COLLAS CRILL

AML/CFT independent audits for entities regulated in the Cayman Islands

MAY 2021

The Cayman Islands Monetary Authority (**CIMA**) has recently imposed administrative fines amounting to millions of Cayman dollars on those regulated entities who have failed to comply with the Anti-Money Laundering Regulations (as revised) (the **AML Regime**). It is therefore imperative that regulated entities are proactive in preventing and detecting financial crime and have a robust and compliant Anti-Money Laundering (AML) and Countering the Financing of Terrorism (CFT) framework in place.

The Cayman Islands has had an administrative fine regime in place since the end of 2017. The regulations were explicitly extended in 2020, giving CIMA the power to impose administrative fines for non-compliance for a wider range of acts, regulations and rules. Conjunctively, the Caribbean Financial Action Task Force (**CFATF**) concluded its Mutual Evaluation in 2020 in which three action items were required for further remediation. One of these related to Immediate Outcome 3, in which CIMA should apply sanctions that are effective, proportionate and dissuasive, and take administrative penalties and enforcement actions to ensure that breaches are remediated effectively and in a timely manner.

Collas Crill Corporate Services Limited (CCCS) has qualified and experienced professions who have extensive knowledge and understanding of the Cayman Islands AML Regulations and are here to help.

AML/CFT independent audit

There is a requirement under the AML Regime for those entities conducting 'relevant financial business', as defined under the Proceeds of Crime Act (as revised), to comply with the applicable acts and obligations to prevent and report money laundering, terrorist financing, proliferation financing and targeted financial sanctions. While this includes the provision of AML Officers and the establishment of AML-related policies and procedures, the requirement for all licensed entities to perform an AML/CFT audit has been somewhat overlooked.

An AML audit fundamentally tests the current AML framework that is in place against the regime and identifies technical deficiencies. There are a number of advantages to conducting an AML audit, most notably that it acts as a mechanism to strengthen the entities' AML programme. From a corporate governance perspective, an AML audit identifies any existing gaps which in turn promotes an allocation of resources and budget to enable a complete remediation.

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In light of the increase in regulatory inspections and administrative fines imposed by CIMA, AML audits are beneficial not only before an inspection but also after, to ensure that any outstanding items are fully satisfied.

The primary elements of the AML/CFT audit report should assess;

- the adequacy of AML/CFT policies and procedures, systems and controls implemented;
- the maintenance of client identification and risk assessment procedures for onboarding;
- the adequacy of the periodic reviews of its operations and clients;
- the existence of internal reporting procedures, including the maintenance of all associated logs; and
- the suitability and independence of AML Officers (including gap analysis of outsourcing and evidence of AML training).

Contact us

Our regulatory services include AML/CFT audits, the appointment of AML Officers, programme development and AML/CFT training.

If you would like more information or a tailored quote, please contact CCCS at **regulatory@collascrill.com**

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