

NEWSLETTER

Regulatory & Risk Advisory Outlook

CAYMAN ISLANDS | 2026

CONYERS

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January 2026 opens with continued momentum across the Cayman Islands' regulatory landscape. Following a year of material developments—including the commencement of virtual asset licensing, enhanced beneficial ownership transparency measures, targeted AML/CFT/CPF updates, and active supervisory engagement by CIMA—regulated firms should enter 2026 focused on embedding these changes, closing any residual implementation gaps, and preparing for intensified effectiveness testing ahead of the FATF 5th Round on-site in late 2027.

If you have any questions, please reach out to a member of the Regulatory & Risk Advisory team or your usual Conyers contact.

1. FEE CHANGES AND STRUCTURAL UPDATES FOR 2026

Updates are being implemented via 2025 amendment regulations across funds, insurance, banking/trust and accountancy legislation.

Class “A” banking licence renewals move to a tiered structure over 2026–2028. Institutions under US\$1 billion in assets remain at US\$1,000,000. Those in the US\$1–3 billion and US\$3 billion+ tiers step up to US\$1,750,000 and US\$2,250,000 respectively by 2028. Asset size is the average of quarter-end totals in the prior year.

For investment funds, annual fees under the Mutual Funds Act (2025 Revision) and Private Funds Act (2025 Revision) are consolidated into a single start-of-year payment. The annual return element increases to US\$450 (and to US\$225 for AIVs/sub-funds under the Private Funds Act); base fees tied to sub-fund count are unchanged. This removes mid-year billing and reduces duplicate cycles.

Additional measures include a new CI\$100 annual government fee per exempted limited partnership registered office (payable by the licensed service provider), and a 10% increase to Class B(i), B(ii) and B(iii) insurer annual fees to

CI\$10,450, CI\$11,550 and CI\$14,850 respectively.

Collectively, these changes aim to align costs with scale and complexity while supporting an efficient, competitive regime.

The Cayman Islands Monetary Authority has confirmed that while 2026 regulatory fee increases will take effect, no penalties will be levied until after 15 February 2026, provided entities have paid at least their 2025 fee amounts by 15 January 2026.

2. COMPANIES ACT AMENDMENTS [NOTE: THERE IS AN INTERVENING 2025 REVISION OF THE COMPANIES ACT]

The Companies (Amendment) Act 2024 (the “Amendment Act”), which amends the Companies Act (2023 Revision), came into force on 1 January 2026. The Amendment Act introduces significant reforms aimed at enhancing flexibility and efficiency in the management and reorganisation of Cayman Islands companies. Key changes include a new procedure for share capital reduction, express statutory treatment of fractional shares, expanded conversion and re-registration routes, and refinements to existing corporate processes.

Streamlined Share Capital Reduction: In addition to the existing court-approved process, companies may now reduce their share capital by passing a special resolution supported by a directors' solvency statement made within 30 days prior to the resolution. The solvency statement and a minute of the reduction must be filed with the Registrar within 15 days, upon which the reduction takes effect and a certificate is issued. If filings are not made on time, the company may revert to the court-confirmation route. Directors are subject to liability if a solvency statement is made without reasonable grounds. Reductions of capital effected as part of a merger, consolidation, or by surrender of shares are expressly excluded from the capital reduction regime.

Fractional Share Transactions: Companies are now expressly permitted to issue, repurchase, or redeem fractions of shares, aligning the law with market practice and providing greater flexibility for share buybacks, redemptions, and reorganisations.

New Conversion and Re-registration Pathways: The mergers and consolidations provisions are expanded to include "Merger, Consolidation and Conversion", introducing two new conversion routes to an exempted company:

- **LLC to Exempted Company:** Conversion is permitted on a two-thirds member approval (or alternative consent as provided in the LLC agreement), with continuity of the legal entity and automatic migration of members to shareholders.
- **Foundation Company to Exempted Company:** Conversion is effected by special resolution, with full continuity and updated constitutional documents.

Additionally, an exempted company may re-register as an ordinary resident company by special resolution and filing, with continuity preserved and tax implications addressed. The continuation provisions are clarified to confirm that continuation into the Cayman Islands is available for bodies corporate with or without share capital.

Updates to Corporate Reorganisation and Squeeze-Out Procedures: The statutory mechanism for acquiring shares from dissenting shareholders (squeeze-out) is refined, clarifying that the transferee is bound to acquire dissenters' shares on the same terms as approving shareholders unless the Court orders otherwise.

3. FRA ANNUAL FROZEN ASSETS REPORTING REGIME

The Cayman Islands Financial Reporting Authority (FRA) introduced an annual frozen assets reporting obligation. The obligation applies to all persons who hold or control funds or economic resources owned, held or controlled by a Designated Person.

Reports must capture the nature and value or quantity of all such funds and economic resources as at the reporting date specified by the FRA each year, and be submitted by the deadline set in the relevant notice. Returns must be made using the FRA's prescribed template and sent to financialsanctions@gov.ky. Nil returns are not required.

The obligation extends to assets in the Cayman Islands and those overseas where the assets are subject to the Modified Sanctions Regulations. Accounts blocked solely under other national regimes (e.g., OFAC) do not need to be reported. Failure to comply with financial sanctions legislation or to circumvent its provisions is an offence. Ongoing duties to identify, freeze, refrain from dealing, and report newly frozen funds continue to apply and must be actioned without waiting for the reporting deadline.

Clients should promptly identify any relevant holdings, assign responsibility for collating a single return to avoid duplication, and ensure timely submission by the applicable annual deadlines using the template available on the FRA website.

4. CARF AND CRS: REGULATIONS FINALISED AND COMMENCEMENT TIMELINES SET

The Cayman Islands published the Crypto-Asset Reporting Framework Regulations, 2025 (CARF Regulations) and the Common Reporting Standard (Amendment) Regulations, 2025 (CRS Regulations), aligning the jurisdiction with the OECD's expanded automatic exchange of information standards across both traditional financial accounts and crypto-assets. The measures materially enhance reporting scopes, due diligence expectations and enforcement mechanics, and introduce transitional relief where appropriate.

The CARF Regulations, which took effect from 1 January 2026, establish a comprehensive reporting and due diligence regime for Cayman Reporting Crypto-Asset Service Providers, with an explicit nexus to the Islands and recognition of reporting completed in Partner Jurisdictions. Reporting Crypto-Asset Service Providers must implement written policies and procedures, identify tax residence for Crypto-Asset Users and Controlling Persons, and obtain valid self-certifications. Pre-existing Individual and Entity Crypto-Asset Users require self-certifications within twelve months of commencement; for new users, self-certifications are required at onboarding. Annual returns are due by 30 June each year for the prior calendar year and must include adequate, accurate and current information, accompanied by a declaration. The scope of reportable data is detailed and transaction-focused, covering fiat/crypto exchanges, crypto/crypto exchanges, transfers (including to unhosted wallets where counterparties are unknown to be intermediated), and high-value retail payment transactions, with prescribed currency conversion and valuation rules. Cayman Reporting Crypto-Asset Service Providers must register with the Authority by 30 April 2026 (if in scope before commencement) or by 31 January following the year of becoming in scope, notify changes within thirty days, retain records for at least six years, and may appoint agents while retaining ultimate responsibility. The regime includes statutory anti-avoidance, false self-certification and tampering offences, director/officer liability attribution, and a calibrated penalty framework. The Authority may require production or inspection of information and will publish lists of Partner and Reportable Jurisdictions at least annually.

The CRS Regulations modernise the CRS framework and integrate cross-references to CARF. Most provisions commenced 1 January 2026, with the revised return and compliance form obligations commencing 1 January 2027. Cayman Financial Institutions must update due diligence policies and procedures to align with the amended OECD CRS text, including explicit requirements to collect valid self-certifications at account opening (with a limited temporary grace pathway for exceptional circumstances), to keep information adequate, accurate and current, and to retain records for at least six years. The amendments expand the definitional perimeter to address Specified Electronic Money Products, Central Bank Digital Currencies and Relevant Crypto-Assets, adjust classification language for Depository and Investment Institutions, and clarify treatment of certain account types, including legal arrangements and foundation/capital increase accounts subject to safeguards. Reporting granularity increases, including confirmation of valid self-certifications, joint account indicators, account type, and whether an account is pre-existing or new; in addition, Controlling Person role information is required, subject to transitional measures. A new annual compliance form is mandated in addition to the return, both due by 30 June of the following year and each accompanied by a declaration of adequacy, accuracy and currency. Institutions formed in 2025 face a one-time extended registration deadline to 30 April 2026. Institutions already registered but lacking a locally authorised principal point of contact must file a change form by 31 January 2027. Penalty procedures are streamlined.

Both regimes formalise the Authority's expectations around "adequate, accurate and current" information, strengthen self-certification validity standards, and codify efficient electronic-portal filing presumptions. They also clarify monitoring powers, record-keeping duties and evidentiary shortcuts to support effective supervision and enforcement. Convergence points between CRS and CARF include reliance, where permitted, on AML/KYC procedures aligned with FATF standards, explicit treatment of Controlling Persons, structured transitional relief, and safe but robust penalty architecture. Importantly, the amended CRS confirms that Reporting Financial Institutions need not duplicate reporting of gross proceeds from sales or redemptions of Financial Assets to the extent such amounts are reported under CARF, avoiding double-reporting.

In-scope entities should complete impact assessments, update governance and compliance frameworks, refresh onboarding and remediation workflows to meet enhanced self-certification and due diligence requirements, ensure the appointment and notification of a principal point of contact in the Islands, and prepare to meet the 30 June annual filing deadline for returns (and, for CRS, the new compliance form) with the requisite declarations. Early operational dry-runs of CARF transactional data capture, conversion and aggregation rules, and mapping of CRS definitional refinements to product and client taxonomies, are recommended ahead of the 1 January 2026 effective date and the staggered 2026–2027 CRS obligations.

5. VIRTUAL ASSETS: LICENSING REGIME IN FORCE AND EXIT RULES FINALISED

The virtual asset framework materially advanced in 2025. From 1 April 2025, operators of virtual asset trading platforms and providers of virtual asset custody services became subject to a licensing regime under the VASP Act, supplementing the existing registration regime for issuance, exchange and transfer services. CIMA also introduced prescriptive rules and guidance for VASP custodians and trading platforms, strengthening governance, conduct of business and client asset protections.

To promote orderly market exits, in September 2025 CIMA issued a Rule and companion Regulatory Procedure on cancellations of licences, registrations, or waivers for VASPs. These establish clear requirements for voluntary and involuntary cancellations, including good-standing confirmations, AML/CFT/sanctions attestations, stakeholder communications, asset reconciliation and return, and final financial reporting. VASPs considering cessation, relocation, or restructuring should ensure documentary readiness and early engagement to mitigate client and market risks.

The virtual asset perimeter continues to be refined. The 2025 VASP Amendment Bill, gazetted in May and subsequently passed, clarifies that the tokenisation of equity interests under the Mutual Funds Act or Securities Investment Business Act, and of investment interests under the Private Funds Act, is not treated as a “virtual asset issuance” for the purposes of the VASP Act, with retrospective effect. This provides greater legal certainty for tokenised fund structures while preserving CIMA’s ability to issue targeted rules or guidance.

6. BENEFICIAL OWNERSHIP: LEGITIMATE INTEREST ACCESS AND PROTECTIONS

Legislative work to modernise the beneficial ownership regime progressed with effect from 28 February 2025. The Legitimate Interest Access Regulations permit members of the public to apply for access to beneficial ownership registers where the request is for the prevention, detection, investigation, combating or prosecution of money laundering, predicate offences, or terrorist financing. Applicants must meet defined category tests, including qualifying journalists, bona fide academics, civil society representatives, or parties seeking information in connection with a business relationship or transaction. Parallel Access Restriction Regulations provide a route for beneficial owners and senior managing officials to restrict disclosure where serious risk of harm can be evidenced. Entities should confirm their internal readiness to respond to legitimate interest applications and consider whether any access restriction grounds apply in sensitive cases.

7. AML/CFT/CPF: FRA CONSENT REGIME AND SUPERVISORY EXPECTATIONS

The Proceeds of Crime Act consent (DAML) regime commenced on 2 January 2025. Where a suspicious activity report (SAR) is filed seeking consent to proceed with a proposed act, the FRA has seven working days to respond, after which consent is deemed granted if no response is received. If consent is refused, a 30-day moratorium applies, during which the activity must not proceed. Firms should ensure their reporting playbooks, decisioning frameworks, and tipping-off controls reflect these timeframes and evidential standards pending final regulations and detailed guidance.

CIMA's supervisory messaging over 2024–2025 emphasised the importance of robust crisis management frameworks and recovery and resolution planning, with a consultation RSOG aligning to Financial Stability Board standards for banks, credit unions, building societies and certain insurers. For AML/CFT/CPF, CIMA's inspection findings for registered persons under SIBA noted improvements but highlighted persistent deficiencies in customer due

diligence, ongoing monitoring, and the independence and effectiveness of internal audit. Firms should test remediation for completeness and durability, and anticipate follow-up review.

The anticipated supporting regulations to prescribe the consent process have not yet been prescribed. The FRA's Industry Advisory in January 2025 sets out the interim operating framework, including the seven-working-day notice period, deemed consent where no response is given within that period, and a 30-day moratorium following refusal.

8. PRUDENTIAL SUPERVISION: D-SIDTI CAPITAL BUFFERS AND RESILIENCE

CIMA's regulatory policy on Domestic Systemically Important Deposit Taking Institutions introduced a risk-based framework for designation and a Higher Loss Absorbency buffer of 1%–3% for designated institutions, together with enhanced recovery and resolution planning. Locally incorporated banks and similar deposit-takers should confirm internal capital planning reflects potential HLA calibration and that playbooks, triggers and capabilities are proportionate to the nature, scale and complexity of operations.

9. INTERNATIONAL STANDARDS: FATF INITIATIVES AND 2027 READINESS

FATF's programme of work in 2025 advanced revisions to the risk-based approach, financial inclusion guidance, and payment transparency under Recommendation 16, reinforcing "same activity, same risk, same rules" and proportionate simplified measures in lower-risk scenarios. FATF's comprehensive update on terrorist financing risks highlighted hybrid financing and the abuse of digital channels. Cayman stakeholders should continue to integrate PF risk identification and targeted financial sanctions implementation, maintain accessible and accurate beneficial ownership data, and support the ongoing National Risk Assessment. With the CFATF 5th Round on-site scheduled to begin in late 2027, effectiveness will be the central focus: governance, mutual evaluations, case studies and file testing should evidence that policies operate in practice.

10. SANCTIONS: LICENSING, REPORTING AND HIGH-RISK TYPOLOGIES

General licences under the Russia/Belarus regimes were renewed and revised through 2025, including increased fee caps for legal services and changes to conditions. Entities relying on general licences must ensure strict adherence to scope, record-keeping, and 14-day reporting to the Governor. The FRA reiterated reporting obligations around immobilised assets linked to Russian state institutions and asset disclosures by designated persons. UK-led alerts on Russian oil "shadow fleet" networks underscored ongoing typologies involving Automatic Identification System (AIS) disabling, ship-to-ship transfers and flag-hopping; financial institutions, insurers and professional services firms should review counterparty diligence and escalation criteria in energy and shipping exposures.

11. COMPANIES, FUNDS AND CORPORATE: CONSOLIDATIONS AND TARGETED AMENDMENTS

Consolidated 2025 Revisions across core regulatory and corporate statutes—including the Companies Act, Partnership and LLC legislation, and the Mutual Funds and Private Funds Acts—incorporated various fee and process updates made in 2024. While there are no anticipated fee updates for this edition, entities should continue to review the revised consolidations for any procedural changes, including non-refundable application fees under several regulatory acts and electronic processes (e.g., REEFS audit waiver submissions).

12. TAX COOPERATION: CRS AND CBCR DEVELOPMENTS

The DITC updated the CRS participating and reportable jurisdiction lists for reports due from 2025 onwards, expanding the net of reportable jurisdictions. In August 2025, the DITC launched a new portal for Country-by-Country Reporting and required all MNE groups with Cayman Islands constituent entities to re-register by 30 November 2025, with updated guidance and centralised notifications for group entities. Groups should validate their registrations, reporting dependencies and UPE/SPE designations, and ensure alignment between transfer pricing, accounting and regulatory reporting functions.

13. EU LISTINGS

The European Council maintained the list of non-cooperative jurisdictions for tax purposes without change in early 2025, while updating the Annex II state-of-play document. As screening evolves, Cayman entities with cross-border structures should continue to monitor counterpart jurisdiction status and the potential knock-on impacts on banking, withholding and due diligence obligations.



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HOW CONYERS CAN HELP

Our Regulatory & Risk Advisory team provides steady, pragmatic guidance across the full spectrum of Cayman regulatory requirements, from virtual assets and funds to prudential supervision, AML/CFT/CPF, sanctions and international tax cooperation. We support governance enhancements, supervisory engagement, investigations and contentious matters where needed. Please contact your usual firm relationship partner or a member of our team to discuss any aspect of this Outlook.

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](#).

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