



Cayman Islands Regulatory Update – Q1 2024

Removal of the Cayman Islands from the FATF Monitoring List, EU AML List and UK AML List

The Cayman Islands has reached a number of significant milestones in the jurisdiction's commitment to AML/CFT in the last quarter, demonstrating the effectiveness of its AML/CFT regime.

On 27 October 2023, the Financial Action Task Force ("FATF") announced that the Cayman Islands had been removed from the FATF's list of "jurisdictions under increased monitoring" (the "FATF Monitoring List") with immediate effect. The Cayman Islands is now rated by the FATF as compliant or largely compliant with all 40 of the FATF's 40 Recommendations. Out of 161 countries assessed, only a handful of other countries have attained this standard. The FATF said that it welcomed the Cayman Islands' significant progress in improving its AML/CFT regime. For more information, please refer to our published advisory: [Update on the Removal of the Cayman Islands from the FATF's List of Jurisdictions Under Increased Monitoring](#).

Following the removal of the Cayman Islands from the FATF Monitoring List, on 12 December 2023, the European Commission also adopted the Commission Delegated Regulation (EU) of 12.12.2023 amending Delegated Regulation (EU) 2016/1675 (the "Regulation"), which will remove the Cayman Islands from the EU list of non-cooperative jurisdictions for tax purposes (Annex I to Delegated Regulation (EU) 2016/1675) (the "EU AML List"). The Regulation will enter into force on the twentieth (20th) day following that of its publication in the Official Journal of the European Union, with publication expected very shortly. The Regulation notes that the Cayman Islands has strengthened the effectiveness of its AML/CFT regimes and addressed technical deficiencies to meet the commitments in its action plans on the strategic deficiencies identified by the FATF.

In addition, pursuant to the Money Laundering and Terrorist Financing (High-Risk Countries) (Amendment) (No. 2) Regulations 2023, with effect from 5 December 2023, the Cayman Islands has been removed from the UK list of high-risk countries for anti-money laundering, counter terrorist financing and counter-proliferation financing purposes (Schedule 3ZA

of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended)) (the "UK AML List").

Beneficial ownership regime update

In our last quarterly newsletter, we provided an update about the third iteration of the Beneficial Ownership Transparency Bill, 2023 (the "Bill") published by the Cayman Islands Government in August 2023. The Bill intends to enhance the jurisdiction's current beneficial ownership regime to ensure compliance with international standards.

The Bill, together with nine consequential amendment bills, was passed by the Parliament of the Cayman Islands with amendments on 23 November 2023. As a result, the new Beneficial Ownership Transparency Act (the "Act") and the nine consequential amendment acts were published on 15 December 2023. The Cayman Islands Government has stated that over the course of 2024, the Ministry of Financial Services and Commerce will work with relevant stakeholders to allow the introduction of an enhanced beneficial ownership framework under the Act.

The existing legal obligations under the current beneficial ownership regime will remain in place, until the new provisions in the Act are introduced. Walkers will publish an advisory with more information about the Act in due course.

Walkers will assist with all aspects of compliance with the beneficial ownership regime in the Cayman Islands in due course.

CIMA regulatory measures update

On 14 April 2023, the Cayman Islands Monetary Authority ("CIMA") published a number of new and updated regulatory measures. All of those regulatory measures have come into effect.

For a summary of the key points and guidance on compliance in practice for mutual funds and private funds, please see our published advisory [Update on CIMA regulatory measures](#).

Changes to REEFS Investment Strategy Selections for fund applications and FAR filings

CIMA has made certain changes to the Investment Strategy selections available in the REEFS portal for fund applications and fund annual return ("FAR") filings, effective 15 November 2023. All fund registration applications (including both submissions) must now use the revised Investment Strategy list. FAR for funds pertaining to the financial years ending 31 December 2023 or thereafter must also use the revised Investment Strategy list in FAR submissions.

Two general Investment Strategy categories (namely, "Private Equity" and "Other") have been officially removed from the Investments Strategy list. More granular classifications have been added, and the naming of some Investment Strategy categories has also been revised for clarity. Details of those changes can be found in [CIMA's General Industry Notice entitled "Observations and Changes for REEFS Investment Strategy Selections"](#).

In addition, CIMA has requested that funds where Environmental, Social, and Governance ("ESG") is their core focus should have that selected as the Primary Investment Strategy. For funds that have ESG considerations as non-core, but with material substance, ESG should be selected as the Secondary Investment Strategy.

CIMA's Supervisory Information Circular about AML/CFT Remediation

On 29 December 2023, CIMA issued a supervisory circular entitled "[AML/CFT Remediation](#)", which describes how CIMA monitors AML/CFT remediation by financial service providers ("FSPs") and sets out the key elements of a successful remediation plan.

CIMA conducts onsite inspections of FSPs to evaluate their compliance with the AML/CFT regulatory framework, and to validate the corrective measures implemented to address identified deficiencies. Where CIMA notes deficiencies through onsite inspections, it will issue an inspection report that provides information on the deficiencies identified and includes specific actions to remediate the identified issues within specified timeframes set by CIMA ("**Requirements**").

Where Requirements have been issued, CIMA requests FSPs to report monthly or quarterly on their remediation progress. CIMA will formally notify FSPs once it has no further comments and is satisfied that no additional remediation documents are required to address the Requirements from the inspection report. CIMA may also conduct a follow up inspection to test and validate the remedial actions taken to address Requirements.

From January 2019 to June 2023, CIMA completed risk-based inspections for 603 FSPs to evaluate their AML/CFT policies, procedures, systems, and controls, and issued 5,262 Requirements, 93% of which have been met or are being completed within prescribed timeframes. Walkers regularly assists clients in managing onsite inspections by CIMA and, where applicable, addressing the Requirements set out in CIMA's inspection reports. Walkers has assisted many clients to navigate the process and are happy to help when contacted by CIMA or in advance for testing exercises.

Any questions

If you require specific advice and/or further assistance relating to the above matters, please do not hesitate to reach out to your usual Walkers contact, or a member of our Regulatory & Risk Advisory team who are ready to help.

Key contacts

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