



CAYMAN ISLANDS
GOVERNMENT

Ministry of Finance Financial Services Secretariat

Fact Sheet / Background

Anti-Money Laundering Regime in the Cayman Islands

- The Cayman Islands adheres to international anti-money laundering and combating the financing of terrorism (AML/CFT) standards and applies statutory requirements for fitness and probity to the full range of financial services sector participants covered by the regulatory regime.
- This coverage is broad, and encompasses sectors not commonly regulated in many jurisdictions, such as trust service providers, fund administration, company service providers and money transmitters. The AML regime also covers all investment funds under the Mutual Funds Law, including hedge funds.
- The Money Laundering Regulations under the Proceeds of Crime Law apply comprehensive statutory AML/CFT obligations on relevant financial business in relation to customer due diligence measures, recordkeeping, systems of internal control and suspicious activity reporting; and training.
- The Cayman Islands is committed to supporting global efforts to fight financial crime and has progressively reinforced the international cooperation regime to deliver on this commitment, through statutory law enforcement and regulatory gateways. These gateways, by design, are not inhibited by Cayman's confidentiality regime.
- Since the Mutual Legal Assistance Treaty with the U.S. came into effect in 1986, the two governments have cooperated in some 243 requests for assistance under the Treaty, resulting in successful law enforcement actions. Assets seized under such actions have been both shared by the U.S. and the Cayman Islands under an asset-sharing agreement as well as returned to the U.S. for restitution to victims of fraud and other crimes.
- For countries other than the U.S. (although the U.S. is covered as well under this legislation), the Criminal Justice (International Cooperation) Law (CJICL) provides for comprehensive mutual legal assistance to be given in the context of a broad range of criminal offences. This includes executing searches and seizures; providing information and items of evidence; identifying or tracing proceeds, property, instruments or such other things for the purposes of evidence; immobilising criminally obtained assets; and assisting in proceedings related to forfeiture and restitution.¹

¹ Immobilising criminally obtained assets and assisting in proceedings related to forfeiture and restitution are not in Vienna Convention, but were included in the CJICL for completeness.



- Further, there are a number of treaties that allow for extradition between the Cayman Islands and a wide range of countries. Extradition is available for any offence that would be regarded as a serious crime carrying punishment of more than one year either in the Cayman Islands or in the requesting state. The European Convention on Extradition has applied to the Cayman Islands since 1996.
- The Cayman Islands was the first regionally, and among the first worldwide, to criminalise the laundering of the proceeds of all serious crimes, extending such legislation beyond the ambit of drug-money laundering.
- The Cayman Islands is a founding member of the Caribbean Financial Action Task Force, established in 1990, and has undergone three peer review evaluations by that body (1995, 2002 and 2007) in addition to external evaluations by KPMG (2000), the Financial Action Task Force (2001/01) and the International Monetary Fund (2003 and 2009). These evaluations confirm Cayman's implementation of AML standards and in general provide a useful third-party 'health-check,' as constant vigilance and regular review of enforcement measures is required to combat the increasing complexity of financial crime.
- In a number of respects, the anti-money laundering regime in the Cayman Islands has outpaced international standards, for example, in the breadth of activity coverage; in the undertaking of retrospective due diligence on all clients existing prior to the implementation in 2000 of upgraded AML legislation; the breadth of the statutory obligation to report suspicious activity under the AML legislation; and the immobilization of bearer shares.
- The Cayman Islands' anti-money laundering enforcement regime operates through a partnership of institutions and authorities, including the Cayman Islands Monetary Authority, the Financial Reporting Authority (a member of the Egmont Group), the Financial Crime Unit of the Royal Cayman Islands Police, the MLAT Central Authority, Customs and the Attorney General's Chambers. The Cayman Islands has also established an Anti-Money Laundering Steering Group, which is a statutory body charged with policy and implementation oversight in relation to the AML regime.

Domestic Laws

- As required by international standards, the Cayman Islands has criminalized money laundering in accordance with the UN Vienna (1988) and Palermo (2000) Conventions and enforces a strong anti-money laundering regime through the following key pieces of legislation:
 - Misuse of Drugs Law (2000 Revision) (MDL)- Misuse of Drugs (Drug Trafficking Offences) (Designated Countries) Order, 1991 (for narcotics-related money laundering)
 - Proceeds of Crime Law (2008) (for money laundering related to all other serious crimes)
 - Money Laundering Regulations (applies comprehensive statutory obligations on relevant financial business)
 - Guidance Notes on the Prevention and Detection of Money Laundering in the Cayman Islands (provides industry guidance on best practice in the interpretation and application of the Money Laundering Regulations and are required to be taken into account by the courts in the determination of compliance with the Regulations)
 - Anti-Corruption Law, 2008 (dealing with prevention of corruption and criminalisation of bribery, based on UN Convention on Corruption)
- In 2003, the Cayman Islands passed the Terrorism Law, a comprehensive piece of anti-terrorism legislation that, inter alia, implements the UN Convention on the Suppression of Financing of Terrorism.



Key Conclusions from International Assessments of the Cayman Islands AML/CFT Regime

- **International Monetary Fund (2009)** – “The Cayman Islands have taken a number of measures over the last years to strengthen their AML/CFT regime. Legal framework is comprehensive, the money laundering offense is in compliance with...the requirements of the UN Conventions, and the terrorist financing offense is in line with the FATF standard. Law enforcement and prosecutorial authorities are adequately empowered and competent to investigate and prosecute money laundering and terrorist financing offenses. The system for the confiscation, freezing and seizure of the proceeds of crime is comprehensive.”²
- **Caribbean Financial Action Task Force (2007)** – “In terms of the AML/CFT compliance culture in the Cayman Islands, it was evident to the assessors that the country in general and the financial service providers in particular all have a keen sense of awareness of AML/CFT issues. Additionally, the financial service providers displayed a healthy compliance culture, based on an appreciation of the reputation risk of AML/CFT for the jurisdiction. The strong compliance culture was also demonstrated by the financial service providers’ pro-active cooperation with the authorities in implementing AML/CFT measures.”³
- **International Monetary Fund (2003 assessment published in 2005)** – “Efforts to achieve compliance with international standards have been top priority in the Cayman Islands...and there is an intense awareness of anti money-laundering and combating of financing of terrorism in the business community. The Cayman Islands authorities have devoted substantial attention and resources to improving the country’s anti money-laundering, legal and institutional framework... An extensive program of legislative, rule and guideline development has introduced an increasingly effective system of regulation, both formalising earlier practices and introducing enhanced procedures”⁴

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² IMF Country Report on the Cayman Islands (2009) - www.imf.org/external/pubs/ft/scr/2009/cr09323.pdf

³ CFATF Report on the Cayman Islands (2007) – http://www.cfatf.org/news/viewnews.asp?pk_news=127

⁴ IMF Report on the Cayman Islands (2005) – <http://www.imf.org/external/pubs/ft/scr/2005/cr0591.pdf>