

The  
Cayman  
Islands  
National  
Risk  
Assessment  
on  
Terrorism  
Financing

December 11

2019

Table of Contents

- 1 SUMMARY..... 2**
  
- 2 METHODOLOGY..... 3**
  
- 3 COLLECTION OF FUNDS IN THE CAYMAN ISLANDS FOR TERRORISM PURPOSES..... 4**
  
- 4 MOVEMENT OF FUNDS THROUGH OR PROVISION OF SERVICES BY THE CAYMAN ISLANDS FOR TERRORISM OR TERRORISM FINANCING PURPOSES ..... 5**
  - 4.1 MOVEMENT TYPOLOGY A: TERRORISM RELATED FUNDS ARE MOVING THROUGH THE CAYMAN ISLANDS TO SUPPORT TERRORISM ABROAD ..... 6**
    - FUNDS TRANSFERS TO/FROM THE CAYMAN ISLANDS: ..... 6*
    - OUTFLOWS: ..... 6*
    - INFLOWS: ..... 6*
    - MSBS TRANSFERS: ..... 7*
  
  - 4.2 MOVEMENT TYPOLOGY B: CAYMAN REGULATED SERVICE PROVIDERS KNOWINGLY OR UNKNOWINGLY PROVIDE SERVICES TO CUSTOMERS INVOLVED IN TERRORISM OR TERRORISM FINANCING WITHOUT THE FUNDS ACTUALLY ENTERING OR MOVING THROUGH THE CAYMAN ISLANDS ..... 8**
  
  - 4.3 MOVEMENT TYPOLOGY C: CAYMAN COMPANIES ARE USED TO CHANNEL FUNDS OR OTHERWISE FACILITATE FUNDING OF TERRORISM: ..... 9**
  
- 5 USE OF FUNDS IN THE CAYMAN ISLANDS FOR TERRORISM PURPOSES..... 10**
  
- 6 VULNERABILITIES..... 10**
  
- 7 CONCLUSIONS ..... 11**

# The Cayman Islands National Risk Assessment on Terrorism Financing

December 2019

## 1 Summary

1. In 2015, the Cayman Islands undertook its first National Risk Assessment of Money Laundering and Terrorist Financing (NRA). The NRA determined that the terrorism and terrorism financing (TF) risks in Cayman Islands were both low. Cayman Islands acknowledged in the NRA that the high level of cross-border activities and the geographic range of the banking and securities sectors present a TF vulnerability but assigned a low risk rating to TF based mostly on the low threat of terrorism within the jurisdiction, and the absence of investigations, prosecutions and international requests for mutual legal assistance (MLA) in relation to TF and terrorism.

2. In 2017, the Cayman Islands was assessed by Caribbean Financial Action Task Force (CFATF) against the international standards on Anti-Money Laundering/Combating Financing of Terrorism (AML/CFT) and it was found that the Cayman Islands has an insufficiently detailed understanding of the national TF risks and vulnerabilities. The CFATF therefore recommended that the Cayman Islands updates and further deepens the analysis on TF risks and vulnerabilities.

3. To address both the findings in the NRA and the CFATF Mutual Evaluation Report, the Cayman Islands in 2019 undertook to fully assess the TF risks faced by the jurisdiction as outlined in this report. The Cayman Islands conducted extensive information and data analysis to come to a conclusion on the country's risk exposure to TF and finds that there is a medium risk of the Cayman Islands being misused for TF purposes.

4. The difference in the risk rating between the results of the National Risk Assessment and the current risk assessment does not indicate that the risks of terrorism financing or terrorist events occurring in the Cayman Islands have increased. Rather, as explained below, the difference in the risk rating results from the use of:

- a) a new methodology for assessing terrorist financing risks, published by the Financial Action Task Force in 2019; and
- b) a greater variety of data sources than those used in the National Risk Assessment, as well as the use of more granular data (such as data on international flows of funds).

5. The rating of "medium" more accurately reflects the threat of terrorist financing stemming from the extensive scale of cross border business and financial transactions in the Cayman Islands, given our status as an international financial center. While there are few indicators, such as prosecutions or intelligence from foreign law enforcement agencies to suggest that significant movements of terrorism related funds take place through the Cayman Islands, given the size of the international financial sector and the general difficulties in detecting terrorism financing, it cannot be assumed that the absence of these indicators means that the Cayman Islands is not vulnerable. The medium rating is largely consistent with the ratings assigned by other international financial services centres to the terrorism financing risks in their jurisdictions.

6. However, it is important to highlight that the medium rating represents an assessment of the inherent risk, meaning risks prior to the application of the numerous legislative, supervisory and law enforcement controls the Cayman Islands has put in place to combat terrorism financing. Indeed, the Cayman Islands has implemented comprehensive legislation, put in place supervisory mechanisms and upgraded law enforcement skills to prevent the Cayman Islands from being misused by terrorism financiers and to help ensure that any attempts to finance terrorism through Cayman Islands structures or financial channels are detected, investigated and prosecuted.

7. The risk rating is based on the available data at the time the assessment was conducted. As stated in the Cayman Islands Anti-Money Laundering and Counter-Terrorist Financing Strategy, the Cayman Islands is committed to reviewing all of its risks periodically, including the risk of terrorism financing.

## 2 Methodology

8. The risk assessment conducted by the Cayman Islands separately considers each of the three internationally recognised methods of TF, namely the collection, movement and use of funds for terrorist activities, or for use by a terrorist or a terrorist organisation for any purpose, and assigns a risk rating for each, using the categories of LOW RISK, MEDIUM-LOW RISK, MEDIUM, MEDIUM-HIGH RISK and HIGH RISK.

9. For many jurisdictions, the process of identifying, assessing and understanding the risks of TF primarily involves analysing previous criminal and intelligence cases of terrorism, either within or linked to the jurisdiction, and examining the financial needs of these individuals or organisations to draw conclusions about their financing methods.

10. The demographic and geographical factors applicable to the Cayman Islands are such, however, that the domestic terrorism risk is very low. It is unlikely that acts of terrorism will take place within Cayman borders or will be carried out elsewhere by individuals or organisations that have residential, familial or other social links to the Cayman Islands. The geographic features of the Cayman Islands are such that the country also does not lend itself as a transit point for physical assets for TF purposes. Direct flights to international destinations are limited and the one port on Grand Cayman mainly serves the import needs of the local economy along with cruise tourism. As the Cayman Islands also does not have a significant manufacturing, transshipment or trade sector, it is also unlikely that the country is being used to import or export goods for terrorist purposes or to finance terrorist activities.

11. The more likely exposure to TF for the Cayman Islands arises from the high levels of cross border business and financial transactions and activities, with the attendant possibility of the services and products offered or assets channelled through the Cayman Islands being used by parties outside the country to fund terrorism abroad. While the Cayman Islands does not ignore the possibility that funds may be collected or used in the country for terrorism purposes, the focus of the Cayman Islands' efforts to identifying, assessing and understanding TF risks lies in the cross-border movement of funds.

12. In developing the risk assessment methodology, the Cayman Islands was guided by international papers such as the *FATF Terrorist Financing Risk Assessment Guidance of July 2019* and the *Moneyval Guidance Paper on Assessing TF Risks for International Financial Centers with Low Domestic Terrorism Risk*. To conduct the risk assessment, as many of the data sources referenced in these papers as possible were sourced and analysed, in addition to other sources identified by the

Cayman Islands as being of relevance, such as private aviation and cruise ship and private yacht logs. The identification, collection and analysis of relevant data was conducted by a specialized working group under the umbrella of the Anti-Money Laundering Steering Group (AMLSG), with support from an international consulting firm. The following agencies were represented in the working group: Anti-Money Laundering Unit, Financial Crime Unit of the Police, the Financial Reporting Authority, the Office of the Director of Public Prosecutions, the Cayman Islands Monetary Authority (CIMA), the Department of Commerce and Investment (DCI), the Registrar of Companies, the Ministry of Financial Services and Home Affairs, the Cayman Islands Sanctions Coordinator, and the Cayman Islands Customs and Border Control.

13. When analysing and structuring the data and other information, it was necessary to define the term “high risk jurisdiction.” Countries focused on for purposes of this analysis were identified based on publicly available information such as the FATF list of high-risk and other monitored jurisdictions<sup>1</sup> and the Global Terrorism Index 2018 issued by the Institute for Economics and Peace<sup>2</sup>. The working group determined that higher risk jurisdictions would best be broken down into two tiers:

14. **Tier 1:** Iraq, Afghanistan, Nigeria, Somalia, Syria, Pakistan, India, Yemen, Egypt, the Philippines.

15. **Tier 2:** Democratic Republic of Congo, Turkey, Libya, South Sudan, Central African Republic, Cameroon, Thailand, Sudan, and Kenya.

16. The following sources of information were used to conduct the TF risk assessment, in line with international guidance documents referenced above:

- Statistics on cross-border flows of funds from/to the Cayman Islands for the years 2014 to 2018 as provided and made available by SWIFT;
- Trade statistics for the years 2017 and 2018;
- STRs filed with the Cayman Islands’ FRA either involving suspicions of TF or tier 1 or 2 countries;
- Money Service Business (MSBs) statistics provided by CIMA;
- Inherent risk data collected by CIMA from the bank and TCSP sectors;
- Intelligence involving TF or terrorism from foreign counterparts;
- Criminal investigations and prosecutions in the Cayman Islands involving suspicions of TF or terrorism;
- International Cooperation Requests received by the Cayman Islands involving suspicions of TF or terrorism;
- Private flight and private and cruise ship vessel logs coupled with cash declaration information for such flights and vessels;
- Demographic and work permit statistics for the Cayman Islands provided by the Economics and Statistics Office;
- Open source information on TF and terrorism involving the Cayman Islands.

### 3 Collection of Funds in the Cayman Islands for Terrorism Purposes

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<sup>1</sup> <http://www.fatf-gafi.org/countries/#high-risk>.

<sup>2</sup> <https://reliefweb.int/sites/reliefweb.int/files/resources/Global-Terrorism-Index-2018-1.pdf>; <http://www.fatf-gafi.org/countries/#high-risk>.

17. The Cayman Islands geographic and demographic landscape are such that the risks of terrorism related funds being physically collected in the Cayman Islands are low. No cases have been identified to suggest such activities are taking place in the Cayman Islands. Based on the information reviewed, the Cayman Islands does not have any parts of the local population that may be sympathetic to active terrorists or terrorist organisations, and there is no information or intelligence to suggest that any particular diaspora would be presenting a higher risk, or display signs of radicalisation. Unlike other countries in the region, the Cayman Islands also does not have any known cases of its citizens travelling overseas to support terrorist activities on foreign soil (so called “Foreign Terrorist Fighters”). The risks associated with the Non-Profit Organizations (NPO) sector in the Cayman Islands has been determined to be low, as outlined in a separate risk assessment document in more detail and NPOs in the Cayman Islands within the scope of the FATF Recommendations are subject to risk-based monitoring. At the moment, the Cayman Islands considers that it exhibits a LOW RISK of being abused for funds collection activities related to terrorism.

#### **4 Movement of Funds through or Provision of Services by the Cayman Islands for Terrorism or Terrorism Financing Purposes**

18. The Cayman Islands’ most likely exposure to TF risks results from its cross border business and financial transactions and activities, with the attendant possibility of the services and products offered or assets being channelled through the Cayman Islands being used by parties outside of the country to fund terrorism abroad. The numbers of domestic investigations or prosecutions and suspicious activity reports relating to TF as well as intelligence reports of TF from foreign agencies, requests for assistance in TF cases from other jurisdictions, and assets frozen under terrorism-related United Nations Security Council Resolutions or criminal procedures are very limited. Accordingly, there are very few indicators to suggest that significant movements of terrorism related funds take place through the Cayman Islands. Regardless, the Cayman Islands recognises that, given the internationally acknowledged difficulties in detecting TF, it cannot simply be assumed that the absence of these indicators means that the Cayman Islands is not being used for TF purposes. Rather, the situation confirms that an in-depth analysis of other information sources is required to properly assess the risks of terrorism related funds being moved through the Cayman Islands.

19. Broadly speaking, the movement of terrorism related funds through the Cayman Islands could occur in one or more of the following ways:

- **Typology A:** The Cayman Islands is used as a transit country for funds that are intended to be used for terrorism purposes abroad, with funds being sent via the Cayman Islands either through banks, other payment channels such as MSBs, or being physically moved through the Cayman Islands’ territory.
- **Typology B:** The Cayman Islands regulated service providers knowingly or unknowingly facilitate the movement of funds for terrorism purposes but without the funds actually entering or moving through the Cayman Islands – for example, Cayman lawyers providing services to customers that support foreign terrorism.
- **Typology C:** Cayman Islands legal entities are abused for terrorism financing purposes.

20. The following analysis will look at each of the three typologies separately, drawing from different information sources.

#### **4.1 Movement Typology A: Terrorism related funds are moving through the Cayman Islands to support terrorism abroad**

21. The definition of “funds” as provided under FATF standards is very comprehensive and covers assets of every kind. Accordingly, the analysis for movement typology A has to be conducted not only for funds transfers but also for the movement of goods and other items of interest.

22. The analysis of funds transfers from and to the Cayman Islands discussed below is based on available SWIFT data for the period 2014 to 2018, broken down by originating and receiving jurisdictions, and inherent risk data collected from the banking sector. A separate analysis of inflow/outflow data through MSBs as collected by CIMA and cash declarations analysed against the physical movement of persons from high risk jurisdictions was also performed.

##### *Funds Transfers to/from the Cayman Islands:*

23. For the year 2018, apart from domestic transactions through the US clearing system, the United States, UK, Canada and Brazil were the largest recipients of payments from the Cayman Islands in terms of volume of funds (almost 90% of outgoing funds). On the incoming side, the majority of funds in 2018 were received from the United States, Brazil, the UK and Mexico (72% of incoming funds).

24. Looking at fund inflows and outflows to tier 1 and 2 high risk jurisdictions only, the Cayman Islands’ financial ties with high risk jurisdictions measured by volume and percentage of funds sent or received are very limited.

##### *Outflows:*

25. Between 2014 and 2018, only 0.005% of the total outflows sent from the Cayman Islands were to tier 1 and 2 high risk jurisdictions through SWIFT single customer transfers, 74% of which was to tier 1 high risk countries. Most outflows to tier 1 and 2 jurisdictions went to India, the Philippines and Nigeria. This is not surprising given that the Cayman Islands’ licensed sector and demographic make-up is tied with some of those countries. Some funds also went to Iraq, Pakistan and Egypt (less than 5% of the total outflows to tier 1 and 2 countries). Transfers to Afghanistan and Yemen were minimal in terms of volume of assets and numbers of transactions, totalling less than 0.07% of total outflows to tier 1 and 2 jurisdictions between the two destinations over the four-year period. No outgoing transactions indicated beneficiaries in Syria, Somalia, South Sudan, Sudan, or the Central African Republic.

##### *Inflows:*

26. On inflows, only 0.03% of all funds received by the Cayman Islands between 2014 and 2018 came from tier 1 and 2 high risk jurisdictions. On inflows from tier 1 countries, higher volumes were received from India, the Philippines and Pakistan. The majority of tier 2 funds were received from Turkey, Kenya and Thailand. Linkages with Cameroon and Democratic Republic of Congo exist but are less significant in terms of volumes of funds. No funds were received from Somalia, Syria, and Yemen.

##### *Inherent Risk Data from Banks:*

27. From a customer perspective, all Cayman Islands banks combined service a total of 152,000 customers, with about 70% being customers from Class A banks. Class A Banks in the Cayman Islands

have a total of 2.198 customers from tier 1 jurisdictions, of which 2.156 or 98% come from only two countries, namely India and the Philippines, and 112 customers from tier 2 jurisdictions. Class B Banks have a total of 66 customers from tier 1 and 14 customers from tier 2 jurisdictions, with a wider geographic spread than Class A Banks. Of the total number of banking customers, 30 are high net worth individuals from tier 1 or 2 countries, accounting for a total of about 1.6 million USD in deposits. In addition, Cayman Islands banks service 2 PEP customers from tier 1 jurisdictions, one from India and one from Turkey.

28. Class A Banks in the Cayman Islands have a total of 65 beneficial owners from tier 1 jurisdictions, again with a large percentage, namely 87% coming from India and the Philippines, and 32 beneficial owners from tier 2 jurisdictions. Class B Banks have a total of 47 beneficial owners from tier 1 and 22 beneficial owners from tier 2 jurisdictions, again with a wider geographic spread than Class A Banks.

29. From a product/service perspective, the inherent risk data provided by banks indicate that no bank is selling or accepting prepaid cards, or virtual currencies as a means of payment. During the reporting period, transactions of about 100.000 USD were conducted by Cayman Islands banks for respondents located in India, the Philippines and Turkey. No such transactions were conducted for respondent institutions located in other tier 1 or tier 2 jurisdictions.

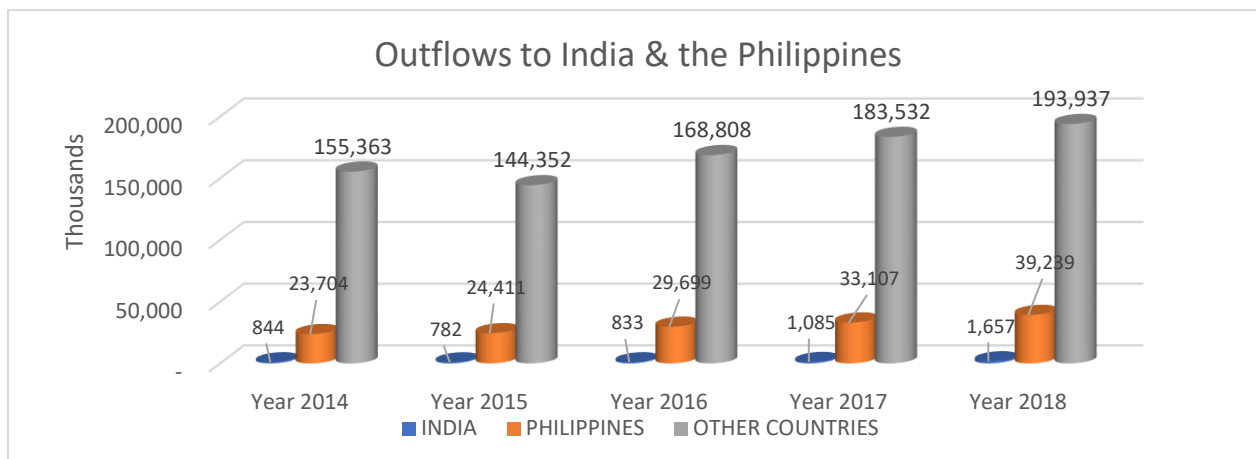
30. From a distribution channel perspective, no clients are onboarded in tier 1 or 2 high risk jurisdictions using online platforms, or through eligible third-party introducers located in a tier 1 or 2 high risk jurisdiction. Only one bank indicated that they would onboard through an eligible introducer within the group that is located in a tier 1 jurisdiction, which is plausible based on the fact that this bank has its parent located in that jurisdiction.

31. From a structural perspective, Cayman Islands banks have minimal connections with tier 1 or 2 countries. One Cayman Islands banks has a parent company in India, four in Thailand. One bank has a branch in India and eleven banks have affiliates or a sales office in India, Ghana, Thailand and Turkey.

#### *MSBs transfers:*

32. Funds flow data through MSBs is kept by CIMA. A review of the data for the years 2014 to 2018 indicates that of tier 1 and 2 countries, significant flows were recorded only from/to India and the Philippines, which is not surprising given the large migrant workforce from those countries in the Cayman Islands. Some limited flows were also identified to/from Kenya.





#### 4.2 Movement Typology B: Cayman regulated service providers knowingly or unknowingly provide services to customers involved in terrorism or terrorism financing without the funds actually entering or moving through the Cayman Islands

31. It is to be noted at the outset that the below reflects an analysis of inherent risk data only from an FT perspective based on the above outlined methodology. While this analysis does not reveal any particular inherent risks specific to TF, it should be borne in mind that in general, legal entities feature frequently in illicit schemes and face a higher risk of being abused for illicit purposes.

##### *Inherent Risk Data from TCSPs:*

33. From a customer perspective, Cayman Islands TCSPs service predominantly companies set up in the Cayman Islands, with only about 120 companies located outside the Cayman Islands being serviced by local TCSPs and exclusively located in the CFATF region and the USA. From a customer perspective, the main focus on risks would thus be on Cayman Islands legal entities and not those set up in a foreign jurisdiction. TCSPs indicated that they service a total of only 14 beneficial owners from tier 1 and 2 jurisdictions, all of which are also PEPs.

34. From a product/service perspective, the inherent risk data provided by TCSPs indicate that the majority of legal entities serviced by Cayman Islands TCSPs are involved in investment, funds management, real estate, technology and telecommunications activities, serve as holding or special purpose vehicles, or are involved in the aviation and shipping industry. The data does not identify whether Cayman Islands legal entities do in practice operate in tier 1 or 2 countries, but the activities indicated to be conducted would not identify any particular FT risks from a product/service perspective.

##### *Law Enforcement Information*

35. Of the 46 STRs received by the Cayman Islands FIU between 2015 and 2018 relating to tier 1 and 2 countries, the vast majority involved movement typology B fact patterns, whereby none of these STRs resulted in a domestic investigation as indicated above.

36. One case involving a movement typology B discussed in the public domain is FBME bank, a Tanzanian licensed bank for which the holding company was established in the Cayman Islands and serviced by a Cayman TCSP. The bank was alleged to be involved in and investigated by the US federal

police for terrorism financing. The Cayman Islands holding company was struck off the company registry in 2016, after the Cayman Islands TCSP ended its relationship with the company.

#### **4.3 Movement Typology C: Cayman Companies are used to channel funds or otherwise facilitate funding of terrorism**

37. Globally speaking, legal entities and arrangements are one of the most frequently used vehicles in illicit schemes. A review of investigations conducted in the Cayman Islands revealed no terrorism related cases having been identified domestically. An absence of investigations and prosecutions involving terrorism schemes through legal entities does not, however, necessarily lead to the conclusion that the risk of abuse of legal entities for TF purposes is low.

38. A recently observed typology that could give rise to concern from a TF perspective is the raising of funds by terrorist networks through legal entities (straw companies), using crowdfunding techniques.<sup>3</sup> It appears that there have been cases where online wallets controlled by straw companies associated with terrorist networks were credited with investments from donors all over the world. The investments have come either in fiat or virtual currencies and were utilised in either form by the recipients. The limited information available suggests that the connection with the Cayman Islands in these cases was that the company offering the exchange platform was a Cayman legal entity.<sup>4</sup>

39. A study conducted by the Rand Corporation on the utility of cryptocurrencies for use by terrorist networks considers that cryptocurrencies are not currently well matched to meet terrorist organisations' financial needs due to concerns over a lack of anonymity.<sup>5</sup> The study also finds, however, that increased reliability and more-widespread usage of Bitcoins, advanced privacy features, and trading mechanisms could result in an increased use of cryptocurrencies by terrorist organisations in the future.

40. While no cases have been identified through local intelligence involving terrorism financing through initial coin offerings (ICOs) or other virtual assets related transactions, there is a risk that closed ICOs, in particular, could be used as a vehicle for channelling funds to terrorists or terrorist organisations. Some reports involving such typologies also were identified by foreign intelligence services.<sup>6</sup> Given the large number of ICOs issued in the Cayman Islands, and the sums involved, there is a risk of Cayman legal entities being used to facilitate the collection of funds through this mechanism. In conclusion, while even with new developments in the crypto world the risk of Cayman legal entities being used to channel funds for terrorist purposes is still limited due to the currently limited attractiveness of cryptocurrency for terrorist networks, the most recent trends are to be closely monitored and may require a new assessment of the associated risk level in the near future.

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<sup>3</sup> <https://www.forbes.com/sites/yayafanusie/2019/02/04/hamas-military-wing-crowdfunding-bitcoin/#2bbb46f94d7f>

<sup>4</sup> <https://en.globes.co.il/en/article-exclusive-isis-funded-sri-lanka-bombings-with-bitcoin-donations-1001284276>

<sup>5</sup> *Terrorist Use of Cryptocurrencies, Technical and Organizational Barriers and Future Threats*, Rand Corporation 2019, Cynthia Dion-Schwarz, David Manheim, Patrick B. Johnston.

<sup>6</sup> <https://www.coindesk.com/hamas-coinbase-bitcoin>  
<https://www.trustnodes.com/2019/02/03/bitcoin-sent-to-hamas-from-coinbase-and-binance-accounts>

## **CONCLUSION ON MOVEMENT TYPOLOGIES A – C:**

41. In conclusion, the Cayman Islands considers that it has a medium risk of terrorism related funds being moved through the Cayman Islands through one or more of the above outlined typologies, with legal entities and regulated service providers being at the forefront of this risk exposure. Financial flows through, and some exposure to tier 1 and 2 countries exist based on customer, product/service, delivery channels and structural linkages with the Cayman Islands' banking system but are limited in value and numbers and in many instances seem to result from legitimate ties and social connections between the Cayman Islands and the receiving country. Given that terrorism financing often involves low amounts and funds from legitimate sources, the possibility that fund transfers are flowing to or from terrorist networks or terrorists operating globally does however exist and may not be underestimated. In comparison, the risk of physical transportation of cash to/from the Cayman Islands for TF purposes is considered to be low.

### **5 Use of Funds in the Cayman Islands for Terrorism Purposes**

42. The Cayman Islands has no history of terrorist attacks in the country. No intelligence or other information has so far been identified that would suggest that any terrorists or terrorist organisations are operating in or from or are targeting the Cayman Islands. Cayman also has not identified any parts of the population that would be sympathetic to terrorist causes or radical ideas. No foreign terrorist fighters of Cayman nationality have been identified.

43. A review of all terrorism related investigations conducted in the Cayman Islands revealed one case involving a non-Caymanian individual that had received military training from suspected radicals in another regional jurisdiction, and had received funds from numerous third parties via a Cayman NPO, some of which originated from an individual located in the Middle East. The investigation into the Cayman Islands NPO resulted in no further action being taken. The individual has since relocated to another jurisdiction and remains a person of interest in the wider, regional radicalisation context and the Cayman Islands is providing ongoing international cooperation in this matter.

44. Overall, the risk of funds being used in the Cayman Islands to conduct terrorist activities locally, or for use by local terrorists or terrorist organisations, is considered to be low.

### **6 Vulnerabilities**

45. The vulnerabilities of the Cayman Islands' AML/CFT framework have been identified and analysed as part of the NRA process and the CFATF Mutual Evaluation, and are discussed in detail in the NRA report 2015 and the CFATF Mutual Evaluation Report 2017. Some important changes have since been implemented as follows:

46. First, CIMA has established a designated AML/CFT Division with supervisory competences for all sectors. The new AML/CFT Division is in the process of developing a custom AML/CFT supervisory framework and process for all supervised sectors under its remit, including a sophisticated risk analysis process to ensure that resources are located in line with the risks. Once the Division is fully operative, the number and depth of AML/CFT onsite inspections is expected to further increase, with a significant positive impact on private sector performance expected as a result. Similarly, DCI has now fully developed and started implementation of its risk based supervisory engagement with dealers in

precious metals and stones, and the real estate sector. AML/CFT supervisors have engaged in intensive outreach to the industry, including on targeted financial sanctions. For the legal sector, a supervisor has been designated and commenced operations. The consequence of these measures is a risk mitigating effect on typologies involving the movement of funds, where regulated service providers may play a role.

47. A further reform to be implemented soon by the Cayman Islands government is the implementation of a regulatory and supervisory framework for Virtual Asset Service Providers (VASPs). The activities conducted by such VASPs are already subject to the AML/CFT framework in the Cayman Islands and there are plans to subject VASPs to a comprehensive supervisory regime. The consequence of this will be a risk mitigating effect on typologies involving ICOs, crowdfunding and other activities associated with virtual currencies, including where Cayman legal entities are utilised for such activities.

48. Another measure that has recently been implemented and that significantly reduces the risk profile of the Cayman Islands in the area of TF is the coverage of excluded persons under the Securities Investment Business Law (2019 Revision) (SIBL-EPs) by CIMA's supervisory mandate. From January 2020 onwards, all SIBL-EPs have to be registered with CIMA, undergo fit and proper assessment, and will be subject to full supervision by CIMA just like any other sector. The consequence of these measures will be a risk mitigating effect on typologies involving the movement of funds, where SIBL licensees (and former SIBL-EPs) may play a role.

49. Investigators, prosecutors and supervisors in the Cayman Islands received further training specifically on TF and targeted financial sanctions.

50. To address the potential risk arising from Typology B described above, supervisors of TCSPs, lawyers and accountants have increased their outreach and guidance to those sectors to enable them to better detect cases of terrorist financing. Moreover, the supervisors have implemented more robust on-site inspection procedures of these entities relating to their frameworks for identifying potential terrorism financing cases.

## **7 Conclusions**

51. The Cayman Islands has undergone a vigorous and in-depth information and data analysis to come to a substantiated conclusion on the country's risk exposure to TF and finds that there is a medium risk of the Cayman Islands being misused for TF purposes. While financing activities involving the collection or use of funds in the Cayman Islands for terrorism purposes are determined to be low, the risks associated with the movement of funds through the Cayman Islands is considered to be medium. Given the relative importance of funds movement activities in the Cayman context, the risk rating assigned to TF methodologies involving the movement of funds has been weighted more significantly, resulting in a composite TF risk rating of medium.