



CAYMAN ISLANDS  
GOVERNMENT

NATIONAL COORDINATOR  
ANTI-MONEY LAUNDERING STEERING GROUP

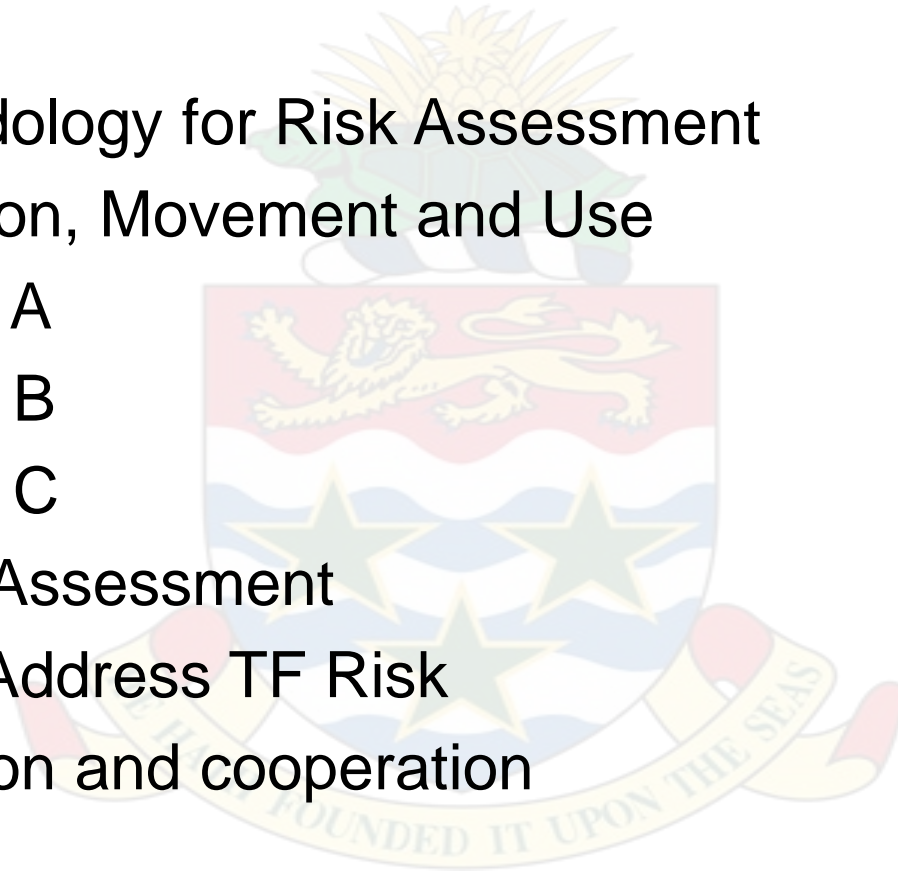
# An overview of the Terrorism Financing Risk Assessment Cayman Islands, February 2020





# Overview

1. Process and Methodology for Risk Assessment
2. Risk Areas: Collection, Movement and Use
3. Movement Typology A
4. Movement Typology B
5. Movement Typology C
6. Conclusion on Risk Assessment
7. Measures Taken to Address TF Risk
8. Domestic coordination and cooperation



# The process:

- Working group participants: AMLU, FCU, FRA, ODPP, CIMA, DCI, ROC, MFS, SC, CBC
- Identification of 'high risk jurisdiction' based on publically available information:
- **Tier 1:** Iraq, Afghanistan, Nigeria, Somalia, Syria, Pakistan, India, Yemen, Egypt, the Philippines
- **Tier 2:** Democratic Republic of Congo, Turkey, Libya, South Sudan, Central African Republic, Cameroon, Thailand, Sudan and Kenya

## Data analysed included:

- Statistics on cross-border flows of funds from / to the Cayman Islands (SWIFT) 2014 – 2018
- Trade statistics 2017 and 2018
- SARs in relation to TF and higher risk countries
- Remittance statistics
- Intelligence involving TF / terrorism from other countries
- Investigations / prosecutions / international cooperation requests
- Private flight, private and cruise ship vessel logs, cash declaration information
- Demographic and work permit statistics
- Open source information on TF and terrorism involving the Cayman Islands

# Methodology:

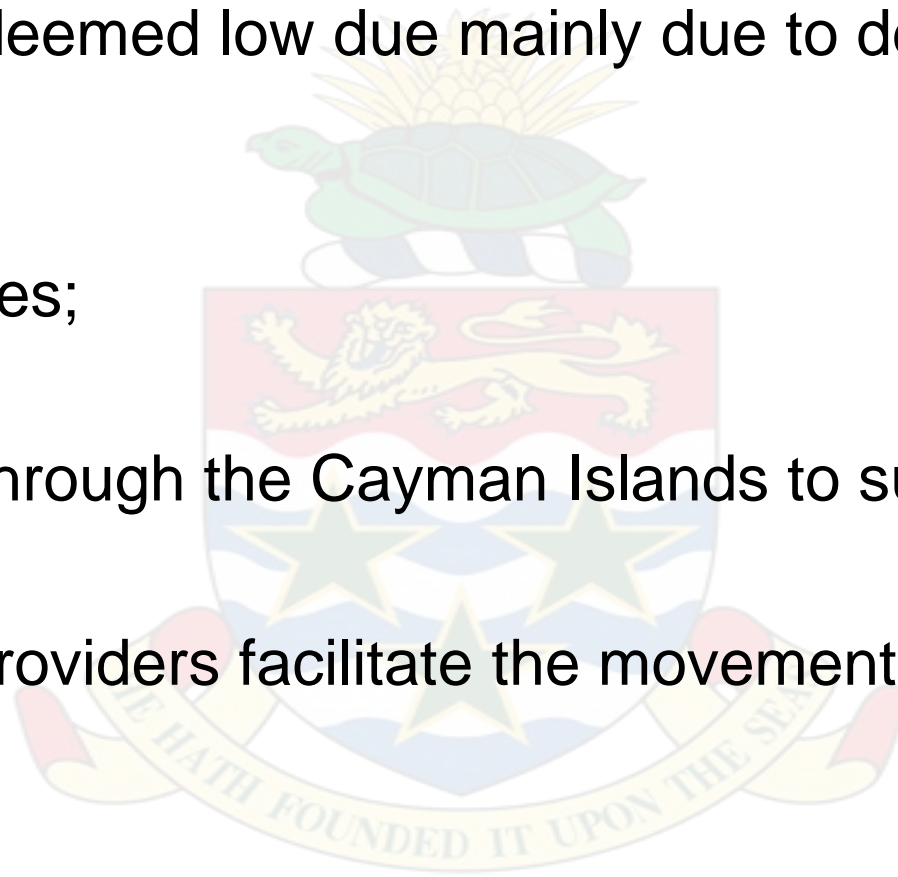
- Guided by FATFs Guidance July 2019 and Moneyval Risk Assessment Guide for IFCs:

*‘Financial Centers, like all jurisdictions, can only put in place effective measures to address TF if they fully understand their risks in this area’.*

- Considers three risks: Collection, Movement and Use of funds
- Assigns risk rating for each; Low, Medium Low, Medium, Medium High, High

# Collection, Movement and Use:

- **Use and collection:** deemed low due mainly due to demography (and geography)
- **Movement:** 3 typologies;
  - A) Transit: funds move through the Cayman Islands to support terrorism abroad
  - B) Regulated Service Providers facilitate the movement, without funds entering the Cayman Islands
  - C) Cayman legal entities are abused for TF purposes



# Movement: Typology A – transit – outflows

Between 2014 – 2018:

- 0.005% of total outflows from Cayman Islands went to tier 1 and 2 high risk jurisdictions.
  - Of which:
    - 77% went to tier 1 high risk countries (India, Philippines and Nigeria)
    - Less than 5% went to Iraq, Pakistan and Egypt
    - Less than 0.07% transferred to Yemen and Afghanistan
- No beneficiaries in Syria, Somalia, South Sudan, Sudan or the Central African Republic.

## Movement: Typology A – transit – inflows

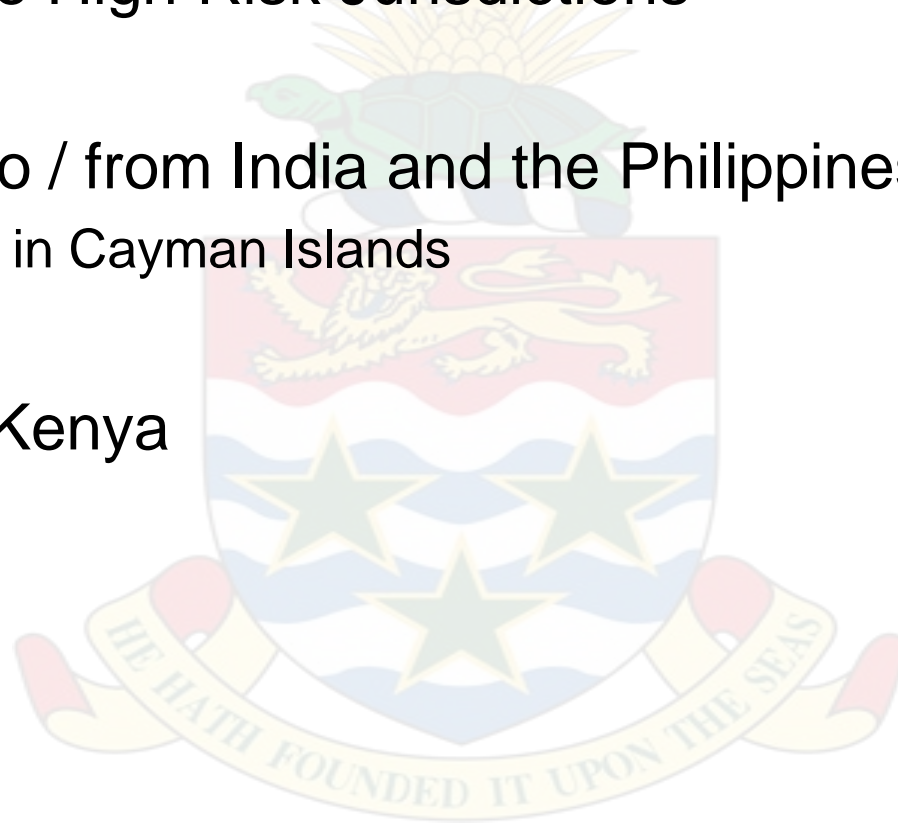
- Only 0.03% of all funds received by the Cayman Islands between 2014 and 2018 came from tier 1 and tier 2 high risk jurisdictions
- Tier 1: Primarily India, the Philippines and Pakistan
- Tier 2: Primarily received from Turkey, Kenya, Thailand.
- Linkages with Cameroon and DR Congo exist but less significant volume.
- No funds received from Somalia, Syria and Yemen.



# Movement: Typology A – transit - MSB data

2014 -2018 – Relating to High Risk Jurisdictions

- Significant flows only to / from India and the Philippines
  - Large migrant workforce in Cayman Islands
- Some limited flows to Kenya
  - Demographic ties exist



# Movement: Typology B - regulated service providers

Analysis of STRs 2015 – 2018:

- 46 STRs related to tier 1 and tier 2 countries
- Most related to Movement Typology B Fact Pattern
  - Regulated Service Providers facilitate the movement, without funds entering the Cayman Islands
  - None resulted in investigation in the Cayman Islands
- Example: FBME bank: Holding company in Cayman Islands, serviced by a Cayman TCSP:
  - Investigated by US for TF
  - Cayman Islands holding company struck off company registry in 2016 after the Cayman Islands TCSP ended its relationship with the company.

# Movement: Typology C – Cayman Companies

- According to case studies, legal entities and arrangements are one of the most frequently used vehicles in illicit schemes.
- Risk of terrorist networks raising funds through legal entities (straw companies) using crowdfunding techniques.
- Large number of ICOs in Cayman Islands and the sums involved leads to risk of Cayman legal entities being used to facilitate the collection of funds.
  - Cryptocurrencies: Currently literature suggests limited attractiveness for TF due to lack of anonymity but need to closely monitor

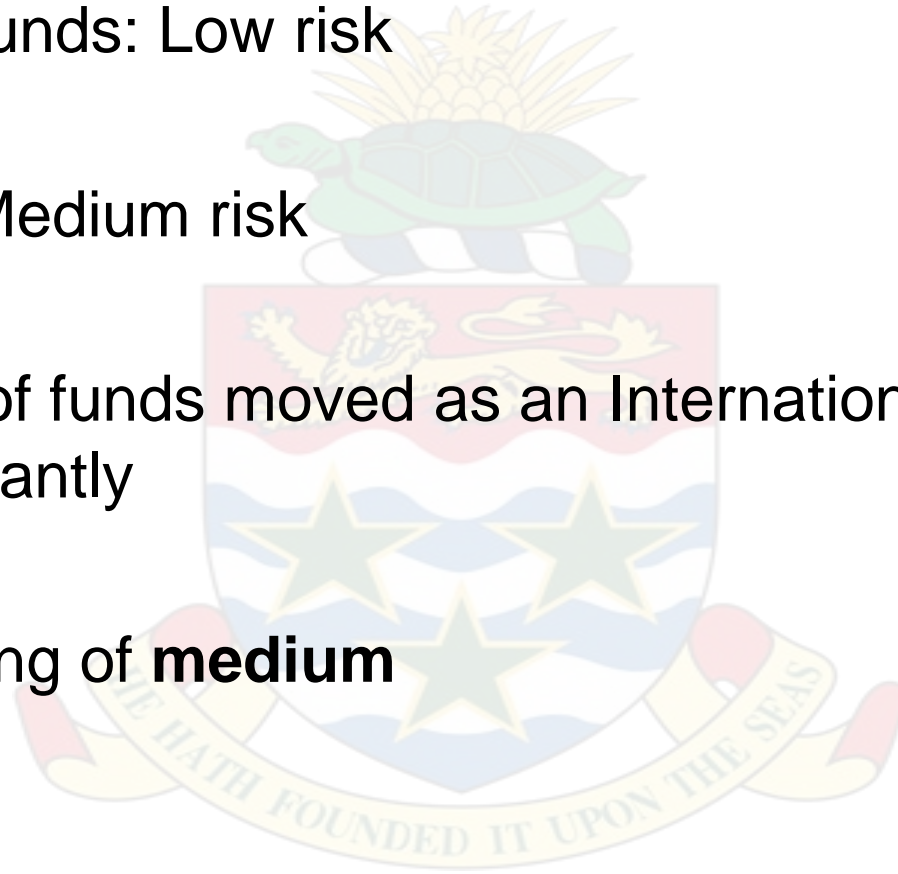
# Conclusion on Movement Typologies A – C

- Legal entities and regulated service providers are at forefront of the risk exposure (typologies B and C)
- Financial flows (typology A) through the Cayman Islands' banking system to tier 1 and 2 high risk countries exist but are limited in value compared to total amounts and can be explained by demographics
- Risk of physical transportation of cash to / from the Cayman Islands for TF purposes is considered to be low.



# Conclusion on Risk Assessment

- **Collection** or **use** of funds: Low risk
- **Movement** of funds: Medium risk
- Relative high volume of funds moved as an International Financial Centre: weighted more significantly
- Composite TF risk rating of **medium**



# Measures Taken to Address TF Risk

## **Movement of funds / regulated service providers:**

- Enhancement of FI/TCSP Supervision
  - New AML Division at CIMA
  - Enhanced supervision of SIBL EPs (registered persons)
- DCI – implementation of risk based supervisory engagement with DPMS and real estate
- Legal sector supervisor designated and commenced operations

## **Typologies involving ICOs / virtual currencies, use of Cayman entities;**

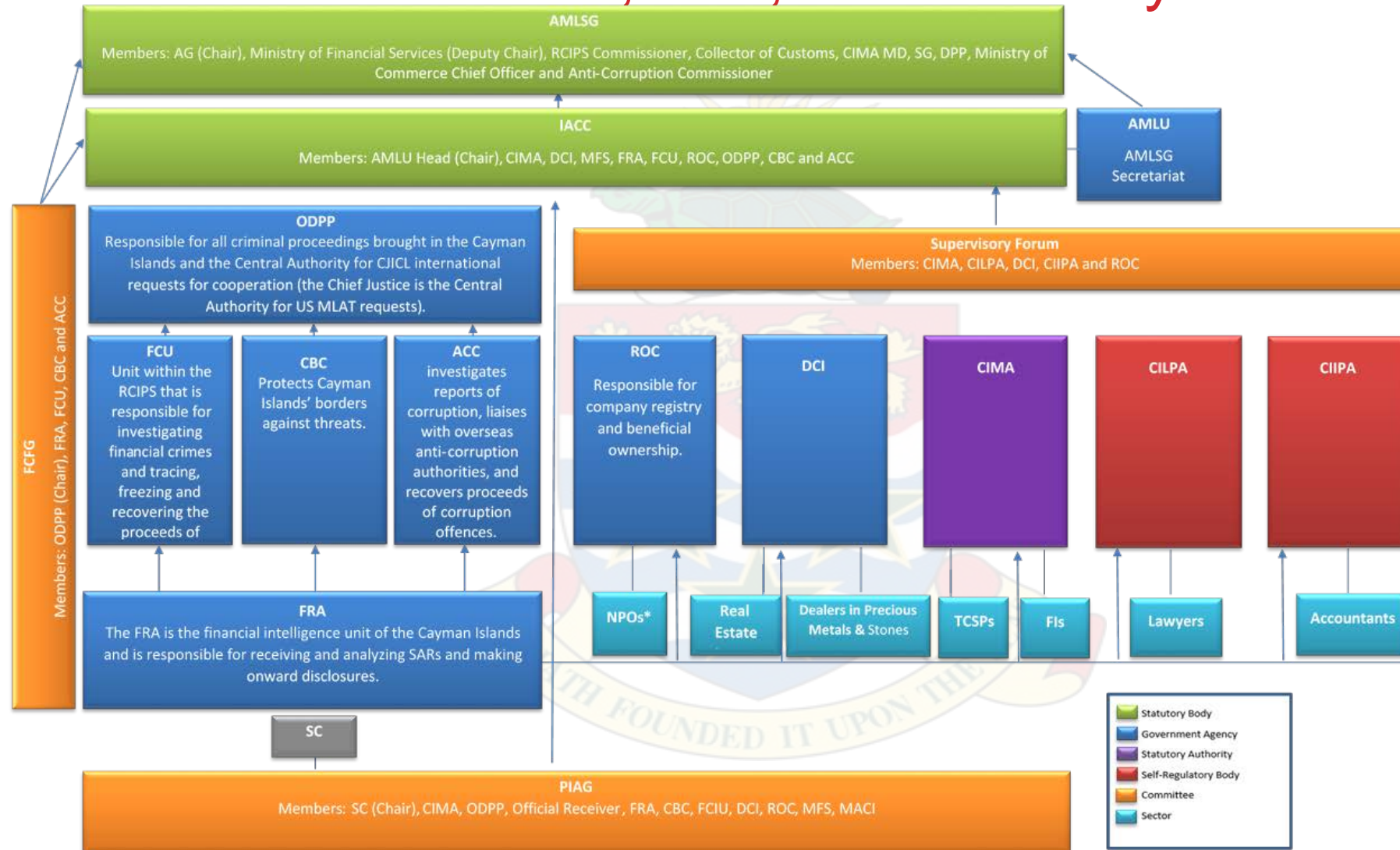
- VASPs legislation

## **Prevention, investigation:**

- Training: TF, TFS, Outreach to private sector on key results of TF Risk Assessment
- Establishment of Bureau of Financial Investigations within RCIPS focusing on cross border ML and TF

Risk Assessment of **NPO Sector** and Supervision for NPOs with higher TF risk

# Structure Chart – AML, CFT, PF in the Cayman Islands



\*The supervision of NPOs Focuses on risks and vulnerabilities of TF and the supervision of CFT measures taken by high risk NPOs.



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*National Coordination Team*