



# Cayman Monetary Regulatory Authority International

At the forefront of financial regulation, the Cayman Monetary Regulatory Authority International (CMRAI) is dedicated to upholding the highest standards of financial oversight and compliance. Our mission is to safeguard the stability and integrity of the global financial system by ensuring that financial services operate within a framework of transparency, accountability, and excellence.

As a trusted partner to financial institutions worldwide, CMRAI provides rigorous supervision, innovative solutions, and strategic guidance to foster a secure and thriving financial environment. With decades of experience and a commitment to global standards, we stand as a pillar of trust and security in an ever-evolving financial landscape.

With a legacy of excellence in financial oversight, the Cayman Monetary Regulatory Authority International (CMRAI) is a beacon of trust in the international financial community. Our role extends beyond regulation; we are innovators, collaborators, and protectors of the global financial ecosystem. By fostering compliance, promoting best practices, and embracing technological advancements, CMRAI ensures that financial services remain resilient and adaptable in a dynamic global market.

Our comprehensive approach to regulation encompasses a deep understanding of financial risks and a proactive stance on emerging challenges. We are committed to empowering financial institutions with the tools and guidance necessary to navigate complex regulatory landscapes, thereby contributing to global economic stability and growth.

ANCHOR The AML/CFT NEWSLETTER COVID-19 AML/CFT ADVISORY The COVID-19 pandemic has had an immediate impact on regulated entities, with nearly all having to adapt to new ways of working. Employees are logging on from home with increased reliance on virtual technology. Operational resilience is being tested with the rapid adoption of remote IT systems under volatile market conditions. To support its regulated entities, the Cayman Islands Monetary Authority (the Authority) has published an advisory on AML/CFT compliance during COVID-19. WHAT'S INSIDE - COVID-19 AML/CFT Advisory - National Risk Assessments - Targeted Financial Sanctions Update - AML/CFT Legislation Update May 2020 NATIONAL RISK ASSESSMENTS The Cayman Islands Government has recently produced the Terrorist Financing National Risk Assessment and the Excluded Persons under the Securities Investment Business Law National Risk Assessment. The Cayman Islands Government also undertook an assessment to better understand the ML/TF risk facing the Cayman Islands as an International Financial Centre (IFC). Regulated entities should carefully read these documents to understand the ML/TF risks faced by the jurisdiction and ensure that identified risks are factored into their own institutional ML/TF risk assessments. What happens after a SAR is filed? 2 The Authority has further published an updated Combined Sectoral Risk Rating. Below is a summary of the risk scores: TARGETED FINANCIAL SANCTIONS In February 2020, the Authority commenced its automated dissemination of Targeted Financial Sanctions (TFS) notices to licensees. This was to further promote awareness and compliance with TFS obligations. What are Sanctions? Sanctions are prohibitions and restrictions that help maintain or restore peace and security. Increasingly, countries are using sanctions instead of military force as an instrument of foreign policy. Sanctions are placed on individuals, entities, vessels, goods and services, organisations and countries. The most frequently applied sanctions are arms embargoes, travel bans, trade (import/ export embargoes) and financial sanctions. What are Financial Sanctions? Financial sanctions (i) limit the provision of certain financial services and (ii) restrict access to financial markets, funds and economic resources. Financial sanctions are typically imposed to: Coerce those under sanctions into changing their behavior by increasing the costs on them; Constrain a target by denying them access to key resources needed to continue their offending behavior, including the financing of terrorism and proliferation; Signal disapproval, stigmatise and potentially isolate a regime or individual; or Protect the value of assets that have been misappropriated from a country until such assets can be repatriated. Types of Financial Sanctions The most common types of financial sanctions are: Targeted asset freezes; Restrictions on access to financial markets and services; and Directions to cease all business. List of Sanctions applicable in the Cayman Islands A list of orders in force in the Cayman Islands can be found on the Financial Reporting Authority's website: Sanction Orders. It should be noted that the Authority does not guarantee that this list is accurate, complete and up to date. It is the responsibility of every regulated entity to keep itself updated and to comply with the sanctions in force in the Cayman Islands. Official sanction orders applicable in the Cayman Islands are published in the Cayman Islands Gazette. Of note, the implementation of sanction orders is not a risk-based experience, they must be enforced once they have been imposed. The AUTHORITY'S COMBINED SECTORAL RISK RATINGS banking Category Abanking Category bMSb Trust Service Providers Corporate Service Providers Insurance Mutual Fund Adminis - trators Securities Licensees SIBL (ePs) Structural H Nature, size, complexity

LMHMHMHMHLMHMH Transactions, products and services MLMHHHMHMLMHMHMH  
Delivery channels MLMLMLMHMLMHMHMHMH Customer types  
MLHMHMHMMLMLMLMHMHMH geographic risks MLMLLMLMHML Overall Risk  
MLMHMHMHMHMLMHMHMHMH Regulated entities may note the pockets of high risk  
within some sectors and ensure that these are reflected in their assessment of ML/TF risks.  
This will help regulated entities to drive an effective risk-based approach to managing  
and mitigating ML/TF risk. 3 Following industry consultation, in February 2020, the  
Authority published amendments to the Guidance Notes on the Prevention and Detection of  
Money Laundering and Terrorist Financing ( GNs ) in relation to: Ongoing Monitoring  
Virtual Asset Service Providers Assessing and applying a risk-based approach Targeted  
Financial Sanctions These amended GNs can be found on the Authority's website.  
TARGETED FINANCIAL SANCTIONS (CONTINUED) Responsibility of Regulated Entities  
FSPs should ensure that they have adequate resources, policies and procedures to comply  
with TFS obligations. The following include key legal obligations that are applicable to  
relevant financial businesses. In addition to the applicable legislation, regulated entities  
should take note of the Sanctions related guidance provided in the Guidance Notes on the  
Prevention and Detection of Money Laundering and Terrorist Financing. Pursuant to the  
Anti-Money Laundering Regulations, as amended (the AMLRs ), persons carrying out  
relevant financial business are expected to: Have procedures to ensure compliance with  
targeted financial sanctions obligations applicable in the Cayman Islands.; Have  
systems for the ongoing monitoring of business relationships (including having adequate  
screening procedures) for the purposes of preventing, countering and reporting  
money laundering, terrorist financing and proliferation financing and such procedures  
allowing for the identification of assets subject to targeted financial sanctions applicable in  
the Cayman Islands; and Provide employees with training on applicable TFS  
obligations and on how to comply with the established TFS compliance procedures. Pursuant  
to the Terrorism Law (2018 Revision) ( the TL ) and the Proliferation Financing (Prohibition)  
Law (2017 Revision) ( the PFPL ), Persons conducting relevant financial business have  
certain reporting obligations to the Financial Reporting Authority ( the FRA ), as well  
as certain freezing obligations, if they discover a relationship that contravenes an  
Order or a direction under the TL or PFPL. These obligations include: Immediately  
freeze the funds, or economic resources of the designated person; Must not enter into  
financial transactions or provide financial assistance or services in relation to: (i)  
designated person or any third party; or (ii) proliferation and nuclear or other  
sanctioned activities; unless there is an exemption in the legislation that it can rely on  
or it has a licence from the Governor; Report them to the FRA using the Compliance  
Reporting Form Entities should refer to the relevant laws to take appropriate action in  
relation to applicable additions, removals and amendments to the Sanctions List.  
AML/CFT LEGISLATION UPDATE The AMLRs were amended in February 2020,  
including removal of reliance on the List of Equivalent Jurisdictions from the  
AML/CFT framework of the Cayman Islands. This amendment is subject to a 6-month  
transition period. The amended legislation now includes inherent risk considerations  
that must be made for a country level risk assessment. TARGETED FINANCIAL  
SANCTIONS (CONTINUED) Breaches and penalties Breaches of financial sanctions are  
a serious criminal offence and incur significant penalty: Offences under the Overseas  
Territories Orders in Council (OOICs) carry a maximum of seven years imprisonment  
on conviction on indictment, or to a fine, or to both. Offences under Schedule 4A of the

TL carry a maximum of seven years imprisonment on conviction on indictment or a fine or to both. Under the PFPL, failure to comply with freezing or reporting obligations could result in a civil penalty from the FRA up to CI\$40,000. A person who fails to comply with a freezing obligation is also liable (a) on summary conviction to a fine of CI\$50,000; or (b) on conviction on indictment, to a fine of CI\$70,000, or imprisonment for a term of three years, or to both. A person who fails to comply with a reporting obligation is liable on summary conviction to a fine of CI\$10,000. guIDANCe NOTeS AMeNDMeNTS