AML/CFT Activity Report 2024

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Introduction

As part of its overall mandate under the Monetary Authority Act (2020 Revision), the Cayman Islands Monetary Authority ("CIMA" or "the Authority") is responsible for the regulation and supervision of Financial Service Providers ("FSPs"), and for monitoring, supervising, and enforcing compliance under the Anti-Money Laundering Regulations (as amended) (the "AMLRs").

This report sets out CIMA's AML/CFT activity and outcomes during 2024. CIMA has delivered on its AML/CFT objectives, including conducting onsite inspections ("OSIs") and maintaining AML/CFT supervisory oversight of licensees and registrants through data collection and conducting entity risk assessments, the oversight of remediation, and guidance to entities and their industry associations.

In summary, CIMA has:

- Conducted 83 AML/CFT OSIs of regulated entities, of which 72 are completed to date.
- Issued 19 OSI letters with no findings.
- Issued 367 requirements for the 53 OSIs concluded with deficiencies to date, 324 being 'Matters Requiring Immediate Attention' ("MRIAs").
- Conducted 15 follow-up inspections, of which 2 had no repeat findings or further deficiencies identified through their follow-up OSI and were therefore issued a concluding letter.
- Issued the 2024 AML Surveys to FSPs to collect data on entities' AML inherent risks and to assess the adequacy of their controls.
- Revoked one Full Securities Licence and made a winding-up application for the same licensee.
- Investigated two licensees and one Registrant for breaches of the AMLRs.

CIMA will continue to take robust and prompt action where it finds that regulated entities are not meeting the standards required by the AMLRs, including the use of enforcement action where appropriate and proportionate.

Supervisory Oversight of Licensees and Registrants

CIMA carries out its AML/CFT supervision of regulated entities through the work of the Anti-Money Laundering Division ("AMLD") together with the regulatory and non-regulatory divisions.

The AMLD was established in March 2019 as a specialist supervisory division dedicated to the monitoring and supervision of relevant entities under CIMA's remit for compliance with AML and CFT requirements. AMLD's key responsibilities include the assessment of AML/CFT/CPF/Sanctions ("AML/CFT") related risks, risk-based AML/CFT supervision applying best practices in off-site monitoring and OSIs, escalation of matters to enforcement and conducting administrative fines investigations, and providing guidance to the regulated entities. At December 2024, the AMLD was staffed with 31 employees.

As at December 31, 2024, over 33,000 legal persons were subject to CIMA's supervision across all sectors.

Table 1: Number of licensees and registrants under CIMA's supervision, 2024

No. of Licensees/Registrants	Total
Banking & Trusts	87
Cooperative & Building Societies	3
Development Bank	1
Banking – Controlled Subsidiaries	7
Money Services Businesses	5
Trust & Corporate Services Providers	467
Insurance	865
Mutual Funds	12,858
Private Funds	17,292
Mutual Fund Administrators	69
Securities Licensees and Registered Persons	1,453
Virtual Asset Service Providers	18
Total	**33,125**

Risk-Based Approach to AML/CFT Supervision

CIMA conducts AML/CFT risk assessments of regulated entities and takes a risk-based approach in determining the frequency and focus of onsite and off-site AML/CFT supervision.

During 2024, the Authority continued to distribute AML returns to FSPs, through Strix - an automated solution to collect and consolidate regulated entities AML inherent risk and controls data - for the completion of entity level risk assessments. Strix is maintained as a live AML risk rating tool where the scoring incorporates the results of AML returns. However, to ensure that the Authority has a continuous understanding of the overall risks associated with regulated entities the following are examples of factors that are also included in assessing the risk levels:

- Inherent risk data from each FSP
- Results from AML/CFT OSIs
- Information from onward disclosures from competent authorities such as the Financial Reporting Authority or Registrar of Companies
- Screening results from World-Check software
- Data from Quarterly Cash Flows Returns – Banking
- Data from Quarterly Travel Rule Returns – VASP
- Relevant adverse media

In addition to considering the identified ML/TF risks and mitigation measures associated with regulated entities, it will also take into account the inherent ML/TF risks identified by the country through the National Risk Assessment and sectoral risk assessments conducted by CIMA. This strategy takes account of the characteristics of all entities within CIMA's remit, and in particular has regard for the number and diversity of these entities and the degree of supervisory discretion afforded to them under the risk-based approach.

The following are additional factors or sources of information that the regulatory divisions consider in prioritising OSIs:

- Nature and intensity of the deficiencies identified in a licensee/regulated entity during off-site monitoring or the previous OSI.
- Insufficient progress of a licensee/regulated entity in remediating deficiencies and requirements.
- Information/disclosures received from other regulatory/law enforcement authorities.
- Licensees/regulated entities with ongoing or potential non-compliant issues.
- Complaints received against the licensee/regulated entity.
- Self-disclosure by a licensee/regulated entity of their weak compliance systems.

2024 Onsite Inspections

During 2024, a total of 83 AML/CFT specific onsite inspection were conducted, an increase from the 65 AML CFT onsite inspections conducted in 2023. The table below shows the number of AML/CFT OSIs conducted in 2024 per sector.

Table 2: Number of AML/CFT onsite inspections scheduled, 2024

Sector	Total
Banking*	8
Cooperative & Building Societies	1
Trust & Corporate Service Providers	18
Insurance	4
Securities	35
Mutual Fund Administrators	16
Virtual Asset Service Providers	1
Total	**83**

*Of the eight (8) Banking entities receiving OSIs, three (3) entities held a Bank & Trust licence.

Compliance Trends in TCSP and SIB RP Sectors

Supervision for Securities Registered Persons

- In 2024, CIMA continued its comprehensive AML/CFT supervision of its population of 1,411 Securities Investment Business Registered Persons (“SIB RPs”), including undertaking fitness and propriety checks, OSIs and taking enforcement actions where required.
- CIMA completed AML/CFT scope OSIs for 29 SIB RPs with an objective to evaluate their AML/CFT policies, procedures, systems, and controls. CIMA issued 141 requirements to SIB RPs during 2024, including 112 MRIAs.
- CIMA has been closely monitoring remediation of requirements and takes enforcement action where appropriate and proportionate.

Supervision for Trust & Corporate Service Providers

- During 2024, CIMA scheduled 21 risk-based AML/CFT scope OSIs of Trust and Corporate Service Providers ("TCSPs"), 18 were under the supervision of the Fiduciary Division and 3 were under the Banking Supervision Division.
- As part of the 2024 OSI programme, there were 3 follow-up inspections conducted for TCSPs, which resulted in 1 Letter of No Findings issued and overall improvements with the number of ‘serious’ and ‘very serious’ deficiencies issued to the other 2 entities.
- Of the 16 TCSP AML/CFT onsite inspections, there was a total of 52 deficiencies reported, and equally 52 requirements issued. Trust licence holders accounted for 73% of these deficiencies.
- A total of 5 TCSPs, or 24%, were issued a Letter of No Findings indicating there were no material findings identified through the onsite inspection. An improvement from 2022, where 8% of entities received Letters of No Findings.
- CIMA has been closely monitoring remediation of requirements and takes enforcement action where appropriate and proportionate.

Deficiencies and Requirements

The below table shows the number of entities identified as having AML/CFT deficiencies in 2024 (across licensees and registrants identified as having such deficiencies) along with the associated number of inspection requirements issued by type:

Table 3: Types of AML/CFT deficiencies and requirements identified through OSIs

Category	Regulated Entities with Deficiencies	Percentage
AML/CFT Programme	3	4%
CDD / KYC Identification Procedures	17	12%
Internal Controls	23	13%
Internal Reporting Procedures	2	1%
Officer Appointment	0	0%
Ongoing Monitoring	17	8%
Policies and Procedures	11	9%
Record Keeping Procedures	15	8%
Risk Based Approach	39	31%
Sanctions Programme	35	13%
Training Programme	4	1%

CIMA imposes requirements for non-compliance and actively monitors regulated entities identified as having deficiencies. CIMA also uses this data as part of its risk-based approach to supervision, considering the inherent risks of the sector, and applying resources to supervision accordingly. Additionally, CIMA issued an edition of The Anchor in May 2024, as well as notices, and supervisory circulars to provide guidance to the industry and encourage compliance by regulated entities.

Customer Due Diligence

Deficiencies around customer identification/know your customer ("CDD/KYC") and verification documentation accounted for 12% of all deficiencies identified through onsite inspections in 2024. Issues included:

- Incomplete or inadequate reliable and independent CDD/KYC measures, such as identification verification, address verification, source of wealth/source of funds, corporate records, and authorised signatories.
- Missing or inadequate certification of CDD/KYC documents.
- Incomplete documentation in relation to the nature and purpose of business, account turnover, reference letters, and non-face-to-face procedures.
- Incomplete Politically Exposed Persons ("PEP") due diligence documents, such as source of wealth/source of funds, senior manager sign-off, and enhanced due diligence ("EDD").

Risk-Based Approach

Deficiencies around the risk-based approach ("RBA") accounted for 31% of all those identified through onsite inspections in 2024. Issues included:

- Inadequate customer risk rating tools, such as the customer risk ratings, were undocumented, or the documentation was incomplete.
- Customer risk assessments are not being documented or kept current.
- Policies and procedures do not outline how the regulated entity identifies, assesses and understands its ML and TF risks in relation to its customers, country or geographic area of its customer, products, services and delivery channels.
- Periodic reviews of customer files were not being conducted within the stipulated timeframes and based on the assigned risk level of the customer.

Internal Controls

Deficiencies around internal controls accounted for 13% of all those identified through onsite inspections in 2024. Issues included:

- The regulated entity did not document or provide evidence of a written agreement detailing the scope and services of the outsourcing arrangement.
- The regulated entity failed to maintain procedures relating to the sharing of information within a financial group arrangement.
- The regulated entity failed to maintain an independent audit function to independently assess its AML/CFT/ CPF and Sanctions systems, controls and procedures.
- The regulated entity did not conduct an independent AML/CFT/CPF and Sanctions internal audit prior to the onsite inspection.

Sanctions Programmes

Deficiencies around Sanctions programmes accounted for 13% of all those identified through onsite inspections in 2024. Issues included:

- Inadequate evidence of screening all customers and counterparties.
- Missing documentation of timely screening of customers and counterparties as sanctions lists were updated.
- Inadequate ongoing Sanctions monitoring procedures.
- Inadequate resources applied to ensure immediate and effective Sanctions screening of customers and counterparties.
- Inadequate management of Sanctions alert data, including alerts log, evidence of screening the reasons for closing alerts and the approval process.

Ongoing Monitoring

Deficiencies around ongoing monitoring accounted for 8% of all those identified through onsite inspections in 2024. Issues included:

- Regulated Entities failed to evidence it conducted periodic customer file reviews in line with established time frames based on the assigned risk level of the customer.
- Lack of evidence to demonstrate that transaction monitoring was conducted for AML/CFT/CPF and Sanctions purposes.
- Lack of evidence to demonstrate that the regulated entity conducted ongoing due diligence to ensure that data collected under the customer due diligence process is kept current.

Policies & Procedures

Deficiencies around policies and procedures accounted for 9% of all those identified through onsite inspection in 2024. Issues included:

- The regulated entity's AML Manual did not document procedures when unable to obtain information to satisfy the relevant customer due diligence measures.
- The regulated entity's AML/CFT procedures did not include documented identification and verification procedures required for carrying out one-off transactions valued in excess of the thousand dollars.
- The regulated entity failed to document customer identification and verification procedures.
- The regulated entity failed to maintain procedures for scrutinizing transactions undertaken throughout the course of the business relationship to ensure that transactions are consistent with the regulated entity's knowledge of the customer, customer's business and risk profile.
- The regulated entity failed to maintain identification and verification procedures that prohibit the keeping of anonymous accounts or accounts in fictitious names.

Record Keeping Procedures

Deficiencies around the record keeping procedures accounted for 8% of all those identified through onsite inspections in 2024. Issues included:

- Regulated Entities failed to ensure that all customer due diligence information and transaction records were available without delay, upon request from the Authority.
- Regulated Entities failed to maintain all records of customer due diligence and sanctions screening, throughout the business relationship and after termination of the business relationship.
- Regulated Entities failed to maintain adequate records relating to identification and verification documentation for shareholders, beneficial owners and Directors; and ongoing monitoring e,g customer risk assessments.

Virtual Asset Service Providers

The Virtual Asset (Service Providers) Act, 2024 Revision ("VASP Act") governs the regulation of virtual asset activities which are taking place in or from the Islands. The VASP Act provides for different categories of authorisation (registration, licensing, and sandbox) depending on the risk of the type of activity that will be conducted. At December 31, 2024, CIMA had 18 VASP Registrants.

CIMA continued work on "policing the perimeter" to identify entities that may be engaged in virtual asset business but failed to register with the Authority. Where satisfactory responses were not received to supervisory letters, CIMA will issue directions to entities pursuant to Section 34(8) of the Monetary Authority Act to provide information to the Authority. During 2024 CIMA issued 24 directions to entities potentially operating as VASPs pursuant to Section 34(8) of the Monetary Authority Act to provide further information to the Authority.

CIMA conducts risk-based supervision of VASPs and also implemented travel rule return. Through 2024 CIMA continued its distribution of the quarterly Travel Rule Return to VASPs. The Travel Rule Return collects data to analyse the flow of funds to and from VASPs as it relates to the originator, the beneficiary, as well as the geographic locations of these transactions. The data collected assists CIMA with identifying trends and subsequent risks in relation to the movement/transfer of virtual assets. Further, in May 2024, CIMA published 'New Travel Rule Guidance' for VASP entities in the Anchor.

In 2023, CIMA commenced its onsite inspection programme for VASP Registrants with four (4) VASP Registrants. In 2024 CIMA continued its onsite inspection programme with conducting one (1) onsite inspection of a VASP Registrant. The examination scope included the assessment of the adequacy of the entities' policies and procedures to the prescribed requirements for their cybersecurity and AML/CFT programmes, including the Travel Rule reporting obligations. Further, in September 2024, CIMA commenced a targeted desk-based review to assess VASP entities' level of compliance with the AMLRs. To address matters relating to non-compliance with the VASP Act and the AMLRs, CIMA issued 2 Supervisor letters and commenced an investigation of a Registrant for breaches of the AMLRs in 2024.

ML and TF Descriptors within the Regulated Sectors

Focus on Targeted Financial Sanctions ("TFS")

- CIMA used active supervision and enforcement to help raise standards of TFS compliance. OSIs in 2024, which concluded to date, identified 35 regulated entities, or 49%, had deficiencies identified within their TFS programme. This is an improvement over 2023 OSI results where 65% of entities inspected were identified as having deficiencies within their TFS programme.
- In 2024 total requirements issued in relation to deficiencies identified in TFS programmes though AML/CFT onsite inspections were 12.5% of total requirements.
- The Authority took prompt and robust steps to remedy these deficiencies, including issuing requirements. FSPs are required to remediate within prescribed timeframes and are monitored by the Authority.
- CIMA further published an article, "New Targeted Financial Sanctions Updates", in the May 2024 edition of the Anchor.
- During 2024, CIMA continued its collaboration with other competent authorities to share information regarding TFS and remains an active member of the cross-agency Sanctions Working Group.

CIMA continued its analysis of cross-border transactions through the banking Cash Flows Return, VASP Travel Rule Return and Money Services Business Quarterly Return to better understand the ML and TF risks associated with cross border threats. These returns are used to monitor payments to high-risk countries, including sudden shifts in the origin and destination of funds.

CIMA continues to issue the annual AML return to regulated entities within the financial services sectors under its remit. The implementation of this reporting strengthened CIMA's understanding of the jurisdiction's cross-border activities and how this contributes to the overall ML and TF risk. The data collection through the AML return highlights key factors relating to customer risk, products and services, delivery channels, geographic risks, as well as the overall organisational structure of its regulated entities.

The cross-boarder transaction returns along with the AML return allow CIMA to better understand its ML & TF risks within its regulated entity population. The consolidated sector data is further used to support sectoral risk assessments and the National Risk Assessment.

Enforcement Actions

CIMA is both a prudential and an AML/CFT regulator, and therefore CIMA's powers to impose sanctions through enforcement actions for breaches of AML/CFT (other than administrative fines) are through the operation of its regulatory acts. CIMA's regulatory acts state that where a licensee/registrant has contravened regulatory acts or the AMLRs CIMA may take any of the listed enforcement actions.

Table 4: Breakdown of enforcement actions by CIMA, 2024

Sector	Revocations/ Cancellations	Appointment of Controllers	Winding Up Petitions	Cease and Desist/ Requirements/Conditions	Actions Under the DRLA	Warning Notices	Admin Fines Breach Notices	Admin Fines	Admin Fines(Prudential)	**Total**	Enforcement with AML-CFT Component	AML/CFT Breaches	Directors /Controllers found Not Fit and Proper	Shareholders Found Not Fit and Proper
Banking	0	0	0	1	0	0	0	0	0	**1**	0	0	0	0
Fiduciary	0	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Insurance	0	0	0	0	0	0	0	0	0	**0**	0	0	0	0
Investments	0	0	0	0	0	11	0	0	0	**11**	0	0	0	0
Securities	2	0	0	0	3	1	1	0	0	**8**	2	3	0	0
VASPs	0	0	0	0	0	0	1	0	0	**1**	0	0	0	0
Totals	**2**	**0**	**0**	**1**	**3**	**12**	**2**	**0**	**0**	**21**	**2**	**3**	**0**	**2**

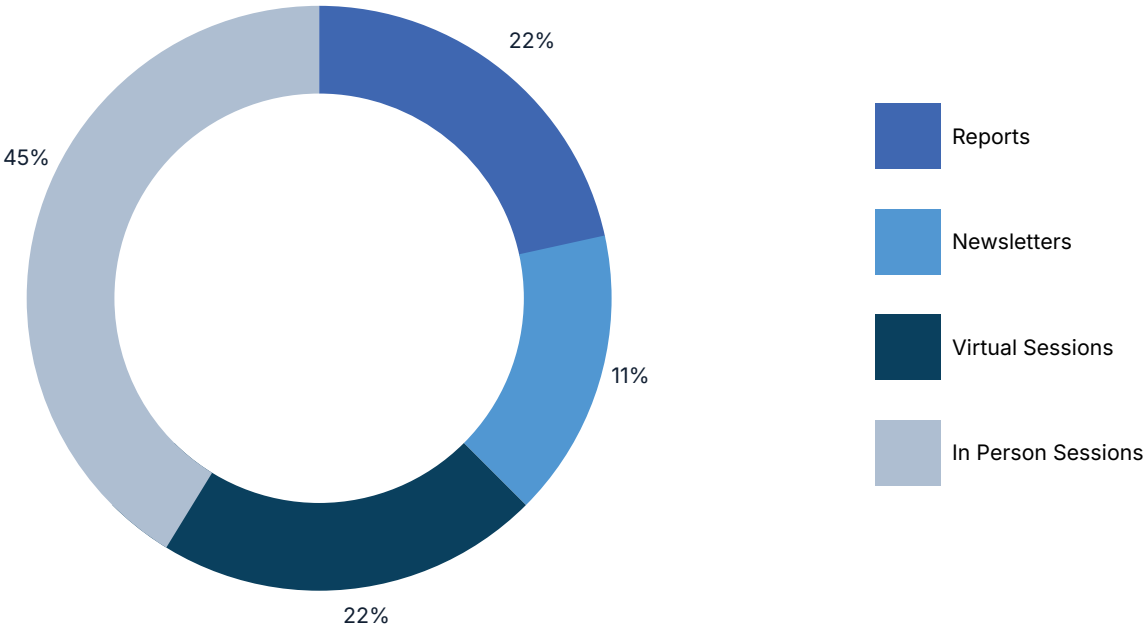
Outreach Activities

CIMA continued its commitment to raise AML/CFT compliance awareness and standards through various outreach activities. CIMA's outreach topics include:

- VASP registrations, Travel Rule and typologies for VASP-related financial crime
- VASPs regulatory regime, registration process, ongoing monitoring, Travel Rule, AML surveys, and onsite inspections
- AML compliance challenges
- Preparing for an onsite inspection
- Overview of the Authority's AML/CFT supervisory approach, onsite inspection process and regulatory trends

Presentations were either conducted by CIMA, in collaboration with other Cayman Islands Government agencies or at industry-led virtual conferences and outreach sessions such as, ACAMS, GAIM Ops and Cayman Islands Compliance Association. CIMA also published a number of reports and newsletters.

2024 Outreach



Staff Training

CIMA continued to expand its training mandate and provided greater levels of training on various aspects of AML/CFT supervision to staff members across all levels in all divisions. This resulted in staff participating in over 200 training sessions through conferences, numerous webinars, and internal training. CIMA continues to provide a mandatory e-learning pack for staff through a software tool, 'KnowBe4' based on the principles set out in its AML/CFT training policy. To ensure staff are well versed with the FATF methodology and standards, in 2024, CIMA commenced the roll out of staff utilising the FATF Academy e-learning portal.

Future AML/CFT/CPF Objectives and Outlook

CIMA will continue its oversight of AML/CFT obligations to promote and safeguard the integrity of the Cayman Islands financial services industry, while further utilising and expanding Strix to support data-led AML/CFT supervision. Ongoing work will also focus on tracking deficiencies, requirements, and remediation to assess entities' compliance with supervisory findings and ensure prompt and consistent escalation to enforcement where necessary. This analysis will be used to identify trends, systemic issues, and areas of risk, evaluate supervisory effectiveness, and prioritise resources toward the highest ML/TF/PF risks. In addition, CIMA will maintain close collaboration with other regulatory and law enforcement authorities to support timely and appropriate supervisory action.

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