 9.2 (a).
114.	**9.2a**	New Rule 9.2(a) provides: "In implementing and applying the RBA, the FSP must: (a) identify and assess ML/TF/PF risks in relation to their applicants/customer types, geographic area in which the applicants/customers reside or operate, and where the FSP operates, the products and services that the FSP offers and their delivery channels;" As noted above in relation to Rule 9.1, the requirement under Regulation 8(1) of the AMLRs, is for a FSP to take steps appropriate to the nature and size of the business to identify, assess and understand its money laundering risks, terrorist financing risks and proliferation financing risks in relation to: (e) its customers; (f) the country or geographic area in which the customer resides or operates; (g) its products, services and transactions; (h) its delivery channels. New Rule 9.2(a) does not include reference to some of the items that the FSP needs to "identify, assess and understand", namely the "country" in which the customer resides or operates and its "transactions". It also omits reference to the requirement to "understand" the risks. It is recommended that these items be included in new Rule 9.2(a) for consistency with the AMLRs.	*See comment above regarding Rule 9.2 (a).*	See comment above regarding Rule 9.2 (a).

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Suggested wording: "In implementing and applying the RBA, the FSP must: (a) Identify, and assess, and understand their ML/TF/PF risks in relation to their applicants/customer types, the country or geographic area in which the applicants/customers reside or operate, and where the FSP operates, the products, and services and transactions that the FSP offers and their delivery channels;"		
115.	**9.2b**	Consider including "most recent" at line 1 before "Cayman Islands" and deleting "and any subsequent updates of such assessment"	The Authority acknowledges the comment regarding the reference to "any subsequent updates". To enhance clarity and provide a clear point of reference, the Authority updated the Rule to refer to the most recent Cayman Islands National Risk Assessment (NRA).	Rule 9.2b has been amended and now reads: ***"review and must, at a minimum, consider the findings and conclusions of the most recent Cayman Islands National Risk Assessment (NRA), together with any other relevant internal and external risk factors, as part of its internal risk assessment process;"***
116.	**9.2b**	Note that the AMLRs also require taking into account the findings of a risk assessment undertaken by a Supervisory Authority i.e. sectoral risk assessments if this is later than the NRA. (reg. 21(2) of the AMLRs).	The Authority acknowledges the comment and has updated the Rule accordingly.	See comment above regarding Rule 9.2 (b).
117.	**9.2b**	The rule requires an FSP to review and incorporate findings and conclusions of the National Risk Assessment (NRA) into their internal risk assessment process. Treating the NRA as a definitive source may reduce management attention to novel, internal risk signals and emerging threats, not yet reflected in the NRA as this document becomes stale over time. Instead of obligating a blanket incorporation, a risk-based approach should suggest	The Authority acknowledges the comment regarding the use of the National Risk Assessment (NRA) within the risk assessment process.	See comment above regarding Rule 9.2 (b).

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		consideration of the NRA and other relevant data sources and available information (as further described in Rule 9.3). Suggested wording: "Review the findings and conclusions of the NRA and any other relevant source data when conducting their own internal risk assessment." Additional Rationale The NRA is a reference document that provides an understanding of current and emerging inherent ML/TF/PF threats and vulnerabilities. The NRA is often broad, high-level, and jurisdiction-wide, while an FSP's risk profile is highly contextual, product- specific, and operationally diverse. The NRA should only be one possible source of information for an FSP to develop their own RBA which is bespoke and unique. Requiring an FSP to incorporate the findings and conclusions internally is prescriptive and rule- based. A true risk-based approach will focus more on the outcome of the risk assessment, not the process. and documenting findings or conclusions from the NRA therein (cutting and pasting), produce little benefit to the FSP. Further, the NRA is only updated every few years and is not always inclusive of emerging risks.	The Authority notes that the NRA is a key jurisdictional risk input and its findings should be appropriately reflected in an FSP's risk assessment. The requirement to incorporate the findings is intended to ensure that jurisdictional risks are duly considered and not disregarded. However, the Authority agrees that the NRA should be considered alongside other relevant internal and external risk factors. Accordingly, the Authority will refine the drafting to clarify that the NRA is to be considered as part of a broader risk-based assessment, without diminishing its importance.	
118.	**9.2c**	As "controls" and "procedures" are more appropriately approved by Management rather than a Governing Body, please consider adding "or Senior Management as applicable" after "Governing Body" on line 2	The Authority acknowledges the comment. The Authority agrees that, while the Governing Body retains ultimate oversight and responsibility for the control framework, implementation and	See comment on 9.2c below.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			operationalisation of controls and procedures are appropriately undertaken by Senior Management. The Authority will refine the drafting to reflect this distinction	
119.	**9.2c**	Consider rewording for conciseness and clarity, in particular the last sentence.	The Authority acknowledges the comment regarding clarity and conciseness. To improve readability while maintaining the intent of the provision, the Authority will refine the drafting of Rule 9.2 (c)	Rule 9.2c has been amended and now reads: ***"develop and implement policies, controls and procedures that are approved in line with Rule 10.2, to manage and mitigate the ML/TF/PF risks identified from its risk assessment, commensurate with the respective risks identified;"*** Rule 10.2 states: ***"The policies of an FSP must be approved by the Governing Body, while related procedures and controls must be approved by either senior management or the Governing Body……."***
120.	**9.2c**	We suggest replacing the word "commensurate" with the word "proportionate" as the FATF has recently made this amendment on the basis that "proportionate" is more aligned with existing financial inclusion literature.	The Authority acknowledges the comment and has updated the Rule accordingly.	See comment on 9.2c above.
121.	**9.2e**	New Rule 9.2(e) provides: In implementing and applying the RBA the FSP must: document and keep their risk assessments current through ongoing reviews and updates as necessary. Provisions 9.2(e) and 9.7 indicate that the risk assessment should be kept "current", subject to "ongoing reviews". The	The Authority acknowledges the comment.	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		PSA assumes the Authority intends this requirement to be applied on a risk-based basis whereby the frequency and scope of updates are determined by the licensee based on the principle of proportionality.	The Authority confirms that the requirement to keep risk assessments current through ongoing reviews is intended to be applied on a risk-based and proportionate basis, having regard to the nature, size, complexity, structure and risk profile of the FSP. No amendment to the Rule is required.	
122.	**9.2f**	The PSA are not comfortable with the requirement that a "Risk-Based Approach" be documented as this typically informs and is captured in an institution's policies and procedures. Kindly consider deleting this sub-section.	The Authority acknowledges the comment. The Authority notes that the Risk-Based Approach forms a fundamental component of an FSP's compliance framework and must be clearly documented to enable demonstration of its design, implementation and effectiveness to the Authority. Accordingly, the requirement to document the RBA will be retained No amendment to the Rule is required.	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
123.	**9.3**	Consider deleting "the other" from this section	The Authority acknowledges the comment. To improve clarity and readability, the Authority will refine the drafting by removing the word "other" from Rule 9.3.	Rule 9.3 has been amended and now reads: ***"FSPs must assess all relevant ML/TF/PF risk factors for which reliable information is available before determining the overall risk level and the appropriate level and type of mitigation to be applied. This would include, but is not limited to, the ML/TF/PF risks identified at the national level through the NRA (or similar assessment) or risk assessments conducted by the relevant Competent Authority, whichever is most recently issued.***
124.	**9.4**	New Rule 9.4 provides: "Where there are higher ML/TF/PF risks, FSPs must implement enhanced due diligence measures to manage and mitigate those risks; and correspondingly, where the ML/TF/PF risks are lower, simplified due diligence measures are permitted. However, simplified due diligence measures shall not be permitted whenever there is a suspicion of ML/TF/PF." It would be helpful if the Authority could clarify if new Rule 9.4 is intended to apply at a customer and/or an enterprise level. The PSA expects, given the references so simplified due diligence, that Rule 9.4 (unlike the rest of Rule 9) is intended to apply at the customer level but would be grateful if the Authority could please confirm.	The Authority acknowledges the comment. To enhance clarity, the Authority will refine Rule 9.4 to indicate that the application of enhanced and simplified due diligence measures applies at the customer level, in accordance with the AMLRs.	Rule 9.4 has been amended and now reads: ***"Where there are higher ML/TF/PF risks, FSPs must implement enhanced due diligence measures to manage and mitigate those risks; and correspondingly, where the ML/TF/PF risks are lower, simplified due diligence measures may be applied at the customer level, in accordance with applicable Customer Due Diligence requirements. However, simplified due diligence measures shall not be permitted whenever there is a suspicion of ML/TF/PF."***
125.	**9.4**	As it relates to simplified due diligence measures being permitted, note that the FATF has amended Recommendation 1 to not only permit but to require Supervisory Authorities to "encourage" the use of SDD measures. This provision could be further edited to include words to the effect that, CIMA encourages the use of SDD measures where appropriate.	The Authority acknowledges the proposed amendment.	See comment above regarding Rule 9.4.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
126.	**9.4**	New Rule 9.4 provides: "Where there are higher ML/TF/PF risks, FSPs must implement enhanced due diligence measures to manage and mitigate those risks; and correspondingly, where the ML/TF/PF risks are lower, simplified due diligence measures are permitted. However, simplified due diligence measures shall not be permitted whenever there is a suspicion of ML/TF/PF." It would be helpful if the Authority could clarify if new Rule 9.4 is intended to apply at a customer and/or an enterprise level. The PSA expects that it is only intended to apply at the customer level but would be grateful if the Authority could please confirm.	*See comment above regarding Rule 9.4*	See comment above regarding Rule 9.4.
127.	**9.5**	As "procedures" are more appropriately approved by Management rather than a Governing Body, please delete "and procedures" at line 2	The Authority acknowledges the comment. The Authority agrees that, for clarity and alignment with governance practices, the reference to "procedures" may be removed, noting that procedures are typically approved at the management level while remaining subject to Governing Body oversight. The Rule will be refined accordingly and approvals are clarified under Rule 10.2.	Rule 9.5 has been amended and now reads: ***" When identifying and assessing risk, FSPs must adopt risk assessment policies, controls and procedures that are proportionate to their size, complexity, structure, nature of business and risk profile of their operations. "***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
128.	**9.5**	We suggest replacing the word "commensurate" with the word "proportionate" as the FATF has recently made this amendment on the basis that "proportionate" is more aligned with existing financial inclusion literature.	The Authority acknowledges the proposed amendment.	See comment on 9.5 above
129.	**9.5**	Is the proportionality concept better introduced at 9.5 to replace the term "commensurate" as was done by FATF themselves in Feb 2025.	The Authority acknowledges the comment. The Authority considers that the term "commensurate" appropriately reflects the principle of proportionality and is consistent with existing drafting across the Rule. Accordingly, no further amendment to the Rule is required	See comment on 9.5 above
130.	**9.6**	New Rule 9.6 provides: "FSPs must document their risk assessments, including documentation of inherent and residual risks, to demonstrate the basis for their response to the identified risks, including the level of risk assigned and the type of mitigation measures applied, and how the risks are aggregated to arrive at the overall risk rating." It would be helpful if the Authority could clarify if new Rule 9.6 is intended to apply at a customer and/or an enterprise level. The PSA expects, given the reference to inherent and residual risks, that Rule 9.6 is intended to apply at the enterprise level but would be grateful if the Authority could confirm.	The Authority acknowledges the comment. Rule 9.6 is intended to apply at the enterprise-wide level, in relation to the documentation of the FSP's Business Risk Assessment, including inherent and residual risks. This includes business, as well as customer levels. No amendment to the Rule is required.	No amendment required

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
131.	**9.6**	New Rule 9.6 provides: "FSPs must document their risk assessments, including documentation of inherent and residual risks, to demonstrate the basis for their response to the identified risks, including the level of risk assigned and the type of mitigation measures applied, and how the risks are aggregated to arrive at the overall risk rating." It would be helpful if the Authority could clarify if new Rule 9.6 is intended to apply at a customer and/or an enterprise level. It is unclear whether this is at the entity or client risk assessment level. Clarification in this regard would improve this section and no doubt enable more effective regulatory review and enforcement.	*See comment above regarding Rule 9.6.*	See comment above regarding Rule 9.6.
132.	**9.6**	It is unclear whether this is at the entity or client risk assessment level. Clarification in this regard would improve this section and no doubt enable more effective regulatory review and enforcement.	See comment above regarding Rule 9.6.	See comment above regarding Rule 9.6.
133.	**9.6**	Requires documentation of inherent/residual risk and aggregation methodology. Clarification that methodologies may be qualitative and proportionate. Ensures consistent application of risk based approach under AMLRs.	The Authority acknowledges the comment. Rule 9.6 requires FSPs to document their approach to assessing inherent and residual risks, including how risks are aggregated to arrive at an overall risk rating. The Authority notes that such methodologies may be qualitative and proportionate, having regard to the nature, size, complexity, structure and risk profile of the FSP. No	No amendment required

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			amendment to the Rule is required	
134.	**9.7**	New Rule 9.7 provides: *"FSPs must keep these assessments up-to-date and maintain mechanisms to provide risk assessment information to the relevant Supervisory Authority (including Competent Authorities and Self-Regulatory Bodies, if required).*" (Our emphasis) It would be helpful if the Authority could clarify if the requirement to maintain mechanisms to provide risk assessment information to the Authority is intended to capture the data points (risk assessment information) requested during the Authority's risk assessment process for the AML Survey?	The Authority acknowledges the comment. Rule 9.7 is intended to ensure that FSPs maintain appropriate mechanisms to provide risk assessment information to the Authority upon request for supervisory and regulatory reporting purposes. This may include information requested as part of the Authority's risk assessment processes, such as the AML Survey. No amendment to the Rule is required.	No amendment required
135.	**9.7**	New Rule 9.7 provides: "FSPs must keep these assessments Up-To-Date and maintain mechanisms to provide risk assessment information to the relevant Supervisory Authority (including Competent Authorities and Self-Regulatory Bodies, if required)." (emphasis added) Provisions 9.2(e) and 9.7 indicate that the risk assessment should be kept "current", subject to "ongoing reviews". The PSA assumes the Authority intends this requirement to be applied on a risk-based basis whereby the frequency and scope of updates are determined by the licensee based on the principle of proportionality.	The Authority acknowledges the comment. The Authority confirms that the requirement to keep risk assessments up-to-date and subject to ongoing review is intended to be applied on a risk-based and	No amendment required

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			proportionate basis, having regard to the nature, size, complexity, structure and risk profile of the FSP. No amendment to the Rule is required.	
136.	**9.7**	Consider replacing "FSPs must keep these assessments up-to-date" with "FSPs must review and update these assessments at least annually".	The Authority acknowledges the comment. The Authority considers that the requirement to keep risk assessments up-to-date provides appropriate flexibility and supports a risk-based and proportionate approach, rather than prescribing a fixed review frequency. Accordingly, no amendment to the Rule is required.	No amendment required
137.	**9.8**	The PSA are not comfortable with the requirement that a stand-alone "Risk-Based Approach" be documented as this typically informs and is captured in an institution's policies and procedures. Please consider deleting "FSPs must document their RBA".	The Authority acknowledges the comment. The Authority notes that the Risk-Based Approach forms a fundamental component of an FSP's compliance framework and must be clearly documented to enable demonstration of its design, implementation and effectiveness to the	Rule 9.8 has been amended and now reads: ***FSPs must document their RBA. Documentation of relevant policies, procedures, review results, and responses must enable the FSP to demonstrate the following to the Authority:*** ***"(a) risk assessment systems, including how the FSP assesses ML/TF/PF risks in relation to their applicants/customer types, geographic area in which the***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			Authority. Accordingly, the requirement to document the RBA will be retained, and clarification is provided that such documentation can form part of the broader documentation of the institution's policies and procedures.	***applicants/customers reside or operate, and where the FSP operates, the products and services that the FSP offers and their delivery channels;*** ***(b) details of the implementation of appropriate systems and procedures, including due diligence requirements, considering the results of the risk assessments;*** ***(c) how it monitors and, as necessary, improves the effectiveness of its systems and procedures; and*** ***(d) the arrangements for reporting to senior management and the Governing Body on the results of ML/TF/PF risk assessments and the implementation of its ML/TF/PF risk management systems and control processes."***
138.	**9.8**	Clarification may be required around the use of the word "types" in this regard. See comment at 9.2(a) above.	The Authority acknowledges the proposed amendment; however, as the use the term "customer types," this terminology will be retained consistent with the Guidance Notes.	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
	SECTION-SPECIFIC COMMENTS			
139.	**10.1**	New Rule 10.1 provides: "*FSPs must document their compliance policies, procedures and control mechanisms and make them accessible to all relevant parties, inclusive of parties executing relevant outsourced functions.*" As noted above, both the AMLRs and the Guidance Notes acknowledge that a FSP may choose to delegate the performance of the compliance function to a person (an "AML Delegate") or rely on a person to perform the compliance function (a "Relied Upon Person"). The Authority's Guidance Notes describes a "reliance scenario" as follows (see Part II, Section 2(C)(11)): *11. In a reliance scenario, an FSP will assess the AML/CFT and other relevant policies and procedures of a person (on whom the FSP intends to rely to perform the function). Where the FSP is satisfied that the person's policies and procedures would enable the FSP to comply with the AML/CFT obligations of the Cayman Islands then the FSP may rely on the person to perform the function using the person's policies and procedures.* Accordingly, if a FSP is relying on a third party to perform its compliance function, the Relied Upon Person will be using their own policies and procedures, and the FSP will not have its own compliance policies and procedures. This is extremely common in the investment funds industry, where unstaffed investment funds typically "outsource" their AML compliance to professional fund administrators and "rely on" the AML policies	The Authority acknowledges the comment and clarifies that the Rule is intended to operate consistently with the reliance and delegation arrangements recognised under the AML Regulations and the AML Guidance Notes. Where an FSP relies on a suitably assessed third party to perform AML/CFT/CPF compliance functions, the FSP may rely on that person's policies, procedures, and controls, provided they enable compliance with Cayman Islands requirements. In such cases, the Rule does not require the FSP to maintain duplicative standalone policies; However, the **FSP remains responsible** for ensuring appropriate arrangements are in place to ensure	New Para 5.3 added with respect to reliance. The para reads: ***"Where an FSP relies on a third party or a member of its financial group to perform AML/CFT/CPF functions, it shall, notwithstanding such reliance, remain satisfied that such functions comply with this Rule and the Anti-Money Laundering Regulations of the Cayman Islands, and shall retain ultimate responsibility for such compliance."*** Additionally, a new provision, Para 10.4 has been included and reads: ***"Where a FSP relies on a third party or a member of its financial group to perform AML/CFT/CPF functions, the FSP shall, upon request by the Cayman Islands Monetary Authority, provide timely and sufficient evidence demonstrating how it remains satisfied that such relied-upon functions comply with the requirements under this Rule and the AMLRs."***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		and procedures of their fund administrators. Accordingly, it is strongly recommended that Rule 10.1 be modified to make it clear that a FSP can meet Rule 10.1 through reliance on a Relied Upon Person. If the Rule remains in its current form it would deviate materially from established market practice and result in further increased compliance costs for investment funds using the Cayman Islands as their domicile of choice. Suggesting wording: "FSPs must document their compliance policies, procedures and control mechanisms and make them accessible to all relevant parties, inclusive of parties executing relevant outsourced functions. For the avoidance of doubt, a FSP can meet the requirements of this Rule by relying on another suitable person to perform such functions on the FSP's behalf."	compliance with the Rule and AMLRs. A new paragraph has been added in the scope section in this regard.	
140.	**10.1**	After "executing relevant outsourced functions" in this section consider including "and/or providing support to the compliance function under "delegated arrangements".	The Authority acknowledges the comment. However, it does not consider the proposed amendment to be necessary. The existing requirement to make compliance policies, procedures and control mechanisms accessible to "all relevant parties, inclusive of parties executing relevant outsourced functions" is sufficiently broad to capture parties providing support to the compliance function under delegated arrangements. No	No amendment required

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			amendment is therefore proposed.	
141.	**10.1**	Who should be considered "all relevant parties"?	The Authority acknowledges the comment and clarifies that these include any relevant parties who require knowledge of such information to effectively execute their roles and responsibilities in complying with the Rule.	No amendment required.
142.	**10.2**	New Rule 10.2 provides: The Governing Body must approve the compliance policies and procedures established and implemented by the FSP and ensure they are reviewed periodically (at a minimum once per year) and updated to reflect changes in risk, business activities, or regulatory requirements in a timely manner. In relation to provisions 7.3(b) and 10.2 requiring both policies and procedures to be approved by the Governing Body, the PSA acknowledges the importance of board oversight, and on that basis agree that AML-CFT policies should be approved by the board as these policies should contain the strategic direction, risk appetite and governance expectation. However, in the PSA's view, as procedures are operational in nature, intended to provide practical guidance to staff on implementing requirements, and requiring ongoing updates to reflect legislative changes, operational improvements and evolving risks, the PSA respectfully requests the Authority allows AML-CFT procedures to be approved and updated by senior management (e.g., Head of Compliance (or equivalent)) with direct responsibility for AML-CFT compliance. In the PSA's view, this	The Authority acknowledges the comment and has amended the Rule accordingly, maintaining flexibility for instances in which the Governing Body may approve policies, as well as procedures and controls.	Rule 10.2 amended to read: ***"The policies of an FSP must be approved by the Governing Body, while related procedures and controls must be approved by either senior management or the Governing Body (or both). Further, the Governing Body must ensure that such policies and procedures are reviewed and updated in a timely manner, proportionate to the size, complexity, structure, nature of business, and risk profile of its operations, and to reflect changes in risk, business activities, or regulatory requirements."***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		approach would preserve the board's supervisory authority for policies and regular reporting whilst ensuring that operational procedures can continue to be updated on a more frequent basis than policies to support an effective compliance programme. Accordingly, the PSA respectfully asks the Authority to clarify the scope of the Governing Body's role to approving policies and removing reference in these provisions to "and procedures". Suggest also removing the reference to "etc" in 7.3(b) as it is unclear what the Authority expects from in-scope FSPs.		
143.	**10.2**	As "procedures" are more appropriately approved by Management rather than a Governing Body, please delete "and procedures" at lines 1 and 4.	See comment above on Rule 10.2	See comment above on Rule 10.2
144.	**10.2**	Mandates annual review of policies. Confirmation that Board approval through standard governance processes would suffice. Provides administrative clarity.	See comment above on Rule 10.2	See comment above on Rule 10.2
145.	**10.3**	Does CIMA have specific expectations for Travel Rule compliance (e.g., data elements, timing)? This would help ensure uniform implementation.	The Authority expects that the implementation of the "travel rule" follows the directions of Part XA of AMLRs	No Amendment needed
146.	**10.3**	Can the 'travel rule' requirement be clarified as this isn't defined.	See above response	No Amendment needed

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
147.	**10.3**	Like the requirement for policies and procedures to include information on enhanced due diligence measures, there should also be requirement for including policies on simplified due diligence measures. This should be viewed as a part of encouraging the use of SDD measures where appropriate as is now required by the FATF.	The Authority acknowledges the proposed amendment; however, the current wording of the section suggests that policies and procedures are required for all risk categories, including those applicable to both simplified and enhanced due diligence.	No amendment required.
148.	**10.3**	Does CIMA have specific expectations for Travel Rule compliance (e.g., required data elements, timing thresholds)? Clarifying these expectations would help ensure uniform implementation across the industry.	See above response	No Amendment needed
149.	**10.3**	Consideration should be given to including the words "as applicable" at the end of this section as the travel rule may not apply to all CIMA licensee or registrants.	The Authority acknowledges the comment and agrees to amend.	Rule 10.3(f) is amended to say ***"procedures for suspicious activity detection, transaction monitoring, investigation, escalation, and reporting, including the travel rule requirements as applicable;"***
150.	**10.3**	In these instances and across the consultation documents, "regime" is used descriptively to refer to the combined legislation, regulations, rules and guidance concerning financial sanctions and anti-money laundering, counter terrorist and counter proliferation financing measures and is not a defined term. Replacing "regime" with "framework" across the consultation documentation is legally sensible and aligns with terminology commonly used in Uk financial regulatory law and guidance.	The Authority acknowledges the comment and has amended the language throughout the Rules.	The relevant occurrences of "Framework" have been updated and replaced as necessary.
151.	**10.3**	Consideration should be given to including US sanctions (OFAC) due to the jurisdictions status as a major international financial services center and the fact that most transactions are conducted in USD which could bring them in scope for OFAC sanctions as a result of the extraterritorial nature of US sanctions. The wording used in the FRA sanctions guidance	The Authority acknowledges the comment and has updated the Rule to include reference to the Rule on Sanctions	A footnote for Rule 10.3(g) is added and reads ***"As stipulated within the Authority's Rule on Sanctions Compliance and Targeted Financial Sanctions"***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		could be helpful here.	Compliance and Targeted Financial Sanctions. This Rule includes a schedule of applicable official sanctions lists. The Authority considers that the existing sanctions framework, including applicable guidance, sufficiently addresses the need for FSPs to consider relevant sanctions regimes, including those with extraterritorial application.	
152.	**10.4**	"FSPs must establish and maintain procedures to identify and verify the identity of all customers, beneficial owners and persons purporting to act on behalf of customers, before establishing a business relationship or carrying out a one-off transaction." This wording of this rule contrary to a risk-based approach as well as the FATF 40 recommendations (FATF Rec 10) and will create an environment where certain business transactions will be delayed or abandon due to unreasonable and inflexible rules. The GN permit that onboarding may occur before verification can be completed (Sec.4(C)(1), for sound business reasons and so long as any risk can or is managed. While the PSA acknowledges that this reflects the general requirement under the CIMA ML/TF Guidance Notes, it would be helpful for the Rule to also reference the limited circumstances in which verification may occur shortly after the establishment of the business relationship. The Cayman Islands Guidance Notes on the Prevention and	Was 10.4.1 now is 10.5.1 The Authority acknowledges the comments and notes that there will be certain instances in which CDD will be conducted after the conclusion or during a business transaction. As such the Authority amended the Rule to take this into consideration.	Rule **10.5.1** is amended to "***FSPs must establish and maintain procedures to identify and verify the identity of all customers, beneficial owners and persons purporting to act on behalf of customers, when establishing a business relationship or carrying out a one-off transaction"*** In addition to the amendment to Rule 10.5.2 the Authority has now included the following. ***"Where an FSP is unable to complete verification of a customer, beneficial owner, or any person acting on behalf of the customer prior to establishing a business relationship or conducting a one-off transaction, the FSP shall take all reasonable measures to complete***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Detection of Money Laundering and Terrorist Financing (Section 4 – Customer Due Diligence, Part C – Timing of Verification) recognise that, in certain circumstances and for sound business reasons, it may be necessary to establish a business relationship before verification is completed. Including reference to this flexibility would help ensure consistency with the existing AML/CFT framework and provide clarity to regulated entities regarding when delayed verification may be permissible. This proposed measure is too prescriptive and does not account for certain time-sensitive transactions as permitted in the GN, such as securities. GN Sec 4(c)2 (2)		***such verification as soon as practicable thereafter."***
153.	**10.4**	**Requirement to Complete CDD "Before" Establishing a Business Relationship** 1. Paragraph 10.4.1 requires FSPs to identify and verify "all" customers, beneficial owners and persons purporting to act on behalf of customers "before establishing a business relationship". 2. Paragraph 10.4.18 states the following: "10.4.18 Where a FSP is unable to satisfactorily complete and apply with CDD requirements specified in the AMLRs and the Compliance Rule, the FSP must: (a) Not open the account; commence or continue a business relationship; or perform any transaction for or with the customer; and (b) Terminate the business relationship promptly and consider whether the circumstances warrant filing a SAR. "	See response on 10.5.1 above	See response on 10.5.1 above
154.	**10.4**	The requirement in paragraph 10.4.1 of "all", when combined with the mandates referred to in paragraph 10.4.18 and in the paragraphs below, in the PSA's opinion, in effect, will make it almost impossible to enter into a one-off transaction or a business relationship with a legal entity or arrangement.	See response on 10.5.1 above	See response on 10.5.1 above

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
155.	**10.4**	The requirements referred to above go beyond the requirements in the AMLRs. Section 5 of the AMRLs demonstrates this and states, in part, as follows: "5 . A person carrying out relevant financial business shall not, in the course of the relevant financial business carried out by the person in or from the Islands, for a business relationship, or carry out a one-off transaction, with or for another person unless that person (a) maintains an appropriate, having regard to the money laundering risks, terrorist financing risks and proliferation financing risks and the size of the business, the following procedures in relation to that business — (vi) adoption of risk-management procedures concerning the conditions under which a customer may utilize the business relationship prior to verification;	See response on 10.5.1 above	See response on 10.5.1 above
156.	**10.4**	**Certified Authority Documents and Full CDD for Authorised Signatories** 1. Paragraphs 10.4.10 to 10.4.12 introduce particularly concerning requirements: □ FSPs must obtain, verify and retain a copy of the certified document granting authority to act on behalf of the applicant or customer. □ FSPs must assess ML/TF/PF risks associated with that person. □ FSPs must conduct CDD measures on that person equivalent to those required of an applicant, including identification, verification and risk assessment. 2. This appears to require full CDD (including identification and verification) for any person authorized to act on behalf of a corporate applicant or client. The PSA questions; □ What specific risk is being mitigated beyond what is already addressed through identification of beneficial owners and controllers?	See response on 10.5.1 above.	See response on 10.5.1 above.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		□ Why is a certified copy of the authority document mandatory in all cases, regardless of risk? □ Why is full applicant-level CDD required for an authorised signatory who may have no ownership or control interest? □ How would this even work in the context of pre-incorporation instructions? 3. To the PSA's knowledge, this approach is not standard in other major financial centres. It is likely to significantly increase onboarding friction, irritate clients and intermediaries and add cost and delay without a corresponding uplift in financial crime detection		
157.	**10.4**	**Conclusion as to CDD** 1. While the wording of the proposed Compliance Rule mirrors the AMLRs in form, the tone and structure of the Rule removes any flexibility that, in practice, has enabled regulated entities to commence relationships on a conditional basis where risk is low and appropriate safeguards are in place. 2. If interpreted strictly, the said mandates will: □ Prevent onboarding from progressing where documentation is outstanding but risk is demonstrably low. □ Bring client acceptance processes to a halt in time-sensitive transactions. □ Place Cayman at a competitive disadvantage compared with other leading financial centres that retain limited, risk-managed flexibility. 3. The AML framework is built around the risk-based approach, A rigid "no relationship whatsoever until every element of verification is complete" standard is not commercially workable and risks paralysing the ordinary course of business. 4. In the PSA's opinion, there is no need for CIMA to make rules which clash with and go beyond the AMLRs	See response on 10.5.1 above.	See response on 10.5.1 above.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
158.	10.4.1	Rule 10.4.1 notes 'FSPs must establish and maintain procedures to identify and verify the identity of all customers, beneficial owners and persons purporting to act on behalf of customers, before establishing a business relationship or carrying out a one-off transaction.' While Rule 10.4.8 notes 'FSPs must conduct CDD when establishing a business relationship' The PSA requests CIMA confirm whether CDD procedures are to be performed before establishing or when establishing a business relationship.	See response on 10.5.1 above	See response on 10.5.1 above
159.	10.4.1	New Rule 10.4.1 provides: *"FSPs must establish and maintain procedures to identify and verify the identity of all customers, beneficial owners and persons purporting to act on behalf of customers, before establishing a business relationship or carrying out a one-off transaction."* (Our emphasis) It is unclear how "beneficial owners" should be interpreted in new Rule 10.4.1. As noted above, it is recommended that "beneficial owner" be included in the Definition section and be defined by reference to the definition in the AMLRs. The PSA are concerned that new Rule 10.4.1 requires FSPs to identify and verify customers, beneficial owners and persons purporting to act on behalf of customers, before establishing a business relationship or carrying out a one-off transaction, without reference to regulation 15 of the AMLRs, which provides some flexibility in terms of completing the identity verification process so that, in certain instances, verification can be completed after establishing the business relationships. Regulation 15 of the AMLRs provides as follows: (1) A person carrying out relevant financial business shall	See response on 10.5.1 above For additional clarity, Section 4 has been updated to clarify the position when a conflict arises between the provision of the Rule and the AMLRs.	See response on 10.5.1 above

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		verify the identity of the customer and beneficial owner before or during the course of establishing a business relationship or conducting transactions for one-off customers. (2) If permitted by these Regulations, the person may complete verification after the establishment of the business relationship, provided that — (a) this occurs as soon as reasonably practicable; (b) this is essential not to interrupt the normal conduct of business; and (c) the money laundering risks, terrorist financing risks and proliferation financing risks are effectively managed. The PSA strongly recommends that new Rule 10.4.1 be made subject to Regulation 15 of the AMLRs. Suggested wording: "Subject to regulation 15 of the AMLRs, FSPs must establish and maintain procedures to identify and verify the identity of all customers, beneficial owners and persons purporting to act on behalf of customers, before or during the course of establishing a business relationship or carrying out a one-off transaction." Rule 10.4.1 notes 'FSPs must establish and maintain procedures to identify and verify the identity of all customers, beneficial owners and persons purporting to act on behalf of customers, before establishing a business relationship or carrying out a one-off transaction.'		
160.	**10.4.1**	1. Consider rewording as current requirements per the AMLRs/CIMA GNs is to verify the identity of all ultimate beneficial owners as opposed to all beneficial owners. 2. Define one-off transaction for clarity.	The Authority acknowledges the comments. In relation to point (1), the Authority notes the intent to align the wording with the existing	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			requirements under the AMLRs and relevant Guidance Notes. The reference to "beneficial owners" is intended to be read consistently with the AMLRs and does not alter the established obligation to identify and verify ultimate beneficial owners in accordance with those requirements. No amendment is proposed. In relation to point (2), the Authority notes the request for additional clarity. However, the term "one-off transaction" is used throughout the AMLRs and associated guidance and is generally well understood within the existing AML/CFT framework. The Authority, therefore, considers a separate definition unnecessary at this time and does not propose an amendment.	
161.	**10.4.1 / 10.4.8**	There is an inconsistency between Rule 10.4.1 (which requires CDD "before establishing" a business relationship) and Rule 10.4.8 (which requires CDD "when establishing" a business relationship). CIMA should confirm the intended timing standard to ensure consistent application.	See response on 10.5.1 above	See response on 10.5.1 above

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
162.	**10.4.2**	New Rule 10.4.2 provides: "When conducting CDD measures on applicants that are legal persons or legal arrangements, FSPs must identify and verify the applicant's identity and clearly understand the nature of its business, ownership, and control structure." (Our emphasis) New Rule 10.4.2 does not appear to take into account the application of Simplified Due Diligence. **Suggested Wording** "Unless SDD applies in accordance with Part 5 of the AMLRs, Wwhen conducting CDD measures on applicants that are legal persons or legal arrangements, FSPs must identify and verify the applicant's identity and clearly understand the nature of its business, ownership, and control structure."	The Authority acknowledges the comment and clarifies that the Rule is intended to operate in conjunction with the Simplified Due Diligence framework set out in Part 5 of the Anti-Money Laundering Regulations. The requirement to identify and verify applicants and understand their business, ownership and control structure reflects the baseline customer due diligence obligations applicable to legal persons and legal arrangements, which remain subject to proportionate application where SDD is appropriate. The absence of an express reference to SDD in this provision does not limit the application of SDD where permitted under the AML Regulations.	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
163.	**10.4.4**	Reference is made to 'tiered CDD' is made, is this described anywhere as just want to ensure the understanding is consistent with expectations.	Was 10.4.4 now 10.5.6 The Authority acknowledges the comment and has amended this Rule for clarity.	Rule **10.5.6** is amended to ***"FSPs must ensure that any decision to onboard a customer remotely, using electronic Know Your Client ("e-KYC") methods and digital ID technologies, is dependent on the risks presented and assessed and, where applicable, considers the application of simplified, standard, or enhanced customer due diligence measures."***
164.	**10.4.4**	New Rule 10.4.4 states as follows: *"FSPs must ensure that any decision to onboard a customer remotely, using electronic Know Your Client ("e-KYC") methods and digital ID technologies, is dependent on the risks presented and assessed, and, where applicable, considers the application of tiered CDD."* (Our emphasis) It is noted that "e-KYC" is a defined term (see new Rule 6.1(g)). The PSA recommends using the defined term in new Rule 10.4.4 (as amended), especially as the definition of e-KYC uses the term "electronic-Know Your Customer", rather than the term "electronic Know Your Client", which is used in Rule 10.4.4. The PSA thinks it is preferable to use consistent terminology through the Rules. **Suggested wording:** "FSPs must ensure that any decision to onboard a customer remotely, using electronic Know Your Client ("e-KYC") methods and digital ID technologies, is dependent on the risks presented and assessed, and, where applicable, considers the application of tiered CDD."	Was 10.4.4 now 10.5.6 The Authority acknowledges the comment and agrees that consistent use of defined terminology is appropriate. The Rule will be amended to align with the defined term relating to electronic-Know Your Customer (e-KYC), ensuring consistency and clarity across the Rules.	Rule **10.5.6** is amended to ***"FSPs must ensure that any decision to onboard a customer remotely, using electronic Know Your Client ("e-KYC") methods and digital ID technologies, is dependent on the risks presented and assessed and, as applicable, considers the application of simplified, standard, or enhanced customer due diligence measures."***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
165.	**10.4.5**	Where the customer, product, service, or jurisdiction is identified as higher risk for ML/TF/PF, the FSP must conduct additional verification measures to ensure the accuracy of e-KYC procedures. This sentence is misleading. The identification of a higher risk factor for ML/TF/PF does not suggest that the e-KYC procedures are inaccurate or unreliable, or that additional verification measures are necessary. As required by the AMLR Sec 17 and 27, EDD should be performed that is proportionate to the risk. Suggested wording: "Where the customer, product, service, or jurisdiction is identified as higher risk for ML/TF/PF, the FSP must conduct EDD." Rule 10.4.5 notes that FSPs must consider using tiered CDD where the risks of using e-KYC are elevated? Could CIMA provide what are examples of tiered CDD, especially in the context that some e-KYC software performs over 100 checks against the person's ID and "selfie"? The PSA would welcome further clarification from the Authority regarding what types of measures would generally be considered sufficient to meet this expectation. In practice, regulated entities may apply enhanced verification controls such as obtaining certified identification documents from an approved certifier, conducting additional independent database checks, or applying enhanced verification through digital identity solutions. Clarification as to whether such measures would typically satisfy this requirement, or whether the Authority expects additional or alternative verification steps in higher-risk scenarios, would assist regulated entities in applying the requirement consistently. Additional guidance	Was 10.4.5 now 10.5.7 The Authority acknowledges the comment and agrees to amend this Rule for clarity.	Rule **10.5.7** is amended to ***"Where the FSP has identified a higher risk for ML/TF/PF in relation to customers, products, services, or jurisdictions, the FSP must apply enhanced due diligence measures proportionate to the risks."***

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		or examples of acceptable enhanced verification approaches would be helpful in ensuring that firms implement appropriate controls aligned with the Authority's expectations. Additional Rationale Identifying a higher risk for ML/TF/PF does not imply e-KYC is inaccurate. Rather, it signals that a more thorough, risk-based approach is appropriate. When risk factors are elevated, firms are expected to apply proportionate, stronger controls to confirm identity and assess ongoing risk. The goal is to reduce the chance of fraud, misrepresentation, or illicit activity—not to imply prior verification was defective.		
166.	**10.4.5**	Would it be possible to include examples of 'additional verification measures"	Was 10.4.5 now 10.5.7 The Authority acknowledges the comment and clarifies that examples of enhanced due diligence and additional verification measures are addressed in the AML Guidance Notes. The Rules are intended to set out enforceable requirements, while the Guidance Notes provide further detail and illustrative examples to support consistent and proportionate application.	*See the comment above on 10.5.7.*
167.	**10.4.6**	FSPs must not open or maintain anonymous accounts, accounts in fictitious names or numbered accounts. This is already an offence contained within the AML Regulations (sec. 10). Suggest this be removed.	Was 10.4.6 now 10.5.8 The Authority acknowledges the comment and agrees to remove this requirement	Rule **10.5.8** amended and now reads: "***FSPs must implement controls to prevent the opening or maintenance of anonymous or fictitious accounts and***

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			as it presents a duplication of the AMLRs.	***ensure that all customers are appropriately identified, verified and subject to ongoing monitoring."***
168.	**10.4.6**	Define "numbered account"	Was 10.4.6 now 10.5.8 The Authority acknowledges the comment requesting clarification on the term "numbered account." An anonymised account has been considered to include a "numbered account", and the Rule has been updated accordingly.	See the comment above on 10.5.8.
169.	**10.4.13**	The rule states that an FSP must apply CDD measures to the beneficiary(ies) of insurance policies as soon as they are identified or designated and must do so before the time of the pay-out of the policy. For: (a) beneficiary(ies) that are specifically named as natural persons, legal persons or legal arrangements, the FSP must record and verify the name of the beneficiary using reliable and independent source documents, data, or information; and (b) beneficiary(ies) designated by characteristics or by class (e.g. spouse or children), or by other means (e.g. under a will), the FSP must obtain sufficient information to be satisfied that it will be able to establish the identity of the beneficiary before the time of the pay-out. The first sentence in bold is contrary to the Guidance Notes and imposes additional obligations that go beyond what has normally been required. As worded, it requires CDD and verification must be applied at the time a beneficiary is designated, a rule that is inflexible and not risk -based. By way	Was 10.4.13 now 10.5.15 The Authority acknowledges comments regarding the timing of CDD applied to beneficiaries of long-term insurance policies. The rule is intended to ensure compliance with international standards while allowing a proportionate, risk-based approach. To provide clarity, the rule has been amended to confirm that **verification of a beneficiary's**	*Rule 10.5.15 is amended to* ***"FSPs conducting long-term insurance business must, in addition to the CDD measures required for the applicant(s) and beneficial owner(s), apply CDD measures to the beneficiary(ies) of insurance policies as soon as they are identified or designated and, where verification is required, must do so before or at the time of the pay-out of the policy. For:*** *(a)* ***beneficiary(ies) that are specifically named as natural persons, legal persons or legal arrangements, the FSP must record and verify the name of the beneficiary using***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		of example, this is problematic in the case of minors being designated who do not have any identification or verification documents as clause (1) says the name must be verified using independent source documents. Specifically, the GN currently state that the "following CDD measures be applied" and goes on to provide two options as follows: (1) Specifically named natural or legal persons or legal arrangements – taking the name of the person (2) for beneficiary(ies) that are designated by characteristics or by class (e.g. spouse or children at the time that the insured event occurs) or by other means (e.g. under a will) – obtaining sufficient information concerning the beneficiary to satisfy the FSP that it will be able to establish the identity of the beneficiary at the time of the pay-out. Finally, the GN state for both cases referred to above, the verification of the identity of the beneficiary(ies) should occur at least at the time of the pay-out. The rule makes no provision that CDD may occur at the time of the pay-out. Proposed rules should not impose higher standards than what already exists in the GN.	**identity may occur before or at the time of pay-out**, rather than at the point of designation. This amendment clarifies the sequencing of identification and verification, addresses practical concerns raised (including in relation to minors and contingent beneficiaries), and maintains alignment with the FATF Recommendations, while establishing an enforceable requirement at the Rule level.	***reliable and independent source documents, data, or information; and*** *(b)* ***beneficiary(ies) designated by characteristics or by class, or by other means, the FSP must obtain sufficient information to be satisfied that it will be able to establish the identity of the beneficiary before the time of the pay-out."***
170.	**10.4.13**	The wording "as soon as they are identified or designated" appears to contradict later wording "…and must do so before the time of the pay-out of the policy…". CIMA GNs currently allows for payout at latest before policy payout or vesting in low or standard risk scenarios. Consider refining wording for clarity.	See comments above regarding Rule **10.5.15.**	*See comments above regarding Rule* ***10.5.15.***
171.	**10.4.14**	New Rule 10.4.14 provides: *"When conducting CDD on applicants who are legal arrangements, FSPs must identify the beneficial owners of the applicant and take measures, based on the level of ML/TF/PF*	Was 10.4.14 now 10.5.16 The Authority acknowledges the	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		risk, to verify the identity of such persons, using reliable and independent source documents, data, or information." It is unclear how "beneficial owners" should be interpreted in new Rule 10.4.1. As noted above, the PSA recommends that "beneficial owner" be included in the Definition section and be defined by reference to the definition in the AMLRs. New Rule 10.4.14 also does not appear to take into account the application of Simplified Due Diligence. **Suggested wording:** "Unless SDD applies in accordance with Part 5 of the AMLRs, When conducting CDD on applicants who are legal arrangements, FSPs must identify the beneficial owners of the applicant and take measures, based on the level of ML/TF/PF risk, to verify the identity of such persons, using reliable and independent source documents, data, or information."	comment and clarifies that the Rule is intended to operate in conjunction with the Simplified Due Diligence framework set out in Part 5 of the Anti-Money Laundering Regulations. The requirement to identify and verify applicants and understand their business, ownership and control structure reflects the baseline customer due diligence obligations applicable to legal persons and legal arrangements, which remain subject to proportionate application where SDD is appropriate. The absence of an express reference to SDD in this provision does not limit the application of SDD where permitted under the AML Regulations. Accordingly, no amendment to the Rule is proposed.	
172.	**10.4.14**	New Rule 10.4.15 provides: *"For trust companies, the FSPs must identify and verify the identity of the settlor, the trustee(s), the protector (if any), the enforcer (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of*	Was 10.4.14 now 10.5.17 The Authority acknowledges the comment and clarifies that the Rule is intended	Rule **10.5.17** is amended to ***"For legal arrangements such as trusts, the FSPs must identify and verify the identity of the settlor, the trustee(s), the protector (if any), the enforcer (if any), the beneficiaries or class of***

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		control/ownership)." New Rule 10.4.15 does not appear to take into account the application of Simplified Due Diligence. Suggested wording: "Unless SDD applies in accordance with Part 5 of the AMLRs, for trust companies, the FSPs must identify and verify the identity of the settlor, the trustee(s), the protector (if any), the enforcer (if any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership)."	to operate in conjunction with the Simplified Due Diligence framework set out in Part 5 of the Anti-Money Laundering Regulations. The requirement to identify and verify applicants and understand their business, ownership and control structure reflects the baseline customer due diligence obligations applicable to legal persons and legal arrangements, which remain subject to proportionate application where SDD is appropriate. The absence of an express reference to SDD in this provision does not limit the application of SDD where permitted under the AML Regulations. Accordingly, no amendment to the Rule is proposed. The rule has been amendment for alignment with the AMLR	***beneficiaries, and any natural person exercising ultimate effective control over the trust (including through a chain of control/ownership)."***
173.	**10.4.14**	The draft Rules here speak of legal arrangements as well as "trust companies". Note that the AMLRs refer to "trusts", which are legal arrangements for FATF purposes, not "trust companies". For trusts, the FATF expectation, which is reflected in the AMLRs, is to identify the settlor, the trustee, the protector, the beneficiaries or class of beneficiaries and any	Was 10.4.14 now **10.5.17** The Authority acknowledges the proposed amendment.	Rule **10.5.17** is amended to ***"For legal arrangements such as trusts, the FSPs must identify and verify the identity of the settlor, the trustee(s), the protector (if any), the enforcer (if***

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		other natural person exercising ultimate effective control over the trust. These paragraphs should be reviewed to ensure alignment with the AMLRs.		***any), the beneficiaries or class of beneficiaries, and any other natural person exercising ultimate effective control over the trust (including through a chain of control/ownership).”***
174.	**10.4.15**	Does this include investors with non-voting/non-controlling rights.	The Authority has considered the comment and clarifies that it includes investors with non-voting/non-controlling rights as applicable.	*No amendment required.*
175.	**10.4.15**	The use of the word “and” here implies that all previously mentioned parties exercise effective control over a Trust which is not necessarily the case. Consider replacing “and” with "or". Alternatively, consideration could be given to removing the word “other” to eliminate the link to the previous statement.	Was 10.4.14 now 10.5.17 The Authority acknowledges the comment. However, it does not consider the proposed amendments to be necessary. The existing wording is intended to ensure that all relevant parties connected to a trust, whether exercising control individually or collectively, are appropriately identified and verified in accordance with AML/CFT requirements.	See the comment above on 10.5.17

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176.	**10.4.16**	New Rule 10.4.16 provides: "For other legal arrangements aside from trust companies, the FSP must identify and verify the identity of persons holding equivalent or similar positions of ownership or control." New Rule 10.4.16 does not appear to take into account the application of Simplified Due Diligence. Suggested wording: "Unless SDD applies in accordance with Part 5 of the AMLRs, Ffor other legal arrangements aside from trust companies, the FSP must identify and verify the identity of persons holding equivalent or similar positions of ownership or control."	Was 10.4.16 now 10.5.18 The Authority acknowledges the comment and clarifies that the Rule is intended to operate in conjunction with the Simplified Due Diligence framework set out in Part 5 of the Anti-Money Laundering Regulations. The requirement to identify and verify applicants and understand their business, ownership and control structure reflects the baseline customer due diligence obligations applicable to legal persons and legal arrangements, which remain subject to proportionate application where SDD is appropriate. The absence of an express reference to SDD in this provision does not limit the application of SDD where permitted under the AML Regulations. Accordingly, no amendment to the Rule is proposed.	No amendment required.

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177.	**10.4.17**	This seems to speak to reviews in response to trigger events as opposed to periodic reviews in response to assigned risk ratings. Consider deletion of the word "periodically" for clarity.	Was 10.4.17 now **10.5.19** The Authority acknowledges the comment. However, it considers the reference to "periodically" to be appropriate and intentional. The requirement is intended to capture both periodic reviews conducted in accordance with assigned customer risk ratings and reviews undertaken in response to material changes to the arrangement or its control structure. Rule has been amended to reflect changes in risk ratings.	Rule **10.5.19** now reads: ***"FSPs must periodically review their records on applicants or customers and update those records as necessary whenever material changes occur to the risk rating, legal arrangement or its control structure"***
178.	**10.4.18**	The PSA would welcome clarification as to whether this provision is intended to apply primarily to situations where CDD cannot be satisfactorily completed at the point of establishing a business relationship (i.e., during onboarding), rather than circumstances arising during ongoing monitoring where previously obtained CDD documentation may have expired or requires updating. In practice, regulated entities conduct periodic CDD refresh exercises as part of ongoing monitoring obligations, and there may be instances where updated documentation cannot be obtained immediately despite reasonable efforts. Clarification on whether this provision is intended to apply to such	Was 10.4.18 now 10.5.20 The Authority clarifies that this provision is intended to apply to circumstances where CDD cannot be satisfactorily completed at the point of establishing a business relationship (initial CDD). It is not intended to apply to situations arising during ongoing	Rule **10.5.20** is amended to required. ***"An FSP shall perform Enhanced Due Diligence ("EDD") where it determines that a customer or the business relationship is high risk in accordance with AMLRs or results of its risk assessment, and shall not open an account, or establish or continue a business relationship, where it is unable to perform EDD as required."***

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		circumstances would assist regulated entities in applying the requirement consistently and proportionately.	monitoring, including periodic CDD refreshes or the updating of previously obtained documentation, where reasonable efforts are being made to obtain updated information. The rule has been amended	
179.	**10.4.18**	The Rule requires FSPs to terminate business relationships where CDD cannot be satisfactorily completed. However, there are situations where termination may conflict with other obligations (e.g., tipping-off provisions, where abruptly terminating could alert the customer to a potential SAR filing). Clarification is needed on how FSPs should balance these potentially conflicting obligations. Additionally, there may be cases where CDD cannot be completed immediately despite reasonable efforts (e.g., for existing customers in remediation). The Rule should clarify whether it applies to such circumstances and allow for proportionate timeframes.	Was 10.4.18 now 10.5.20 The requirement to terminate a business relationship where CDD cannot be satisfactorily completed should be applied in a manner consistent with the AMLRs, including the provisions relating to tipping-off. The AMLRs already provide that FSPs must not take actions which would prejudice an investigation or alert a customer to the possibility of a SAR being filed. Where such considerations arise, FSPs are expected to act in accordance with the AMLRs and apply appropriate controls while complying with their legal obligations.	See the comment above on 10.5.20.

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180.	**10.4.18**	Requires refusal or termination where CDD incomplete. Clarification that termination follows reasonable efforts to complete CDD in accordance with the AMLRs including rendering an account inactive (i.e. disallowing client-initiated transactions) whilst efforts to obtain CDD continue. Ensures practical onboarding alignment.	Was 10.4.18 now 10.5.20 The Authority acknowledges the comment. The requirement is intended to apply where an FSP is unable to complete CDD after having taken reasonable steps in accordance with the AMLRs. In such circumstances, the FSP should not open or continue the business relationship or perform transactions and should promptly terminate the relationship where CDD cannot ultimately be completed. Rendering an account inactive (including disallowing client-initiated transactions) while reasonable efforts to complete CDD continue is consistent with the AMLRs.	See the comment above on 10.5.20
181.	**10.4.19**	Consider replacing "or" with "and" as there should not be a scenario where the results of the risk assessment do not align with the AMLRs. At a minimum consider using "and/or.	Was 10.4.19 now 10.5.21	No amendment required

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			The Authority acknowledges the comment. However, the use of "or" is intentional and appropriate. The requirement to apply Enhanced Due Diligence is "triggered" where high risk is identified either under the AMLRs or through the FSP's own risk assessment, consistent with a risk-based approach. Replacing "or" with "and", or using "and/or", could limit the circumstances in which EDD is applied and is therefore not considered appropriate.	
182.	**10.4.20**	Note the inconsistency between this provision and the AMLRs reg. 21(2) which requires consistency with the findings of the national risk assessment or the Supervisory Authority "*whichever is most recently issued*".	Was 10.4.20 (b) now **10.5.21 (b)** The Authority acknowledges the proposed amendment.	Section 10.4.20(b) has been revised to read as follows: ***"In determining whether a customer or applicant qualifies for Simplified Due Diligence ("SDD"), the FSP must ensure that:*** *(b)* ***the identified low risks are consistent with the findings of the Cayman Islands' NRA or any relevant guidance issued by the Authority or other Competent Authority, whichever is most recently issued ; and"***

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183.	**10.4.20**	"..the identified low risks are consistent with the findings of the Cayman Islands' NRA or any relevant guidance issued by the Authority or other relevant Supervisory Authority; and" This is misleading. The risk-based approach requires that you consider the results of the NRA. Therefore, a client operating in an industry which the NRA has concluded is High Risk will not be automatically considered High Risk. Instead, it will be considered a High-Risk factor that should be considered in the overall risk rating. In truth the NRA ratings assigned to an industry are the inherent risks of that industry. If this is not recognized, it will skew the risk-based approach materially Suggest the word "inherent" is added to the language: the identified inherent low risks are consistent with the findings of the Cayman Islands' NRA or any relevant guidance issued by the Authority or other relevant Supervisory Authority;	Was 10.4.20 (b) now 10.5.21 (b) The Authority acknowledges the comment regarding the interpretation of risk factors identified in the Cayman Islands' National Risk Assessment (NRA). While an individual customer may display certain characteristics that would otherwise suggest a lower risk profile, where the NRA identifies the relevant industry or sector as presenting higher ML/TF/PF risks, this factor must be given appropriate weight. In such circumstances, the application of Simplified Due Diligence would generally not be appropriate without robust justification. The provision is intended to ensure that SDD is applied consistently with the NRA and does not override identified sectoral or industry-level risks.	No amendment required.

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184.	**10.4.20**	The risk-based approach requires that FSPs consider the results of the NRA. Therefore a client operating in an industry which the NRA has concluded is High Risk will not be automatically considered High Risk. Instead, it will be considered a High Risk factor that should be considered in the overall risk rating. The NRA ratings assigned to an industry are the inherent risks of that industry. If this is not recognized, it will skew the risk-based approach materially Suggested wording: The identified inherent low risks are consistent with the findings of the Cayman Islands' NRA or any relevant guidance issued by the Authority or other relevant Supervisory Authority;	See above comment regarding 10.5.21 (b)	No Amendment required.
185.	**10.4.20**	The requirement that identified low risks must be consistent with the NRA or relevant guidance may be impractical where the NRA is outdated or does not address a specific sector, product, or geography. The Rule should allow for an FSP's own risk assessment to identify low risks not specifically covered by the NRA, provided the assessment is documented and defensible.	See above comment regarding 10.5.21 (b)	No Amendment required.
186.	**10.4.20**	Consider rewording "doubt the veracity" to "doubt of the veracity"	Was 10.4.20 (c) now 10.5.21 (c) The Authority acknowledges the comment and has updated the Rule accordingly.	Rule 10.5.21 (c) Amended and now reads: ***"there are no circumstances giving rise to suspicion of ML/TF/PF or doubt of the veracity of customer identification information or any other higher-risk scenarios"***
187.	**10.4.21**	Consider replacing the requirement with "review the client periodically to assess whether the customer still qualifies for SDD measures and update the client's risk profile and CDD documentation if applicable". The PSA submits that this may	Was 10.4.21 (b) now 10.5.22 (b) The Authority acknowledges the	Rule 10.5.22 (b) Amended now reads: ***"periodically reassess the customer or applicant's risk profile to determine whether the customer or applicant still***

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		be a more practical approach to a change in a client's risk profile after the relationship has been established.	comment and has updated the provision for additional clarity.	***qualifies for SDD measures and document this reassessment and update the customer's level of risk where there are changes in the customer's or applicant's risk profile; and"***
188.	**10.4.21**	As drafted, the para requires the review of "such documentation periodically", consider whether the risk circumstances of the customer should be reviewed periodically rather than the documentation.	Was 10.4.21 (b) now 10.5.22 (b) The Authority acknowledges the proposed amendment.	See the comment above on 10.5.22 (b).
189.	**10.4.21**	The current wording does not provide for a trigger for review and assumes automatic assessment periodically. Inclusion of a material change in the customer risk profile clarifies that additional circumstances may trigger the necessity for a review. CIMA may consider requiring FSP's to notify the Authority of any material outsourcing arrangement (including AMLCO services, transaction monitoring, CDD processing, sanctions screening or SAR related decision functions.'	Was 10.4.21 (b) now 10.5.22 (b) The Authority acknowledges the comment. However, the inclusion of the term "periodically" is deliberate. The requirement is intended to capture both risk-based periodic reviews and reviews triggered by material changes to the arrangement or its control structure. The Authority considers the wording to be sufficiently clear and does not propose an amendment. Section 10 sets out notification requirements for outsourcing.	See the comment above on 10.5.22 (b).

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190.	**10.4.22**	Where the FSP applies SDD to a customer or applicant, it must continue to conduct sanctions screening in accordance with the requirements of the AMLRs and the Cayman Islands sanctions regime. SDD allows the FSP to skip completing CDD on certain persons. For example, SDD applied in the case of a publicly traded company. If this section is unclear, the Authority could expect licensees to identify and verify all shareholders of a publicly traded company on an ongoing basis for the purpose of screening which is not only unfeasible, but also impractical and disregards the risk mitigating factors that SDD approach currently recognizes. Suggest the words "of relevant persons" be added to avoid the ambiguity: Where the FSP applies SDD to a customer or applicant, it must continue to conduct sanctions screening of relevant persons in accordance with the requirements of the AMLRs and the Cayman Islands sanctions regime. Relevant persons would be those persons whose due diligence documentation is mandatory even under SDD.	Was 10.4.22 now 10.5.23 The Authority acknowledges the comment. In line with FATF Recommendations 6, 7 and 10, publicly traded companies listed on regulated markets may be subject to simplified due diligence, allowing for reduced CDD measures. In such cases, identification of all shareholders is not required, given the transparency and disclosure obligations applicable to listed entities. Where shares are acquired on the secondary market, CDD and sanctions screening are typically conducted by the relevant securities intermediary executing the transaction, subject to applicable reliance frameworks and domestic AML/CFT requirements.	No amendment required.

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			For FSPs, sanctions screening obligations apply to the customer and other relevant connected parties identified under the applicable CDD or SDD standard.	
191.	**10.4.22**	Replacement of "regime" with "framework" better reflects the obligations that arise from a combination of statutes, regulations, rules and guidance.	Was 10.4.22 now 10.5.23 Authority acknowledges the comment and accepts the usage of "regime".	Verbiage updated throughout the measure.
192.	**10.5.2**	New Rule 10.5.2 provides: "FSPs must ensure that records of identification data and verification documents obtained through digital ID systems and e-KYC procedures are easily accessible, maintained, and can be made available without delay to Competent Authorities upon request." (Our emphasis) It would be helpful if the Authority could clarify the meaning of "without delay" in new Rule 10.5.2.	Was 10.5.2 now 10.6.2 The Authority acknowledges the comment and clarifies that the term "without delay" is intended to have the same meaning as under the AMLRs. It requires information to be provided promptly, as soon as reasonably practicable, having regard to the circumstances and the urgency of the request. Where the Authority specifies a timeframe for the provision of information, FSPs are expected to comply within that timeframe.	No amendment required.

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193.	**10.5.3**	"FSPs must obtain, maintain and keep accurate, adequate and up-to- date beneficial ownership information for all customers that are legal persons or legal arrangements." This Rule as written can be misleading. It can be read as (1) obtain, maintain and keep accurate, adequate and up-to-date names of the beneficial owners... (2) obtain, maintain and keep accurate, adequate and up-to-date names and CDD information of the beneficial owners... The PSA would assume it's not the intention that this section is intended to include "CDD information of it's the beneficial owners" since this would contradict Section 16 ONGOING MONITORING of the AML Guidance Notes which was added to alleviate the CDD burden on the jurisdiction. 3. FSPs' policies and procedures must document appropriate risk-based measures for ensuring that data or information collected during the customer's onboarding process are kept up-to-date and relevant by undertaking routine reviews of existing records. This does not mean that there needs to be automatic renewal of expired identification documents (e.g. passports) where there is sufficient information to indicate that the identification of the customer can readily be verified by other means. 4. The intentions of the customer, nature and risk of the transactions and business relationships should determine the documentation maintained as part of the FSP's records. Particular attention should be paid to higher risk categories of customers and their business relationships. The PSA would suggest that the Authority consider amending the language to remove the likelihood that it inadvertently introduces a conflict with the AML Guidance Notes, especially given that verification has evolved to today's current state. Suggest	Was 10.5.3 now 10.6.3 The Authority acknowledges the comment and clarifies that the rule is intended to ensure beneficial ownership information remains accurate, adequate and up to date on a risk-based basis. It is not intended to require the automatic or routine re-verification or renewal of identification documents relating to beneficial owners. This approach is consistent with the AML Guidance Notes on ongoing monitoring, which provide that information should be kept current through proportionate, risk-based measures.	No amendment required.

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		instead that this section be rewritten as follows which would be consistent with the Beneficial Ownership obligations, noting that new BOs would trigger a collection of CDD on those new BOs: FSPs must obtain, maintain and keep accurate, adequate and up-to- date names of the beneficial owners beneficial ownership information for all customers that are legal persons or legal arrangements.		
194.	**10.5.3**	New Rule 10.5.3 provides: "FSPs must obtain, maintain and keep accurate, adequate and up-to-date beneficial ownership information for all customers that are legal persons or legal arrangements." (Our emphasis) New Rule 10.5.3 goes beyond what is required under either the AMLRs, or the Authority's Guidance Notes, in terms of requiring a FSP to keep "up-to-date" beneficial ownership information for all customers that are legal persons or legal arrangements. Regulation 12(1)(e)(ii) of the AMLRs provides that a person carrying out relevant financial business shall: (e) conduct ongoing due diligence on a business relationship including – … (ii) ensuring that documents, data or information collected under the customer due diligence process is kept current and relevant to customer due diligence, by reviewing existing records at appropriate times, taking into account whether and when customer due diligence measures have been previously undertaken, particularly for higher risk categories of customers. (Our emphasis) Consistent with regulation 12(1)(e)(ii), FSPs typically	Was 10.5.3 now 10.6.3 The Authority acknowledges the comment and clarifies that the rule is intended to ensure beneficial ownership information remains accurate, adequate and up to date on a risk-based basis. It is not intended to require the automatic or routine re-verification or renewal of identification documents relating to beneficial owners. This approach is consistent with the AML Guidance Notes on ongoing monitoring, which provide that information should be kept current through proportionate, risk-based measures.	No amendment required.

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		undertake KYC refreshes on a risk-based approach (e.g. annually for high-risk customers, every 3 years for medium-risk customers and every 5 years for low-risk customers). Requiring FSPs to keep beneficial ownership information constantly "up-to-date" would represent a significant and costly change to current practice for many FSPs. As noted in the PSA's commentary to Rule 10.1 above, there is no express reference to the more common scenario of where an FSP may have appointed an AML Delegate or Relied Upon Person. It will typically be the AML Delegate or Relied Upon Person (e.g. fund administrator) or another third party (e.g. registrar and transfer agent of a fund) who is responsible for maintaining the beneficial ownership information. It is noted that the FATF Recommendations recommend that countries have mechanisms in place that ensure beneficial ownership information is "adequate, accurate and up-to-date" and that competent authorities have the powers necessary to obtain timely access to such information. In that regard, the PSA notes that there is the separate Beneficial Ownership Transparency Act ("BOTA") regime. While a significant number of FSPs are able to take advantage of an alternative route to compliance (meaning they are not required to maintain a Beneficial Ownership Register ("BO Registers")), a large number are maintaining shadow BO Registers to enable them to respond promptly to requests for beneficial ownership information from the Registrar. While BOTA applies a 25% beneficial ownership threshold, rather than the 10% beneficial ownership threshold applicable under the AMLRs, the PSA are of the view that the existing BOTA regime already meets this FATF Recommendation requirement (especially considering that the beneficial ownership threshold under the FATF Recommendations is 25%). Accordingly, in light of the existing BOTA requirements, the PSA considers requiring FSPs to keep beneficial ownership information "up-to-date", albeit at a 10% threshold, to be duplicative and unnecessary.		

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		The PSA assumes it is not the intention to conflict with SECTION 16 ONGOING MONITORING E of the AML Guidance Notes, which read: "3. FSPs' policies and procedures must document appropriate risk-based measures for ensuring that data or information collected during the customer's onboarding process are kept up-to-date and relevant by undertaking routine reviews of existing records. This does not mean that there needs to be automatic renewal of expired identification documents (e.g. passports) where there is sufficient information to indicate that the identification of the customer can readily be verified by other means. 4. The intentions of the customer, nature and risk of the transactions and business relationships should determine the documentation maintained as part of the FSP's records. Particular attention should be paid to higher risk categories of customers and their business relationships." As such, the PSA strongly recommends that Rule 10.5.3 be aligned with the existing requirement under the AMLRs. Suggested wording: "FSPs must obtain, maintain and keep current, by reviewing existing records at appropriate times, accurate, adequate and up-to-date beneficial ownership information for all customers that are legal persons or legal arrangements. For the avoidance of doubt, a FSP can meet the requirements of this Rule by relying on another suitable person to perform such functions on the FSP's behalf "		
195.	**10.6**	The proposed rule in its current form does not address reliance/delegation arrangements which are not considered outsourcing per the CIMA GNs. Consideration should be given to inclusion of a section addressing these areas for completeness and to further enhance CIMA's regulatory/enforcement toolbox in this regard.	Was 10.6 now 10.7 Para 5.3 was added to address reliance in general. The Authority further clarifies that delegation arrangements	Para 5.3 Reads: ***"Where an FSP relies on a third party or a member of its financial group to perform AML/CFT/CPF functions, it shall, notwithstanding such reliance, remain satisfied that such functions***

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			can be used within the FSPs corporate governance framework, however, the FSP must ensure that such delegation achieves the outcomes anticipated from the Rules.	***comply with this Rule and the Anti-Money Laundering Regulations of the Cayman Islands, and shall retain ultimate responsibility for such compliance."*** Rule 10.4 added, it states: ***"Where a Financial Service Provider (FSP) relies on a third party or a member of its financial group to perform AML/CFT/CPF functions, the FSP shall, upon request by the Cayman Islands Monetary Authority, provide timely and sufficient evidence demonstrating how it remains satisfied that such relied-upon functions comply with the requirements under this Rule and the AMLRs."***
196.	**10.6.1**	Regarding the outsourcing of the Compliance Programme, or any part thereof, the FSP must (a) assess the associated risks, including country risk, and (b) ensure the arrangement does not impair its ability to meet AML/CFT/CPF obligations. The phrase "or any part thereof" is overbroad and implies that outsourcing AML training to third party providers trigger a full materiality assessment under the SOG on Outsourcing. Under SOG on Outsourcing Section 4.2, AML/CFT oversight is expressly listed as a "management oversight function or activity," meaning its outsourcing is automatically deemed material and subject to the SOG's full suite of obligations: written outsourcing agreements, due diligence assessments, business continuity planning, Governing Body approval, CIMA notification, centralized log maintenance, and country risk assessment. Applying this framework to the procurement of AML training is disproportionate. AML training delivery is a support activity for the compliance programme and not an oversight function itself.	Was 10.6.1 now 10.7.1 The Authority acknowledges the comment and clarifies that the rule is intended to apply to the outsourcing of core AML/CFT/CPF compliance functions that could materially affect an FSP's compliance obligations. It is not intended to capture the procurement of ancillary services, such as AML training delivered by third-party providers.	Footnote added to Rule 10.7.1. It reads: ***"For the avoidance of doubt, the procurement of third-party AML/CFT/CPF training services does not constitute outsourcing of the Compliance Programme for the purposes of this Rule, provided that the FSP retains full responsibility for determining training requirements, assessing the suitability of the provider and content pursuant to Rules 11.9 and 11.10, and overseeing the adequacy of training delivered."***

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		A training company that delivers an annual AML course to staff (online, virtually, or in person) has no access to customer data, no decision-making authority over the compliance programme, no ability to impair AML/CFT/CPF obligations if it fails to perform, and can be replaced with an alternative provider quickly. Treating it as equivalent to outsourcing an AMLCO role, transaction monitoring, or sanctions screening function mischaracterises the nature of the activity and imposes compliance costs entirely disproportionate to any risk reduction achieved. Additionally, many FSPs, especially smaller firms, do not deliver AML training in-house and have always purchased this service from specialist providers. This falls more in line with procurement and purchasing as defined under SOG footnote 2: "the acquisition from a vendor of services, goods or facilities (but not an associated process) without the transfer of the purchasing firm's non-public proprietary information pertaining to its customers or other information connected with its business activities." I also note that the Rule already addresses the quality of training providers through a proportionate and purpose-built mechanism. Rule 11.13 requires FSPs to ensure that the instructor has the requisite knowledge of relevant Acts, regulations, and compliance obligations and Rule 11.14 requires FSPs to assess and determine whether an external service provider's services and training content are suitable for their business. Together, these provisions adequately address the legitimate regulatory concern about poor-quality or unsuitable training, without subjecting a routine vendor procurement to the full SOG outsourcing framework. For clarity, requesting the Authority make an explicit distinction between: (a) outsourcing of substantive compliance programme functions — including the AMLCO and MLRO roles, transaction monitoring, sanctions screening, CDD/EDD processing, and independent audit — which should	While AML/CFT/CPF training is a required component of a Compliance Programme, it need not be delivered by the FSP itself; however, the FSP remains responsible for ensuring that appropriate training is provided in a proportionate manner. For additional clarity, the Rule was updated by adding footnote with regards to outsourcing of training.	

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		remain subject to the full SOG outsourcing framework; and (b) procurement of training content and delivery services, which should be expressly excluded from the outsourcing assessment requirement under Rule 10.6.1 and treated as a purchasing arrangement consistent with the SOG framework, with adequacy governed instead by Rules 11.13 and 11.14. Suggested wording: "For the avoidance of doubt, the procurement of third-party AML/CFT/CPF training content or delivery services does not constitute outsourcingJ of the Compliance Programme for the purposes of this Rule, provided that the FSP retains full responsibility for determining training requirements, assessing the suitability of the provider and content pursuant to Rules 11.13 and 11.14, and overseeing the adequacy of training delivered." If the Authority intends for this Rule to capture AML Compliance training, it should say so explicitly and then also amend the SOG footnote to include training delivery in its definition of management oversight functions. The current ambiguity, where the Rule catches it but the SOG arguably doesn't classify it as outsourcing at all can create friction in the inspection process and expectations within industry. In addition to training, clarity should also be provided around commonly used third-party services such as screening tools. Products like World-Check, which is widely used across the industry including by smaller FSPs as a sanctions and adverse media screening solution, present the same challenge as training procurement under Rule 10.6.1. Screening is a material element of the AML/CFT/CPF programme. However, the procurement of a screening database or platform is fundamentally a technology purchasing arrangement. The FSP retains full decision-making authority over how screening is conducted, how alerts are reviewed and how results are acted upon. The		

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		tool itself has no access to customer data beyond what the FSP inputs for screening purposes, exercises no independent judgement over the compliance programme and can be replaced or supplemented with alternative providers without disrupting the FSP's ability to meet its obligations. As a general note, Section 10.6 should be reviewed holistically against the SOG on Outsourcing to ensure alignment, avoid duplication with Rules 11.13 and 11.14, and prevent confusion for FSPs attempting to determine which framework applies to which arrangements		
197.	**10.6.1**	Consider also including the need to retain records on the CDD, risk assessment etc. on the service provider under an outsourcing arrangement.	Was Rule **10.6.1** now **10.7.1** The Authority acknowledges the proposed amendment.	Section 10.6 has been revised and 10.7.1(c) has been added to read as follows: ***"Regarding the outsourcing of the Compliance Programme, or any parts thereof, the FSP must:*** (c) ***conduct and keep records of the CDD conducted on the service provider prior to the outsourcing arrangement ."***
198.	**10.6.6**	notification of any material outsourcing agreement relating to compliance functions. This does not specify relevance and so can be misleading in terms of scale, scope, and depth. Suggest this be reworded to be consistent with 11.3 and 11.12	Was 10.6.6 now 10.7.6 The Authority acknowledges the comment. The term "material" is commonly used in legislation, regulatory rules and guidance, and is intended to be applied on a risk-based basis. In this context, "material" is intended to capture outsourcing arrangements which, by	See the comment below on 10.7.6

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			their relevance, scale or scope, have the potential to impact the effectiveness of an FSP's compliance function.	
199.	**10.6.6**	New Rule 10.6.6 provides: "FSP must notify the Authority of any material outsourcing agreement that relates to the functions of its compliance programme." The PSA considers that new Rule 10.6.6 imposes an unnecessary regulatory compliance burden, with no apparent AML compliance benefit, on Regulated Private Funds and Mutual Funds that are already required to notify the Authority of their service providers upon registration (i.e. as part of the Application Form) and of any changes to that information. Accordingly, the PSA strongly recommends that Regulated Funds be specifically carved out of this notification obligation. Suggested wording: "With the exception of Regulated Mutual Funds and Private Funds, FSP must notify the Authority of any material outsourcing agreement that relates to the functions of its compliance programme."	Was 10.6.6 now 10.7.6 The Authority acknowledges the comment but would like to clarify the following: Rule 10.6.6 reflects an existing supervisory expectation and does not introduce a new requirement. The Authority's Statement of Guidance on Outsourcing Arrangements already requires timely notification of material outsourcing, including arrangements relating to compliance and other key control functions (Sections 14.1 and 14.2). Disclosure of service providers at registration serves a separate purpose and does not necessarily capture material compliance-related outsourcing or changes in risk. Accordingly, the rule	Rule 10.7.6 Amended and now reads: ***"FSPs must notify the Authority of any outsourcing agreement that relates to material functions of its compliance programme.*** **Footnote:** ***As defined within the Authority's Statement of Guidance on Outsourcing for Regulated Entities."***

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			codifies existing practice and no carve-out for Regulated Funds is considered appropriate. A footnote has also been added on the Rule cross referencing it to the Statement of Guidance on Outsourcing.	
200.	**10.6.6**	The Rule requires Financial Service Providers to notify the Authority of any material outsourcing arrangement. However, the term "material" is not defined. The absence of a definition may create operational uncertainty for FSPs when determining which outsourcing arrangements should be notified to the Authority. The PSA notes that references to materiality also appear in the Anti-Money Laundering Regulations and the standards issued by the Financial Action Task Force, although these frameworks similarly do not provide a formal definition. While some degree of supervisory judgement may therefore be expected, additional clarification in the context of this Rule would assist in promoting consistent interpretation across the industry. Consideration could be given to: • Including a definition of "material outsourcing arrangement" within Section 6.1 (Definitions); or • Cross-referencing the Statement of Guidance on Outsourcing issued by the Authority, which already provides a framework for assessing the materiality of outsourcing arrangements.	*See comment in Rule 10.7.6 regarding material outsourcing.*	See comment in Rule 10.7.6 regarding material outsourcing.

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	SECTION-SPECIFIC COMMENTS			
201.	**11.1**	Please consider deleting "and plan" at line 2	The Authority acknowledges the comment and has amended the Rule.	Rule 11.1 has been amended to the following: ***"FSPs must establish, document, and implement an effective training programme and plan that ensures all relevant employees, agents, and other persons authorised to act on their behalf understand and comply with the requirements of POCA, the AMLRs, the TA, the PFPA, and all applicable legislation."***
202.	**11.1**	Please consider deleting these requirements as the PSA does not believe a training plan to be necessary.	The Authority notes the comment and clarifies that a training plan is essential to appropriately plan training activities and to ensure an objective assessment of the scope and coverage of the training, taking into account the FSP's risk profile.	See the comment above on 11.1.
203.	**11.3**	The Authority include a new required - conduct F&P assessments of employees and to conduct these assessments on an ongoing basis. This is quire onerous and is more stringent than the rules outlined for Director and Senior management on a ongoing basis. The Authority do not have a uniform approach to conducting F&P assessments across each sector.	The Authority notes the comment and confirms that the outcomes anticipated in Rules 11.1 and 11.4 effectively address Rule 11.3.	Rule 11.3 removed.

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		Therefore, this rule places stricter onus on the Licensee than the Authority current requirement for approval of MLRO/DMLRO across each sector as no two sectors are treated the same. Some require notification only whilst sectors such as Banking require approval. The Authority should consider removing this rule.		
204.	**11.3**	New Rule 11.3 provides: "FSPs must ensure that all their employees, including senior management and employees with AML/CFT/CPF responsibilities, are competent, fit and proper to discharge their assigned responsibilities." Is the reference to "fit and proper" intended to capture the Authority's Regulatory Policy on Fitness and Propriety and therefore, require a PQ? If not, what is the expectation for determining and evidencing such threshold of "fit and proper" other than standard employment background checks?	See comment above regarding Rule 11.3	See comment above regarding Rule 11.3
205.	**11.4**	Please consider inserting "commensurate with their respective roles" after "checks" at line 3.	Was Rule 11.4 now 11.3 The Authority acknowledges the comment and has agreed to amend rule 11.4	Rule 11.3 has been amended to the following: ***"FSPs must establish and implement recruitment and selection procedures and controls, including screening prospective employees through fitness and propriety checks, integrity screening, due diligence, and background checks, to ensure staff competence and integrity, and to prevent ML/TF/PF."***

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206.	**11.4**	These sections are repetitive. Consider combining or rewording these two sections for conciseness.	The Authority notes the suggestion.	Sections were amended to minimise duplication, as necessary.
207.	**11.5**	Rule 11.5 notes 'FSP must establish and implement recruitment and selection procedures and controls, which include screening prospective employees through fit and proper checks, integrity screening, due diligence, and background checks, to ensure staff competence, integrity and prevent ML/TF/PF.' The PSA requests CIMA to confirm what is meant by 'integrity screening' and whether the standard screening performed for adverse media, political exposure and sanctions, educational background checks, and feedback from previous employers would be considered sufficient.	The Authority notes the comment and clarifies that standard procedures implemented in proportion to the FSP's risk profile would suffice.	No amendment required.
208.	**11.5**	These sections are repetitive. Consider combining or rewording these two sections for conciseness.	The Authority acknowledges the comment and has removed Rules 11.3, 11.6, and 11.10.	The Authority removed Rules 11.3, 11.6, and 11.10.
209.	**11.5**	New Rule 11.5 provides: "FSPs must establish and implement ongoing monitoring and updating of screening records periodically, which include fit and proper checks, integrity screening, due diligence, and background checks, to ensure staff competence, integrity and prevent ML/TF/PF." The PSA envisages that FSPs will take a risk-based approach to this obligation, depending on the role in question. It would be helpful if the Authority could confirm that such an approach is in line with the Authority's expectations.	The Authority notes the comment and clarifies that such an approach is acceptable, provided it aligns with the FSP's risk exposure.	No amendment required.

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210.	**11.5**	New Rule 11.6 provides: FSPs must establish and implement ongoing monitoring and updating of screening records periodically, which include fit and proper checks, integrity screening, due diligence, and background checks, to ensure staff competence, integrity and prevent ML/TF/PF. In relation to provision 11.5, what does the Authority mean by "fit and proper checks" in the context of regular staff members as opposed to an AMLCO or MLRO? Additional guidance would be welcomed by Private Sector Associations on what criteria the Authority expects FPSs to consider when assessing regular staff members e.g., background checks, police checks etc., keeping in mind potential breaches of the Data Protection Act.	The Authority acknowledges the comment and has amended the Rules to remove 11.6	Rule 11.6 removed
211.	**11.5**	CIMA should clarify what is meant by "integrity screening" and whether standard screening for adverse media, political exposure, sanctions, educational background checks, and references from previous employers would be considered sufficient compliance.	The Authority acknowledges the comment and has amended the Rules to remove 11.6	Rule 11.6 removed.
212.	**11.6**	"Where the FSP has employees, agents, or other persons authorised to act on their behalf, they must develop and maintain a written, ongoing compliance training programme, and ensure that all appropriate staff, in accordance with Regulation 5 of the AMLRs, receive training on ML/TF/PF prevention on a regular basis." This does not specify relevance and so can be misleading in terms of scale, scope, and depth. Suggest this be reworded to be consistent with 11.3 and 11.12	The Authority acknowledges the comment and has amended the Rules to remove 11.6 as the desired training outcomes are achieved from 11.1 and 11.2	Rule 11.6 removed.
213.	**11.6**	The PSA submits that this section is redundant in light of other provisions regarding training and note that "written compliance training programs" may not be relevant in today's environment; the PSA therefore recommends deletion. If the clause is retained, the PSA recommends the following amended wording - "FSPs must ensure that all staff, in accordance with the AMLRs, receive training on ML/TF/PF prevention on a periodic basis".	The Authority acknowledges the comment and has amended the Rules to remove 11.6 as the desired training outcomes are achieved from 11.1 and 11.2	Rule 11.6 removed.

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214.	**11.6**	New Rule 11.6 provides: "Where the FSP has employees, agents, or other persons authorised to act on their behalf, they must develop and maintain a written, ongoing compliance training programme, and ensure that all appropriate staff, in accordance with Regulation 5 of the AMLRs, receive training on ML/TF/PF prevention on a regular basis." (Our emphasis) As noted above in relation to new Rule 7.3(d), the requirement under Regulation 5 of the AMLRs is to provide training to "employees" only. The Authority's Guidance Notes clarify that this requirement encompasses "Directors" and "Senior Management", but it does not extend the requirement to third parties, such as agents and service providers authorized to act on a FSP's behalf, who should be responsible for the training of their own staff. To require otherwise would be duplicative, unnecessary, and overly burdensome to both the FSP and the third parties. Accordingly, the PSA strongly recommends that Rule 11.6 be limited to employees only. Suggested wording: "Where the FSP has employees, agents, or other persons authorised to act on their behalf, they must develop and maintain a written, ongoing compliance training programme, and ensure that all appropriate staff, in accordance with Regulation 5 of the AMLRs, receive training on ML/TF/PF prevention on a regular basis."	The Authority acknowledges the comment and has amended the Rules to remove 11.6 as the desired training outcomes are achieved from 11.1 and 11.2	Rule 11.6 removed.
215.	**11.6**	This does not specify relevance and so can be misleading in terms of scale, scope, and depth. Suggest this be reworded to be consistent with 11.3 and 11.12	The Authority acknowledges the comment and has amended the Rules to remove 11.6 as the desired training outcomes are achieved from 11.1 and 11.2	Rule 11.6 removed.
216.	**11.7**	The PSA submits that the requirement for "ongoing training" is onerous and ask that the words "on an ongoing basis" at line 1 be deleted. The PSA would also recommend that this section can be included as part of section 11.8	Was 11.7 now is 11.5 The Authority acknowledges the comment. Additionally the Authority would like to note	**Rule 11.5 amended and now reads:** ***"The FSP's training programmes must be administered on an ongoing basis and delivered at least***

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			that the rule has been deleted and combined with the Rule 11.5 for clarity.	***annually. The training should at a minimum, cover the following"***
217.	**11.7**	The drafting of section 11.7 may benefit from clarification to ensure the scope and structure of the training obligations are clearly articulated. Clarification of the specific legal requirement and whether the obligation is intended to introduce any additional training expectations beyond those already required under the AMLRs. Promotes clarity of interpretation and consistent implementation.	See the above comment.	See the above comment
218.	**11.8**	"…..the compliance policies and procedures developed to meet the requirements under the relevant acts and associated regulations for preventing and detecting ML/TF/PF risks, including the reporting, record keeping and KYC requirements; and…." This assumes that it will only be compliance procedures which are used to meet the requirements. In practice, a Compliance policy is drafted. Then a business will implement procedures to meet that policy in any number of procedural documents and not just compliance policies Suggest the sentence remove 'Compliance'. It would better reflect the real-world practice and not create undue work with maintaining duplicate procedures (one Compliance procedure and multiple operational procedures with the same item).	Was 11.8 and now is 11.5 (e) The Authority acknowledges the comment and has agreed to amend the Rule 11.8 (e).	Rule 11.5 (e) amended and now reads: ***"...the policies and procedures developed to meet the requirements under the relevant acts and associated regulations for preventing and detecting ML/TF/PF risks, including the reporting, record keeping and KYC requirements; and..."***
219.	**11.8**	This assumes that it will only be compliance procedures which are used to meet the requirements. In practice, a Compliance policy is drafted. Then a business will implement procedures to meet that policy in any number of procedural documents and not just compliance policies Suggest the sentence remove 'Compliance'. It would better reflect the real world practice and not create undue work with maintaining duplicate procedures (one Compliance procedure and multiple operaitonal procedures with the same item)	*See above comment regarding Rule 11.5 (e)*	See above comment regarding Rule 11.5 (e)

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220.	**11.9**	Please consider deleting these requirements as the PSA does not believe a training plan to be necessary.	Was 11.9 now is 11.8 The Authority notes the comment suggesting the removal of the requirement for FSPs to document a formal training plan. The Authority notes that the requirement to establish and document a training plan is intended to ensure that FSPs adopt a **structured and risk-based approach** to AML/CFT/CPF training, and to support effective implementation, consistency, and supervisory assessment of training programmes. The Authority considers that maintaining a documented training plan is an important component of demonstrating compliance with AML/CFT obligations and ensuring that employees receive training appropriate to their roles. Accordingly, the Authority does not propose to remove this requirement.	No amendment required
221.	**11.11**	Please consider deleting these requirements as the PSA does not believe a training plan to be necessary.	See above comment	No amendment required.

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222.	**11.12**	...are responsible for implementing or overseeing the compliance program, including the compliance officer, senior management, information technology staff, members of the Governing Body or internal auditors. Suggest the point be updated from "or" to "and" as follows: are responsible for implementing or overseeing the compliance program, including the compliance officer, senior management, information technology staff, members of the Governing Body AND internal auditors.	Was 11.12 and now is 11.8 (d) The Authority acknowledges the comment.	Rule 11.8 (d) amended, now reads: ***"...are responsible for implementing or overseeing the compliance program, including the compliance officer, senior management, information technology staff, members of the Governing Body and internal auditors."***
223.	**11.16**	At line 1, consider replacing "The frequency of an FSP's training programme, which " with "The FSP's training programme" before "must be"	Was 11.16 and now is 11.12 The Authority notes the suggestion and has updated accordingly	Rule 11.12 Amended and now reads: ***"The FSP's training programme must be delivered at regular intervals (for example, monthly, semi-annually, annually), when certain events occur, or by a combination of both."***
224.	**11.17**	Consider deleting "and plan" at line 1 and the final sentence beginning "Circumstances".	Was 11.17 and now is 11.13 The Authority acknowledges the comment and has agreed to update Rule 11.17.	Rule 11.13 Amended and now reads: ***"FSP's training programme must be tailored appropriately to the size, complexity, structure, nature of business and risk profile. For example, a larger FSP may decide to provide different types of training to its employees, agents, or other persons authorised to act on its behalf based on their specific roles and duties. Circumstances of this nature must be explained in an FSP's training plan."***
225.	**11.18**	An FSP must maintain training records that include among other things, the topics and content that were covered. The Guidance Notes already set out what information must be reflected in the training log. The above wording has gone beyond what already exists and now includes the terminology 'topics',.	Was 11.18 now is 11.14 The Authority acknowledges the comment. The requirement to maintain training records, including the topics and content	No amendment required.

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		It is unclear how the Authority will expect so see additional information reflected in training records and why a brief description of the content covered, which has been in place without issues, is not sufficient. Suggested Wording: An FSP must maintain a record of the training that has been delivered, which must include at a minimum the date when the training took place, a list of the attendees who received the training, and description of the content that was covered and make this available to the Authority or any other Supervisory Authority upon request. Rationale The rationale is unclear and further rules beyond what is currently articulated in the Guidance Notes are unnecessary. By focusing on high-level topics, and FSP can avoid disclosing sensitive content, maintain manageable log sizes, and protect intellectual property of third-party service providers.	covered, is intended to provide enforceable means to evidence compliance with the AMLRs. The Authority does not expect detailed or sensitive training materials to be recorded; a high-level description of the topics or subject matter, aligned to the FSP's risk profile, will generally be sufficient. The Authority also retains the discretion to request additional information relating to the training programme where necessary for supervisory or enforcement purposes.	
226.	12	A few points as it relates to the Funds industry. 1. Please provide clarification on how the independent AML audit requirement applies to Cayman Islands investment funds, including registered mutual funds and private funds, given the structural characteristics of these funds and the practical independence challenges that arise in the current market. Many Cayman investment funds outsource substantially all of its functions including the AMLCO, MLRO and DMLRO roles, fund administration, independent governance/directors and financial audits. In this structure the outsourced AMLCO already performs a review and oversight function over the AML work of the fund administrator as it relates to investor KYC and account activity and also over the work of the investment manager as it relates to the AML/KYC aspects of the fund's investments. Requiring an independent AML audit of the	The Authority recognises that many Cayman Islands investment funds operate as securities vehicles with fully outsourced business models, reliance on regulated service providers and no employees at the fund level. FATF guidance supporting Recommendation 18 for the securities sector emphasises that senior management must both be aware of the ML and TF risks to which the securities provider is exposed and understand how the AML and CFT control framework operates to mitigate those risks. Independent, risk based testing enables senior	No amendment required.

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		Compliance Programme in this context would in substance constitute a review of the AMLCO's review of work that has already been reviewed and tested. This represents a third layer of oversight on functions that are themselves already subject to independent scrutiny and may be disproportionate to the risk profile of a fully outsourced fund structure. Please can the Authority clarify whether the intent of the audit requirement in this context is to subject the AMLCO function itself to independent review. This would be a legitimate supervisory objective given that AMLCOs serving funds are not themselves directly regulated by any supervisory body. If that is the intent it should be stated expressly so that the scope of the audits are understood by industry. 2. Mandatory independent AML audits would be sensible where the fund maintains its AML officer roles in-house and self-administers the fund without a third-party administrator. Additionally, consideration should be given around Funds outsourcing to third party administrators that are NOT regulated in the Cayman Islands or are regulated in a jurisdiction with materially weaker standards or not regulated at all. This would give reason for an independent AML audit in these instances which would provide a meaningful layer of assurance that would otherwise not exist. Suggest the Authority consider a risk-based approach to the audit requirement for investment funds that distinguishes between fully outsourced structures using regulated Cayman service providers and structures where key functions are self-administered or delegated to unregulated or offshore providers. A mandatory audit requirement applied uniformly across all fund structures regardless of their delegation and oversight arrangements is not	management and governing bodies to validate the effectiveness of risk assessments and internal controls. While fund structures and outsourcing arrangements are relevant to determining the appropriate scope and frequency of audits, they do not remove the requirement for an independent audit under the AMLRs. The audits may be performed at the service provider level, with coverage of FSP's being considered.	

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		proportionate and does not reflect the material differences in risk that exist across the fund's population. 3. It is common practice and commercial strategy for a single firm or group firm of affiliated/subsidiaries/parent owned entities to provide a fund with its full suite of services including fund administration, AML Officer services, independent directorship, registered office, board support and AEOI filing services. Where this is the case two concerns arise where the Authority requires an independent AML audit under Rule 12.2. The first concern relates to group structure. Where all of a fund's service providers sit within a single firm or group, the fund would be required to engage an entirely separate firm to conduct the AML audit. It is noted that some firms currently maintain formal information barriers between their audit function and the compliance and administration functions being reviewed and this practice exists in the market today, however there does not appear to be a consistent understanding or interpretation by the industry on if this is acceptable. The Authority is asked to explicitly state whether an audit performed by an entity within the same firm or group structure can satisfy the independence requirement where formal information barriers are in place such as a separate legal entity solely conducting audits, and to provide guidance on what structural arrangements would constitute acceptable independence in this context. The second concern relates to competitor confidentiality. Competitor firms are likely to conduct AML audits of each other's fund clients as they have the expertise and resources, which creates a material commercial and confidentiality risk. An auditor performing an independent AML audit of a fund would require access to that fund's client files, investor information, contracts and internal		

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		procedures. Where the auditing firm is itself a competitor in the fund services market this creates a significant risk of commercially sensitive information being exposed in the course of discharging a regulatory obligation. The Authority is asked to consider whether additional safeguards are needed to address this conflict and whether guidance on managing confidentiality in the context of competitor audits will be provided		
227.	12	The Rule requires an independent AML audit but does not define the minimum audit scope (limited/full) or methodology expectations. Suggested wording: The Authority should issue a Statement of Guidance setting out minimum audit scope, risk-based testing expectations, documentation requirements.	The Authority acknowledges the comment. The Rules are intended to establish the requirement for independent review and testing of the AML/CFT Compliance Programme, while allowing flexibility in how that review is conducted. The scope, depth, and methodology of an independent AML audit should be determined on a risk-based basis, having regard to the nature, size, complexity, and risk profile of the FSP. The Authority considers that prescribing a minimum audit scope or detailed methodology within the Rules, or through a separate Statement of Guidance, is not necessary at this time. Existing professional standards, supervisory engagement, and risk-based application provide sufficient flexibility while ensuring	No amendment required.

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			effective and proportionate assurance.	
228.	12	The PSA believes that it is not feasible in practice to require investment funds to have independent and external AML audits and that for the reasons outlined below, there is no additional benefit to a very costly requirement that would have significant negative impact on the jurisdiction due to the unavoidable increase in cost to operating a Cayman Islands investment fund: • Scale - Number of Funds impacted (estimate to be tens of thousands) • Resources -Creates an entire new service that will need sufficient internal audit staff. • Time Requirements – Annual reporting deadline impractical due to scale of number of funds impacted • External Audit Requirement Specific concerns - Volume of external engagements required. Who are the expected service providers to fill required demand: external audit firms, administrators/AMCO's performing cross company audits on each other Investment funds that appoint regulated fund administrators and independent AML Compliance Officers (AMLCOs) already operate within a robust system of anti–money laundering governance, oversight, and monitoring. Because of this existing structure, imposing a separate annual AML audit requirement would be duplicative, add limited incremental value, and fall outside the legislative intent of most AML regulatory frameworks. The key points supporting this position are outlined below. 1. Regulated fund administrators are already subject to comprehensive AML regulatory oversight	The Authority recognises that many Cayman Islands investment funds operate as securities vehicles with fully outsourced business models, reliance on regulated service providers and no employees at the fund level. FATF guidance supporting Recommendation 18 for the securities sector emphasises that senior management must both be aware of the ML and TF risks to which the securities provider is exposed and understand how the AML and CFT control framework operates to mitigate those risks. Independent, risk based testing enables senior management and governing bodies to validate the effectiveness of risk assessments and internal controls. While fund structures and outsourcing arrangements are relevant to determining the appropriate scope and frequency of audits, they do not remove the requirement for an independent audit under the AMLRs. The audits may be performed at the service	No amendment required.

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		Fund administrators engaged by Cayman funds are generally licensed or registered with a financial regulator (e.g., CIMA, the CSSF, the Central Bank, FINMA, MAS, FCA, etc.) are typically: • Directly supervised for AML compliance • Required to maintain documented policies, procedures, and internal controls • Subject to periodic onsite inspections, thematic reviews, and offsite monitoring • Obligated to conduct full customer due diligence (CDD), ongoing monitoring, KYC refresh cycles, sanctions screening, and suspicious activity reporting Because the fund administrator performs the majority of AML-related activities for the fund, their regulatory supervision effectively serves as a continual audit mechanism. 2. Independent AML Compliance Officers provide ongoing oversight and monitoring Investment funds all must appoint: • An AML Compliance Officer (AMLCO) – i.e. an AMLCO not associated with the fund sponsor / manager / general partner • a Money Laundering Reporting Officer (MLRO) • a Deputy Money Laundering Reporting Officer (DMLRO) These roles are typically independent from both the fund administrator and the fund investment manager and responsible for: • Ongoing AML oversight and reporting to the board / GP • Evaluating the effectiveness of AML controls • Conducting risk assessments • Testing AML procedures • Monitoring the administrator's performance	provider level, with coverage of FSP's being considered.	

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
		• Reporting deficiencies Where the AMLCO appointed is not associated with the fund sponsor / manager / general partner, this role effectively provides regular independent monitoring on a continuous basis and adding additional annual AML audits provide little added benefit relative to the compliance structure already in place. 3. Duplicative AML audits would impose burden without enhancing investor protection An additional annual AML audit of the fund would be: • Duplication of audits and inspections already performed on administrators • Cost-inefficient, with costs ultimately borne by investors • Operationally redundant given the oversight by AMLCOs • Not risk-based, contrary to modern AML principles Our recommendation is to allow for a waiver / exemption of the independent audit requirement for investment funds that already have independent service providers in place, i.e. a regulated fund administrator and / or an AML Compliance Officer that is independent of the fund sponsor, fund manager or General Partner		
229.	12	Formatting comment regarding section 12- current sections 12.5 – 12.9 should be split into a separate section 13 as they discuss the functions of the MLRO and are separate from 12.1-12.4.	The Authority acknowledges the comment and has taken the organization of the section under consideration.	No amendment required.
230.	12	Requires ongoing evaluation of programme effectiveness; methodology not specified. Clarification that existing internal audit review processes would satisfy this requirement. Avoids unintended duplication of audit functions.	The Authority acknowledges the comment. The requirement is intended to ensure ongoing evaluation of the effectiveness of the AML/CFT compliance programme and does not prescribe a specific methodology. Existing internal audit processes that provide	No amendment required.

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			independent testing and review of the compliance programme may satisfy this requirement. However, to mitigate the risk of familiarity and to preserve objectivity, the Rules require that, at a minimum, one out of every three audit cycles be conducted externally. This approach avoids unnecessary duplication while ensuring robust and independent assurance over time.	
231.	**12**	1, Paragraphs 12.1 and 12.2 of the proposed Compliance Rule require each FSP to establish and maintain an "independent audit function" to review and test, among other things, the effectiveness of the FSP's compliance programme and to file the audit report with CIMA annually by 15 September of each year; some of the questions which arise are: (a) Is it possible or feasible for a small to medium-sized FSP FSP to have an "independent audit function"; (b) what are the criteria of "independence"? (c) Does the report to be filed by 15 September of each year relate to the previous calendar year?.	The Authority acknowledges the comment and provides the following clarifications. (a) The requirement to have an independent audit function is not new and is already embedded in the AMLRs and international standards. In particular, FATF Recommendation 18 recognises that independent testing of the AML/CFT compliance programme may be conducted by internal audit, external auditors, external specialists, or other suitably qualified independent professionals. Accordingly, the requirement is intended to be applied in a risk-based and proportionate manner, and may be met by small and medium-sized FSPs through appropriately structured	No amendment required

No.	Section	Comments	Authority's Response	Consequent Amendments to the Proposed Measure
			internal or external arrangements. (b) Independence is intended to mean functional independence from the design, implementation, and day-to-day operation of the AML/CFT compliance programme being reviewed. The objective is to ensure impartial and objective testing, rather than to mandate a particular organisational model or prescriptive criteria. (c) As previously clarified, the Rules have been amended to remove the prescribed annual filing deadline. The timing and period covered by an audit report should be determined on a risk-based basis, and the Authority retains discretion to request the most recent audit report or to require an FSP to conduct an audit where warranted.	
232.	**12**	2. Paragraph 12.4 states that the "independent audit" may only be conducted internally for two consecutive years, after which it must be conducted by an external service provider. 3. Has CIMA conducted a study to determine whether there are external providers who will perform the services required by paragraph 12.1? 4. Has CIMA carried out an evaluation of how much a FSP would have to pay to have the report prepared by an	Was 12.4, now 12.3 Was Rule 12.4 now 12.3 The Authority acknowledges the comments. Paragraph 12.3 has been amended to refer to consecutive audit cycles rather than consecutive years, aligning the requirement more closely with a risk-based and	Rule 12.3 amended and now reads: ***"The audit may be conducted internally but must not be undertaken internally for more than two (2) consecutive audit cycles. For example, if the audit is conducted internally for two consecutive cycles, then the next audit must be conducted by an external service provider."***

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		external provider?	proportionate approach. With respect to the availability and cost of external service providers, the Authority notes these are matters influenced by market conditions and individual firm circumstances. The Rules are intended to provide flexibility in how FSPs meet the requirement, while ensuring appropriate independent oversight over time.	
233.	**12**	Once again, paragraph 12 is another example of where the proposed Compliance Rule goes beyond the AMLRs. In addition, it goes beyond FATF's Recommendation 18, as The PSA shall explain below. 6. Section 5 of the AMLRs states the following: "5. A person carrying out relevant financial business shall not, in the course of the relevant financial business carried out by the person in or from the Islands, for a business relationship, or carry out a one-off transaction, with or for another person unless that person — (a) maintains an appropriate, having regard to the money laundering risks, terrorist financing risks and proliferation financing risks and the size of the business, the following procedures in relation to that business (ix) such other procedures of internal control, including an appropriate risk-based independent audit function and communication as may be appropriate for the ongoing monitoring of business relationships or one-off transactions for the purpose of forestalling and preventing money laundering, terrorist financing and proliferation financing; "	The Authority acknowledges the comment and has provided relevant responses throughout these responses.	No amendment required.

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234.	**12**	FATF's Recommendation 18 (pages 18-19) addresses internal controls. While Recommendation 18 itself does not explicitly refer to the requirement for an independent audit, the Interpretive Note to Recommendation 18, paragraph 1(c) (page 90), refers to the need for an independent audit function to test the AML/CFT system	The Authority acknowledges the comment. While FATF Recommendation 18 addresses internal controls more generally, the Interpretive Note to Recommendation 18 explicitly includes an independent audit function to test the effectiveness of the AML/CFT programme as a core component of those controls. The Authority considers the requirement for an independent audit to be consistent with this standard and with international best practice.	No amendment required.
235.	**12**	Importantly, Note 2 on the same page states that: "The type and extent of measures to be taken should be appropriate having regard to the risk of money laundering and terrorist financing and the size of the business. " 9. Accordingly, the FATF Recommendations require the establishment of an independent audit function; however, they do not prescribe a specific frequency (e.g., annually). The scope and periodicity of the audit should be determined based on the entity's risk profile, nature, size, and complexity, in line with the risk-based approach. 10. In summary, the FATF Recommendations do not mandate that an AML audit be conducted every year	The Authority acknowledges the comment. The Rules have been amended for clarity to remove any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme and to reflect that audit frequency should be determined on a risk-based basis. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme.	No amendment required.

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236.	**12**	Our Opinion and Submission on Section 12 11. This proposal represents a significant departure from the risk-based approach that underpins the AMLRs and CIMA's supervisory framework. There is no differentiation based on size, complexity, or risk profile. A small, low-risk company manager would be subject to the same annual audit requirement as a large institution. 12. The market simply does not have sufficient suitably qualified and independent professionals to conduct annual AML audits for every regulated entity in the jurisdiction, let alone at an affordable price for a small to medium-sized FSP. 13. The likely effect will be a severe shortage of auditors, material cost inflation and a compliance "tick-box" exercise driven by capacity constraints rather than quality. 14. Smaller firms will be disproportionately affected and may face unsustainable recurring compliance costs. The AML regime in Cayman has always been premised on proportionality and risk sensitivity. A blanket annual external audit requirement undermines that foundation. 16. At minimum, the frequency of independent audits should be calibrated to risk profile and size, with supervisory discretion rather than an inflexible annual mandate.	The Authority acknowledges the comment and confirms that the Rules have been amended for clarity to remove any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme. The requirement is intended to operate on a risk-based basis, with the frequency and scope of audits determined having regard to the nature, size, complexity, and risk profile of the FSP. This approach is consistent with the AMLRs, FATF standards, and the Authority's long-standing supervisory philosophy. The Authority recognises the practical considerations raised in relation to auditor availability, cost, and the potential impact on smaller or lower-risk firms. The amended approach is not intended to impose a blanket annual audit requirement across all regulated entities, nor to promote a "tick-box" exercise. Rather, it is intended to ensure that independent testing of AML/CFT frameworks is conducted where warranted by risk. Notwithstanding the removal of a fixed timeframe, the	No amendment required.

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			Authority retains the discretion, consistent with its supervisory mandate, to request sight of the most recent independent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme. This discretion will be exercised proportionately and having regard to the specific risks presented by the FSP.	
237.	12.1	The rule states that an FSP must establish and maintain an independent audit function to review and test the Compliance Programme. A small FSP cannot truly have an independent audit function on a continuous basis as the terms 'maintain' and 'function' implies an internal department of an FSP, due to factors like size, cost, scale, and potential conflicts of interest. In should be noted that policies and procedures that articulate the process for independent evaluation whether through internal resources, outsourcing, or similar should be sufficient to satisfy the function test. Suggested Wording: As part of the AML/CFT/CPF systems and controls, an FSP must establish and maintain procedures to ensure that there is an independent audit to review and test the Compliance Programme " The rule has included "prescribed returns" as being included in the review of the AML/CFT/CPF audit scope. As many returns prescribed by the Authority are well outside the remit of the compliance function or team and not relevant to AML/CFT/CPF risk, it would be prudent to specify which	The Authority acknowledges the comment. The Rules have been amended for clarity to remove any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme and to reflect that audit frequency should be determined on a risk-based basis. For these purposes, independence is intended to mean independence from the delivery, design, and day-to-day operation of the Compliance Programme. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme.	Rule 12.2 amened now reads: ***"The FSP must ensure that:*** ***a) the audit is carried out at a frequency commensurate with its size, complexity, structure, nature of business, and the risk profile, as determined by the FSP's risk assessment or as otherwise required by the Authority;*** ***b) the audit is carried out by suitably qualified persons who are independent and separate from those involved in the design, implementation, or operation of the policies, procedures, systems, and controls under audit, and who are free from any conflict of interest that***

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		returns are to be included for AML/CFT purposes, or remove this point. The Rule does not specify which professional standards govern how that audit must be conducted, documented or reported. The SOG on Internal Audit for Banks and for Unrestricted Trust Companies both reference "...ensuring compliance with sound internal auditing standards, such as the Institute of Internal Auditors' Standards for the Professional Practice of Internal Auditing." Suggest a baseline standard for the conduct of AML Compliance Programme audits be included or consideration be given to issuing a Statement of Guidance on Internal Audit applicable to all FSPs to ensure consistency and conformity across the industry rather than leaving the applicable standard to differ by entity type. Rationale Rules must take into account the diversity of the financial sector and be drafted so to encompass all types of FSPs. Returns of any nature made to the Authority may be better tested in an audit of Internal Controls/Governance (prudential) as opposed to AML.	For clarity amendment done in Rule 12.2	***could impair their objective judgment;*** ***c) the FSP must, upon request, provide the Authority with the documentation of the independence of any person who performed the audit of the Compliance Programme, including the basis on which such independence was determined; and*** ***d) the audit report is filed with the Authority as soon as practically possible after the completion of the audit, or as otherwise prescribed by the Authority."***
238.	12.1	a.) The Rule introduces the concept of an "independent audit function" as the primary assurance mechanism over the compliance programme, yet does not define what constitutes such independence. The term "independent" is used in Section 12.1 and 12.2 to refer to organizational separation from operations and compliance, and in Section 12.4 to distinguish between internal and external delivery, creating ambiguity as to what standard of independence is required. The Rule further requires auditors to be "independent of operations and compliance functions" but	The requirement for an independent AML audit is an existing obligation under Section 5(ix) of the Anti Money Laundering Regulations (AMLRs). This provision requires persons carrying out relevant financial business to maintain, having regard to money laundering, terrorist	No amendment required

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		provides no criteria for assessing or documenting such independence. Many Cayman FSPs have limited staff where independence may be structurally impossible. No requirement exists to document the independence assessment. Suggestions: CIMA should define "independent audit function" in Section 6.1 (Definitions), distinguishing between organizational independence (reporting lines) and practioner independence (no conflicts of interest, no involvement in compliance programme design/operation). 4 Section 12.2 should also be expanded with specific independence criteria: no involvement in the Compliance Programme during the review period, direct reporting to the Governing Body, no conflicts of interest, and mandatory documentation of the independence assessment retained and available to the Authority. b. The PSA also requests clarification on whether investment funds regulated under the Mutual Funds Act and Private Funds Act will fall within scope of the AML effectiveness audit requirement. These funds are regulated by CIMA and POCA applies broadly to all Cayman entities, including investment fund structures. POCA's definition of relevant financial business includes activities such as participation in securities issues and investing or managing funds on behalf of others, which aligns with the core functions of investment funds. The PSA therefore seeks confirmation as to whether all regulated investment funds will be required to complete an annual AML audit, including the requirement for an external audit every third year, or whether any proportionality considerations or exemptions are intended for fund structures.	financing and proliferation financing risks and the size of the business, an appropriate and effective independent audit function as part of their internal controls. The wording of the Rule has been updated to provide clarity that the independent AML audit is expected to be conducted on a risk based basis, with the frequency, scope and depth of testing determined by the FSP having regard to its risk profile. The Authority recognises that many Cayman Islands investment funds operate as securities vehicles with fully outsourced business models, reliance on regulated service providers and no employees at the fund level. FATF guidance supporting Recommendation 18 for the securities sector emphasises that senior management must both be aware of the ML and TF risks to which the securities provider is exposed and understand how the AML and CFT control framework operates to mitigate those risks. Independent, risk-based testing enables senior management and governing bodies to validate the effectiveness of risk	

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			assessments and internal controls. While fund structures and outsourcing arrangements are relevant to determining the appropriate scope and frequency of audits, they **do not remove the requirement** for an independent audit under the AMLRs. The audits may be performed at the service provider level, with coverage of FSP's being considered.	
239.	12.1	New Rule 12.1 provides: As part of the AML/CFT/CPF systems and controls, an FSP must establish and maintain an independent audit function to review and test the Compliance Programme, ensuring its adequacy, effectiveness and alignment with the applicable legislative and regulatory obligations, including AMLRs and any regulatory requirements issued by the Authority, including prescribed returns. The PSA suggests Section 12 of the Compliance Rule, which requires a formal annual audit of the Compliance Programme should provide flexibility in both the frequency and scope of reviews based on the FSP's risk profile. A blanket approach to all FSPs would impose a disproportionate burden on reinsurers, if in scope (noting the above discussions specific to reinsurers). The PSA again wants to call on the Authority to maintain a risk based approach enshrined in the FATF Recommendations. The Private Sector Associations respectfully requests that the Authority confirm the requirement to undertake a formal annual audit of the Compliance Programme does not apply to reinsurers unless they are conducting "relevant financial business". Currently reinsurers complete the Authority's annual Relevant Financial Business – Self Declaration (RFB Return). The PSA	The Authority acknowledges the comment. The Rules have been amended for clarity to remove any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme and to reflect that audit frequency should be determined on a risk-based basis. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme. With respect to the annual Self-Declaration, The annual Relevant Financial Business (RFB) Self-Declaration provides the Authority with supervisory visibility over an FSP's AML/CFT	No amendment required.

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		are seeking clarification on whether continued completion of the RFB Return (should reinsurers remain in scope) be considered a sufficient alternative for reinsurers, as it provides the Authority with visibility over the reinsurers AML-CFT controls in place, noting that annual AML-CFT audits are not FATF mandated, but obligated by certain financial regulators based on jurisdiction-specific risk assessments.	framework; however, it does not replace the requirement for independent review and testing of the AML/CFT compliance programme. The self-declaration is an attestation by the FSP, whereas an independent audit function provides objective assurance on the effectiveness of controls.	
240.	12.2	The rule requires that the audit report will be filed with the Authority no later than September 15 of each year. #1 The Rule fails to specifically state that that audit must be an annual event, although it is implied by the language of filing an audit report every year. This is inconsistent and contrary to the Regulations 5(a) that require proportionate, risk-based audit procedures aligned to the nature and size of the business. A rule relating to risk based audit frequency should consider small businesses with minimal risk could have less frequent or lighter reviews, while higher-risk entities receive more frequent scrutiny. #2-Mandatory annual AML audit, which is to be filed no later than 15 September of each year, is inconsistent with the Rule's own risk based approach requirements under Section 9. In addition, there will be added cost making Cayman less attractive compared to other jurisdictions who do not require an annual AML audit. The Authority may consider to introduce a risk-based audit framework guideline that defines small business thresholds (e.g., client count, annual turnover, transaction value) and prescribes lighter- touch audit requirements for those below thresholds.	The Authority acknowledges the comment. The Rules have been amended for clarity to remove any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme and to reflect that audit frequency should be determined on a risk-based basis. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme. The Authority recognises that many Cayman Islands investment funds operate as securities vehicles with fully outsourced business models, reliance on regulated service providers and no employees at the fund level. FATF guidance	Rule 12.2 amened now reads: ***"The FSP must ensure that:*** ***a) The audit is carried out at a frequency commensurate with its size, complexity, structure, nature of business, and the risk profile, as determined by the FSP's risk assessment or as otherwise required by the Authority;*** ***b) the audit is carried out by suitably qualified persons who are independent and separate from those involved in the design, implementation, or operation of the policies, procedures, systems, and controls under audit, and who are free from any conflict of interest that could impair their objective judgment;*** ***c) the FSP must, upon request, provide the Authority with the documentation of the***

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		#3 CIMA should focus on ensuring that audits are thorough and meet the standards in the guidance notes. The proposed rule would require all entities to have an AML audit every year. This is not risk-based and is not required by FATF standards. There are many small financial services providers with a steady client base and predictable transactions. There is no benefit for these types of entities to undergo annual AML audits if nothing changes in their business or in the legislation. The costs of an AML audit in this case greatly outweigh the benefit. The requirement for an AML audit should remain risk based as it is currently and CIMA should focus on ensuring that entities apply the risk-based approach correctly rather than imposing a rigid rule-based system on all the entities under its supervision. Suggested wording: "The independent AML audit must be conducted at a frequency proportionate to the FSP's ML/TF/PF risk profile. #4-This section contradicts 8.2 (c) while simultaneously imposing additional costs on an FSP. AML COs are to operate independently of the business and the operational functions they oversee. According to the AML Regs the AML CO is to "ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated that Anti-Money Laundering Compliance Officer". One way that the AML CO achieves this obligation is by conducting AML audits of the FSP to assess their compliance with the Compliance policies. The PSA would suggest that credit be given to the AML CO's independence, and that reliance be placed on the AML Audits conducted by the AML CO. If the Authority so wishes, the Authority can make	supporting Recommendation 18 for the securities sector emphasises that senior management must both be aware of the ML and TF risks to which the securities provider is exposed and understand how the AML and CFT control framework operates to mitigate those risks. Independent, risk-based testing enables senior management and governing bodies to validate the effectiveness of risk assessments and internal controls. While fund structures and outsourcing arrangements are relevant to determining the appropriate scope and frequency of audits, they **do not remove the requirement** for an independent audit under the AMLRs. Additionally, Consistent with FATF Recommendation 18, independent AML testing may be conducted by internal audit functions, external auditors, specialist consultants or other qualified parties, provided that they are independent of the AML programme. The Rule has been updated to provide clarity that, at a minimum, one independent AML audit in every three audit cycles must be	***independence of any person who performed the audit of the Compliance Programme, including the basis on which such independence has been determined; and*** *d)* ***the audit report is filed with the Authority as soon as practically possible after the completion of the audit, or as otherwise prescribed by the Authority."***

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		clear that it expects the AML COs to complete AML audits at a frequency as determined by a risk assessment. This would be consistent with the practice of the standard setters in the industry, and would naturally tie into the PSA's suggestion for 12.4. #5 - The rule seems to conflate the use of Internal Audit as an internal independent control mechanism with that of an external service provider as noted in the words "independent of the FSP". The IA staff is independent by not of the FSC hence it is unclear what the wording is intended to convey. IS the rule suggesting that the FSP must have two audits' programs ? What are the cost implications of this? The Authority should reconsider this requirement. Secondly, the PSA would respectfully suggest reconsidering the requirement to submit the audit report by a fixed annual deadline. In practice, many regulated entities conduct AML/CFT reviews as part of their broader internal audit programmes, which are typically scheduled based on risk-based audit plans approved by the governing body. These audit cycles may not necessarily align with the uniform calendar deadlines as outlined with the draft rule. Requiring submission by a specific date may therefore create operational challenges for entities whose internal audit schedules fall outside of this timeframe or where the audit forms part of a broader review of financial crime controls conducted at different points during the year. As an alternative, the Authority may wish to consider allowing the independent AML/CFT audit to be conducted at any point during the year in accordance with the entity's approved audit plan, with the report maintained and made available to the Authority upon request. This would support the Authority's objective of ensuring independent review while allowing entities to align AML/CFT audits with their established governance and risk- based audit frameworks.	conducted by an external auditor. This minimum external audit requirement is intended to preserve objectivity over time and mitigate familiarity and self review risks.	

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241.	12.2	After careful review, the PSA would like to respectfully raise concerns regarding the interpretation and operational impact of the proposed drafting, particularly of Section 12 of the proposed Rule – Effective Compliance Programme for ML/TF/PF. The PSA's comments below reflect the PSA's understanding of the requirements and their practical implications for Financial Service Providers (FSPs). 1. General Observation on Scope and Proportionality As drafted, Section 12 appears to require an annual full-scope independent audit of the entire AML/CFT/CPF Compliance Programme, including review of all policies, procedures, customer due diligence processes, sanctions screening, ongoing monitoring, risk assessments, reporting obligations, oversight structure, and implementation effectiveness. From an industry perspective, such a broad requirement would result in a significant operational and financial burden, particularly where the audit must be conducted externally. FSPs already undergo comprehensive layers of oversight, including: • annual Compliance Monitoring Programme (CMP) reviews; • internal audit reviews; • external audits; • staff performance assessments; and • CIMA onsite inspections. These existing assurance mechanisms collectively and effectively evaluate the adequacy and effectiveness of the AML/CFT/CPF programme. Given the current multilayered governance environment, mandating a full-scope annual AML effectiveness audit—especially by an external service provider every third year—	The Authority acknowledges the comment. The Rules have been amended for clarity to remove any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme and to reflect that audit frequency should be determined on a risk-based basis. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme.	See comment above regarding Rule 12.2

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		would be disproportionate to the risk of many regulated entities and would duplicate existing, robust assurance activities. 2. Need for Clarification on the Nature of the Required Filing The current drafting does not clearly indicate whether the Authority intends for FSPs to file: 1. a full independent audit report covering the entire AML programme, 2. an independent review (either internal audit or compliance monitoring function) report covering selected components, or 3. another form of effectiveness review. The PSA respectfully submit that clarity on this point is essential before the industry can meaningfully consent to the proposed obligations. Without clarification, the provision as written implies a mandatory, full-scope audit of the compliance programme annually—an interpretation that carries impractical implications for both industry and service providers. 3. Recommended Adjustments and Alternative Wording for Section 12 In the spirit of collaboration, the PSA proposes the following alternative drafting that maintains CIMA's supervisory objectives but adopts a more flexible, risk-based approach. Suggested Wording for Section 12 12.1 (Revised) As part of its AML/CFT/CPF systems and controls, an FSP must ensure that an independent review is conducted periodically to assess the key components of the		

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		AML/CFT/CPF Compliance Programme, ensuring its adequacy, effectiveness and alignment with the applicable legislative and regulatory obligations, including AMLRs and any regulatory requirements issued by the Authority, including prescribed returns. The scope and frequency of such reviews should be risk-based, documented, and aligned with the size, nature, and complexity of the FSP. 12.2 (Revised) The review must be carried out by persons independent of the FSP's operations and the AMLCO's reporting lines. Review report(s) should be filed with the Authority no later than 15 September of each year, or as otherwise prescribed by the Authority. 12.3 (Revised) Where the review function is outsourced, the FSP remains ultimately responsible for ensuring that its Compliance Programme is adequate and operates effectively. 12.4 (Revised) Any independent review to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally but must not be undertaken internally for more than two consecutive years. For example, if the review is conducted internally for two consecutive years, then the next review must be conducted by an external service provider. 4. Summary of Industry Position The PSA respectfully submits that: • A risk-based, flexible approach is more appropriate and proportionate than a mandatory full-scope annual audit. • FSPs already have strong control environments supported		

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		by multiple assurance mechanisms. • The proposed wording, as drafted, will result in substantial operational strain and unnecessary duplication. • Clearer drafting would enable consistent interpretation across the industry and avoid over-extension of compliance resources. General Comments For clarity, is the Authority mandating an internal AML audit on an annual basis regardless of risk of the entity? If so, this should be explicitly stated. The Rule does not define independence or specify what is required to achieve independence. Suggest independence is defined by either cross-referencing the IIA standards or providing a tailored definition to address points such as: (a) organisational independence for internal audit functions should require the function to report directly to the Governing Body and not to the AMLCO or any other compliance function. (b) financial independence for external providers should require that the provider holds no material financial interest in the FSP. (c) permissibility of group-internal audit functions should be expressly confirmed subject to documented independence safeguards including clear terms of reference and Governing Body oversight. (d) audits should not be conducted by the FSPs legal counsel (in-house or externally).		
242.	12.2	Rule 12.2 requires the audit to be carried out by persons "independent of the FSP's operations and compliance functions," while Rule 8.2(c) states that the AMLCO operates independently of operations to ensure unbiased oversight. 1. The rule has broadly included all 'operations and compliance functions. It is unclear if this is intended to	The Authority acknowledges the comment and provides the following clarification. The requirement that the audit function be independent of operations and compliance is intended to ensure objective and impartial testing of the	See comment above regarding Rule 12.2

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		include all operations or departments within and FSP including an internal audit team, or just the compliance function. To assess risk, controls, and governance effectively, internal audit teams or departments must interact with the business, access people, processes, and data across the organization. Some collaboration and interaction with operations are necessary to understand processes and gather evidence so would not be truly independent as currently stated above. Further, in outsourced situations, the MLRO, DMLRO and often well removed from all aspects of the operation, including the compliance functions as they only serve as a reporting officer in the event of a SAR. 2. The FSP should be able to determine who may conduct the audit based on the size, complexity and nature of the business. The focus of the Authority should evaluate if such an audit on a frequency as determined by risk, and the nature and size of the business has been completed, and whether such audit has achieved its objectives. 3. It is therefore unclear whether the AMLCO, MLRO or DMLRO may conduct the audit. Additionally, the AMLCO's annual reporting to the Board for a Fund typically includes an assessment of the Administrator's AML policies and procedures and testing of underlying investor KYC data. This constitutes a limited scope AML review, which appears duplicative of the requirements under Rule 12.2.As industry already has to comply with an annual AMLCO report, would it not make sense to file this with the Authority on an annual basis in place of an annual audit report. Further note: The industry is currently divided on who is best placed to conduct the AML audit. Some providers firmly believe it must be performed by a party entirely separate from the AMLCO, while others argue the AMLCO is best	AML/CFT compliance programme. While internal audit teams may, by their nature, interact with operational areas in order to assess risks, controls, and governance, independence in this context refers to independence from the design, implementation, and ongoing operation of the compliance programme being reviewed. In particular, key compliance function holders such as the MLRO, Deputy MLRO, or AML Compliance Officer, while operationally independent from business activities, would not be considered independent for the purposes of conducting the internal review, as this would give rise to a conflict of interest by requiring individuals to review and assess their own work. The Authority considers this distinction to be well understood within the context of assurance functions and does not propose an amendment to the Rule.	

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		positioned to conduct the work given their knowledge of the entity and the flexibility in scope of the required audit. This differing market interpretation further underscores the need for CIMA to issue a clear, authoritative position. Suggested wording: 1. The AML/CFT/CPF audit must be carried out by persons sufficiently independent of the compliance function, as determined by the FSP, and the audit report should be made available to the Authority upon request. 2"The AMLCO, MLRO, and DMLRO are eligible/not eligible to conduct the full scope independent AML audit, however they may conduct a limited scope audit which should be provided to the Authority on a frequency of X." The Authority should provide clear independence and competency criteria for internal and external auditors.		
243.	12.2	The Rule does not consider scenarios where filing by 15 September may not be feasible (e.g., newly licensed FSPs, force majeure, multi-jurisdictional groups). Suggestion: A mechanism for requesting extensions should be considered.	The Authority acknowledges the comment and has amended this requirement. The Rules have been amended for clarity, removing any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme, and reflecting that audit frequency should be determined on a risk-based basis. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme.	See comment above regarding Rule 12.2

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244.	12.2	Filing deadline is 15 September but the period the audit must cover along with the scope is not specified. Furthermore, the rule does not specify whether the internal audit testing should assess both the design and operating effectiveness of controls. Suggestion: 1. The rule specify the twelve-month period, with a carve-out for newly licensed FSPs. 2. The rule should state that the audit scope must be risk based and approved by the Board, or by a delegated authority, as part of the internal audit plan. 3. Clarify whether internal audit should assess the design and operating effectiveness of controls, or specify the expected scope of testing.	The Rules have been amended for clarity, removing any prescribed timeframe for the conduct of an independent audit of the AML/CFT compliance programme, and reflecting that audit frequency should be determined on a risk-based basis. Notwithstanding this, the Authority retains the discretion to request sight of the most recent audit report and, where appropriate, to require an FSP to conduct an independent audit of its compliance programme.	See comment above regarding Rule 12.2
245.	12.2	There is no requirement for management action plans, remediation tracking, or follow-up on findings. Suggestion: Require that entries in scope develop action plans for audit findings and implement a process to track remediation and conduct follow-up on outstanding issues per Global Internal Audit Standards™.	The Authority acknowledges the comment. It is the responsibility of each FSP to appropriately consider, address, and remediate any adverse findings arising from an independent audit of its AML/CFT compliance programme. Timely remediation and follow-up are essential to ensure the continued effectiveness of controls and ongoing compliance with the AML Regulations and Rules. The Authority considers these obligations to be inherent within an FSP's existing governance and compliance responsibilities and does not	See comment above regarding Rule 12.2

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			consider it necessary to prescribe specific remediation or tracking processes in the Rules.	
246.	12.2	New Rule 12.2 provides: "The audit function must be carried out by persons independent of the FSP's operations and compliance functions, and the audit report filed with the Authority no later than 15 September of each year, or as otherwise prescribed by the Authority." (Our emphasis) The PSA understands that new Rule 12.2 will require FSPs to undertake an annual audit of the FSP's AML compliance functions and that an external audit will be required every 3 years. However, requiring an "annual" audit is contrary to the requirement for a risk-based independent audit function as set out in the AMLRs and the Authority's Guidance Notes. As regards the independent audit function, regulation 5(a)(ix) of the AMLRs states: "5. A person carrying out relevant financial business shall not, in the course of the relevant financial business carried out by the person in or from the Islands, form a business relationship, or carry out a one-off transaction, with or for another person unless that person — (a) maintains as appropriate, having regard to the money laundering risks, terrorist financing risks and proliferation financing risks and the size of that business, the following procedures in relation to that business — … (ix) such other procedures of internal control, including an appropriate effective risk-based independent audit function and communication as may be appropriate for the ongoing	The Authority acknowledges the comments. The requirement for an independent audit function reflects existing obligations under the AMLRs, the Authority's Guidance Notes, and FATF Recommendation 18, all of which require risk-based independent testing of AML/CFT compliance programmes. The Rules have been clarified to allow the frequency and timing of audits to be determined having regard to the FSP's nature, size, complexity, and risk profile, rather than mandating an inflexible annual cycle or fixed reporting period. Independence is intended to mean functional independence from the design, implementation, and day-to-day operation of the AML/CFT compliance programme. While AML Compliance Officers play a key oversight role and may conduct reviews or quality assurance activities, they would not be regarded as independent for the purposes of performing the audit of the compliance programme, as this would	See comment above regarding Rule 12.2

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		monitoring of business relationships or one-off transactions for the purpose of forestalling and preventing money laundering, terrorist financing and proliferation financing;" (Our emphasis) Further, Part II, Section 10(B)(1) of the Authority's Guidance Notes states: "An FSP should, on a regular basis, conduct an AML/CFT audit. The frequency of the audit must be commensurate with the FSP's nature, size, complexity, and risks identified during the risk assessments." (Our emphasis) Importantly, the requirement for a FSP to undertake a risk-based independent audit is consistent with the FATF Recommendations, which states in the Interpretive Note to Recommendation 18 that Financial Institutions' programmes against money laundering and terrorist financing should include an "independent audit function to test the system" and that "[t]he type and extent of measures to be taken should be appropriate having regard to the risk of money laundering and terrorist financing and the size of the business." Accordingly, given the risk-based approach to the independent audit function taken in the AMLRs, the Guidance Notes and the FATF Recommendations, it would be inconsistent for the Rules to require an annual independent audit and the filing of the audit report with the Authority. An automatic annual requirement is also inconsistent with a risk-based approach, imposes obligations over and above what is required under the AMLRs and the Guidance Notes and will impose unnecessary compliance costs on FSPs, making the Cayman Islands a less competitive and attractive jurisdiction in which to do business. As such, the PSA recommends that the requirement for an annual audit be removed, in favour of a	involve reviewing their own work. Where FSPs, including investment funds, rely on administrators or other AML service providers, reliance on audits conducted at the service-provider level may be appropriate where supported by the FSP's risk assessment and governance arrangements. However, responsibility for AML/CFT compliance remains with the FSP. The Authority retains discretion to request sight of audit reports or to require an FSP to conduct an independent audit where warranted by risk.	

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		risk-based approach. Further, the PSA notes that it is common practice for investment funds to rely on the AML Policies and Procedures of their administrator or other AML Service Provider. The PSA submits that where the administrator or other AML Service Provider has arranged for its AML Policies and Procedures to be subject to an audit, any investment funds or other FSPs relying on such AML Policies and Procedures should also be able to rely on that audit, and the accompanying audit report, for the purposes of meeting the requirement under new Rule 12.2. Alternatively, the PSA would recommend that investment funds are exempted from this Rule entirely. Separately, it is noted that, based on the current wording of this Rule, it is unclear what period the 15 September deadline relates to. The PSA assumes the intention is for audit reports covering the previous calendar year to be submitted by 15 September each year. If the Authority does not accept the suggested language below, the PSA would recommend that as a minimum the new Rule is amended to clarify this. Suggested wording: "The audit function must be carried out, on a regular basis, by persons independent of the FSP's operations and compliance functions, and the audit report filed with the Authority no later than 15 September of each year, or as otherwise prescribed by the Authority. The frequency of the audit must be commensurate with the FSP's nature, size, complexity, and risks identified during the risk assessments." The PSA assumes the intention is for audit reports covering the previous calendar year to be submitted by 15		

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		September each year. If the Authority does not accept the suggested language above, the PSA would recommend that as a minimum the new Rule is amended to clarify this along the lines "…no later than 15 September each year in respect of the previous calendar year, or as otherwise prescribed…" According to the AMLRs the AMLCO is to "ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated that Anti-Money Laundering Compliance Officer". One way that the AMLCO achieves this obligation is by conducting AML audits of the FSP to assess their compliance with the Compliance policies. The PSA would suggest that credit be given to the AMLCO's independence, and that reliance be placed on the AML Audits conducted by the AML CO. If the Authority so wishes, the Authority can make clear that it expects AMLCOs to complete AML audits at a frequency as determined by a risk assessment.		
247.	12.2	The Internal Audit function provides independent assurance to the 1LOD and 2LOD operations, business, and compliance functions. Rather than requiring an annual audit, the Bank requests consideration to be given to the financial institution's documented risk-based approach, by which the frequency of independent assurance reviews is driven by the outcome of the internal risk assessment residual risk (e.g. every 12-24 months rather than every 12 months). Further consideration is also requested to review flexibility of the September 15 date, given that the Bank's fiscal year ends on October 31.	The Authority acknowledges the comment. The Rules have been clarified to reflect that the frequency of independent assurance reviews, including audits of the AML/CFT compliance programme, should be determined on a risk-based basis, informed by the institution's risk assessment and residual risk profile. The requirement is not intended to mandate an inflexible annual audit cycle where a documented, risk-based internal audit approach provides appropriate	See comment above regarding Rule 12.2

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			independent assurance. In addition, as previously clarified, the Rules have been amended to remove a prescribed filing date, allowing flexibility to align assurance activities and reporting with an FSP's financial year-end, while preserving the Authority's discretion to request the most recent audit report where necessary.	
248.	12.2	New Rule 12.2 provides: "The audit function must be carried out by persons independent of the FSP's operations and compliance functions, and the audit report filed with the Authority no later than 15 September of each year, or as otherwise prescribed by the Authority." (Our emphasis) The PSA understands that new Rule 12.2 will require FSPs to undertake an annual audit of the FSP's AML compliance functions and that an external audit will be required every 3 years. With respect, requiring an "annual" audit is contrary to the requirement for a risk-based independent audit function as set out in the AMLRs and the Authority's Guidance Notes. As regards the independent audit function, regulation 5(a)(ix) of the AMLRs states: "5. A person carrying out relevant financial business shall not, in the course of the relevant financial business carried out by the person in or from the Islands, form a business relationship, or carry out a one-off transaction, with or for another person unless that person — (a) maintains as appropriate, having regard to the money laundering risks, terrorist financing risks and proliferation financing risks and the size of that business, the following procedures in relation to that business — … (ix) such other procedures of internal control, including an appropriate effective risk-based independent audit function and communication as may be appropriate for the ongoing monitoring of business relationships or one-off transactions for the purpose of forestalling and preventing	The Authority acknowledges the comments. The requirement for an independent audit function is intended to align with the risk-based approach established under the AMLRs, the Authority's Guidance Notes, and FATF Recommendation 18. The Rules have been clarified to confirm that they do not mandate an inflexible annual audit cycle, but instead allow the frequency and timing of audits to be determined by reference to the FSP's nature, size, complexity, and risk profile. While internal arrangements may be relied upon where appropriate, the requirement that at least one audit be conducted externally in every three audit cycles is intended to mitigate familiarity and self-review risks and to preserve objectivity over time.	See comment above regarding Rule 12.2

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		money laundering, terrorist financing and proliferation financing;" (Our emphasis) Further, Part II, Section 10(B)(1) of the Authority's Guidance Notes states: "An FSP should, on a regular basis, conduct an AML/CFT audit. The frequency of the audit must be commensurate with the FSP's nature, size, complexity, and risks identified during the risk assessments." (Our emphasis) Importantly, the requirement for a FSP to undertake a risk-based independent audit is consistent with the FATF Recommendations, which states in the Interpretive Note to Recommendation 18 that Financial Institutions' programmes against money laundering and terrorist financing should include an "independent audit function to test the system" and that "[t]he type and extent of measures to be taken should be appropriate having regard to the risk of money laundering and terrorist financing and the size of the business." Accordingly, it is unclear, given the risk-based approach to the independent audit function taken in the AMLRs, the Guidance Notes and the FATF Recommendations, why the Authority is mandating an annual independent audit and the filing of the audit report with the Authority. With respect, the PSA submits that this is inconsistent with a risk-based approach, imposes obligations over and above what is required under the AMLRs and the Guidance Notes and will impose unnecessary compliance costs on FSPs, making the Cayman Islands a less competitive and attractive jurisdiction in which to do business. As such, the PSA recommends that the requirement for an annual audit be removed, in favour of a risk-based approach. Suggested wording: "The audit function must be carried out, on a regular basis, by persons independent of the FSP's operations and compliance functions, and the audit report filed with the Authority no later than 15 September of each year, or as otherwise prescribed by the Authority. The frequency of the audit must be commensurate with the FSP's nature, size, complexity, and risks identified during the risk assessments.	The Authority considers that, as clarified, the Rules appropriately balance proportionality with the need for effective and independent assurance.	

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249.	12.2	This section contradicts 8,2 (c) while simultaneously imposing additional costs on an FSP, AML COs are to operate independently of the business and the operational functions they oversee. According to the AML Regs the AML CO is to "ensure that measures set out in these Regulations are adopted by the person carrying out relevant financial business who designated that Anti-Money Laundering Compliance Officer", One way that the AML CO achieves this obligation is by conducting AML audits of the FSP to assess their compliance with the Compliance policies. The PSA would suggest that credit be given to the AML CO's independence, and that reliance be placed on the AML Audits conducted by the AML CO. If the Authority so wishes, the Authority can make clear that it expects the AML COs to complete AML audits at a frequency as determined by a risk assessment. This would be consistent with the practice of the standard setters in the industry, and would naturally tie into the PSA's suggestion for 12.4	The Authority acknowledges the comment. While the AML Compliance Officer (AMLCO) is required under the AMLRs to operate independently from the business and to oversee the adoption and effectiveness of AML/CFT measures, this independence does not extend to performing the independent audit of the AML/CFT compliance programme for the purposes of Section 12. The audit function is intended to provide objective assurance that is separate from both first- and second-line compliance responsibilities. Although AMLCOs may appropriately conduct reviews, monitoring activities, and quality assurance as part of their oversight role, reliance on audits conducted by the AMLCO would give rise to a self-review and familiarity risk, as this would involve assessing controls and processes for which the AMLCO is responsible. Accordingly, the Authority considers it appropriate that the independent audit function remain distinct from the compliance function. The Rules have been clarified to operate on a risk-based basis,	See comment above regarding Rule 12.2

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			allowing flexibility in the frequency and timing of audits, and to permit the use of internal arrangements where appropriate, subject to the requirement that at least one audit be conducted externally in every three audit cycles to preserve objectivity.	
250.	12.2	New Rule 12.2 provides: The audit function must be carried out by persons independent of the FSP's operations and compliance functions, and the audit report filed with the Authority no later than 15 September of each year, or as otherwise prescribed by the Authority. The PSA suggests Section 12 of the Compliance Rule, which requires a formal annual audit of the Compliance Programme should provide flexibility in both the frequency and scope of reviews based on the FSP's risk profile. A blanket approach to all FSPs would impose a disproportionate burden on reinsurers, if in scope (noting the above discussions specific to reinsurers). The PSA again wants to call on the Authority to maintain a risk based approach enshrined in the FATF Recommendations. The Private Sector Associations respectfully requests that the Authority confirm the requirement to undertake a formal annual audit of the Compliance Programme does not apply to reinsurers unless they are conducting "relevant financial business". Currently reinsurers complete the Authority's annual Relevant Financial Business – Self Declaration (RFB Return). The PSA are seeking clarification on whether continued completion of the RFB Return (should reinsurers remain in scope) be considered a sufficient alternative for reinsurers, as it provides the Authority with visibility over the reinsurers AML-CFT controls in place, noting that annual AML-CFT audits are not FATF mandated, but obligated by certain financial regulators based on jurisdiction-specific risk assessments.	The Authority acknowledges the comments. Section 12 is intended to operate in a manner consistent with the risk-based approach embedded in the AMLRs, the Authority's Guidance Notes, and the FATF Recommendations, and is not intended to impose a blanket or inflexible annual audit requirement across all FSPs. The Rules have been clarified to allow flexibility in the frequency and scope of independent reviews, which should be determined by reference to the FSP's nature, activities, and risk profile. In relation to reinsurers, the audit requirement applies only where the entity is conducting relevant financial business and is therefore within scope of the AML/CFT regime. Where reinsurers remain in scope, completion of the Relevant Financial Business (RFB) Self-Declaration provides	See comment above regarding Rule 12.2

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			supervisory visibility but does not replace the requirement for independent review and testing of the AML/CFT compliance programme. The self-declaration is an attestation by the FSP and is not a substitute for objective assurance.	
251.	12.2	1. The initial reference to the audit function being independent of the FSPs operations AND compliance functions creates a scenario where many small to medium sized CIMA licensees and registrants will struggle to comply and/or meet this requirement or will have to bear significant additional cost in order to do so. Consider for example a scenario where the Compliance function audits the 1st line's application of Compliance policies and procedures. In such a scenario independence is maintained in line with globally established and accepted assurance standards. Alternatively, personnel from the 1st line/operational departments who are qualified to do so can review the policies and procedures established by the compliance function without any threats to independence. Consideration should be given to changing "and" in this section to "and/or" to capture these and other similar scenarios where independence would not be compromised. While the PSA celebrates prescriptive clarity, the PSA would ask the Authority to reconsider the blanket mandate to requiring internal audits, that does not reflect a proportionate, risk-based approach to supervision and attempts to delegate oversight responsibilities to private sector providers, at great additional expense to regulated entities. The rule (12.2) is particularly biased towards small firms, where no individual of management level exists independent of operations and compliance functions, and	The Authority acknowledges the comment. The issues raised regarding independence, proportionality, audit frequency, and reporting periods have been addressed through clarifications to the Rules. The independent audit requirement is intended to operate on a **risk-based and proportionate basis**, with flexibility as to frequency and scope, and does not mandate an inflexible annual audit cycle. Independence is functional in nature and intended to avoid self-review of compliance programme design and operation; the use of "and/or" is not considered appropriate due to the ambiguity it may introduce. The Authority does not consider categorical exemptions or waiver regimes to be necessary, as the clarified framework provides sufficient flexibility while preserving supervisory discretion.	See comment above regarding Rule 12.2

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		would therefore be subject to an external audit and related costs every year. The PSA would suggest a waiver of the audit requirement from every one year to every 5 years, for FSPs that: 1) do not hold on deposit, trust, or in custody any customer funds (which would include securities managers and advisors as well as corporate services/director firms); 2) small firms where independent Cayman-based AMLCO/MLROs have been appointed and report directly to the FSP's Board; 3) FSPs that are professionally administered by a licensed Cayman administer; or 4) any other applicant the Authority deems appropriate, in its sole discretion . What reporting period does the proposed deadline encapsulate? The same year of the deadline, or the previous year? May be worth updating this section to reflect the reporting period. It would be prudent for the reporting period to be the prior year.		
252.	**12.2**	The Rule does not consider scenarios where filing by 15 September may not be feasible (e.g., newly licensed FSPs, force majeure, multi-jurisdictional groups). A mechanism for requesting extensions should be considered.	The Authority acknowledges the comment. The Rules have been clarified to remove a fixed filing deadline, allowing flexibility where submission by 15 September is not feasible due to specific circumstances. The Authority retains discretion to prescribe alternative timelines where appropriate.	See comment above regarding Rule 12.2
253.	**12.2**	Filing deadline is 15 September but the period the audit must cover along with the scope is not specified. Furthermore, the rule does not specify whether the internal audit testing should assess both the design and operating effectiveness of controls. Also, the rule does not define the expected format, content, or level of assurance of the AML audit report. Suggestion: 1. The rule specify the twelve-month period, with a carve-out for newly licensed FSPs. 2. The rule should state that the audit scope must be risk	The Authority acknowledges the comment. The Rules have been clarified to remove a fixed filing deadline, allowing flexibility where submission by 15 September is not feasible due to specific circumstances. The Authority retains discretion to prescribe alternative timelines where appropriate.	See comment above regarding Rule 12.2

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		based and approved by the Board, or by a delegated authority, as part of the internal audit plan. 3. Clarify whether internal audit should assess the design and operating effectiveness of controls, or specify the expected scope of testing. 4. Provide guidance on the expected structure of the audit report, or prescribe a minimum set of reporting elements, as is done in other regulated jurisdictions (e.g., Bahamas and Switzerland).		
254.	**12.2**	There is no requirement for management action plans, remediation tracking, or follow-up on findings. CIMA may consider requiring that entities in scope develop action plans for audit findings and implement a process to track remediation and conduct follow-up on outstanding issues.	The Authority acknowledges the comment. It is the responsibility of each FSP to appropriately consider, address, and remediate any audit findings, including taking follow-up action as necessary to ensure ongoing compliance with the AML Regulations and Rules. The Authority considers these responsibilities to be inherent within an FSP's existing governance and compliance arrangements and does not consider it necessary to prescribe specific remediation or tracking mechanisms in the Rules.	See comment above regarding Rule 12.2
255.	**12.3**	Rule 12.3 confirms that the FSP remains ultimately responsible for the adequacy and effectiveness of the Compliance Programme regardless of whether the audit function is outsourced. Please clarify whether outsourcing the audit function constitutes outsourcing of a material compliance function for the purposes of Rule 10.6.1 and the SOG on Outsourcing so that FSPs can determine which framework applies. Suggest clarification around outsourcing of internal audits	Rule 12.3 now Rule 12.5 The Authority acknowledges the comment. Outsourcing of the audit function does not, in itself, constitute outsourcing of a material compliance function, as the audit function provides independent assurance rather than performing or operating the compliance programme. As	No amendment required.

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		and whether a full materiality assessment is needed similar to the point on training.	such, outsourcing an audit function would not automatically fall within the scope of Rule 10.6.1 or the Statement of Guidance on Outsourcing. FSPs are, however, expected to assess the nature and risk of any outsourced service, including the appropriateness of the service provider. Rule 12.3 confirms that responsibility for the adequacy and effectiveness of the Compliance Programme remains with the FSP at all times.	
256.	12.4	12.4 states "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally but must not be undertaken internally for more than two consecutive years. For example, if the audit is conducted internally for two consecutive years, then the next audit must be conducted by an external service provider". It is suggested that either (1) this requirement be removed; or (2) 'internal' be defined as where there is not a separate dedicated internal audit / internal auditor function within the organization; or (3) revise wording to: "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally however, the Authority may request that an external service provider is used for a given year if they deem necessary. Suggest including "design" as well.	Was 12.4 now is 12.3 The Authority acknowledges the comment. Rule 12.4 is intended to ensure ongoing objectivity and independence in the review of an FSP's Compliance Programme, rather than to impose a general audit requirement in its broader sense. While internal audit functions, including group internal audit teams, may appropriately conduct such reviews, the requirement that at least one review be conducted externally in every three audit cycles is intended to mitigate familiarity and self-review risks and to	Rule 12.3 has been amended now reads: ***"The audit may be conducted internally but must not be undertaken internally for more than two (2) consecutive audit cycles. For example, if the audit is conducted internally for two consecutive cycles, then the next audit must be conducted by an external service provider.*** **The foot note reads:** ***Internally refers to any individual or unit that is employed by, engaged under contract by, or otherwise forms part of the FSP's organisational structure, and that is subject to the direction, control, or oversight of the FSP."***

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		"...audit to assess the adequacy, design, effectiveness ..." If this is a matter of quality audits reviewed by the Authority, then suggest that the Rule include auditor minimum qualification, certification or relevant experience that auditors or audit leads must possess. As it stands here, the Rule could technically be satisfied by engaging an auditor with no AML knowledge, relevant certification and no financial services experience provided that person is independent. Suggest maintaining a recognised list of external AML audit providers or publishing minimum criteria for what constitutes an acceptable external provider, which would reduce market uncertainty for FSPs and provide greater assurance over the quality of reports received. <u>Rationale</u> Group internal audit functions are created, by design, to be independent. The requirement to do an external examination is costly and defeats the purpose of having an internal audit function. This rule creates unnecessary cost and administrative burden and as previously noted, audits should be driven by risk profiles, not a fixed calendar. The justification for this requirement is unclear and undermines the independence and objectively of any internal audit team, suggesting that an internal audit team, especially in larger FSPs, will not produce an adequate result.	preserve effectiveness over time. This is considered a proportionate safeguard aligned with a risk-based approach, and not a reflection on the adequacy of internal audit functions. The Authority does not consider it necessary to define "internal" by reference to organisational structures, nor to prescribe minimum qualifications or approved provider lists. However, a footnote has been adder for clarity.	
257.	12.4	Unless the Authority has deemed ML, TF and PF risk in the island to be extremely high, this strict approach will introduce costs on all FSPs, in an already costly jurisdiction, with no regard for a risk driven methodology, and also undermines the position and credibility of internal audit. 12.4 will additionally have material negative financial impacts on Investment Funds which are subject to this	Was 12.4 now 12.3 The Authority acknowledges the comments. The requirement for independent review and testing of AML/CFT controls is not new and is already established under the	See comment above regarding Rule 12.3

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		requirement as well. A. An audit considers the inherent risks, and then assesses the controls. An audit then uses the results of its testing to determine the residual risk. From that calculation, the auditor is able to determine the next audit date of that subject area. B. Rule 12.4 implies an annual requirement on assessing AML / KYC. This is not in keeping with Audit standards where the frequency of review of an area is determined based on the calculated inherent risks, controls, and residual risks. 12.4 disregards of the risk profile and mandates AML Audits at fixed frequencies by both internal and external audits. C. 12.4 ignores that the fact that AML COs, parties who are independent of the business and the function, are completing AML Audits at a regular frequency in order to demonstrate their respective compliance with the section 4 (a) of the AML Regulations. D. The areas of AML/CFT/CPF are extensive and the language as written under 12.1 indicate that all of these areas are to audited at the stated frequencies. Auditors and the AMLCOs use risk assessments to determine the areas that require a review in a given year.	AMLRs as part of the risk-based internal controls framework. Rule 12.4 is intended to reinforce this existing obligation and does not represent a departure from a risk-driven methodology. The Rule is not intended to mandate inflexible or fixed audit frequencies, nor to require all AML/CFT/CPF areas to be reviewed at the same depth or in every cycle. The frequency, scope, and focus of reviews should continue to be determined by reference to inherent and residual risk, consistent with recognised audit standards and supervisory expectations. The requirement that at least one review be conducted externally in every three audit cycles is retained solely to mitigate familiarity and self-review risks and does not undermine the role or credibility of internal audit functions. While AML Compliance Officers may conduct monitoring, reviews, and quality assurance activities as part of their responsibilities under the AMLRs, these activities do not constitute the independent audit of the Compliance Programme for the purposes of	

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			Section 12. The Authority considers the Rules, as clarified, to be proportionate, risk-based, and consistent with the existing AML/CFT framework	
258.	12.4	The PSA would welcome reconsideration of this requirement. In many regulated entities, the Internal Audit function operates as an independent assurance function within the organisation and forms part of the third line of defence under established governance frameworks. Internal Audit functions are typically independent of operational and compliance functions and report directly to the governing body or audit committee. Where this structure exists, Internal Audit is well positioned to conduct independent reviews of the AML/CFT compliance programme and often has a strong understanding of the entity's business model, risk profile, and control environment. A mandatory rotation to external reviewers after two consecutive years may impose additional cost and operational burden, particularly where Internal Audit already provides independent and objective assurance in accordance with recognised audit standards. The Authority may wish to consider allowing entities to determine the appropriate use of internal or external reviewers based on their governance structure and risk profile, provided that the audit function remains independent and the review is conducted in accordance with recognised audit standards.	Was 12.4 now 12.3 The Authority acknowledges the comment. Rule 12 has been amended to clarify that the audit requirement operates on a risk-based basis, and recognises that internal audit functions may provide independent assurance where they are functionally independent of the AML/CFT Compliance Programme. The requirement that at least one review be conducted externally in every three audit cycles is retained as a proportionate safeguard to mitigate familiarity and self-review risks over time. The Authority considers this approach to appropriately balance flexibility with effective independent oversight	See comment above regarding Rule 12.3

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259.	12.4	a.) The Rule does not clearly define how group, outsourced, or co sourced internal audit functions should be classified for the purposes of the rotation requirement, nor does it clarify whether external review is necessary when a competent internal audit function already exists. Suggestion: The Rule should clarify whether a group internal audit function (e.g., from a parent company) is classified as "internal" or "external" for the purposes of the rotation rule. The Rule should clarify whether an outsourced or a co-sourced internal audit function is classified as "internal" or "external" for the purposes of the rotation rule, and if in such cases, a rotation is still justifiable. Clarify whether an external review is required where a competent internal audit function already exists. b. To the extent that an AML effectiveness audit must be conducted by an external service provider, the PSA is supportive of the requirement that such audit be performed by an auditor approved by the Authority. Engaging a recognised and veted audit provider helps ensure greater consistency in audit quality and enhances the Authority's ability to place appropriate reliance on the conclusions drawn from these reviews.	Was 12.4 now 12.3 The Authority acknowledges the comment and the suggestions raised regarding the classification of group, outsourced, and co-sourced internal audit functions for the purposes of the rotation requirement. The Authority notes the importance of clarity in this area and will consider this feedback further, including whether additional clarification is appropriate on the treatment of such arrangements and the circumstances in which an external review may be required where a competent internal audit function exists. In relation to the suggestion of maintaining an approved or vetted list of external audit providers, the Authority notes the intent of promoting audit quality and consistency. However, the Authority is mindful of the need to retain flexibility, avoid unnecessary prescription, and prevent undue constraints on market capacity.	See comment above regarding Rule 12.3
260.	12.4	New Rule 12.4 provides: "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally but must not be	Was 12.4 now 12.3 The Authority acknowledges the comments. Rule 12.4 is intended to operate on a	See comment above regarding Rule 12.3

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		undertaken internally for more than two consecutive years. For example, if the audit is conducted internally for two consecutive years, then the next audit must be conducted by an external service provider." The PSA would recommend that this Rule is limited in scope, noting that a general requirement to engage an external service provider to conduct an AML audit would be disproportionate in many cases based on the size, complexity, structure, nature of business and risk profile of many FSPs, for whom an internal audit is more appropriate. For example, this would add significant compliance costs (both in management time and financial expense) for smaller, less complex market participants, who may reasonably rely on the internal knowledge and expertise accrued by an internal audit team over time. Instead, the PSA would recommend that the Authority requires external auditors to be engaged on a case-by-case basis. If the objective of this Rule is to assess and ensure the quality and independence of the internal audit function, consideration should be given to the assessment, and evaluation of the internal audit team by the Authority in the normal course of its regulatory inspections. Alternatively, the Authority could consider mandating an external assessment of the internal audit function once every five years which is aligned with industry best practice If the Authority does not accept the above limitation, given the suggested changes to the annual audit requirement in Rule 12.2, as a minimum, the PSA would propose minor amendments to new Rule 12.4, as follows: Suggested wording: "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance	**risk-based and proportionate basis** and does not impose a general or automatic requirement to engage external service providers in all cases. Internal audit functions may appropriately conduct independent reviews of the Compliance Programme where they are functionally independent and suitably resourced. The requirement that **at least one review be conducted externally in every three audit cycles** is retained as a targeted safeguard to mitigate familiarity and self-review risks over time, rather than as a reflection on the adequacy of internal audit functions or to mandate routine external engagement. The Authority considers this approach to strike an appropriate balance between flexibility, cost considerations, and effective independent assurance. In light of consultation feedback, the wording has been **clarified to refer to consecutive audit cycles**, rather than years	

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		Programme may be conducted internally but must not be undertaken internally for more than two consecutive auditsyears. For example, if the audit is conducted internally for two consecutive auditsyears, then the next audit must be conducted by an external service provider."		
261.	12.4	The PSA would ask that the requirement for audits to periodically be conducted externally be reconsidered, given that this would be an outlier (all other Compliance audits across the entity are led by the entity's Internal Audit department), and would result in undue expenses incurred to finance the external review.	Was 12.4 now 12.3 The Authority acknowledges the comment. The Rules have been **clarified to operate on a risk-based basis**, and do not impose an automatic or routine requirement for external reviews in all circumstances. Internal audit functions that are functionally independent may appropriately conduct reviews of the Compliance Programme, including within group settings. The requirement that **at least one review be conducted externally in every three audit cycles** is retained as a proportionate safeguard to address familiarity and self-review risks over time, rather than as a reflection on the quality or adequacy of internal audit functions.	See comment above regarding Rule 12.3
262.	12.4	New Rule 12.4 provides: "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally but must not be undertaken internally for more than two consecutive years. For example, if the audit is conducted internally for two consecutive years, then the next audit	Was 12.4 now 12.3 The Authority acknowledges the comment. The Rules have been clarified to confirm that the audit requirement operates	See comment above regarding Rule 12.3

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		must be conducted by an external service provider." Given the PSA's suggested changes to the annual audit requirement in Rule 12.2, the PSA also proposes minor amendments to new Rule 12.4, as follows: Suggested wording: "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally but must not be undertaken internally for more than two consecutive auditsyears. For example, if the audit is conducted internally for two consecutive auditsyears, then the next audit must be conducted by an external service provider." In addition, this new Rule 12.4 requires that the third consecutive audit be conducted by an external service provider. However, there is no definition provided for 'external service provider'. As such can clarity be provided as to whether an external service provider for the purposes of these Rules can be aligned with the definition of third party provided by CIMA in its Statement of Guidance on Outsourcing Regulated Entities? Specifically, the fact that a third party / external service provider can include an intra-group / affiliated entity (such as the internal audit function of an intra-group / affiliated entity)?	on a risk-based basis and does not mandate routine or automatic external reviews in all cases, including for group-based internal audit functions that are functionally independent and provide effective assurance. The requirement that at least one review be conducted externally in every three audit cycles is retained as a proportionate safeguard to mitigate familiarity and self-review risks over time, rather than as a reflection on the capability or credibility of internal audit functions.	
263.	12.4	Unless the Authority has deemed ML, TF and PF risk in the island to be extremely high, this strict approach will introduce costs on all FSPs, in an already costly jurisdiction, with no regard for a risk driven methodology, and also undermines the position and credibility of internal audit, 12,4 will additionally have material negative financial impacts on Investment Funds which are subject to this requirement as well. A, An audit considers the inherent risks and then assesses the controls. An audit then uses the results of its testing to determine the residual risk. From that calculation, the auditor is able to determine the next audit date of that subject area. B, Rule 12.4 implies an annual requirement on assessing AML! KYC. This is not in keeping with Audit standards where the frequency of review of an area is determined based on the calculated inherent	Was 12.4 now 12.3 The Authority acknowledges the comments. The requirement for independent review and testing of AML/CFT controls is not new and is already established under the AMLRs as part of the risk-based internal controls framework. Rule 12.4 is intended to reinforce this existing obligation and does not represent a departure from a risk-driven methodology.	See comment above regarding Rule 12.3

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		risks, controls, and residual risks. 12,4 disregards of the risk profile and mandates AML Audits at fixed frequencies by both internal and external audits. C. 12,4 ignores that the fact that AML COs, parties who are independent of the business and the function, are completing AML Audits at a regular frequency in order to demonstrate their respective compliance with the section 4 (a) of the AML Regulations, D, The areas of AML/CFT/CPF are extensive and the language as written under 12.1 indicate that all of these areas are to audited at the stated frequencies. Auditors and the AMLCOs use risk assessments to determine the areas that require a review in a given year. Comfort can be taken in that the AML Regs make the AML CO directly responsible for ensuring that measures set out in the regulations are adopted by the FSP, and that lA and EA are also assessing, on a risk-based approach, both the FSP and the AML COs compliance with the AML Regs and rules. The PSA would prefer to see an explicit requirement calling for the use of a documented risk-based approach to determining the audit frequency commensurate with the actual residual risk of the FSP. The Authority can also use this opportunity to make clear its expectations that the documentation underlying the risk-based approach be maintained and available to the Authority on demand. All three parties can make the risk assessments that support their timing and scope available to the Authority on demand, and the Authority can request copies of the AML Officers AML Audit reports when they are available Both internal audit and external audit can audit the AML function based on their risk assessment of the risks, and the AML CO is completing their AML Audits at a higher frequency. This approach, without introducing new burden on the industry, provides the Authority with transparency on the model that is largely in place today and tightens up the governance of the process	The Rule is not intended to mandate inflexible or fixed audit frequencies, nor to require all AML/CFT/CPF areas to be reviewed at the same depth or in every cycle. The frequency, scope, and focus of reviews should continue to be determined by reference to inherent and residual risk, consistent with recognised audit standards and supervisory expectations. The requirement that at least one review be conducted externally in every three audit cycles is retained solely to mitigate familiarity and self-review risks and does not undermine the role or credibility of internal audit functions. While AML Compliance Officers may conduct monitoring, reviews, and quality assurance activities as part of their responsibilities under the AMLRs, these activities do not constitute the independent audit of the Compliance Programme for the purposes of Section 12. The Authority considers the Rules, as clarified, to be proportionate, risk-based, and consistent with the existing AML/CFT framework	

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			The Authority acknowledges the comment. Rule 12 has been amended to clarify that the audit requirement operates on a risk-based basis and recognises that internal audit functions may provide independent assurance where they are functionally independent of the AML/CFT Compliance Programme. The requirement that at least one review be conducted externally in every three audit cycles is retained as a proportionate safeguard to mitigate familiarity and self-review risks over time. The Authority considers this approach to appropriately balance flexibility with effective independent oversight	
264.	12.4	New Rule 12.4 provides: "Any independent audit to assess the adequacy, effectiveness, and implementation of the FSP's Compliance Programme may be conducted internally but must not be undertaken internally for more than two consecutive years. For example, if the audit is conducted internally for two consecutive years, then the next audit must be conducted by an external service provider." For many entities, internal audit functions are already independent, appropriately skilled, and subject to board oversight. Requiring periodic external audits in all cases may impose disproportionate cost and operational burden, without necessarily enhancing audit quality or independence. Instead, the PSA would recommend that the Authority requires external auditors to be engaged on a case-by-case basis. The PSA therefore suggests allowing	Was 12.4 now 12.3 The Authority acknowledges the comment. Rule 12.4 has been clarified to reflect a risk-based and proportionate approach and does not mandate routine external audits in all cases. Internal audit functions that are demonstrably independent, suitably skilled, and subject to effective governance may appropriately conduct reviews of the Compliance Programme.	See comment above regarding Rule 12.3

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		continued use of internal audit functions beyond two consecutive years, provided that: Ø Independence and competence can be clearly demonstrated; Ø The audit function is subject to appropriate governance and oversight; and Ø External audits may be required on a risk-based or supervisorydriven basis, rather than as a mandatory rotation. This approach would preserve flexibility while ensuring that independence and effectiveness remain central to the review process.	The requirement that at least one review be conducted externally in every three audit cycles is retained as a targeted safeguard to mitigate familiarity and self-review risks over time, rather than to question the adequacy of internal audit functions or impose unnecessary cost. The Authority considers this approach to balance flexibility with effective independent assurance.	
265.	12.4	1. The initial reference to the audit function being independent of the FSPs operations AND compliance functions creates a scenario where many small to medium sized CIMA licensees and registrants will struggle to comply and/or meet this requirement or will have to bear significant additional cost in order to do so. Consider for example a scenario where the Compliance function audits the 1st line's application of Compliance policies and procedures. In such a scenario independence is maintained in line with globally established and accepted assurance standards. Alternatively, personnel from the 1st line/operational departments who are qualified to do so can review the policies and procedures established by the compliance function without any threats to independence. Consideration should be given to changing "and" in this section to "and/or" to capture these and other similar scenarios where independence would not be compromised. While the PSA celebrates prescriptive clarity, the PSA would ask the Authority to reconsider the blanket mandate to requiring internal audits, that does not reflect a proportionate, risk-based approach to supervision and attempts to delegate oversight responsibilities to private	Was 12.4 now 12.3 The Authority acknowledges the comment. The independence requirement is intended to ensure objective assurance over the Compliance Programme and is not intended to preclude appropriate interaction with operational areas for review purposes; the use of "and/or" is not considered appropriate due to the ambiguity it may introduce. The Rules have been clarified to operate on a risk-based and proportionate basis, and no longer impose a fixed audit timetable or reporting deadline. Audit frequency, scope, and timing should be determined by reference to risk, and the Authority retains discretion to	See comment above regarding Rule 12.3

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		sector providers, at great additional expense to regulated entities. The rule (12.2) is particularly biased towards small firms, where no individual of management level exists independent of operations and compliance functions, and would therefore be subject to an external audit and related costs every year. The PSA would suggest a waiver of the audit requirement from every one year to every 5 years, for FSPs that: 1) do not hold on deposit, trust, or in custody any customer funds (which would include securities managers and advisors as well as corporate services/director firms); 2) small firms where independent Cayman-based AMLCO/MLROs have been appointed and report directly to the FSP's Board; 3) FSPs that are professionally administered by a licensed Cayman administer; or 4) any other applicant the Authority deems appropriate, in its sole discretion . What reporting period does the proposed deadline encapsulate? The same year of the deadline, or the previous year? May be worth updating this section to reflect the reporting period. It would be prudent for the reporting period to be the prior year.	request sight of the most recent audit report or to require an audit where warranted.	
266.	12.4	Section 12.4 appears to permit Group Internal Audit (GIA) to conduct effectiveness reviews for a defined period, after which the subsequent review must be conducted by an external service provider. Excluding Group IA functions could disadvantage Cayman-regulated entities relative to other jurisdictions. Clarification is requested as to whether appropriately independent Group Internal Audit functions (including regional or global audit teams) may continue to be relied on an ongoing basis, or whether periodic external review is mandatory after a specified number of review cycles. Supports proportionality and alignment with established group governance frameworks, particularly for internationally active banks. Clarification on expected frequency of effectiveness would also assist implementation planning.	Was 12.4 now 12.3 The Authority acknowledges the comment. Group internal audit functions, including regional or global audit teams that are appropriately independent and operate within established group governance frameworks, may be relied upon to conduct reviews of the Compliance Programme. Rule 12.4 is intended to operate on a risk-based and proportionate basis and does	See comment above regarding Rule 12.3

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			not preclude the use of such internal audit arrangements. The requirement that at least one review be conducted externally in every three audit cycles is retained as a proportionate safeguard to mitigate familiarity and self-review risks over time, rather than to exclude or diminish the role of group internal audit functions. The frequency and scope of effectiveness reviews should be determined by reference to risk	
267.	**12.4**	The Rule does not clearly define how group, outsourced, or co sourced internal audit functions should be classified for the purposes of the rotation requirement, nor does it clarify whether external review is necessary when a competent internal audit function already exists. CIMA should consider clarifying whether a group internal audit function (e.g., from a parent company) is classified as "internal" or "external" for the purposes of the rotation rule. The Rule should clarify whether an outsourced or a co-sourced internal audit function is classified as "internal" or "external" for the purposes of the rotation rule, and if in such cases, a rotation is still justifiable.	Was 12.4 now 12.3 The Authority acknowledges the comment. For the purposes of the rotation requirement in Rule 12.4, a group internal audit function, including a parent, regional, or global internal audit team, would continue to be regarded as an internal audit function, provided it is appropriately independent from the design and operation of the Compliance Programme. Similarly, outsourced or co-sourced arrangements that form part of an FSP's internal audit framework are generally regarded as internal audit functions where they operate under the FSP's governance,	See comment above regarding Rule 12.3

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			oversight, and control arrangements. The requirement for periodic external review is not intended to turn on the delivery model of the internal audit function, but to provide a proportionate safeguard against familiarity and self-review risks over time.	
268.	**12.4**	The current requirement for a mandatory external audit rotation may disproportionately burden small FSPs. Addition of proportionality wording would allow flexibility with safeguards more appropriate to small FSPs and their available resources. Consider amending as follows - 'Any independent audit to assess the adequacy, effectiveness and implementation of the FSP's Compliance Programme may be conducted internally but should not be undertaken internally for more than two consecutive years. Where the independent audit is conducted internally for two consecutive years, the FSP shall ensure that an independent external review is conducted within a reasonable period thereafter, taking into account the size, complexity and risk profile of the FSP'	Was 12.4 now 12.3 The Authority acknowledges the comment. Rule 12.4 has been clarified to operate on a risk-based and proportionate basis and is not intended to impose undue burden on smaller or lower-risk FSPs. Internal audits may appropriately be relied upon where they are independent and effective, while the requirement for periodic external review is retained as a safeguard against familiarity and self-review risk, rather than as a rigid mandate. The Authority considers the existing wording to already allow sufficient flexibility to take into account the size, complexity, and risk profile of an FSP, while preserving supervisory discretion to require external review where warranted.	See comment above regarding Rule 12.3

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269.	**12.6**	Reference to the appointment to a DMLRO no longer relevant if addressed in 7.1(d) per comment #1 above.	See comments for Rules 7.1	See comments for Rule 7.1
270.	12.7	FSP must ensure that the MLRO/DMLROs are "financially sound."-As per Rule 12(5) the MLRO/DMLRO within a business must be at management level. It is important to note that the MLRO/DMLRO are most often 'roles' that are assigned to an individual, they are not necessarily a standalone 'job' within an FSP, as there may never be the need to file a SAR. Applying the fit and proper requirements similar to officers and controllers are disproportionate to the function. Further, the MLRO/DMLRO are often outsourced, especially in the fund context, and the rule should address whether an individual is suitably qualified and experienced as opposed to possessing integrity and financial soundness which would be difficult to assess. The rule require the FSP to conduct continuous F&P assessment of its MLRO and DMLRO. What does the Authority consider are the criteria and the chief factors that should be considered when conducting this they of F&P assessment? Furthermore, this serves to hold the MLRO and DMLRO to a higher standard than the directors and senior management of the company since there are no similar requirements for them. Suggested wording: "FSPs must ensure, at the time of designation and on an ongoing basis, that the MLRO/DMLRO are suitably qualified and experienced to perform their functions, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard"	The section on the Appointment of an MLRO was moved to Section 8. The Rule is now 8.11 The Authority acknowledges the comment. The suitability requirement for MLROs and DMLROs is intended to be applied in a proportionate and risk-based manner, recognising that these are often designated roles and may be outsourced, particularly in fund structures. For clarity and proportionality, the Authority agrees to amend the Rule to remove the reference to "financially sound" and instead require that MLROs and DMLROs *be "suitably qualified with sufficient skills and experience to perform their functions ."*	Rule 8.11 amended now reads: ***"FSPs must ensure, at the time of appointment or designation and on an ongoing basis, that the MLRO and DMLRO are suitably qualified with sufficient skills and experience to perform their functions, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard."***

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271.	12.7	New Rule 12.7 provides: "FSPs must ensure, at the time of appointment or designation and on an ongoing basis, that the MLRO and DMLRO are of good repute, possess integrity, are suitably qualified and experienced to perform their functions, and are financially sound, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard." (Our emphasis) Please see the PSA's comments above in relation to Rule 8.1 regarding the appointment of an AMLCO.	The section on the Appointment of an MLRO was moved to Section 8. The Rule is now 8.11 The Authority acknowledges the comment. The suitability requirement for MLROs and DMLROs is intended to be applied in a proportionate and risk-based manner, recognising that these are often designated roles and may be outsourced, particularly in fund structures. For clarity and proportionality, the Authority agrees to amend the Rule to remove the reference to "financially sound" and instead require that MLROs and DMLROs be "suitably qualified with sufficient skills and experience to perform their functions ."	See comment above regarding Rule 8.11
272.	12.7	New Rule 12.7 provides: "FSPs must ensure, at the time of appointment or designation and on an ongoing basis, that the MLRO and DMLRO are of good repute, possess integrity, are suitably qualified and experienced to perform their functions, and are financially sound, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard." (Our emphasis) **Please see the PSA's comments above in relation to Rule 8.1 regarding the appointment of an AMLCO.**	The section on the Appointment of an MLRO was moved to Section 8. The Rule is now 8.11 The Authority acknowledges the comment. The suitability requirement for MLROs and DMLROs is intended to be applied in a proportionate and risk-based manner, recognising that these are often designated roles and may be outsourced, particularly in fund structures. For clarity and proportionality, the Authority agrees to amend	See comment above regarding Rule 8.11

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			the Rule to remove the reference to "financially sound" and instead require that MLROs and DMLROs be "suitably qualified with sufficient skills and experience to perform their functions ."	
273.	12.7	New Rule 12.7 provides: FSPs must ensure, at the time of appointment or designation and on an ongoing basis, that the MLRO and DMLRO are of good repute, possess integrity, are suitably qualified and experienced to perform their functions, and are financially sound, and shall provide to the Authority, upon request, such information and evidence as the Authority may require in this regard. In relation to provision 8.1 which references the AMLCO being of "good repute" and to "possess integrity" and the same expectations applying to the MLRO and DMLRO under provision 12.7. The PSA respectfully requests further clarity on how these terms are interpreted by the Authority for supervisory purposes, in particular what (if any) types of supporting documentation and evidence are required to demonstrate compliance. The business model of many reinsurers means that the majority of AMLCO's will be employees (as opposed to third-party service providers as in the case of registered funds). In this regard, the Private Sector Associations are requesting clearer guidance including whether specific qualifications and/or employment experience and/or police checks would help firms ensure they are able to meet supervisory expectations while also complying with local data protection requirements under the Data Protection Act (As Revised).	The section on the Appointment of an MLRO was moved to Section 8. The Rule is now 8.11 The Authority acknowledges the comment. The suitability requirement for MLROs and DMLROs is intended to be applied in a proportionate and risk-based manner, recognising that these are often designated roles and may be outsourced, particularly in fund structures. For clarity and proportionality, the Authority agrees to amend the Rule to remove the reference to "financially sound" and instead require that MLROs and DMLROs be "suitably qualified with sufficient skills and experience to perform their functions ."	See comment above regarding Rule 8.11
274.	12.7	Reference to "financially sound" In this section is very broad. If the intention here is to identify and address financial risk in a manner similar to that outlined in Section 7A questions 27, 28 C 30 of CIMA's PQ then similar content in this regard could be included in this section.	The section on the Appointment of an MLRO was moved to Section 8. The Rule is now 8.11 The Authority acknowledges the comment. The suitability	See comment above regarding Rule 8.11

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			requirement for MLROs and DMLROs is intended to be applied in a proportionate and risk-based manner, recognising that these are often designated roles and may be outsourced, particularly in fund structures. For clarity and proportionality, the Authority agrees to amend the Rule to remove the reference to "financially sound" and instead require that MLROs and DMLROs be "suitably qualified with sufficient skills and experience to perform their functions ."	
275.	**12.7**	The requirement for ongoing Fit and Proper assessments of MLROs and DMLROs is new and lacks guidance on what "ongoing" means and what the minimum standards or frequency should be. Without a clear definition, this will lead to inconsistent application across the industry. CIMA should define the requirement and issue accompanying guidance.	The section on the Appointment of an MLRO was moved to Section 8. The Rule is now 8.11 The Authority acknowledges the comment. The suitability requirement for MLROs and DMLROs is intended to be applied in a proportionate and risk-based manner, recognising that these are often designated roles and may be outsourced, particularly in fund structures. For clarity and proportionality, the Authority agrees to amend the Rule to remove the reference to "financially sound" and instead require that MLROs and DMLROs be "suitably qualified with sufficient skills	See comment above regarding Rule 8.11

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			and experience to perform their functions ."	
276.	**12.8**	An FSP must not disclose, directly or indirectly, to any customer or third party that a SAR has been, or will be, made, or that an investigation is being, or may be, carried out. This rule is inconsistent with the offence of Tipping Off as set out in Sec 139 of the POCA. It fails to include, among other things, the words "is likely to prejudice any investigation". The Act permits disclosure to third parties such as the financial group, legal advisors, etc. As the offence of tipping off is fully enforceable under the POCA, there is no need to create a rule to support it. Rule 12.5 assigns the MLRO responsibility for receiving, assessing, and making external SARs. Rule 12.8 requires the FSP to ensure suspicious activities are reported to the MLRO/DMLRO and that confidentiality safeguards are in place. The MLRO is operationally responsible for SAR decisions and external disclosures, yet the AMLCO is separately responsible for maintaining SAR records under 8.5. In larger organisations where these are different people, this creates a dual-custody issue. Confirm explicitly that the MLRO retains custody and confidentiality responsibility for individual SAR case files, and that the AMLCO's obligation under 8.5 is limited to maintaining programme- level records (e.g., SAR policies, procedures, volume statistics for board reporting) rather than the SAR files themselves. Also confirm that one person may hold both AMLCO and MLRO designations in smaller FSPs, subject to appropriate governance safeguards.	The Authority notes the comments regarding alignment with the tipping off offence under section 139 of POCA. The Rule is intended to reinforce the general prohibition on inappropriate disclosure and should be read in conjunction with the provisions of POCA, which prevail in the event of any inconsistency. The Authority will consider whether further clarification or alignment with statutory language is necessary to avoid any potential ambiguity. With respect to roles and responsibilities, the Authority clarifies that the AMLCO is responsible for ensuring that the AML/CFT/CPF compliance programme includes appropriate systems, controls, and procedures for the identification, reporting, record-keeping, and maintenance of SAR-related information. This responsibility is distinct from the operational duties of the MLRO, who is responsible for receiving, assessing, and determining	No amendment required.

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			whether to make SARs, as well as maintaining the confidentiality of SARs and related case files. Was 12.8 now is 12.6 Accordingly, the MLRO retains responsibility for SAR decision-making and the custody and confidentiality of individual SAR case files, while the AMLCO's obligations are limited to oversight of programme-level controls and procedures, including record-keeping frameworks. The Authority also confirms that one individual may fulfil both the AMLCO and MLRO roles, particularly in smaller FSPs, subject to appropriate governance arrangements and safeguards.	
277.	**12.9**	An FSP must, without delay, file a SAR with the FRA where it knows, suspects, or has reasonable grounds to suspect that a transaction, attempted transaction or activity may involve MF/TF/PF. It is unclear if this measure is intended to replicate reporting obligations already clearly specified and set out in the POCA, notwithstanding reporting obligations are not limited to transactions or just ML/TF/PF. As this obligation is fully enforceable under the POCA, there is no need to create a rule to support it. Further, the term without delay imposes a higher burden or promptness than what is specified in the POCA, specifically "as soon as is practicable", "As soon as practicable" suggests doing	The Authority acknowledges the comments regarding the potential overlap with the reporting obligations set out in POCA and the difference in wording between "without delay" and "as soon as practicable". Notwithstanding this, the provision is intended to clearly articulate and reinforce the reporting obligation within the AML/CFT/CPF compliance programme and to specify the operational responsibility of the	No amendment required.

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		something as reasonably possible based on circumstances, while "without delay" implies immediate action. "The MLRO or DMLRO must file a SAR with the FRA aligning to Rule 12.5. - "To clarify if this should be the FSP must. or MLRO and DMLRO.	MLRO and DMLRO in this regard. The Authority notes that the term "without delay" is consistent with the AMLRs and is therefore intentionally retained to ensure alignment across the AML/CFT/CPF framework. Was 12.9 now is 12.7 For clarity, the responsibility for filing SARs with the FRA rests with the MLRO or, in their absence, the DMLRO. While the FSP remains ultimately responsible for compliance with its statutory obligations, this provision reflects the established governance structure whereby the MLRO/DMLRO performs the reporting function on behalf of the FSP.	

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