



NEWSLETTER

# Regulatory & Risk Advisory Review

CAYMAN ISLANDS | JANUARY - MARCH 2025

CONYERS





## In This Issue

INCREASES TO ANNUAL FEES | 4

FINANCIAL ACTION TASK  
FORCE UPDATES | 4

CHANGE TO THE EUROPEAN  
UNION LIST OF NON-  
COMPLIANT TAX  
JURISDICTIONS | 7

LEGISLATION UPDATE | 8

CIMA RULES, STATEMENTS OF  
GUIDANCE AND GENERAL  
INDUSTRY NOTICES | 11

GENERAL LICENCES | 13

FINANCIAL REPORTING  
AUTHORITY | 14

CONYERS WEBSITE ARTICLES  
& ALERTS | 15

KEY CONTACTS | 16



Welcome to the first 2025 edition of our Regulatory & Risk Advisory Review. In this instalment, we provide a comprehensive overview of the latest regulatory developments to ensure you have the most up-to-date insights into the evolving compliance landscape.

If you have any questions about the topics covered or require further clarification, we encourage you to reach out to a member of the Regulatory & Risk Advisory team or your usual Conyers contact.





## 1. INCREASES TO ANNUAL FEES

The Ministry of Financial Services & Commerce announced increases to annual fees which took effect 1 January 2025. The increases are as below (in KYD):

### **(a) Exempted Companies:**

- (i) 0 to 51,219 share capital from \$825 to \$925
- (ii) 51,220 to 1,000,000 share capital from \$1,125 to \$1,225
- (iii) 1,000,001 to 2,000,000 share capital from \$2,109 to \$2,209
- (iv) share capital above 2,000,001 from \$2,693 to \$2,793

### **(b) Exempted Segregated Portfolio Companies:**

- (i) 0 to 51,219 share capital from \$2,825 to \$2,925
- (ii) 51,220 to 1,000,000 share capital from \$3,125 to \$3,225
- (iii) 1,000,001 to 2,000,000 share capital from \$4,109 to \$4,209
- (iv) share capital above 2,000,001 from \$4,693 to \$4,793

### **(c) Exempted Limited Partnerships:**

- (i) Regulated: annual fee increases from \$1,200 to \$1,300
- (ii) Not Regulated: annual fee increases from \$2,000 to \$2,100

## 2. FINANCIAL ACTION TASK FORCE (FATF) UPDATES

### **2.1. Public Consultation on AML/CFT and Financial Inclusion – Updated FATF Guidance on AML/CFT Measures and Financial Inclusion**

The FATF is considering proposals for the update of the FATF Guidance on AML/CFT measures and financial inclusion (the “updated Guidance”) as part of its programme of work to address the unintended consequences of AML/CFT measures. The FATF is inviting views and comments on the updated Guidance from interested stakeholders.

The updated Guidance proposed for public consultation reflects the recently adopted amendments to the FATF Standards which have an increased focus on proportionality and simplified measures in the risk-based approach, updates the concept and state of financial inclusion and its relevance to financial integrity, as well as provides additional guidance and updated best practice examples of implementation of the risk-based approach in AML/CFT regime, with particular focus on simplified measures in lower risk scenarios.



## 2.2 Public Consultation on Complex Proliferation Financing (PF) and Sanctions Evasion Schemes Project

Amendments to Recommendations 1 and 2 (R.1 and R.2) and their Interpretive Notes (INR.1 and INR.2) were adopted in October 2020. The amendments require countries, financial institutions, designated non-financial businesses and professions (DNFBPs) and virtual asset service providers (VASPs) to identify, assess, and understand their PF risks, i.e. the risk of potential breaches, non-implementation or evasion of the targeted financial sanctions (TFS) detailed in R.7, and to take effective mitigation measures which are commensurate to the identified risks.

The FATF is now undertaking a study aimed at improving country and private sector understanding of current PF risks. This study will detail the evasion techniques used by those evading the targeted financial sanctions detailed in Recommendation 7, which is required by the FATF Standards, as well as other national and supranational sanctions that are not covered by the FATF Standards. The resulting report will focus on providing a comprehensive up-to-date understanding of typologies in complex sanctions evasion schemes relevant to PF and identifying enforcement challenges and best practices, which helps to inform countries' PF risk assessment and risk mitigation.

To assist the production of the final report, the FATF is seeking input from the private sector and civil society on best practices in mitigating PF risk.

## 2.3 Second Public Consultation on Recommendation 16 on Payment Transparency

The FATF is holding a second round of public consultation on revisions to Recommendation 16 (R.16), its Interpretive Note (INR.16) and the related Glossary of specific terms, to adapt them to the changes in payment business models and messaging standards.

R.16/INR.16 needs to be updated to ensure that the FATF Standards remain technology-neutral and follow the principle of 'same activity, same risk, same rules'. These proposed revisions also aim to help make cross-border payments faster, cheaper, more transparent and inclusive whilst remaining safe and secure; an objective that is part of the G20 Priority Action Plan.

Before finalising the revisions to R.16/INR.16, the FATF would like to hear from all interested stakeholders, in particular from the payment industry. The updated proposed revisions are available [here](#) along with an Explanatory Memorandum that explains the policy intent of the key proposals for revisions in detail, and sets out how the responses to the first consultation in February-May 2024 have been taken into account.



## 2.4 Jurisdictions Subject to an FATF Call on Its Members and Other Jurisdictions to Apply Countermeasures

### Democratic People's Republic of Korea (DPRK)

The FATF remains concerned about DPRK's failure to address deficiencies in its anti-money laundering and combating the financing of terrorism (AML/CFT) regime. The FATF urges countries to: (a) terminate correspondent relationships with DPRK banks; (b) close subsidiaries or branches of DPRK banks within their territories; and (c) limit business relationships and financial transactions with DPRK persons. DPRK has increased connectivity with the international financial system, raising PF risks. The FATF encourages enhanced due diligence and vigilance against DPRK's use of front companies and complex ownership structures.

### Iran

Iran's action plan to address strategic deficiencies expired in January 2018, and as of February 2020, it had not completed the plan. The FATF has fully lifted the suspension of countermeasures against Iran due to its failure to enact the Palermo and Terrorist Financing Conventions. Iran remains on the FATF's high-risk jurisdictions list until it completes its full Action Plan.

### Myanmar

Myanmar committed to addressing strategic deficiencies in February 2020, but its action plan expired in September 2021. Due to slow progress, the FATF calls for enhanced due diligence measures proportionate to the risks arising from Myanmar. If no further progress is made by June 2025, the FATF will consider countermeasures. Myanmar has made some recent progress in addressing technical compliance deficiencies regarding targeted financial sanctions related to PF. However, it needs to continue working on implementing its action plan, including enhancing the use of financial intelligence in investigations and increasing the freezing and confiscation of criminal proceeds. The FATF emphasises that when applying enhanced due diligence to Myanmar, countries should ensure that legitimate financial flows, such as humanitarian assistance and remittances, are not disrupted.



### 3. CHANGE TO THE EUROPEAN UNION (EU) LIST OF NON-COMPLIANT TAX JURISDICTIONS

The European Council of the EU confirmed the EU list of non-cooperative jurisdictions for tax purposes without changes. The list consists of the same 11 jurisdictions as before: American Samoa, Anguilla, Fiji, Guam, Palau, Panama, Russia, Samoa, Trinidad and Tobago, US Virgin Islands, and Vanuatu.

The Council also approved the usual state of play document (Annex II) which reflects the ongoing EU cooperation with its international partners and the commitments of these countries to reform their legislation to adhere to agreed tax good governance standards. Its purpose is to recognise ongoing constructive work in the field of taxation, and to encourage the positive approach taken by cooperative jurisdictions to implement tax good governance principles.

Costa Rica and Curaçao fulfilled their commitments by addressing the deficiencies in their automatic exchange of tax information system, and will be removed from the state of play document. Brunei Darussalam made a commitment to amend or abolish its foreign-source income exemption regime by 31 December 2025, and this commitment will be included in the state of play.

Countries remaining within the scope of the EU screening process including Antigua and Barbuda, Belize, British Virgin Islands, Brunei Darussalam, Eswatini, Seychelles, Turkey and Vietnam.



## 4. LEGISLATION UPDATE

### 4.1. Legislative Consolidations

New revisions were released during the first quarter of 2025 for the following Acts and Regulations:

- Banks and Trust Companies Act (2025 Revision)
- Companies Act (2025 Revision)
- Companies Management Act (2025 Revision)
- Criminal Justice (International Cooperation) Act (2025 Revision)
- Exempted Limited Partnership Act (2025 Revision)
- Foundation Companies Act (2025 Revision)
- Limited Liability Companies Act (2025 Revision)
- Limited Liability Partnership Act (2025 Revision)
- Local Companies (Control) Act (2025 Revision)
- Mutual Funds Act (2025 Revision)
- Partnership Act (2025 Revision)
- Perpetuities Act (2025 Revision)
- Private Funds Act (2025 Revision)
- Proceeds of Crime Act (2025 Revision)
- Virtual Asset (Service Providers) Act (2024 Revision)

These revisions incorporate various amendments and updates into a revised and consolidated up to date version of each Act. A number of the amendments reflect increases in certain regulatory and corporate fees applied by authorities in relation to their services. Each revised Act should be reviewed for details on any core substantive changes.

### 4.2. Banks and Trust Companies (Amendment) Act, 2024

The Banks and Trust Companies (Amendment) Act, 2024, aims primarily to address the application process for licences to conduct banking or trust business within the Cayman Islands. The key purpose is to establish that the application fee for the grant of a licence is non-refundable, thereby providing clarity and certainty in the application process. The Act specifies that any person or company wishing to carry on banking or trust business must apply to the Cayman Islands Monetary Authority (CIMA) for a licence. The application must be in writing, include prescribed information and be accompanied by a non-refundable application fee. CIMA is empowered to grant a licence if it determines that the business will not be against the public interest, and it may impose terms and conditions as necessary.



The amendment allows CIMA to vary or revoke any conditions imposed on a licence, with reasonable notification and updates to the regulations to reflect these changes. This legislative change is intended to streamline the licensing process and ensure that the application fees contribute to the public revenue.

#### **4.3.Virtual Asset (Service Providers) (Amendment) Act, 2024 (partially in force)**

The Virtual Asset (Service Providers) (Amendment) Act, 2024, aims to amend the existing Virtual Asset (Service Providers) Act (2024 Revision) to enhance the regulatory framework governing virtual asset service providers in the Cayman Islands. The primary objectives of the amendment are to update and clarify definitions, improve the supervision of virtual asset activities, and ensure that fees payable under the Act are non-refundable. Additionally, the amendment seeks to address incidental and connected purposes to ensure comprehensive oversight and regulation of virtual asset service providers. The Act is designed to align with evolving technological advancements and regulatory needs in the virtual asset sector, thereby enhancing the integrity and stability of financial services involving virtual assets. Specified provisions on the Amendment Act were brought into force on 1 April pursuant to the Virtual Asset (Service Providers) (Amendment) Act, 2024 (Commencement) Order, 2025.

#### **4.4. Virtual Asset (Service Providers) Act, 2020 (Commencement) Order, 2025**

The Virtual Asset (Service Providers) Act, 2020 (Commencement) Order, 2025 commences the sections of the Virtual Asset (Service Providers) Act, 2020 (the “VASP Act”) that comprise the virtual asset regulatory licensing regime, which will be in force from 1 April 2025. The aim of the licensing regime under the VASP Act is to embed a more comprehensive and fit for purpose regime to regulate the provision of virtual asset services in the Cayman Islands.

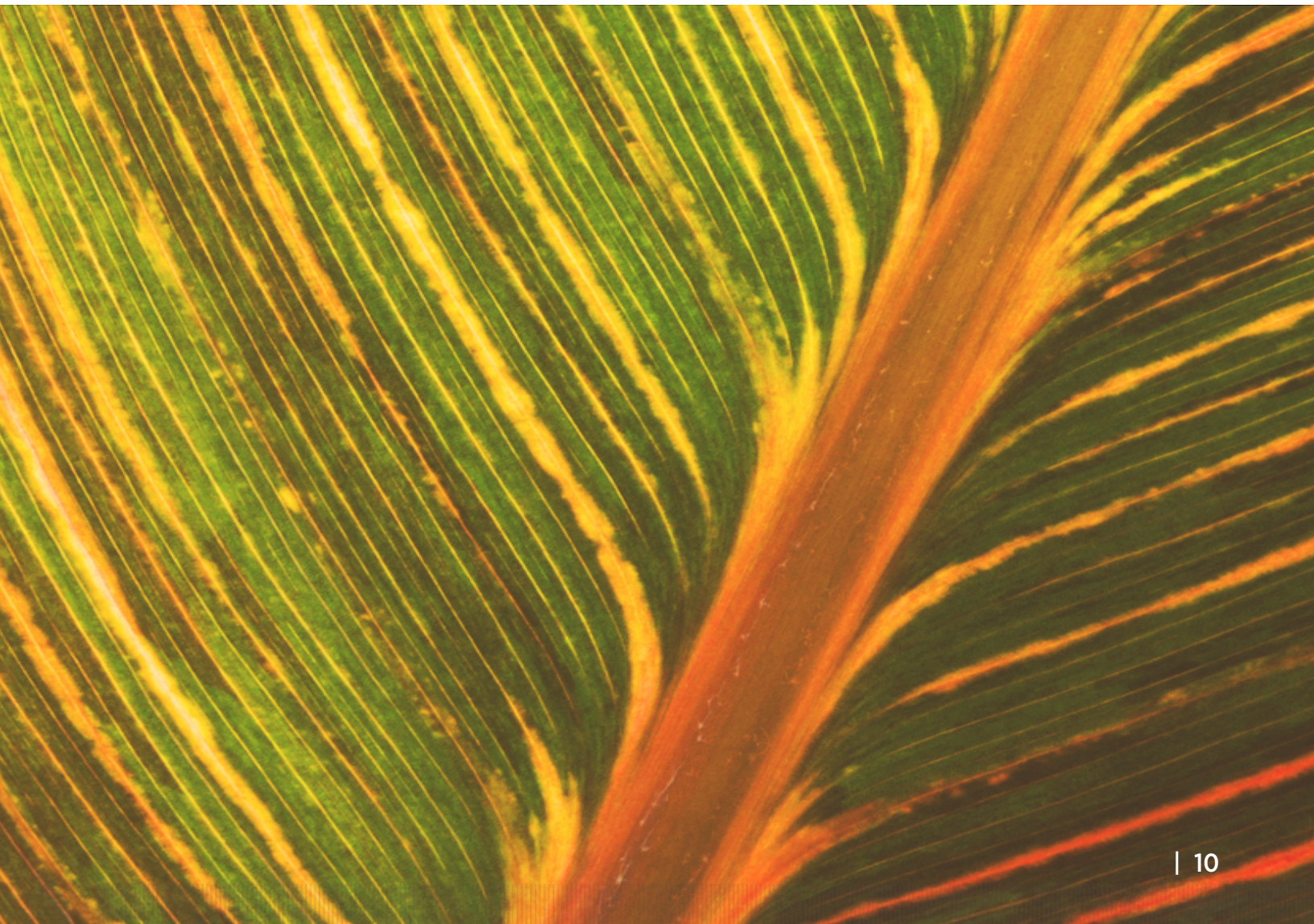
Once the licensing regime is in force, any providers of virtual asset custody services or operators of virtual asset trading platforms will be required to undergo a robust application process to obtain a licence from CIMA in order to provide such services. This supplements the current registration regime under the VASP Act, whereby any provider of issuance, exchange or transfer services in relation to virtual assets or of financial services in relation to an issuance or sale of a virtual asset must be registered with CIMA in order to carry out such services.

#### **4.5. Beneficial Ownership Transparency (Legitimate Interest Access) Regulations, 2024 & Beneficial Ownership Transparency (Access Restriction) Regulations, 2024**

The Beneficial Ownership Transparency (Legitimate Interest Access) Regulations, 2024 (the Legitimate Interest Access Regulations) & the Beneficial Ownership Transparency (Access Restriction) Regulations, 2024 ((the Access Restriction Regulations) commenced on 28 February 2025 and together act to supplement the Beneficial Ownership regime in the Cayman Islands in line with international standards.

The Legitimate Interest Access Regulations allow a member of the public to apply for access to the beneficial ownership register of a Cayman Islands entity. To succeed, the applicant must evidence that it has: (1) a legitimate interest in the information for the purposes of preventing, detecting, investigating, combating or prosecuting money laundering or its predicate offences or terrorism financing; and (2) that the applicant is: (a) a journalist or conducting bona fide academic research; (b) acting on behalf of a civil society organisation whose purpose includes the prevention or combating of money laundering, its predicate offences or terrorism financing; or (c) seeking the information in the context of a business relationship or transaction with the Cayman Islands entity.

The Access Restriction Regulations establish a framework for beneficial owners and senior managing officials of in-scope Cayman Islands entities to apply to protect their information from being disclosed under the Legitimate Interest Access Regulations. To successfully restrict access, the applicant needs to demonstrate that disclosure of the information would place the applicant or a member of their household at serious risk of kidnapping, extortion, violence, intimidation or any similar danger or serious harm.





## 5. CIMA RULES, STATEMENTS OF GUIDANCE AND GENERAL INDUSTRY NOTICES

### 5.1 Supervisory Circular – Importance of a Comprehensive Crisis Management Framework and CIMA’s Commitment to Implementation

CIMA issued a circular in January 2025 emphasising the importance of implementing a comprehensive crisis management framework for regulated entities in the Cayman Islands financial services industry. The initiative is driven by the increasing complexity and interconnectedness of global financial markets, with a particular focus on systemically important entities.

Key points from the circular include that the objectives of crisis management framework are to:

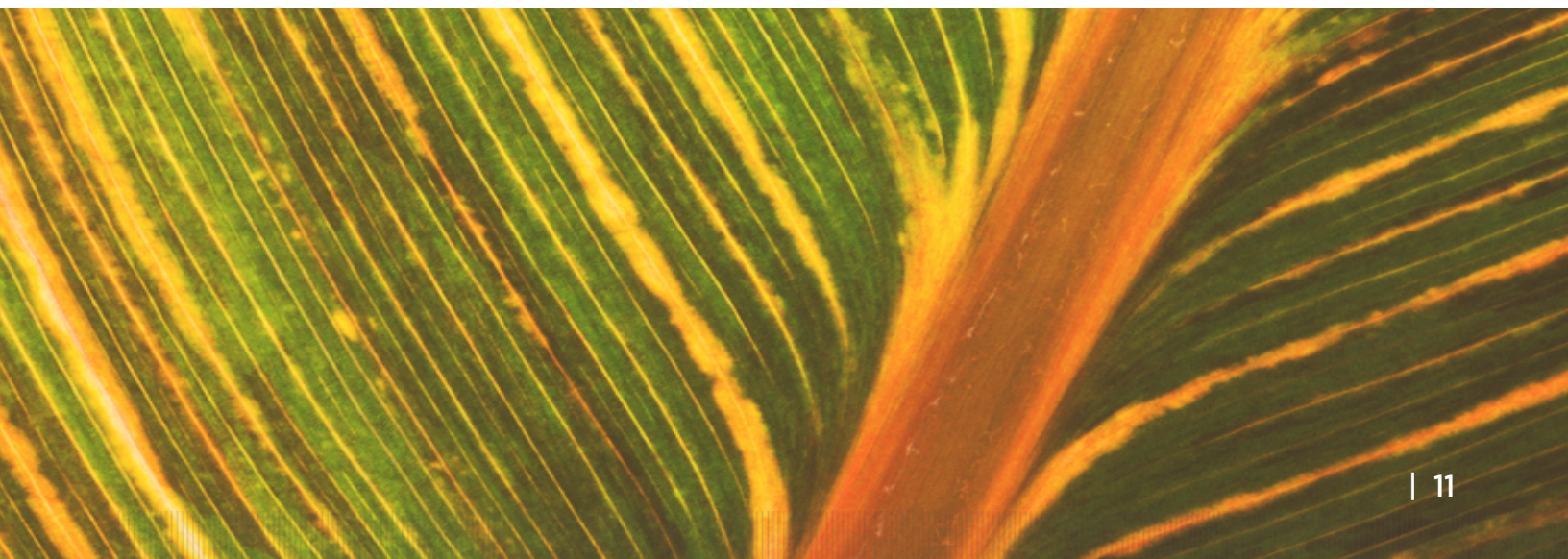
- Protect critical financial functions
- Mitigate systemic risks
- Maintain stakeholder confidence
- Facilitate orderly resolution of distressed institutions


CIMA confirmed its commitment as follows to:

- Engage with stakeholders for feedback
- Issue detailed rules and guidance for recovery and resolution plans
- Collaborate with domestic and international regulatory bodies
- Incorporate plan reviews into ongoing supervisory activities

CIMA issued a Rule and Statement of Guidance on Recovery and Resolution Planning for consultation during the first quarter of 2025 (see 5.2 below).

This circular underscores CIMA's dedication to enhancing the stability and resilience of the Cayman Islands' financial system, aligning with international best practices while addressing the unique characteristics of the jurisdiction's financial services industry.





## **5.2 Private Sector Consultation – Recovery and Resolution Planning**

The Rule and Statement of Guidance (RSOG) aims to establish requirements and guidance for effective recovery and resolution planning for regulated entities in the Cayman Islands. It was developed in accordance with international standards from the Financial Stability Board.

The RSOG sets out CIMA's rules, guidance, approach and expectations for reviewing recovery and resolution plans. It applies to banks, credit unions, building societies and certain insurance entities incorporated in the Cayman Islands.

CIMA recognises plans may vary between entities and should be proportionate to an entity's size, complexity and risk profile. The consultation demonstrates CIMA's efforts to enhance crisis management frameworks and align with international standards for financial stability in the Cayman Islands.

## **5.3 Update to the VASP Registration Application Form**

CIMA notified stakeholders of a change to the application form for the registration of VASPs through the REEFS portal. The new form, APP 101-84-05, became effective 13 December 2024. The update was designed to streamline the application process by incorporating additional questions and clarifying document requirements. The changes ensure better alignment with the VASP Act (2024 Revision), improve the completeness of submissions, and facilitate a more efficient registration process.



## 6. GENERAL LICENCES

### 6.1. General Licence 2022/0001

General Licence GL/2022/0001 was issued by the Governor on October 4, 2022, under Regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019, as extended to the Cayman Islands by the Russia (Sanctions) (Overseas Territories) Order 2020. This licence provides relief to the Cayman Islands funds industry by addressing issues where a Designated Person owns more than 50% of an investment fund, effectively freezing the fund and impacting minority non-designated investors. Initially set to expire on 4 April 2023, the licence has been extended several times, most recently to 16 October 2025.

### 6.2 General Licence 2024/0002

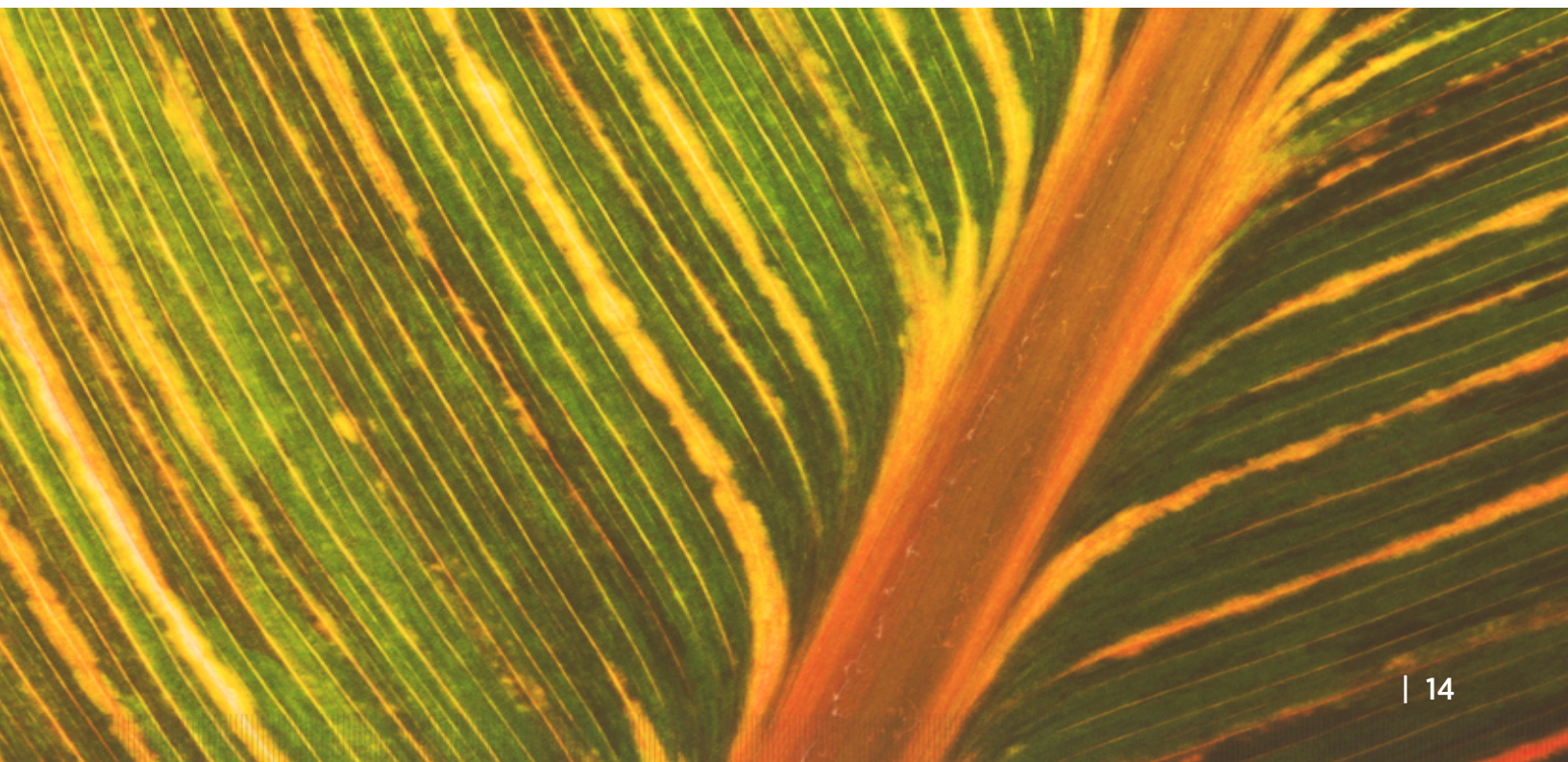
On 19 December 2024, the Governor issued General Licence GL/2024/0002, following the expiration of the previous Legal Services General Licence GL/2024/001 on 24 November 2024. This General Licence, effective from 19 December 2024 until 28 April 2025, allows attorneys or law firms who have provided legal advice to designated persons under the Russia or Belarus sanctions regimes to receive payments without a specific licence, provided certain conditions are met. Notably, the licence increases the caps on attorney fees and expenses, permitting up to US\$2,400,000 per law firm or sole practitioner for the duration of the licence. Additionally, it introduces restricted permissions for payments into non-Cayman Islands bank accounts, provided other conditions are satisfied. All payments received under this licence must be reported to the Governor within 14 days, and records of activities must be maintained for a minimum of six years.

## 7. FINANCIAL REPORTING AUTHORITY

The Defence Against Money Laundering (DAML)/Consent Regime, introduced by the Proceeds of Crime (Amendment) Act, 2023, came into effect on 2 January 2025. This regime requires suspicious activity report (SAR) filers to obtain consent from the Financial Reporting Authority (FRA) before proceeding with certain activities. To initiate this process, SAR filers must submit a completed report through the AMLive portal or by secure email, clearly indicating that it is a DAML SAR and providing detailed reasons for the request. The Director of the FRA, or an authorised individual, is responsible for granting or refusing consent.

The Notice Period for responding to a DAML/Consent request is seven working days, starting from the first working day after submission. If the FRA does not respond within this timeframe, consent is deemed granted. However, if consent is refused, a 30-day Moratorium Period commences, during which the activity in question should not proceed to avoid potential money laundering offences. It is anticipated that law enforcement may take further action during this period, such as issuing property freezing orders. Additionally, SAR filers must be cautious to avoid the offence of tipping off individuals involved in the suspicious activity, as outlined in section 139 of the Proceeds of Crime Act.

The FRA is currently preparing for full implementation of the DAML/Consent Regime by drafting regulations and conducting industry outreach. Although the commencement date was initially expected to be extended to allow for better preparation, the FRA has issued interim guidance to assist SAR filers in navigating the new requirements. Draft regulations will soon be released for consultation, providing further clarity on the operational aspects of the regime.





## 8. CONYERS WEBSITE ARTICLES & ALERTS

The following articles and alerts may be of general interest and can be found at the links below on the Conyers website:

[Top 5 Cayman Islands Publication of 2024](#)

[New Regulatory Policy on Recognition and Approval of an Actuary](#)

[Why the Cayman Islands?](#)

[Insurance and Asset Managers in the Cayman Islands: A Perfect Marriage?](#)

[Cayman Islands: Legitimate Interest Access of Beneficial Ownership](#)

[Beneficial Ownership Update](#)

[Portfolio Insurance Companies and the Updated Beneficial Ownership Regime](#)

[VASP FAQs: Key Information for Cayman Islands Virtual Asset Service Providers](#)

[Seminar on Corporate Governance & Risk Management for Cayman Islands Directors: Key Takeaways](#)

[Light Touch Provisional Liquidation Lives On: Cayman Court Offers Clarification After Introduction of the Restructuring Officer Regime](#)

[10 Things You Need to Know About ... Using a Cayman Islands SPV to Structure a CLO Transaction](#)

[Regulatory Disputes Series: A Spotlight on Crypto](#)

[Cayman Islands Foundation Companies as Private Trust Companies](#)

[A Guide to Private Trust Companies](#)

[A Guide to Cayman Foundation Companies](#)

[A Practical Guide to Cayman Island STAR Trusts](#)



# Key Contacts

[Róisín Liddy-Murphy](#)

[Sarah Howie \(Farquhar\)](#)

[Cristina Faro](#)

[Wayne Flanagan](#)

# Other Contacts

[Erik Bodden](#)

[Alex Davies](#)

[Theo Lefkos](#)

[Robert Lindley](#)

[Cora Miller](#)

[Derek Stenson](#)

[Matthew Stocker](#)

[Anna-Lise Wisdom](#)

[Philippa Gilkes](#)

[Matthew Harkness](#)

[Nick Ward](#)

[Kiah Estwick](#)

[Tonicia Williams](#)

[Daniella Carrazana](#)

[Rebecca Peck](#)

[Jarladth Travers](#)

## HOW CONYERS CAN HELP

Count on our Regulatory & Risk Advisory team to provide calm, authoritative guidance on all your Cayman Islands regulatory and risk management requirements. We can help you with everything from proactive guidance, insight into regulatory developments and dealing with regulatory bodies to advising on investigations and providing robust representation where litigation arises.

Please contact a member of the team should you wish to connect or to know more about any of the topics covered in this newsletter. To subscribe to our regulatory newsletter and updates, please [click here](#).

# CONYERS