

CAYMAN ISLANDS

# ANTI-MONEY LAUNDERING AND COUNTER TERRORIST FINANCING STRATEGY 2019-2022

---

THE ANTI-MONEY LAUNDERING STEERING GROUP



SEPTEMBER 2019



# TABLE OF CONTENTS

**Foreword by the Honourable Premier** | *pg. 1*

**Foreword by the Honourable Attorney General** | *pg. 2*

**Strategy Framework** | *pg. 3*

Introduction | *pg. 3*

Jurisdictional Objectives | *pg. 4*

**Situation Analysis** | *pg. 5*

The National ML/TF Risk Assessment (NRA) | *pg. 5*

The Cayman Islands Mutual Evaluation Report 2019 | *pg. 6*

Targeted Risk Assessments in 2019 | *pg. 7*

**Strategic Themes, Objectives and Actions** | *pg. 8*

**Strategic Theme 1**

*Enhancing the Jurisdiction's AML/CFT/CFP Legal & Regulatory Framework* | *pg. 8*

**Strategic Theme 2**

*Implementing a Comprehensive Risk-Based Supervisory Framework* | *pg. 9*

**Strategic Theme 3**

*Strengthening of Sanctions, Intelligence, Investigation, Enforcement & Asset Recovery* | *pg. 10*

**Strategic Theme 4**

*Enhancing Domestic Co-operation and Co-ordination* | *pg. 12*

**Strategic Theme 5**

*Ensuring an Efficient & Effective System for International Co-operation* | *pg. 13*

**Strategic Theme 6**

*Raising AML/CFT/CFP Awareness amongst all Stakeholders & the General Public* | *pg. 14*

**Policy Implementation, Monitoring & Evaluation** | *pg. 34*

Implementation | *pg. 15*

Monitoring & Evaluation | *pg. 15*

**Annex I: List of Abbreviations** | *pg. 16*

**Annex II: Prioritised Action Plan** | *pg. 18*

**Annex III: Supplementary Appropriations in 2019 by Government Related to AML/CFT/CFP** | *pg. 23*

**Annex IV: Chart for Key Agencies** | *pg. 24*

**Annex V: Cayman Islands Government Organisational Structure for the Implementation of AML/CFT/CFP Measures** | *pg. 25*

# Foreword by the Honourable Premier

**The Cayman Islands is a leading international Financial Services Centre and takes seriously its obligation to contribute to the maintenance of the integrity of the global financial system.**

As such, keeping up with evolving international standards and best practices has always been one of the main priorities of the Cayman Islands as we are home to a thriving Financial Services Industry. As well, the financial services business is a critical element of our economy.

We fully support the global agenda on fighting financial crime and we have embarked on an extensive work program to enhance the Cayman Islands' anti-money laundering, counter terrorist financing and counter proliferation financing regulatory and operational frameworks.

The Cayman Islands has accomplished much in the 18 months since its assessment by the Caribbean Financial Action Task Force in December 2017. Amongst other successes, we have established a regulatory authority for the legal profession, brought non-profit organizations into the scope of supervision, and created new permanent inter-agency bodies to ensure greater cooperation and coordination between law enforcement agencies, between financial sector supervisors and between the private and public sectors. In addition, numerous legislative amendments have been made to broaden the scope of financial services businesses that must comply with AML/CFT/CPF requirements and to make those requirements more rigorous. We do of course realize that much work remains to be done.

The Cayman Islands Anti-Money Laundering and Counter Terrorist Financing Strategy 2019 – 2022 outlines the country's AML/CFT/CPF strategic priorities over the medium term.

The priorities fall into six strategic themes, covering regulatory and legislative, as well as operational, aspects. Over the next three years, the Cayman Islands intends to continue with legislative enhancements to institute a modern risk-based legislative framework, maintain on an ongoing basis an understanding of the ML/TF/PF risks the jurisdiction faces as a whole and within various sectors, enhance the use and sharing of financial intelligence, enhance domestic and international cooperation and increase awareness of our efforts with all stakeholders and the general public.

This ambitious work programme seeks to show that the Cayman Islands is fully committed to attaining and maintaining over the long term a robust, adaptive and responsive AML/CFT/CPF framework, consistent with international standards, and effective in maintaining the integrity of the Cayman Islands' financial system, commensurate with the country's position as a leading international financial services jurisdiction.

Hon. Alden McLaughlin, *MBE, JP, MLA*  
**Premier**

# Foreword by the Honourable Attorney General

It is a pleasure for me to present the updated Cayman Islands Anti-Money Laundering and Counter Terrorist Financing Strategy 2019 – 2022 on behalf of the Government of the Cayman Islands. The first strategy, published in May of 2017 represented the result of close collaboration among stakeholders with a vested interest in ensuring that the Cayman Islands AML/CFT framework continued to be robust and relevant in line with evolving international standards.

The Cayman Islands has long been an active participant in international efforts to disrupt organised crime and to remove the profit from criminal activity. As a founding member of the Caribbean Financial Action Task Force, the Cayman Islands has demonstrated its commitment to international best-practice embodied within the 40 Recommendations of the Financial Action Task Force.

The jurisdiction underwent its fourth round AML/CFT/CFP assessment visit in December 2017, and the CFATF Mutual Evaluation Report was published in March of 2019. This provides us with a unique opportunity to reset the AML/CFT/CFP agenda over the medium term, taking into consideration those strategic areas for improvement identified in the Mutual Evaluation Report. This Strategy will assist competent authorities and self-regulatory bodies in initiating coordinated action for the implementation of adequate money laundering, terrorist financing, and proliferation financing risk mitigation measures, and allow the private sector to better align its efforts with national objectives.

As we look toward the further strengthening of the Cayman Islands AML/CFT/CFP framework, I wish to thank all the stakeholders who made the successful completion of this document a possibility. I implore you to demonstrate the same commitment and fervour as we pursue its effective implementation.

Hon. Samuel Bulgin, *JP, QC*  
**Attorney General**

# Strategy Framework

The Cayman Islands AML/CFT Strategy, originally published in 2017, was designed to address the findings of the jurisdiction's money laundering and terrorist financing national risk assessment. This updated strategy (2019-2022) incorporates the findings of the jurisdiction's CFATF Mutual Evaluation Report (MER), published in March 2019. This strategy provides the jurisdiction's strategic direction in addressing money laundering (ML), terrorist financing (TF) and proliferation financing (PF) challenges over the next four years; with a view to enhancing the AML/CFT/CFP framework. In addition, it illustrates the Government's priorities and objectives in dealing with financial crime, and contributes to the Cayman Islands' adherence to international obligations set by the FATF.<sup>1</sup>

This document has four main sections.

- 1. Introduction:** Outlines the purpose and general context for the Strategy.
- 2. Jurisdictional Objectives:** Outlines the broader jurisdictional policy objectives; as encapsulated in a Vision, Mission, and six over-arching Strategic Themes.
- 3. Situation Analysis:** Provides context with respect to (a) the first ML/TF National Risk Assessment, (b) the CFATF Mutual Evaluation of the Cayman Islands, and (c) the targeted ML/TF risk assessments conducted in 2019.
- 4. Strategic Themes, Objectives, and Actions:** Outlines the specific actions to be taken over the period, as outlined under strategic themes and strategic objectives.

An AML/CFT strategy, as recognised by the FATF, contributes to an effective system for the prevention, detection and deterrence of money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction.

## INTRODUCTION

The updated AML/CFT Strategy is informed by, and designed to address, the findings of AML/CFT risk assessments, as well as areas for improvement identified in the MER. The national risk assessment was completed in December 2015, and this was followed by targeted assessments in 2019 as recommended in the MER for further analyses. These assessments form the bedrock of the Cayman Islands' risk-based approach to addressing ML and TF threats. Through these assessments, competent authorities and SRBs charged with responsibility for AML/CFT/CFP matters are developing a deep appreciation of the ML/TF risks faced by the jurisdiction and by their respective sectors, and are thus better equipped to develop and implement appropriate risk mitigation strategies.

The key results of these assessments will be published for public and private sector consumption, and outreach will be conducted to highlight to financial institutions and DNFBSs the AML/CFT risks. It is anticipated that publishing those results will: 1) inform public sector agencies and persons engaged in relevant financial business<sup>2</sup> under the Proceeds of Crime Law (2019 Revision) of the existing ML/TF risks, thereby facilitating the design and implementation of adequate measures for risk mitigation; and, 2) provide information that will assist in the efficient allocation of resources for combatting ML/TF. Additionally, publishing the results is a fulfilment of the jurisdiction's international obligations under FATF Recommendation 1.<sup>3</sup>

The Government of the Cayman Islands recognises that in order to address the growing sophistication of those that seek to benefit from criminal or illegitimate means, its approach to attending to ML, TF and PF concerns must be one which is comprehensive, involving a sound understanding of risks, and engaging competent authorities, SRBs, the private sector and the wider public.

This medium term AML/CFT/CFP Strategy is situated above the shorter term Action Plan approved by the Ministerial Sub-Committee and the AMLSG. The Action Plan is revised annually to ensure the main actions of the Strategy are being addressed and the budgetary resources are appropriately allocated.

<sup>1</sup> FATF Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems (FATF Methodology) – Recommendation 2; Immediate Outcome 1

<sup>2</sup> Proceeds of Crime Law (2019 Revision) sec 2 and Schedule 6

<sup>3</sup> The FATF Methodology, criterion 1.4

# JURISDICTIONAL OBJECTIVES

The jurisdiction's AML/CFT Strategy therefore seeks to include all relevant stakeholders, both public and private, while outlining jurisdictional objectives to ensure that the findings of the risk assessment are addressed, thereby leading to an AML/CFT/CFP framework that remains robust and effective over the next four years. In doing so, the jurisdiction is led by the following vision and mission:

## VISION

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

## MISSION

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

Being guided by the above-stated vision and mission, the Government of the Cayman Islands considers it prudent to enhance the jurisdiction's AML/CFT/CFP framework and address the findings of the national risk assessment and the MER by embarking on a course of action under six strategic themes.

## STRATEGIC THEMES

- 1. Enhancing the jurisdiction's AML/CFT/CFP legal and regulatory framework;*
- 2. Implementing a comprehensive risk-based supervisory framework;*
- 3. Strengthening of Sanctions, Intelligence, Investigation, Enforcement & Asset Recovery;*
- 4. Enhancing domestic cooperation and coordination;*
- 5. Ensuring an efficient and effective system for international cooperation; and*
- 6. Raising AML/CFT/CFP awareness among all stakeholders and the general public.*

# Situation Analysis

## THE NATIONAL ML/TF RISK ASSESSMENT (NRA)

The Cayman Islands national risk assessment involved a process through which ML and TF risks to the Cayman Islands were determined. Greater detail is provided in the “*Results of the 2015 Cayman Islands National Risk Assessment Relating to Money Laundering, Terrorism Financing and Proliferation Financing*” document published on 26th April 2017.

Through the commissioning of eight working groups, the national risk assessment took stock of threats at the national level and investigated vulnerabilities at the national and sectoral levels that could potentially be exploited by money launderers and terrorist financiers. At the sectoral level, financial and certain non-financial sectors were examined with vulnerability measured on a scale of low, medium low, medium, medium high and high. Many factors were considered in determining the levels of risks. These included the level of enforcement of AML obligations, a sector’s commitment to good corporate governance, the level of penalties existing within different sectors, the identification infrastructure existing within the sectors, and the quality of AML supervision.

Theft, corruption and drug trafficking are the main threats emanating from domestic origins; while, fraud, the evasion by foreigners of taxes overseas, and drug trafficking in other jurisdictions, present potential threats to the Cayman Islands from foreign origins. The jurisdiction has mitigated these threats through a robust framework of laws and mechanisms for international cooperation. Nonetheless, they continue to be major considerations in designing and implementing measures strengthening the jurisdiction’s AML/CFT framework.

Vulnerabilities at the national level at the time of the national risk assessment were found to include a less than fulsome implementation of the risk-based approach to AML/CFT supervision; areas in which domestic cooperation among government agencies at the operational level could be enhanced, notwithstanding strong inter-agency cooperation at the policy level; a lack of supervision of Designated Non-Financial Businesses and Professions (DNFBPs) outside of TCSPs; limited supervision of non-profit organisations; and a sanctions regime which required enhancement to meet the “effective, proportionate and dissuasive” standard required by the FATF.

Further, the national risk assessment identified areas in which increased staffing levels at the Financial Reporting Authority (FRA) and the Financial Crimes Unit of the Royal Cayman Islands Police Service (FCU) would result in a better ability to handle suspicious activity reports (SARs) and other suspicions of financial crimes.

The NRA also identified a number of strengths in the Cayman Islands’ AML/CFT framework. The jurisdiction has had a long-standing commitment to fighting financial crime and has thus developed a vast network of laws and regulations, including those allowing for international cooperation, for the purpose of tackling ML/TF and PF. Further, the overall supervisory framework for the financial industry is robust and domestic cooperation and coordination at the policy level have effectively taken place within the Cayman Islands for a number of years through the work of the Anti-Money Laundering Steering Group (AMLSG) which, among other things, promotes effective collaboration between regulators and law enforcement agencies.

Since the conclusion of the NRA, much work was done to address the issues identified. The jurisdiction is currently in the process of fully implementing the risk-based approach, and has passed amendments to its Proceeds of Crime Law establishing an inter-agency committee for enhanced domestic cooperation at the operational level, and for the establishment of supervisors for DNFBPs. The *Proceeds of Crime Law* and the *Anti-Money Laundering Regulations* have also been amended to allow for effective, proportionate and dissuasive administrative and criminal sanctions for breaches of AML/CFT laws.

Additionally, significant steps were taken to establish a supervisory framework for non-profit organisations and to ensure that non-profit organisations are taking measures to effectively mitigate any TF risks within that sector.

Additional human resources have also been employed at the FRA for analysis of Suspicious Activity Reports (SARs) and the administration of targeted financial sanctions relating to TF and PF; and also at the FCU to make for more efficient handling of reports and cases.

In the area of supervision, the Department of Commerce and Investment was designated as the supervisor for real estate agents and developers, and dealers of precious metals and stones. The Cayman Islands Institute of Professional Accountants (CIIPA) was assigned supervisory responsibilities over accountants.



# THE CAYMAN ISLANDS MUTUAL EVALUATION REPORT 2019

The CFATF AML/CFT Mutual Evaluation Report (MER) was published in March 2019, following an on-site visit by the CFATF assessment team in December 2017.

For **technical compliance** based on the 40 FATF Recommendations, the Cayman Islands achieved the following ratings: 12 “Compliant” (C), 15 “Largely Compliant” (LC), 13 “Partially Compliant” (PC), and no “Non-Compliant” (NC).

With respect to **effectiveness** based on the FATF 11 Immediate Outcomes, the jurisdiction achieved the following ratings: 5 “Low”, 6 “Moderate”, no “Substantial”, and no “High”.

Within the “ML/TF Risk and Context” chapter of the MER, the following observation was made:

Most of the key structural elements required for an effective AML/CFT system are present. The Cayman Islands has a stable political environment, that has demonstrated a high level of commitment to address AML/CFT issues. Further, the jurisdiction’s regulated institutions operate with accountability, integrity and transparency; however, this has not been verified with respect to unregulated institutions. The rule of law and an independent judiciary are well established.<sup>4</sup>

The jurisdiction now has the opportunity, termed the “Observation Period”, to make progress in correcting the deficiencies identified in the MER. That period commenced in February 2019 and will run to February 2020. A determination will be made at the FATF Plenary in June of 2020 whether sufficient and tangible progress has been made, through the review of a Post Observation Period Report. No public pronouncements will be made by the FATF regarding the Cayman Islands’ progress during the Observation Period.

The Cayman Islands is committed to improving its AML/CFT/CFP framework and to using the Recommended Actions in the MER as a means to do so. This matter has been identified by the Honorable Premier as a national priority and is being treated as such. The Cayman Islands has created a comprehensive action plan identifying the roles of each agency in relation to each of the 63 Recommended Actions outlined in the MER.

The Cayman Islands has appointed a Ministerial Sub-Committee to oversee the work of the agencies and to reinstate the high level commitment to the process. The Ministerial Sub-Committee is chaired by the Honourable Premier. Members of the Sub-Committee also include the Deputy Governor, the Minister for Financial Services, the Minister for Finance, the Minister for Commerce, and the Attorney General as Chair of the Anti-Money Laundering Steering Group (AMLSG). The existing statutory bodies of the Anti-Money Laundering Steering Group in relation to policy oversight, and the Inter Agency Coordination Committee in relation to operational coordination, have been embodied into the plan for ensuring that the Cayman Islands meets its requirements.

The Cayman Islands has established a schedule for reporting to ensure consistency, coordination and cooperation between all agencies and committees. The schedule will ensure that operational obstacles are addressed, that there is coordination of policies and that any difficulties are brought to the attention of the Ministerial Sub-Committee. There is monthly reporting upon the actions taken, supervised by the Ministerial Sub-Committee.

The commitment of the Cayman Islands to this process has also been demonstrated by the funding for additional resources of agencies during the March 2019 sitting of the Finance Committee. On top of this, additional temporary recruitment to ensure immediate action pending a formal recruitment process as well as the use of consultants to train and assist the Cayman Islands has been approved wherever possible. This includes engaging reputable and experienced consultants to assist in coordinating the national risk assessment areas, that were highlighted within the MER and passing on their learning and techniques to the jurisdiction for use in subsequent national risk assessments. The Cayman Islands is committed to ensuring there is a complete overview of the risks at the national level at least every five years, and for sectoral risk assessment outcomes to be provided to the AMLSG annually to enable mitigating measures to be taken as required.

Amendments to the framework of the Cayman Islands which are required via legislation, regulations or guidance are being addressed as a priority, with the required consultation of industry as appropriate.

Out of the 63 Recommended Actions, the CIG has identified a number of “Priority Actions” that will be necessary for the Cayman Islands to strengthen its AML/CFT regime. This prioritised action plan applies a risk based approach to those 63 Recommended

<sup>4</sup> CFATF Mutual Evaluation Report: Cayman Islands, March 2019 (para. 18, pp 26)

Actions and identifies those areas that will receive greater focus in the preparations of agencies, the review of the Ministerial Sub-Committee, the allocation of any further resources and priority training needs. These priority actions are listed in the Prioritised Action Plan at Annex II.

Completed work on the priority actions includes the following:

- The operational independence of the FRA was enhanced last year by an amendment to section 138 of the Proceeds of Crime Law, whereby the FRA no longer requires the consent of the Attorney General to disclose information to overseas FIUs. Furthermore, the FRA is no longer required to consult with the AMLSG prior to entering into an agreement with an overseas FIU.
- The Legal Associations (Miscellaneous Amendments) Law was assented to in December of 2018, and took effect on through a Commencement Order 19th February 2019, to recognise the Cayman Islands Legal Practitioners Association as the self-regulatory body for the supervision of lawyers.
- The Financial Crimes Focus Group (FCFG) was established in March 2019, headed by the Office of the Director of Public Prosecutions, to enhance the quality of work related to the use of financial intelligence for the investigation and prosecution of financial crimes. Membership includes the FRA, RCIPS, CBC and the Anti-Corruption Commission.
- In March 2019, the Cayman Islands appointed a National Coordinator to ensure coordination between agencies, committees and all stakeholders involved in the implementation of the Action Plan.
- In April of 2019, the Legislative Assembly of the Cayman Islands granted its approval of supplementary appropriations in 2019 directly related to AML/CFT of just over \$7.0 million (See Annex III). These additional funds are for different agencies to acquire the necessary human and IT resources, in order to address strategic deficiencies identified in the report.
- A Supervisory Forum was established in July of 2019 to coordinate efforts of all supervisors, including the self-regulatory bodies. This is to ensure supervisory cooperation, information-sharing, and harmonisation of supervisory practices.
- A communications expert has also been appointed to coordinate the required outreach to industry and the public. The Cayman Islands is dedicated to ensuring that outreach occurs to ensure the engagement and understanding of all those affected by the improvements to the AML / CFT structure. The Cayman Islands is also committed to providing training to increase and sustain competence and excellence in these areas.

## TARGETED RISK ASSESSMENTS IN 2019

The Strategy has also been informed by preliminary results from targeted risk assessments conducted, which included a) terrorism financing, b) Special Economic Zone (SEZ), and c) registered entities under the Securities and Investment Business Law (SIBL).

# Strategic Themes, Objectives & Actions

## STRATEGIC THEME 1:

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

#### Strategic Objective:

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

The NRA, the MER and other updated risk assessments highlighted areas in which amendments to the jurisdiction's laws and regulations and supervisory practices would result in a more effective AML/CFT/CFP framework.

#### Stakeholders Involved:

The AMLSG, the Ministry of Financial Services & Home Affairs (MFSHA), the Inter-Agency Coordination Committee (IACC), the Anti-Money Laundering Unit (AMLU), the Cayman Islands Monetary Authority (CIMA), the Department of Commerce and Investment (DCI), the FRA, the Office of the Director of Public Prosecutions (ODPP), the Cayman Islands Customs and Border Control (CBC), the FCU, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the Proceeds of Crime Law (2019 Revision).

#### Actions:

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

- Align the Proceeds of Crime Law with relevant and evolving international standards.
- Review and amend the Terrorism Law to ensure it fully incorporates relevant international standards for addressing terrorism and terrorist financing.
- Review and amend the Proliferation Financing (Prohibition) Law to ensure it fully incorporates relevant international standards for addressing proliferation and proliferation financing.
- Review and amend the Anti-Money Laundering Regulations (AMLRs) to ensure that AML/CFT/CFP preventative measures and supervisory requirements are in line with the FATF Methodology.
- Review, amend and develop relevant laws to ensure adequate supervisory coverage of financial institutions and DNFBPs.
- Review and amend relevant laws to ensure adequate transparency of beneficial ownership for legal persons and legal arrangements.
- Develop a regulatory framework for virtual assets, in line with evolving FATF standards.
- Review and revise supervisory guidance to include targeted financial sanctions for TF and PF.
- Periodically and, where necessary, revise laws, regulations, guidance and procedures to ensure consistency with relevant international standards and to secure a more robust AML/CFT/CFP framework.
- Develop an administrative fines regime to be used by supervisors of persons engaged in relevant financial business which provides for sanctions which are effective, proportionate and dissuasive, including sanctions against TCSPs and companies for failure to maintain up to date beneficial ownership information.

## STRATEGIC THEME 2:

# Implementing a Comprehensive Risk-Based Supervisory Framework

### Strategic Objectives:

1. *Implement a risk-based supervisory framework for financial institutions and DNFBPs consistent with relevant international standards and effective for preventing and deterring ML/TF and PF activities.*
2. *Develop an administrative fines regime that allows supervisors to issue effective, proportionate and dissuasive sanctions.*
3. *Conduct and maintain up-to-date ML/TF and PF risk assessments at the national and sectoral levels to allow for an adequate appreciation of risks by relevant supervisory and competent authorities at all times for the efficient allocation of resources and appropriate design of ML/TF/PF risk mitigation measures.*
4. *Establish and maintain a risk-based supervisory framework for non-profit organisations consistent with relevant international standards and effective for preventing and deterring TF activities.*

*The International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation* require, and regard as most efficient, a risk-based approach to addressing ML/TF and PF. The Cayman Islands has committed to fully integrating this approach throughout its legal and regulatory framework in order to achieve the best results in deterring and sanctioning these activities through the most resource efficient means.

A risk-based approach to addressing the threat of ML/TF and PF requires objective evidence concerning the risks posed by financial services activities in the domestic and international spheres. The maintenance of an up-to-date ML/TF and PF risk assessment will better equip supervisory authorities and other competent authorities to design and implement appropriately tailored measures for countering such criminal activities, and will aid in short and medium-term strategic planning. A risk-based approach to supervision will also facilitate a more efficient allocation of resources by directing greater amounts of resources to higher risk areas while ensuring that lower risk scenarios are appropriately addressed. This includes, empowering supervisors to act swiftly in addressing non-compliance with regulatory measures, thereby increasing the likelihood that demands for corrective action be heeded and reducing the likelihood of supervisory breaches.

Also, the NRA and other updated risk assessments recommended further measures for the regulation of non-profit organisations. Establishing and maintaining a risk-based supervisory framework dedicated to governing these organisations, will better achieve the goal of deterring ML/TF and PF activities and significantly contribute to a more robust AML/CFT/CFP network of laws and regulations.

### Stakeholders Involved:

The AMLSG, the IACC, the AMLU, ROC, CIMA, DCI and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the *Proceeds of Crime Law (2019 Revision)*.

### Actions:

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

- Ensure adequate staffing and training for financial and DNFBP supervisors.
- Implement oversight and supervision of financial and DNFBP activities appropriate to the level of ML/TF/PF risk.
- Implement a supervisory framework for unregulated funds and virtual assets.
- Enhance on-site and off-site inspection and compliance programmes in line with the risk-based approach (RBA), and incorporate targeted financial sanctions for TF and PF.
- Supervisors verify if beneficial ownership information collected by financial institutions and DNFBPs is kept up-to-date.

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

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

**Relevant to Strategic Objective 3:** Conduct and maintain up-to-date ML/TF and PF risk assessments at the national and sectoral levels to allow for an adequate appreciation of risks by relevant supervisory and competent authorities at all times for the efficient allocation of resources and appropriate design of ML/TF/PF risk mitigation measures.

- Conduct risk assessments at regular intervals at the national level every five years, and sectoral levels annually to ensure that the jurisdiction keeps abreast of its ML/TF and PF risks. These will include identifying and assessing the risks associated with the development of new products and new business practices, including new delivery mechanisms; and the use of new or developing technologies for both new and pre-existing products.
- Ensure that the results of risk assessments are fully utilised in designing and implementing ML/TF/PF mitigation measures.
- CIMA, DCI and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the Proceeds of Crime Law (2019 Revision) to
  - develop and keep up-to-date ML/TF and PF risk profiles of their licensees and registrants;
  - ensure, through on-site and off-site inspection, that licensees and registrants are periodically assessing their own ML/TF and PF risks;
  - verify, through on-site and off-site inspections and on a risk sensitive basis, whether licensees and registrants are complying with their AML/CFT/CFP obligations and are continuously taking into account the results of the NRA and other targeted risk assessments; and
  - develop typologies reflective of national threats and vulnerabilities to keep competent authorities, SRBs and those engaged in relevant financial business informed.
- Via the Proliferation Financing Inter-Agency Group, keep abreast of PF risks relevant to the jurisdiction.
- Conduct outreach to relevant sectors regarding results of risk assessments.

**Relevant to Strategic Objective 4:** Establish and maintain a risk-based supervisory framework for non-profit organisations consistent with relevant international standards and effective for preventing and deterring TF activities.

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

## **STRATEGIC THEME 3:**

### **Strengthening of Sanctions, Intelligence, Investigation, Enforcement & Asset Recovery**

#### **Strategic Objectives:**

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

One of the pillars upon which an effective AML/CFT regime rests is a strong framework for investigating, pursuing and sanctioning cases of ML/TF and PF. The Cayman Islands Government recognises that the key to such a framework is a strong and adequately resourced FRA, FCU and ODPP. Additional staffing at the FRA and FCU to analyse, investigate and manage suspicious activity reports or other instances of suspicion of financial crime would lead to even greater effectiveness in deterring or punishing those engaged in such activities.

#### **Stakeholders Involved:**

The FRA, the FCU, the CBC, the ACC, the ODPP, CIMA, DCI, the IACC, the FCFG, the AMLU, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the *Proceeds of Crime Law (2019 Revision)*.

## **Actions:**

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

- Implement measures to ensure FRA's widest access to relevant information, including from competent authorities and SRBs.
- Implement a new electronic SAR reporting system and analytical tools.
- Competent authorities and SRBs provide feedback to FRA on its onward disclosures to improve the quality of SARs and feedback to FIs and DNFBPs so that they sufficiently understand how to identify suspicious transactions which may involve complex ML/TF/PF cases.
- Ensure all sources of financial intelligence are utilised (e.g. incoming requests).
- FRA to regularly provide feedback and education on the quality of SARs.

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

- Review and ensure the adequacy of staffing at the FRA to effectively manage and analyse SARs.
- Design a programme for continuous training to develop intelligence based on AML/CFT/CFP trends, operational and strategic SAR analysis, and targeted financial sanctions.
- Increase staffing at FCU for the investigation and handling of disseminations from the FRA and other suspicions of financial crimes.
- Design a programme at the FCU for continuous training in intelligence gathering and investigations to keep abreast with the advancing sophistication of modes of financial crime.
- Implement a proactive approach to investigations with focus on stand-alone and third-party ML, as well as complex international money laundering cases.
- Refine and implement the Combatting of the Financing of Terrorism Strategy to ensure that there are clear mechanisms in place to facilitate the proactive identification of TF in the financial sector, and continue capacity development in the identification and investigation of TF.

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

- Update policies and procedures regarding the jurisdiction's commitment to removing the benefit from crime and to provide guidance on civil recovery.
- Develop a training programme for prosecutors on civil recovery.
- CBC to secure necessary IT, conduct staff training and implement policies to improve its ability to investigate and prosecute ML/TF/PF offences at the border.
- FCU cross border unit to focus on stand-alone cases and the recovery of assets, both domestically and overseas, in line with the jurisdiction's risk profile.

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

- The FRA and supervisors to implement mechanisms to ensure timely communication of targeted financial sanctions to supervised entities.
- Supervisors to issue/update guidance on targeted financial sanctions.

## STRATEGIC THEME 4:

### Enhancing Domestic Co-operation and Co-ordination

#### Strategic Objectives:

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

The Cayman Islands Government recognises that a coordinated multi-agency approach to dealing with ML/TF and PF issues is critical to the effective design and implementation of measures to prevent, detect and deter ML/TF and PF. Furthermore, the FATF requires countries to ensure that policy-makers, the financial intelligence unit, law enforcement authorities, supervisors, and other relevant competent authorities, at the policy-making and operational levels, have effective mechanisms in place which enable them to cooperate, and, where appropriate, coordinate domestically with each other concerning the development and implementation of policies and activities to combat ML/TF and PF.

The national risk assessment and MER also identified areas in which greater cooperation and coordination at the domestic level would result in an enhanced AML/CFT framework.

#### Stakeholders Involved:

The AMLSG, the MFSHA, the IACC, the FCFG, the AMLU, CIMA, DCI, the FRA, the ODPP, CBC, the FCU, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the *Proceeds of Crime Law (2019 Revision)*.

#### Actions:

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

- IACC to meet quarterly, and more frequently where necessary, in order to ensure greater coordination and communication amongst its members.
- The FCFG, as a sub-working group of the IACC, to ensure that operational measures are taken to encourage and pursue pro-active approaches to financial intelligence gathering and investigation of ML and TF, and ensure cooperation and coordination in the development of ongoing investigations.
- Through the PIAG, relevant authorities proactively cooperate and coordinate to identify potential breaches or violations of TFS related to PF and risks of PF.
- IACC to monitor developments with respect to ML, TF and PF.
- Enhance the cooperation and coordination between supervisors by means of a supervisory forum.

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

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

## STRATEGIC THEME 5:

### Ensuring an Efficient and Effective System for International Co-operation

#### Strategic Objective:

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

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

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

#### Stakeholders Involved:

The AMLSG, the MFSHA, the Attorney General's Chambers (AGC), the ODPP, the CBC, the FRA, CIMA, DCI, the FCU, ACC, the AMLU and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the *Proceeds of Crime Law (2019 Revision)*.

#### Actions:

**Relevant to Strategic Objective:** *Enhance the legal framework to allow for the provision of the widest range of international cooperation in a timely and efficient manner.*

- Competent authorities proactively request timely assistance from other jurisdictions to facilitate the development of intelligence and investigation and prosecution of domestic ML, associated predicate offences, PF, and TF cases with transnational elements.
- Competent authorities proactively seek feedback on the timeliness and quality of international cooperation assistance provided.
- Competent authorities to continuously review and enhance operational procedures with a view to ensuring requests are addressed in a timely manner.
- Competent authorities to explore avenues for further cooperation with overseas regulatory authorities such as through the initiation and signing of memoranda of understanding.
- Continue to seek the extension of the UN Convention on Suppression of Financing of Terrorism to the Cayman Islands by the United Kingdom.
- Continue to seek the extension of the UN Convention Against Corruption to the Cayman Islands by the United Kingdom.



## STRATEGIC THEME 6:

### Raising AML/CFT/CFP Awareness amongst all Stakeholders and the General Public

#### Strategic Objective:

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

The effective implementation of pertinent policies and strategies for addressing ML/TF and PF risks will depend on partnerships among Government, the private sector and civil society. It is expected that the collaboration among stakeholders and their continued involvement in the process of enhancing the jurisdiction's AML/CFT framework will raise awareness of AML/CFT issues and highlight the vested interest of each stakeholder in ensuring that the jurisdiction remains inhospitable to those who seek to engage in ML/TF and PF. Additional measures for AML/CFT awareness enhancement will further deepen stakeholders' understanding of risks and mitigation tools and allow opportunity for feedback to the competent authorities which will improve policy making and implementation.

#### Stakeholders Involved:

The MFSHA, CIMA, DCI, the FRA, the ODPP, CBC, the AMLU, and any other public sector or self-regulatory body charged with responsibility for monitoring compliance with anti-money laundering regulations under section 4(9) of the *Proceeds of Crime Law (2019 Revision)*.

#### Actions:

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

- Design and deliver presentations and programmes for raising awareness of AML/CFT/CFP matters with Department Heads, Chief Officers, and Ministers of the Government.
- Provide training for public sector employees handling transactions which may be vulnerable to the threats of ML/TF/PF.
- Supervisors and SRBs to raise awareness through outreach to FIs and DNFBPs on AML/CFT/CFP risks and obligations.
- Competent authorities ensure that adequate AML/CFT/CFP information is on their respective websites, in line with their roles and responsibilities.
- Sanctions Coordinator, supervisors and self-regulatory bodies to raise particular awareness to FIs and DNFBPs, through outreach and guidance, with respect to targeted financial sanctions for TF and PF, including red flags.
- Inter-agency communications team to design an awareness programme for other stakeholders and the general public which may be communicated through various means including the media.

# Policy Implementation, Monitoring and Evaluation

## IMPLEMENTATION

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

## MONITORING AND EVALUATION

Monitoring is a function that collects data routinely and systematically, and reports on how the planned actions are progressing. Each competent authority monitors the progress of action items relevant to its activities, and reports on such progress in the Ministerial Sub-Committee of Cabinet and AMLSG.

The CIG has also created a temporary National Coordination Team, for an eighteen month period, to coordinate the fulfilment of Cayman's CFATF MER Recommended Actions and to support Cayman's removal from the FATF's ICRG process. During this timeframe, the National Coordination Team assists competent authorities and SRBs in progressing the implementation of the Strategy, and monitors the overall, consolidated progress of implementation efforts for the jurisdiction. The National Coordination Team reports to the AMLSG and Ministerial Sub-Committee of Cabinet.

As it relates to evaluation of the AML/CFT Strategy, it is anticipated that the Post Observation Period Report to be presented to the FATF Plenary in June 2020 will provide critical information relating to the strategy's effectiveness on the ground. This will assist the AMLSG and the IACC in its strategy review process and will provide guidance in relation to remedying deficiencies where they may exist and for making recommendations for better strategy implementation.

# Annex I: List of Abbreviations

## Abbreviation

## Meaning

<b>ACC</b>	Anti-Corruption Commission
<b>AGC</b>	Attorney General's Chambers
<b>AML</b>	Anti-Money Laundering
<b>AMLSG</b>	Anti-Money Laundering Steering Group
<b>AMLU</b>	Anti-Money Laundering Unit
<b>CBC</b>	Customs and Border Control
<b>CBCR</b>	Country-by-Country Reporting
<b>CFATF</b>	Caribbean Financial Action Task Force
<b>CFP</b>	Counter Financing of Proliferation
<b>CFT</b>	Counter Financing of Terrorism
<b>CILPA</b>	Cayman Islands Legal Practitioners Association
<b>CIIPA</b>	Cayman Islands Institute of Professional Accountants
<b>CIMA</b>	Cayman Islands Monetary Authority
<b>DCI</b>	Department of Commerce and Investment
<b>DNFBP</b>	FATF Designated Non-Financial Businesses and Professions ( <i>under the Cayman Islands' legal framework these are persons engaged in relevant financial business but are not, with the exception of Trust and Corporate Service Providers, supervised by CIMA</i> )
<b>DPMS</b>	Dealers in Precious Metal and Precious Stones
<b>FATF</b>	Financial Action Task Force
<b>FCFG</b>	Financial Crime Focus Group
<b>FCU</b>	Financial Crimes Unit of the Royal Cayman Islands Police Service
<b>FI</b>	Financial Institution
<b>FRA</b>	Financial Reporting Authority
<b>IACC</b>	Inter-Agency Coordination Committee
<b>ICRG</b>	International Cooperation Review Group of the FATF

<b>MER</b>	Mutual Evaluation Report
<b>MFSHA</b>	Ministry of Financial Services & Home Affairs
<b>ML</b>	Money Laundering
<b>MLRO</b>	Money Laundering Reporting Officer
<b>MOU</b>	Memorandum of Understanding
<b>NPO</b>	Non-Profit Organization
<b>ODPP</b>	Office of the Director of Public Prosecutions
<b>PF</b>	Proliferation Financing
<b>ROC</b>	Registrar of Companies
<b>SAR</b>	Suspicious Activity Report
<b>SC</b>	Sanctions Coordinator
<b>SRB</b>	Self-Regulatory Body
<b>TCSP</b>	Trust or Corporate Service Provider
<b>TF</b>	Terrorist Financing
<b>TFS</b>	Targeted Financial Sanctions



<p>The jurisdiction should appoint an AML/CFT supervisory authority for lawyers and real estate developers given the risks identified in the NRA.</p>	<p>The government has passed the Legal Associations (Miscellaneous Amendments) Law and Cabinet has designated CILPA as the supervisory authority for lawyers.</p> <p>CILPA will ensure that all relevant lawyers are registered, and fully supervised for AML / CFT purposes.</p> <p>The POCL has been amended to ensure that real estate developers conducting relevant financial business are supervised by DCI. DCI will ensure that effective supervision is administered.</p> <hr/> <p>Lead: CILPA/DCI Date: NOVEMBER 2019</p>	
<p>CIMA should consider levying administrative penalties and imposing other forms of enforcement actions at its disposal, where remedial actions have not been taken within specified time periods.</p>	<p>CIMA will develop and publish regulatory measures for the implementation of the administrative fines regime.</p> <p>CIMA will ensure their staff is trained on the implementation of the administrative fines regime.</p> <p>CIMA will establish a Central IT platform to track the inspection results, status of enforcement actions taken and track compliance history.</p> <p>CIMA will report on enforcement actions taken.</p> <hr/> <p>Lead: CIMA Date: ONGOING</p>	
<p>The DCI should complete a risk assessment of the real estate and DPMS sectors and the DCI should ensure that real estate agents and DPMS maintain an up-to-date and accurate assessment of the ML/TF risks. A risk-based supervisory regime should be implemented. Outreach, registration and other information gathering processes should be conducted on an ongoing basis.</p>	<p>Upon completion of the registration period for DPMS and real estate, DCI will take relevant enforcement action against those who did not register.</p> <p>DCI will complete a risk assessment of the real estate and DPMS sectors.</p> <p>DCI will monitor real estate agents and DPMS in relation to their assessment of ML / TF risks.</p> <p>DCI will implement a risk-based supervisory regime and ensure appropriate outreach is conducted.</p> <hr/> <p>Lead: DCI Date: FEBRUARY 2020</p>	
<p><b>Preventive Measures</b></p>	<p>All FIs and TCSPs should ensure that their institutional ML/TF risk assessments are adequately documented and updated on a periodic basis. AML/CFT policies and procedures should be updated in accordance with required periodic institutional risk assessments.</p>	<p>Supervisors will require all regulated entities to provide confirmations that they have conducted ML / TF risk assessments and provide results of risk assessments.</p> <p>Outreach will be conducted.</p> <p>Onsite inspectors will include a review of institutional ML / TF risk assessments, policies and procedures</p> <hr/> <p>Lead: CIMA Date: JANUARY 2020</p>
	<p>Excluded persons, not otherwise licensed by CIMA, should implement appropriate AML/CFT policies, procedures and internal controls including risk-mitigation measures.</p>	<p>Supervision will be conducted by CIMA to verify whether Excluded Persons implement appropriate AML/CFT procedures.</p> <hr/> <p>Lead: CIMA Date: REGISTRATION COMPLETED JANUARY 2020</p>
	<p>Lawyers, in particular, those that do not have any affiliation with licensed TCSPs, should be supervised for AML/CFT compliance.</p>	<p>Legislation to designate a supervisory authority for lawyers, namely CILPA has been enacted.</p> <p>CILPA to register lawyers, to conduct a sectoral risk assessment and to perform effective supervision.</p> <hr/> <p>Lead: CILPA Date: JANUARY 2020</p>
	<p>The DCI should complete the registration of the real estate and DPMS sectors continue its outreach to sensitise them of their AML/CFT obligations and supervise the implementation of systems and controls to mitigate their ML/TF risks. In this regard, DCI in conjunction with the FRA should issue sector specific AML/ CFT guidelines (including red flags and SARs reporting guidance).</p>	<p>The registration of real estate and DPMS was closed on 29th May 2019.</p> <p>DCI will take action against those who have not registered.</p> <p>DCI will conduct outreach to sensitise DPMS and real estate sectors as to their AML / CFT obligations.</p> <p>DCI will supervise the implementation of controls.</p> <hr/> <p>Lead: DCI Date: JANUARY 2020</p>

<b>Legal Persons &amp; Arrangements</b>	The authorities should implement ML/TF risk-based measures commensurate with the risks identified for legal persons.	The results of the legal persons risk assessment will be distributed and outreach will be conducted. Relevant guidance, policies and procedures will take into account the results.
		Lead: AMLU Date: JANUARY 2020
<b>Legal Persons &amp; Arrangements</b>	The authorities should impose adequate and effective sanctions against TCSPs and companies, for their failure to maintain up-to-date beneficial ownership information.	The Registrar of Companies and CIMA will have adequate legislative powers to impose sanctions.  Sanctions will be imposed which are dissuasive and proportionate for failure to maintain up-to-date beneficial ownership information.  Implement administrative fines regime.
		Lead: CIMA/ROC Date: FEBRUARY 2020
<b>Financial Intelligence</b>	The Cayman Islands should implement appropriate technological enhancements and ensure that the FRA, FCU, ACC and Customs seek to access financial intelligence on a more regular basis. These upgrades should allow for the electronic submission of reporting (e.g., SARs, CBCRs, etc.), analysis and dissemination of reports in a timely manner.	The FRA will implement technological enhancements and will increase its staffing complement, which will improve analysis and dissemination of reports in a timely manner. The FRA, FCU, ACC and Customs will seek financial intelligence on a more regular basis.
		Lead: FRA Date: FEBRUARY 2020
	As a major international financial centre, the jurisdiction should re-examine the information collected. There should be an assessment undertaken to identify information that will assist in the development of financial intelligence and should consider that this and other information currently required by law, such as wire transfers are disclosed to the FRA. Moreover, the FRA should also be provided with greater systematic access to the widest possible available set of information (e.g. cross border currency reports, etc.). This information should be used to help inform their disclosures and analytical products to domestic and international partners.	A working group has been established to ensure that the FRA has access to the widest range of financial intelligence. Legislative and procedural changes as well as MOUs will be made as required. The direct access to a wider range of information will be utilized in the analysis of disclosures to domestic and international partners.
	Lead: FRA Date: OCTOBER 2019	
<b>Financial Intelligence</b>	The FRA should provide feedback to reporting entities on the quality of SARs. Further, the FRA and competent authorities should provide greater guidance and feedback to FIs and DNFBPs so that they sufficiently understand how to identify suspicious transactions which may involve potential complex ML/TF cases.	The FRA will provide more frequent and higher quality feedback to FIs and DNFBPs both by one to one meetings with MLROs and by wider general outreach as well as guidance.
		Lead: FRA Date: ONGOING
<b>ML Investigation &amp; Prosecution</b>	The Cayman Islands should improve its ability to identify ML/TF rather than relying on the commission of a predicate offence. This includes addressing deficiencies in information collection noted in IO 6 and ensuring that information collected and analysed by the FRA is used on a more regular basis.	The FCU will review and update its policies including in relation to the handling of disclosures.  The FCU will review disclosure and other investigative sources to establish: (i) Whether investigations should be commenced (ii) Where any deficiencies lie and improvements to be made.  The FCU will provide statistics in relation to the number of stand-alone ML investigations commenced including those which emanated from disclosures.  The FCU will engage in more frequent contact with the FRA.  The FCU will establish a new cross border ML / TF standalone Unit.
		Lead: FCU Date: OCTOBER 2019

<b>Confiscation</b>	The Cayman Islands should continue to build upon its commitment to remove the benefit from crime and seek to achieve better results as it pursues cases beyond self-laundering. Where that is not successful or possible the authorities should consider using other measures such as civil remedies to a greater extent including the pursuit of property of equivalent value and instrumentalities. Existing guidance should be reinforced with training and, as appropriate, resources.	ODPP to ensure all prosecutors undergo annual training in civil recovery, restraint and confiscation.  The ODPP will review and update policy documents on proceeds of crime and incoming international requests.
		Lead: ODPP Date: OCTOBER 2019
	The Cayman Islands should, to a greater extent, pursue criminal assets abroad. In doing so, they should ensure that competent authorities are properly equipped (with training and resources) to pursue these assets.	The FCU will enhance its commitment to remove the benefit from crime by ensuring policies; training and staff with the relevant expertise are in place.  The Cross Border ML / TF Unit will focus on stand-alone cases and the recovery of assets both domestically and overseas in line with the jurisdiction's risk profile.
		Lead: FCU Date: OCTOBER 2019
	The Cayman Islands should invest in tools, resources and training to enhance the ability of Customs to identify individuals seeking to move cash and BNIs into and out of the Cayman Islands without properly declaring them to the authorities.	The ODPP will recruit an additional Financial Crime Prosecutor to ensure advice and assistance can be provided to the financial investigators at the earliest stage of an investigation. Training in international asset recovery will be provided.
		Lead: ODPP Date: SEPTEMBER 2019
The Cayman Islands should invest in tools, resources and training to enhance the ability of Customs to identify individuals seeking to move cash and BNIs into and out of the Cayman Islands without properly declaring them to the authorities.	The FCU will ensure it has an effective policy on the pursuit of criminal assets abroad and provide the relevant training.	
	Lead: FCU Date: NOVEMBER 2020	
<b>TF Investigation &amp; Prosecution</b>	More detailed analysis of TF, enhanced outreach and guidance to the FIs and DNFbps on TF indicators should be undertaken.	CBC will conduct staff training and implement the necessary policies to improve its ability to investigate and prosecute ML/TF based offences at the border.  CBC will maintain statistical data on declarations of cash and BNIs and will ensure this is shared with the FRA.  CBC will invest in the necessary IT tools to generate and utilise financial intelligence more effectively.
		Lead: CBC Date: FEBRUARY 2020
	Competent authorities should receive more training on the identification of TF with consideration being given to additional resources for the FRA to improve the analysis and identification of TF. Also, the ODPP and the Judiciary should receive specialized training on the prosecution and adjudication of TF matters.	Upon completion of the risk assessment, guidance will be updated and outreach will be coordinated to ensure all target audiences are reached.
		Lead: SUPERVISORS FORUM Date: DECEMBER 2019
	The Cayman Islands should implement timely communication mechanisms for TFS relating to TF/PF to facilitate the freezing of assets without delay by FIs and DNFbps.	TF training will be provided to competent authorities on the identification of TF.  Additional resources will be provided to the FRA to improve the analysis and identification of TF. The ODPP and the Judiciary will undergo training in relation to TF.
		Lead: FRA/ODPP/ JUDICIARY Date: OCTOBER 2019/ SEPTEMBER 2019/ APRIL 2020
CIMA should enhance its supervisory approach to the implementation of sanctions relating to TF as well as testing the promptness of the mechanism implemented by FIs and DNFbps to update the lists used once designations take effect.	The FRA will establish a mechanism for the timely communication of targeted financial sanctions relating to TF/PF to FIs and DNFbps.	
	Lead: FRA Date: OCTOBER 2019	
The NPO Registrar should continue its outreach to the NPO sector encouraging the registration of NPOs and complete the risk assessment for this sector. The Registrar should also develop and implement processes and procedures for its risk-based supervisory approach.	CIMA will review and revise inspection procedures and amend TFS (for both TF and PF) testing procedures, if necessary, to check entities mechanisms to update sanction lists.  DCI, CIIPA and CILPA will implement procedures in relation to the supervision of TFS and testing the promptness of the mechanism used by DNFbps to update the lists used. communication of targeted financial sanctions relating to TF/PF to FIs and DNFbps.	
	Lead: SUPERVISORS FORUM Date: DECEMBER 2019	
The NPO Registrar should continue its outreach to the NPO sector encouraging the registration of NPOs and complete the risk assessment for this sector. The Registrar should also develop and implement processes and procedures for its risk-based supervisory approach.	The NPO Registrar will update its risk assessment. The Registrar will develop and implement a policy and procedure for risk based supervisory approach and conduct supervision.	
	Lead: ROC Date: DECEMBER 2019	

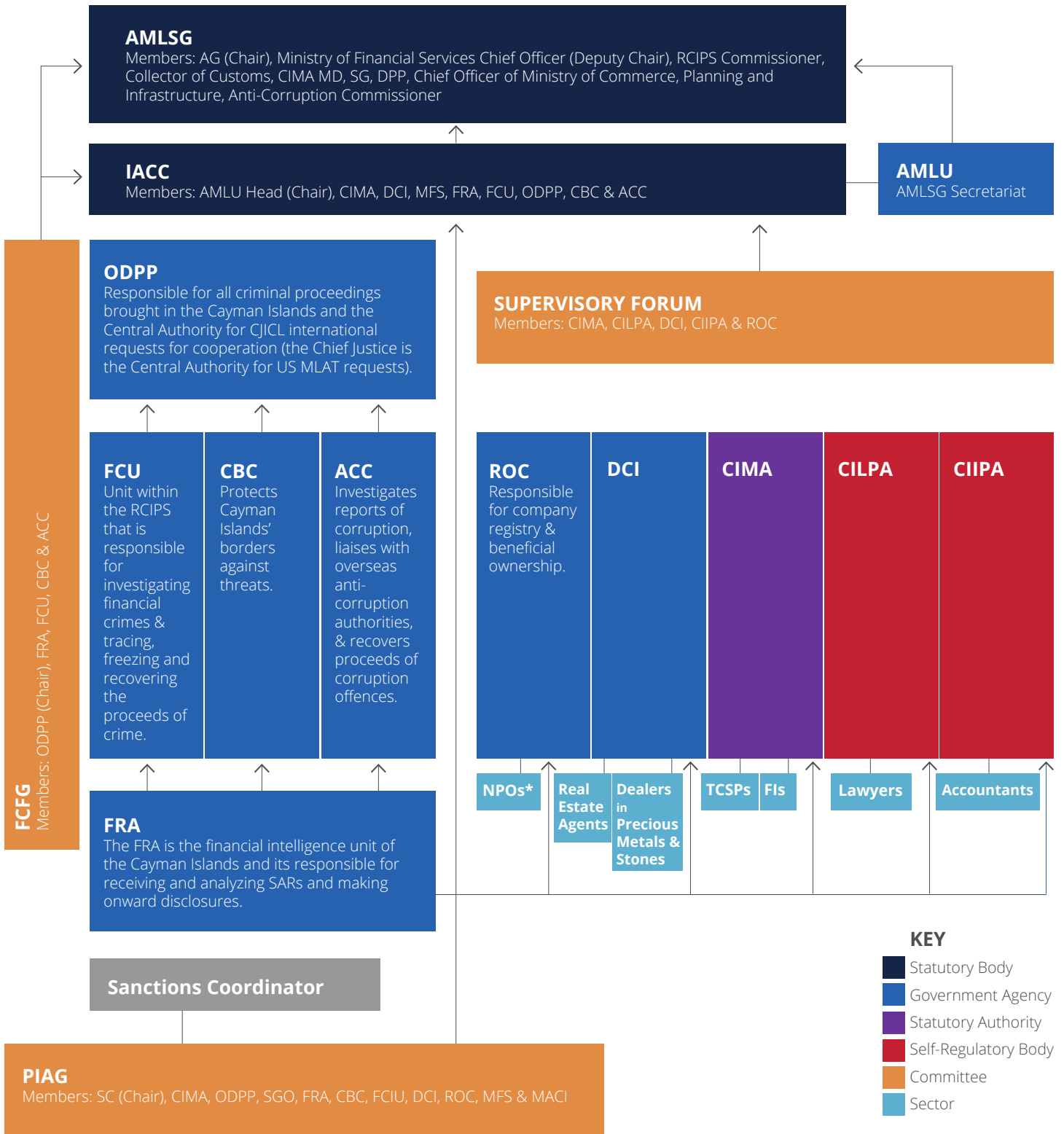


<b>PF Financial Sanctions</b>	The Cayman Islands should implement timely communication mechanisms for TFS relating to PF to facilitate the freezing of assets without delay by FIs and DNFbps.	The FRA will establish a mechanism for timely communication of targeted financial sanctions relating to TF/PF to FIs and DNFbps.
		Lead: FRA Date: OCTOBER 2019
	All reporting entities should conduct ongoing regular customer monitoring as appropriate to proactively identify assets subject to sanction. Increasing staff training within FIs and DNFbps to ensure proper and efficient identification of persons and assets subject to TFS, as well as the processes to be followed where such persons and assets are identified.	CIMA, CILPA, CIIPA and DCI will issue enhanced guidance to regulated entities with regards to Sanctions and asset freezing and conduct outreach.
		Lead: SUPERVISOR'S FORUM Date: DECEMBER 2019
		Sanctions coordinator to conduct outreach and overview.
		ONGOING
	Cayman Islands should review its co-operation and co-ordination mechanisms to ensure that the authorities can identify potential breaches or violations of TFS related to PF.	A PF Working Group consisting of relevant agencies has been established. The PF working group will ensure interagency cooperation and coordination as well as ongoing training and awareness and identification of risk to the Cayman Islands in the area of PF.
		Lead: PIAG Date: DECEMBER 2019

# Annex III: Supplementary Appropriations in 2019 by Government Related to AML/CFT/CFP

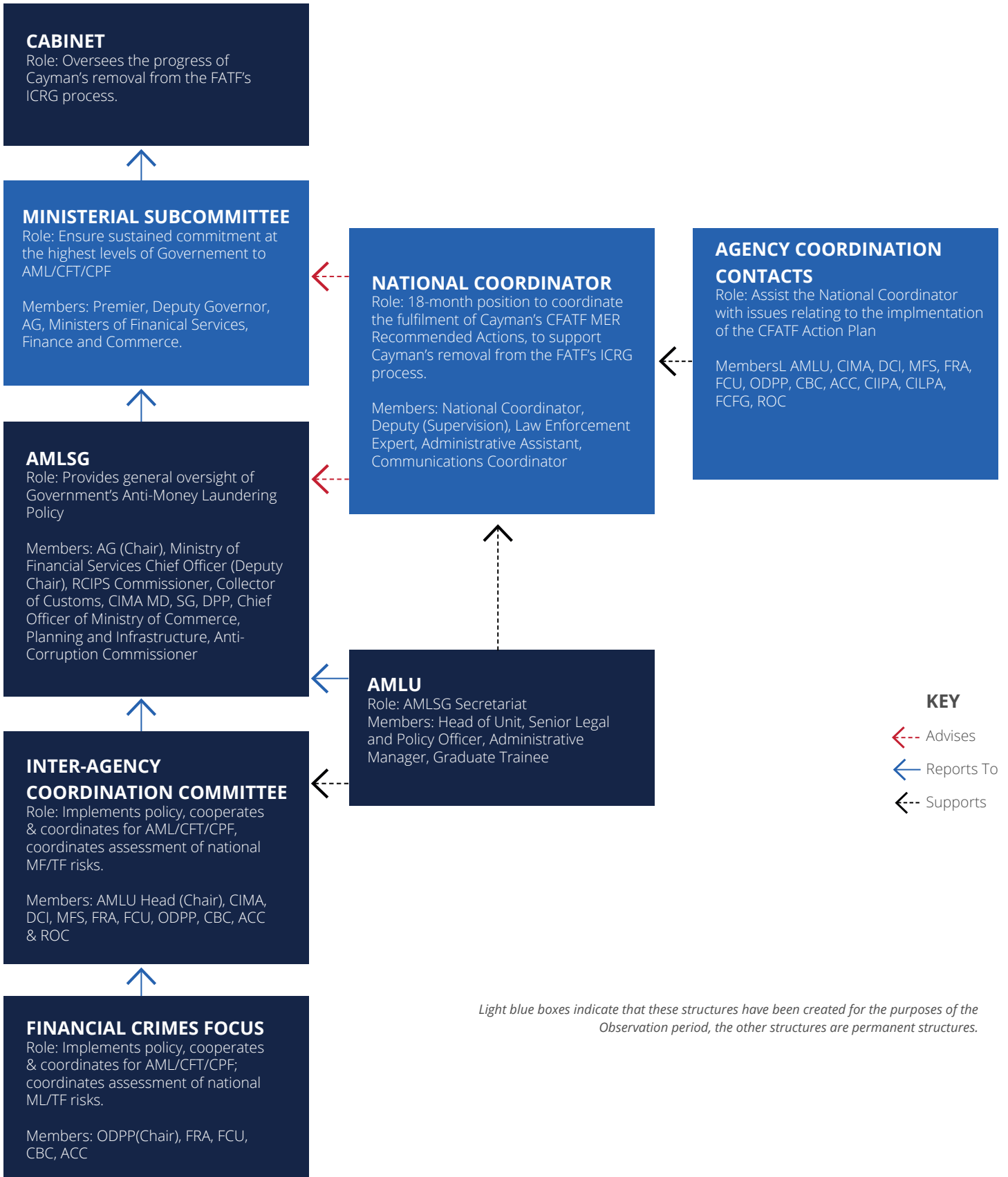
Appropriation Reference & Name	2019 Approved Budget	2019 Supplemental Requests Approved	Revised 2019 Appropriation Total
<b>ODPP</b>	<b>3,802,533</b>	<b>189,100</b>	<b>3,991,633</b>
DPA 1 – Prosecution & International Cooperation	3,802,533	189,100	3,991,633
<b>Ministry for Financial Services</b>	<b>2,310,279</b>	<b>3,377,000</b>	<b>5,687,279</b>
MOA 25 – Monitor Compliance with AML/CFT (CIMA)	-	3,000,000	3,000,000
FSC- 22 – A Robust, Efficient Regime for the Registration of Corporate and Vital Information (General Registry)	2,310,279	377,000	2,687,279
<b>Ministry of Human Resources, Immigration &amp; Community Affairs</b>	<b>43,402,037</b>	<b>2,598,000</b>	<b>46,000,037</b>
HCA 5 – Border Control Services (CBC)	4,776,168	610,000	5,386,168
HCA 14 – Protection and investigative Services (FCU)	38,625,869	1,988,000	40,613,869
<b>Ministry of Planning Commerce &amp; Infrastructure</b>	<b>1,614,807</b>	<b>266,000</b>	<b>1,880,807</b>
PAH 20 – License, Monitoring and Enforcement of Specified Business Types (DCI)	1,614,807	266,000	1,880,807
<b>Portfolio of Legal Affairs</b>	<b>2,903,747</b>	<b>603,151</b>	<b>3,506,898</b>
LGA 5 - Ministerial Servicing and Policy Advice to the Attorney General (AMLU)	1,711,970	228,727	1,940,697
LGA 6 – Financial Intelligence Services (FRA)	1,191,777	37	1,566,201
<i>El 34 - Equity Investment – IT System for SAR Reporting (FRA)</i>	-	<i>200,000</i>	<i>200,000</i>
<b>Total Recurrent Cost</b>	<b>54,033,403</b>	<b>6,833,251</b>	<b>6,086,6654</b>
<b>Total Capital Cost</b>	-	<b>200,000</b>	<b>200,000</b>
<b>Grand Total</b>	<b>54,033,403</b>	<b>7,033,251</b>	<b>61,066,654</b>

# Annex IV: Chart for Key Agencies



The supervision of NPOs focuses on risks and vulnerabilities of TF and the supervision of CFT measures taken by high risk NPOs.

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



SEPTEMBER 2019