



### Press Release

#### **The Anti-Money Laundering Unit (AMLU) Issues the 2021 National Risk Assessment**

The Anti-Money Laundering Unit today (22 March 2022) released the Cayman Islands' 2021 National Risk Assessment ("2021 NRA"), which evaluated the money laundering (ML), terrorist financing (TF), and proliferation financing (PF) risks the jurisdiction faces.

Countries are required under the Financial Action Task Forces (FATF) Standards to keep their NRAs up to date, review them regularly, and ensure they are responsive to new threats and trends. In satisfaction of this obligation, the Cayman Islands, under the stewardship of the Anti-money Laundering Steering Group (AMLSG), completed the 2021 NRA, the second such comprehensive exercise for the country. The first comprehensive assessment was done in 2015, a summary of which was published in November of 2017.

The 2021 NRA was a collaborative, multi-stakeholder effort, involving the government, competent authorities, self-regulatory bodies, and representatives from the private sector. Commissioning the work of 15 working groups, this assessment builds on the experiences of the 2015 NRA and targeted risk assessments conducted at both the national and sectoral levels over the 2019-2020 period. More availability of critical data and information on account of significant upgrades to the country's overall Anti-Money Laundering, Counter Terrorist Financing, and Counter Proliferation Financing (AML/CFT/CFP) regime resulted in a deeper and more expansive exercise.

Consequently, the 2021 NRA paints a comprehensive picture of how the country's exposure to ML, TF, and PF risks has evolved over the last five years; and in so doing, allows us to further deepen the national understanding of these risks as the foundation to marshalling national efforts to best mitigate them on a risk-sensitive basis. The report is also a blueprint for financial institutions (FIs), designated non-financial businesses and professionals (DNFBPs) and virtual

asset service providers (VASPs) to better understand their institutional risks and to direct internal resources in a risk-based manner.

Key findings in the NRA on national ML, TF, and PF threats and associated mitigating measures were shared with various industry associations and competent authorities at national outreach on the NRA on 18 March. Outreach on sector-specific findings will commence on 23 March through to 7 April by respective AML/CFT/CFP supervisors. The main key findings from the NRA included the following:

- Cayman Island's primary and most material threat is from money laundering, as compared to terrorism financing and proliferation financing
- While the Cayman Islands continues to be exposed to ML threats at both the national and international level, its greater risk exposure is to proceeds-generating crimes committed overseas. Given the country's status as an international financial centre, the most prevalent of these foreign proceeds of crime (FPOC) are fraud, corruption, and tax evasion. Banks, securities business and investments, and funds face the primary exposure to FPOC, while the corporate structure most implicated is exempt companies.
- At the domestic level, while materiality was lower compared to foreign threats, the more significant threats were drug-related crimes, unlawful gambling, fraud/theft, corruption, burglary, and robbery, in descending order of importance.
- The threat of terrorism and terrorist financing were assessed as medium-low given the Islands' demographics and geography.
- Most supervised FIs, DNFBPs, and VASPs were found to have medium-high sectoral risks. Exceptions to these were insurance companies, accountants, and dealers of precious metals and stones (DPMS) that were found to have medium-low levels of risk.
- Sectoral mitigating measures were generally good, but satisfactory for VASPs as they were recently brought under the country's AML/CFT/CFP framework and subject to supervision.
- Legal persons and arrangements were assessed, and areas of high inherent risk included exempt companies, exempted limited partnerships, and trusts.

While significant improvements have been made to the AML/CFT/CFP regime in recent years, more work is needed to further move the mitigating measures from good to excellent. An updated National AML/CFT/CFP Strategy 2022-2025 has been developed and is being published to highlight important areas for further development. One of its principal aims is to direct the efforts

of competent authorities to coordinate actions for the implementation of adequate AML/CFT/CFP risk mitigation measures, and to allow the private sector to better align its efforts with the national objectives.

The AML/CFT/CFP Strategy 2022-2025 will be published in mid-April 2022.

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