

**ADVISORY**  
Industry Information

## Update on AML/CFT

17 April 2018

The Cayman Islands Monetary Authority ("CIMA") has provided helpful clarification in relation to its recent statement that natural persons should be designated as anti-money laundering compliance officer ("AMLCO"), money laundering reporting officer ("MLRO") and deputy MLRO (together, the "AML Officers"). This advisory provides a summary of the key points only and we would be happy to advise in further detail if required.

### Designation of Natural Persons as AML Officers

CIMA has confirmed natural persons must be designated as AML Officers by 30 September 2018 (in the case of existing funds) and by 1 June 2018 (in the case of new funds). Regulated funds should submit the names of their AML Officers to CIMA using REEFS by the applicable date.

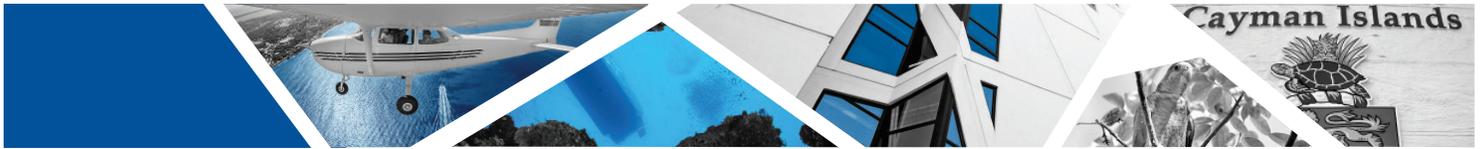
The most appropriate natural persons to serve as AML Officers will differ from fund to fund. For example, the AML Officers may be fund directors (whether independent or appointed by the investment manager), employees of the administrator or investment manager or of another service provider. Subject to having the appropriate experience and access to information as noted below, employees of, or directors appointed by, the investment manager are not prevented from being AML Officers any more than any staffed financial services provider would be prevented from designating members of its own staff as AML Officers.

The natural person designated as AMLCO may also be designated as the MLRO or as the deputy MLRO.

As the AMLCO is required to have AML/CFT compliance oversight of a fund's activities generally (for example, in relation to the fund's investments as well as its investors), funds will need to ensure the AMLCO has sufficient access to the relevant service providers to enable the AMLCO to discharge his / her functions.

Similarly, there should be clear lines for reporting suspicious activity concerning the fund to the MLRO, who should be autonomous in the sense of being the final decision maker as to whether to file a suspicious activity report.

The process or chronology of the designations is not material. For example, if employees of a fund's administrator are to be designated as a fund's AML Officers, the agreement to provide the AML Officers can be included as part of the broader agreement in respect of the delegation of AML/CFT functions.



## Gap Analysis

CIMA has confirmed that in terms of delegation of AML/CFT functions to an overseas service provider, it requires there to be a gap analysis even in the case of jurisdictions on the AML Steering Group List of Equivalent Jurisdictions. However, such gap analysis could be undertaken and updated by, for example, an administrator or other third party service provider and relied on by all such provider's fund clients. CIMA confirmed that it requires equivalence of outcome rather than a line by line granular comparison. For example, suspicious activity should be identified and reported, including to the Cayman Islands Financial Reporting Authority, regardless of where the service provider is located.

## Risk Assessment

Funds are required to identify, assess and document risks associated with regard to their products, services, delivery channels, investor types, geographic locations in which they or their investors operate, delegations and any other relevant risk category, as well as in respect of individual investors. CIMA has confirmed that fund's risk assessment should be prior to launch and may be documented by means of the fund's launch resolutions.

## Next Steps

CIMA intends to issue FAQs and revised Guidance Notes to reflect the above.

## Contacts

Walkers can assist with any questions you may have in relation to the above or regulatory matters more generally. For further information please speak with your usual contact at Walkers or the following members of Walkers Regulatory & Risk Advisory Practice Group:



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