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Regulatory Update

Cayman – Q1 2024

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Quick Fire Updates

1. Cayman Islands removed from the FATF grey list and UK AML list

On 27 October 2023, the Cayman Islands was removed from the Financial Action Task Force's (FATF) list of jurisdictions under increased monitoring in the area of anti-money laundering and countering the financing of terrorism and proliferation financing (AML/CFT/CPF), commonly referred to as the FATF 'grey list'.

See our [Update](#) and the [Media Release](#) issued by the Ministry of Financial Services and Commerce for more details.

Following the FATF delisting, the UK Government officially removed the Cayman Islands from its list of high-risk third countries for AML/CFT/CPF purposes as of 5 December 2023. See the [HM Treasury Advisory Notice](#) for more detail.

2. EU AML delisting process commenced

Following the removal of the Cayman Islands from the FATF grey list, the EU Commission published a draft [Delegated Regulation \(EU\) on 12 December 2023](#), which would amend Delegated Regulation (EU)2016/1675 regarding the removal of the Cayman Islands from its list of high-risk third countries with strategic AML/CFT deficiencies, commonly referred to as the 'EU AML list'.

See the related [Media Release](#) issued by the Ministry of Financial Services and Commerce on 15 December 2023 for more detail.

3. Joint declaration – Closer collaboration between the UK and the British Overseas Territories

The UK Government and elected leaders of the British Overseas Territories (OTs), including the Cayman Islands, issued a [Joint Declaration](#) in December 2023.

As part of the Joint Declaration, the UK and the OTs committed to:

- improve transparency and deepen bilateral partnerships;
- consult OTs on UK primary legislation that impacts them; and
- support OTs to take on more responsibilities where they wish to do so.

The Joint declaration was agreed during the UK and OT annual Joint Ministerial Council meeting held in London in November 2023.

4. Cayman proactively advances its beneficial ownership framework

On 15 December 2023, the Ministry of Financial Services and Commerce issued a [Media Release](#) reaffirming the commitment made to the UK in 2019 regarding the introduction of publicly accessible registers of beneficial ownership information.

This Release notes that the Cayman Islands are working towards providing access to those members of the public who meet the 'legitimate interest test' required by the judgment of the Grand Chamber of the European Court of Justice (EUCJ) dated 22 November 2022 (WM (C-37/20 and Sovim SA (C-601-20) v. Luxembourg Business Registers), which held that a scheme for a

public register of beneficial ownership offended the right to private life under the EU Charter of Fundamental Rights. It is anticipated that the enhanced beneficial ownership framework will be introduced no later than Q4 2024.

5. Beneficial Ownership Transparency Act gazetted

The Beneficial Ownership Transparency Act was gazetted on 15 December 2023, along with nine related amendment bills. The new package of legislation is expected to come into force in a phased approach over the course of 2024.

For further details, see our recent [Update](#) and the previous [Quarterly Regulatory Update](#).

6. Registry fee increases

With effect from **1 January 2024**, various General Registry fees for Cayman Islands entities will increase. Some of the key fee increases are set out in the tables below:

Company fees	New fee
Annual fee payable by an exempted company (with authorised share capital not exceeding US\$50,000)	US\$1,006
Registration of a foreign company	US\$1,829
Annual fee payable by a registered foreign company	US\$1,890
Fees payable by a segregated portfolio company in respect of each segregated portfolio	US\$488 up to a max of US\$7,317
Limited liability company fees	New fee
Registration fee	US\$1,098
Annual fee	US\$1,220
Exempted limited partnership fees	New fee
Registration of a foreign limited partnership	US\$1,829

From 1 Jan 2025, the annual fee for a registered foreign limited partnership will also increase to US\$1,890.

7. VASP 2024 annual renewal fees

CIMA issued an [Industry Notice](#) on 17 November 2023 advising all registered virtual asset service providers (VASPs) that their 2024 annual renewal fee would be the same amount as the fee paid at the time of registration.

The deadline for payment of annual renewal fees with CIMA is **15 January 2023**.

ending 31 December 2023 and thereafter.

8. Supervisory Information Circular – Non-Face-to-Face CDD measures

On 9 November 2023, CIMA issued a [Supervisory Information Circular](#) relating to Non-Face-to-Face Customer Due Diligence Measures. This Circular relates to the changes effected to the Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the

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Cayman Islands in August 2023 to incorporate e-KYC and remote CDD/ongoing monitoring provisions.

See our [Q4 2023 Update](#) for more detail regarding the changes made to the Guidance Notes.

9. Regulated investment funds – changes to available investment strategy selections

Effective 15 November 2023, certain changes were made to the 'Investment Strategy' selections available within the REEFS portal of the Cayman Islands Monetary Authority (CIMA).

The aim behind the changes is to improve reporting accuracy and enhance CIMA's monitoring capability. The changes made include the following:

Removed from the Investment Strategy list

- Private Equity
- Other

Added to the Investment Strategy list

- Absolute Return
- Capital Structure Arbitrage
- Convexity
- Derivatives Trading
- Energy/Power
- Equity Hedged
- Equity Long Only
- Fund of Private Equity Funds
- Growth Equity/Growth Capital
- Infrastructure
- Leveraged Buyout (LBO)
- Long-Only Absolute Return
- Private Credit
- Quantitative
- Secondaries

The revised Investment Strategy list applies to both mutual funds and private funds and is applicable to fund registration applications made on or subsequent to 15 November 2023 and annual fund annual return (FAR) filings relating to financial years General Licence 2023/0003 – Legal Services issued

On 15 November 2023, the Governor of the Cayman Islands issued [General Licence 2023/0003](#) under regulation 64 of the Russia (Sanctions) (EU Exit) Regulations, 2019 (as extended to the Cayman Islands with modifications, the **Russia Regulations**) and regulation 32 of the Republic of Belarus (Sanctions) (EU Exit) Regulations, 2019 (as extended to the Cayman Islands with modifications, the **Belarus Regulations**).

This licence means that Cayman Islands legal practitioners who provide legal advice to a person designated under either the Russia Regulations or the Belarus Regulations will not require a specific licence from the Governor to receive payment, provided that the terms set out in the licence are met.

The term of the licence is six months (expiring on **15 May 2024**) and anyone relying upon the permissions granted by the licence must report in the prescribed form.

10. General Licence 2023/0003 – Legal Services issued

On 15 November 2023, the Governor of the Cayman Islands issued [General Licence 2023/0003](#) under regulation 64 of the Russia (Sanctions) (EU Exit) Regulations, 2019 (as extended to the Cayman Islands with modifications, the **Russia Regulations**) and regulation 32 of the Republic of Belarus (Sanctions) (EU Exit) Regulations, 2019 (as extended to the Cayman Islands with modifications, the **Belarus Regulations**).

This licence means that Cayman Islands legal practitioners who provide legal advice to a person designated under either the Russia Regulations or the Belarus Regulations will not require a specific licence from the Governor to receive payment, provided that the terms set out in the licence are met.

11. General Licence 2022/0001 – Relevant Investment Fund or Fund Manager

On 6 October 2023, the Cayman Islands Financial Reporting Authority issued a [Publication Notice](#) providing that General Licence GL/2022/0001 was further amended to extend to **6 October 2024**.

General Licence GL/2022/0001 allows a 'Relevant Investment Fund' or 'Fund Manager' to redeem, withdraw or otherwise deal with an Investment Interest and make payments for basic needs, routine holding and maintenance and legal fees from frozen accounts.

12. FRA fraud alerts

The Cayman Islands Financial Reporting Authority (FRA) has recently issued the following fraud alerts:

- [Pig butchering fraud](#) (5 October 2023)
- [Business email compromise](#) (10 October 2023)

13. UK National Crime Agency Red Alerts

On 8 November 2023, the FRA issued a [Public Notice](#) relating to a [Red Alert](#) issued by the UK's National Crime Agency (NCA) warning that Russia is using gold as a means to undermine the impact of the UK sanctions regime.

The NCA's [Press Release](#) reports that gold exported from Russia since 21 July 2022 is increasingly being shipped to countries that do not apply sanctions on Russian gold. Once melted down and recast or refined, the origin of gold cannot be determined by examination, as any hallmarks are lost. Imports of mined gold can also be easily disguised. By masking the origin, new Russian gold can then be sold on to another country who may be unaware of the true origin, circumventing UK sanctions.

On 6 December 2023, the NCA issued a [Red Alert](#) in relation to exporting high risk goods. The Alert provides information to businesses on common techniques suspected to be in use to evade sanctions on the export of high-risk goods, which Russia is using on the battlefield in Ukraine. The primary audience for this alert is the financial sector.

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14. Cayman Islands to implement CARF

On 10 November 2023, the Department for International Tax Cooperation (**DITC**) issued an [Industry Advisory](#) noting that the Cayman Islands is one of 48 jurisdictions endorsing a collective engagement to implement the Crypto-Asset Reporting Framework (**CARF**). CARF is a new OECD global standard for the automatic exchange of information on crypto assets.

It is anticipated that the first exchanges of information under CARF will be made in 2027, though amendments will be made to the Common Reporting Standard (**CRS**) prior to this timeframe to ensure CARF's consistency with CRS and to facilitate CARF's orderly implementation.

15. Mourant Guides and Updates

Mourant has uploaded the following Updates and Guides to our website over the last quarter:

- [Cayman Islands Key Filing Dates 2024](#)
- [Migration to the Cayman Islands and the SEC private fund adviser rules](#)
- [Transfer by way of continuation into the Cayman Islands](#)
- [Continuation Funds: How Jersey, Guernsey & the Cayman Islands offer fast and cost-effective solutions](#)
- [Cayman Islands removed from the FATF grey list](#)
- [Changes to the Cayman Islands beneficial ownership regime – what you need to know](#)

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