

The Cayman Islands Anti-Money Laundering Regulations 2017

The Anti-Money Laundering Regulations, 2017 (the “Regulations”) of the Cayman Islands which came into force on 2nd October 2017 have expanded the scope of the Cayman Islands Anti-Money laundering (“AML”) regime. In mid-December 2017, the Cayman Island Monetary Authority (“CIMA”) issued updated Guidance Notes under the Regulations (the “Guidance Notes”). These Guidance Notes, which remain subject to discussion between CIMA and industry bodies, clarified that all investment entities in the Cayman Islands (including private equity funds and not just regulated hedge funds) are required to appoint individuals to three specific positions;

- Money Laundering Reporting Officer (“MLRO”)
- AML Compliance Officer (“AMLCO”)
- Deputy MLRO (“DMLRO”)

(The positions of MLRO and AMLCO can be held by the same individual)

The Guidance Notes detail the requirement to appoint suitably skilled and experienced individuals to the above-mentioned positions. For example, the AMLCO should have sufficient seniority and authority, regular contact with the Board of Directors (the “Board”), sufficient resources and unfettered access to all information necessary to appropriately perform the AML/Combating the Finance of Terrorism (“CFT”) compliance function.

Although Cayman investment funds will still be permitted to delegate or, in certain circumstances, rely on a suitable third-party (e.g. the administrator or the investment manager) to handle all of the AML/CFT procedures and functions, there will be instances where the administrator or the investment manager is either unable or unwilling to take on these roles or, especially in the private equity context, there is no administrator engaged by the fund.

KB Associates’ AML service offers a variety of solutions including but not limited to:

- the provision of suitably qualified and experienced individuals to assume the above-mentioned positions,
- the establishment of appropriate internal controls and reporting procedures to prevent money laundering,
- the establishment of an appropriate AML risk framework and regular reporting to the Board
- maintenance and monitoring of the required policies and procedures manuals,
- maintenance of Suspicious Activity Report logs,
- filing of Suspicious Activity Transaction Reports with the Cayman Islands authorities,
- provision of training to the Board/staff and maintenance of training log,
- undertaking regular internal audits of the AML/CFT programme,
- taking all steps necessary to ensure the firm is in compliance with all relevant Cayman Islands laws and regulations

It is anticipated that an updated version of the Guidance Notes will be published in due course (including sector specific guidance for unregulated funds such as private equity funds) which could change the approach required to ensure compliance with the new regime. KB Associates are actively monitoring developments and when appropriate will issue further guidance on this matter.

If you wish to discuss any of the matters described above please contact Frank Connolly at frank.connolly@kbassociates.ie or on +353 1 667 1987