



April 25, 2017

## **BRIEFING NOTE ON THE CAYMAN ISLANDS NATIONAL RISK ASSESSMENT**

### **Introduction**

This briefing note is intended to provide financial institutions and designated non-financial business (DNFBPs) with information concerning the CFATF mutual evaluation process and to make a commitment to publish the results of the Cayman Islands National Money Laundering and Terrorist Financing Risk Assessment (NRA) by April 26, 2017. The NRA is used as a benchmark for determining how effective the Cayman Islands have been in identifying, assessing and understanding money laundering and terrorist financing risks.

### **The Mutual Evaluation**

Preparations are underway for the Cayman Islands 4th Round Mutual Evaluation by the Caribbean Financial Action Task Force (CFATF). The first stage of the mutual evaluation process began on January 4, 2017 with a desk based review on technical compliance and effectiveness of the jurisdiction's AML/CFT regime against the requirements of international standards as set out in the FATF. The technical compliance component assesses whether the necessary laws, regulations or other required measures are in force and effect and whether the supporting AML/CFT institutional framework is in place. The effectiveness component assesses information, data and other factors to determine whether the AML/CFT systems are working, and the extent to which the country is achieving the defined set of outcomes based on the 11 Immediate Outcomes. The next step will be the onsite evaluation by a team of assessors from December 4 – 15, 2017. During the onsite visit the assessment team will meet with representatives of Government, the private sector and other non-government organisations. The core function of the assessment team is, collectively, to produce an independent report (containing analysis, findings and recommendations) concerning the country's compliance with the FATF standards in terms of both technical compliance and effectiveness from the private sector. The final stage will be a plenary meeting in or around November 2018 when the draft report on the assessment would be presented to CFATF members for discussion.

## **The National AML/CFT Risk Assessment**

Preliminary findings of the 2014-2015 National Risk Assessment revealed that whilst the Cayman Islands AML/CFT regime is well coordinated and effective, more could be done to strengthen the regime.

Effective implementation is the main focus of the 4th round and in that spirit the Government has taken steps to improve AML/CFT regime by:

- designating an agency to enhance interagency cooperation and policy coordination on AML/CFT issues;
- broadening terrorist financing offences and requirements for freezing of funds or other assets of a person designated by the a relevant UNSCR;
- enacting requirements for freezing of assets related to nuclear proliferation without delay;
- imposing an effective, dissuasive and proportionate administrative penalty regime for AML regulatory breaches;
- providing monitoring and supervision of NPOs, real estate agents and dealers of precious metals and stones;
- removing the criminal sanction for breach of confidential information by repealing the Confidential Information (Preservation) Law and replacing it with the Confidential Information Disclosure Law ;
- prohibiting the use of any bearer shares;
- expanding the categories of relevant financial business in Schedule 2 of the Proceeds of Crime Law;
- strengthening international cooperation framework among law enforcement agencies through the police law;
- implementing new investigative methods, specifically with canines to detect currency;
- allocating resources to ensure that law enforcement agencies are equipped to investigate and take enforcement actions.

### **Circulation of results**

The FATF requires that the NRA is used by industry and stakeholders to take enhanced measures in order to manage and mitigate the identified risks. This enhanced focus requires countries to take a more risk based-approach to AML/CFT, including the implementation of measures to strengthen the requirements for customer due diligence, to implement processes for the identification of beneficial ownership and to expand the measures that deal with politically exposed persons (PEPs). Additionally the NRA will help financial institutions to determine how best to efficiently allocate resources to mitigate AML/CFT risks. Significant activity has been undertaken by government and competent authorities

relevant to understanding of the risks and threats to the Cayman Islands financial system. It is the intention to publish the main results of the NRA to all competent authorities, financial institutions and DNFBPs while the draft NRA report is finalised.

### **Next steps**

The government will incorporate the findings into a comprehensive strategy which includes the following priorities and objectives:

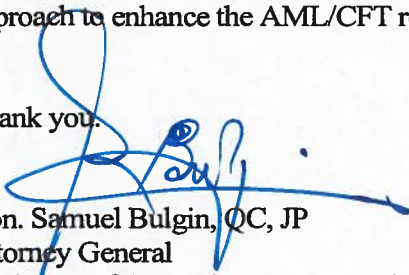
- Enhancing the jurisdiction's AML/CFT legal and regulatory framework;
- Establishing and ensuring a comprehensive risk-based supervisory framework;
- Strengthening of sanctions, intelligence and enforcement;
- Enhancing domestic co-operation and co-ordination;
- Ensuring an efficient and effective system for international co-operation;
- Raising AML/CFT awareness amongst all stakeholders and the general public.

### **Future NRAs**

The FATF requires jurisdictions to keep their assessments up to date and reviewed regularly and responsive to new threats and trends. As stated above, ongoing work will be carried out until the NRA report is completed. In this regard, the NRA will be updated on an ongoing basis so that all the relevant processes are incorporated in the final report.

We look forward to continuing the work that has already begun and to engaging with a collaborative approach to enhance the AML/CFT regime of the Cayman Islands.

Thank you.



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