



Anti-Money Laundering Audits Required For Securities Investment Business Excluded Persons

Author:

Maree Martin, Counsel and Head of Knowledge Management

Cayman financial services providers, including entities carrying on securities investment business ("SIB") are required to comply with the *Proceeds of Crime Law (2018 Revision)*, the *Anti-Money Laundering Regulations (2018 Revision)* (the "AMLRs") and associated Guidance Notes on the *Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands, December, 2017 (as amended)* (the "Guidance Notes") in order to prevent and report money laundering, terrorist financing and proliferation financing. The Guidance Notes provide, amongst other things, that financial services providers should, on a regular basis, conduct an AML/ CFT audit, the frequency of which should be commensurate with the entity's nature, size, complexity and risks identified during its risk assessments.

By [Notice dated 25 January 2019](#) the Cayman Islands Monetary Authority ("CIMA") confirmed that they have been requesting that entities carrying on SIB that are registered with CIMA as "excluded persons" (the "Company") have their AML/ CFT systems and procedures audited by suitably qualified entities to check for compliance with the AMLRs. The scope of such audit reports should at a minimum assess whether:-

- The Company's AML/ CFT policies and procedures, internal controls/risk management and implementation of the same are adequate;
- The Company and its directors are carrying on business in a fit and proper manner;
- The Company conducts periodic reviews of its operations against the AML/ CFT and current industry best practice;
- The Company maintains a relevant client risk matrix and has in place adequate identification procedures around the on-boarding of clients i.e. know your client, client due diligence, customer risk rating, enhanced due diligence standards;
- The Company has adequate internal reporting procedures, including the maintenance of a suspicious activity reporting log;
- The Company has adequate record-keeping procedures and maintenance thereof in accordance with prescribed periods as required under the AMLRs;
- The Company has adequate identification and record keeping policies and procedures relating to wire transfers;
- The Company provides adequate AML training to its management, staff and in particular, the Money Laundering Reporting Officer (the "MLRO");
- In cases where group-wide AML policies are adapted, a gap analysis has been conducted to ensure compliance with the Cayman Islands' AML/ CFT framework;
- There is demonstrated separation of the role of the Anti-Money Laundering Compliance Officer and the MLRO from the shareholders of the Company; and
- The Company's marketing material includes false or misleading representations, or omissions that could ultimately mislead investors.

Going forward, the AML/ CFT audit reports will be used by CIMA to aid them in their assessment of entities' ongoing compliance with the AMLRs and the frequency for subsequent AML/ CFT audit reports to be provided.

Should you have any queries please contact either CIMA's Securities Supervision Division at contactsecurities@cimoney.com.ky or your usual Conyers Dill and Pearman contact.

AUTHOR:

MAREE MARTIN
COUNSEL AND HEAD OF KNOWLEDGE
MANAGEMENT, CAYMAN ISLANDS
maree.martin@conyersdill.com
+1 345 814 7781

OTHER CONTACTS:

CRAIG T. FULTON
PARTNER
craig.fulton@conyersdill.com
+1 345 814 7372

RUTH HATT
COUNSEL
ruth.hatt@conyersdill.com
+1 345 814 7394

GLOBAL CONTACTS:

PIERS ALEXANDER
PARTNER, HONG KONG
piers.alexander@conyersdill.com
+852 2842 9525

LINDA MARTIN
DIRECTOR, HEAD OF LONDON OFFICE
linda.martin@conyersdill.com
+44 (0)20 7562 0353

PREETHA PILLAI
DIRECTOR, HEAD OF SINGAPORE OFFICE
preetha.pillai@conyersdill.com
+65 6603 0707

This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

For further information please contact: media@conyersdill.com