



Cayman Islands Regulatory Update – Q4 2023

Update on the Removal of the Cayman Islands from the FATF's Monitoring List

Following the conclusion of the June 2023 plenary of the Financial Action Task Force ("FATF"), the FATF has announced that it has made the initial determination that the Cayman Islands has substantively completed its action plan.

Accordingly, the Cayman Islands is eligible to be removed from the FATF's list of "jurisdictions under increased monitoring" (the "FATF Monitoring List"), subject to successful completion of an onsite visit by the FATF, which is part of the FATF's standard process for removal from the FATF Monitoring List.

A delegation from the Americas Joint Group ("Joint Group"), a sub-working group of FATF's International Co-Operation Review Group, completed its onsite visit to the Cayman Islands on Friday, 1 September 2023. The Joint Group will now prepare an onsite visit report which will then be presented at the next FATF plenary to be held in October 2023, at which the Cayman Islands will receive confirmation as to whether it will be removed from the FATF Monitoring List.

Once the Cayman Islands is removed from the FATF Monitoring List, removal from the EU Commission's list of "high-risk third countries" (the "EU AML List") should follow in due course, the EU having confirmed to the Cayman Islands' Government in May 2022 that it does not require further measures, beyond those included in the FATF's action plan, for removing the Cayman Islands from the EU AML List.

CIMA's updated AML Guidance Notes

Following industry consultation, on 30 August 2023, the Cayman Islands Monetary Authority ("CIMA") issued updated Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ("Updated AML Guidance Notes"). The key change is that financial service providers ("FSPs") are now expressly permitted to undertake remote onboarding and ongoing monitoring of business relationships, including by way of e-KYC and digital identification systems, provided that the guidance in the Updated AML Guidance Notes is followed.

Pursuant to the Updated AML Guidance Notes, FSPs should take a risk-based approach to remote on-boarding and ongoing monitoring of business relationships. For a summary of the updated guidance, please refer to our published advisory [Updated Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands](#).

The Updated AML Guidance Notes confirm CIMA's approach to the use of e-KYC and remote on-boarding technology, which is intended to reflect FATF Guidance. This is a welcome development for industry and provides increased flexibility and efficiency for FSPs and their customers.

Beneficial ownership regime update

On 30 August 2023, the Cayman Islands' Government published the third iteration of the Beneficial Ownership Transparency Bill, 2023 (the "Bill").

As currently drafted, the Bill would consolidate the current beneficial ownership legislation applicable to companies, limited liability companies and limited liability partnership into a single Act, and introduce certain changes to the framework such as (i) bringing limited partnerships, foundation companies and exempted limited partnerships into scope of the reporting requirements, (ii) removing a number of the exemptions available under the current beneficial ownership regime, (iii) alignment of the definition of "beneficial owner" with that under the Cayman Islands Anti-Money Laundering Regulations (save that the relevant percentage for determining "control" will remain at 25% or more), and (iv) increased reporting requirements. Please refer to our published advisory [Proposed changes to the beneficial ownership regime in the Cayman Islands](#) for key points to be aware of in the Bill.

The Cayman Islands' Government is expected to present the Bill at a meeting of Parliament anticipated for the fourth quarter of 2023. The existing legal obligations under the current beneficial ownership regime will remain in place until the new provisions are introduced in a phased approach after the Bill is passed.

Walkers can assist with compliance with the beneficial ownership regime applicable in the Cayman Islands, including confirming whether your entities will be in scope of the expanded regime, and if necessary, assisting with identifying registrable beneficial owners.

CIMA regulatory measures reminder

In our last quarterly newsletter, we provided an update about the new and updated regulatory measures published by the Cayman Islands Monetary Authority ("CIMA") on 14 April 2023. Five of those regulatory measures came into effect on the same day.

Please be reminded that the new CIMA Rule on Corporate Governance for Regulated Entities and the combined Rule and Statement of Guidance on Internal Controls for Regulated Entities will come into effect on 14 October 2023. We recommend those responsible for the governance of regulated entities (including investment funds) familiarise themselves with the applicable regulatory measures.

CIMA Thematic Cybersecurity Review Report 2023

Between April to December 2022, CIMA conducted a cybersecurity thematic review of twelve regulated entities spanning the Banking, Insurance and Securities sectors. As a result, in June 2023, CIMA published a [Thematic Cybersecurity Review Report](#) that provides insight on identified good practices and areas of concerns within the below key elements of the review:

- Cybersecurity Framework
- Risk Management
- IT Systems Controls and Use of Internet
- Employee Selection, Training and Awareness
- Outsourcing and Intra-Group Arrangements
- Data Protection
- Accountability
- Notification Requirements

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 person, or a member of our Regulatory & Risk Advisory team who are ready to help.

Key contacts

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