

NEWSLETTER

# Regulatory & Risk Advisory Outlook

CAYMAN ISLANDS | 2025

CONYERS

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2024 was once again an active year for the Cayman Islands regulatory industry. In this edition of our Regulatory & Risk Advisory Outlook, our team has summarised the key changes and news during 2024 and taken a look at the upcoming changes for 2025, including fee changes, the removal of the Cayman Islands from the EU AML List, updates from the FATF and CIMA, as well as key legislative updates. If you have any questions, please reach out to a member of the Regulatory & Risk Advisory team or your usual Conyers contact.

## 1. INCREASES TO COMPANY ANNUAL FEES / UPCOMING FEE CHANGES

The Ministry of Financial Services & Commerce has announced increases to company annual fees effective from 1 January 2025.

### (a) Exempted Companies:

- (i) 0 to 42,000 share capital from \$825 to \$925
- (ii) 43,001 to 820 share capital from \$1,125 to \$1,225
- (iii) 820,001 to 1,640,000 share capital from \$2,109 to \$2,209
- (iv) share capital above 1,640,000 from \$2,693 to \$2,793

### (b) Non-Resident Companies:

- (i) 0 to 42,000 share capital from \$800 to \$900
- (ii) share capital above 42,000 from \$1,040 to \$1,140

### (c) Special Economic Zone Companies:

From \$825 to \$925

### (d) Foreign Companies:

From \$1,550 to \$1,650

The Ministry of Financial Services & Commerce has also announced intended increases to express fees and an expansion of the list of transactions in respect of which express fees may be paid. The changes were made by various amendments acts applicable to exempted limited partnerships, limited liability partnerships, exempted companies and limited liability companies on 19 December 2024.

The amendment acts also provide for applications for name reservations and to provide for the charging of fees for administrative services.

Licence application fees under the Banks and Trust Companies Act, the Companies Management Act, the Insurance Act, the Monetary Authority Act, the Mutual Funds Act and the Private Funds Act have now also become non-refundable.

## 2. CIMA RULES AND STATEMENTS OF GUIDANCE, REGULATORY POLICIES, GENERAL INDUSTRY NOTICES, REPORTS AND SUPERVISORY CIRCULARS

The Cayman Islands Monetary Authority (CIMA) released the following list of rules and statements of guidance, regulatory policies, general industry notices, reports and supervisory circulars over the course of 2024.

CIMA issued guidance setting out mandatory requirements for maintenance of accounting records and introduced a Rule imposing a higher loss absorbency requirement on Domestic Systemically Important Deposit Taking Institutions. CIMA established recruitment and selection standards for Trust and Corporate Service Providers (TCSPs) and Company Managers and outlined minimum requirements and guidance to ensure fair treatment of clients and general protection of clients' assets and monies. CIMA also issued a regulatory policy outlining the criteria for approving Registration or Licensing of Cayman Islands Virtual Asset Service Providers (VASPs) and another establishing criteria for assessing and approving an individual to act as an actuary.

Additionally, CIMA issued a new Rule and a separate Statement of Guidance for Virtual Asset Custodians and Virtual Asset Trading Platforms, setting out more prescriptive governance and conduct of business requirements for VASP licencees. A supervisory circular was also issued, setting out how regulated entities should implement and embed effective complaints-handling policies/procedures within their organisation. Process enhancements enabled the processing of Audit Waiver applications to be fully completed within the REEFS portal.

- New Rule and Statement of Guidance – Nature, Accessibility and Retention of Records – Business of Company Management (1 April 2024)
- Electronic Submission of Applications for Audit Waivers for Regulated Mutual and Private Funds (2 May 2024)
- Rule and Regulatory Policy on Domestic Systemically Important Deposit-Taking Institutions (27 May 2024)
- Rule and Statement of Guidance – Recruitment and Selection Standards for Trust and Corporate Service Providers and Company Managers (2 October 2024 – Effective 2 April 2024)
- New Rule and Statement of Guidance – Market Conduct for Trust and Corporate Services Providers and Company Managers (25 November 2024)
- CIMA Regulatory Policy – Registration or Licensing of Virtual Assets Service Providers (23 May 2024)

- CIMA Regulatory Policy – Recognition and Approval of an Actuary (14 October 2024)
- Supervisory Information Circular – Complaints-handling and Regulatory Expectations (23 October 2024)
- Notice – Update to the Virtual Asset Service Provider (VASP) Registration Application Form (12 December 2024)
- Rule – Obligations for the provision of virtual asset services - Virtual Asset Custodians and Virtual Asset Trading Platforms (December 2024)
- Statement of Guidance – Obligations for the provision of virtual asset services - Virtual Asset Custodians and Virtual Asset Trading Platforms (December 2024)

### 3. ANTI-MONEY LAUNDERING (AML)

The Anti-Money Laundering (Amendment) Regulations, 2024 came into force 19 April 2024, updating and strengthening the Anti-Money Laundering Regulations (the “AML Regulations”). Compliance requirements were expanded to include counter-terrorist and proliferation financing measures and oversight of virtual assets was strengthened.

Designated non-financial businesses and professions which are subject to the AML Regulations are required to provide additional information on registration with their relevant supervisory authority, including the name and date of appointment of their AML Officers and information identifying their ownership and control structure, including information on their beneficial owners and connected persons. Designated non-financial businesses and professions now also have a duty to notify their designated supervisory authority of any change in their risk assessment.

Under the AML Regulations, the power to impose administrative fines was clarified; a supervisory authority has the ability to impose administrative fines on directors, managers, secretaries, partners or other similar officers of designated non-financial businesses or professions which contravene the AML Regulations.

The provisions relating to the assessment of risk under the AML Regulations were also amended. The updated provisions impose a duty on persons carrying out relevant financial business to take steps to assess and understand its money laundering risks, terrorist financing risks and proliferation financing risks, document and keep up to date the risk assessment as well as maintain appropriate mechanisms to provide information to regulatory authorities. Policies, controls and procedures must be consistent with national requirements and guidance from regulators. The need for enhanced due diligence has also been expanded to include specific requirements for sanctions screening with respect to higher proliferation financing risks.



## 4. FINANCIAL ACTION TASK FORCE UPDATES

The Financial Action Task Force (FATF) conducted a consultation to obtain feedback regarding proposed revisions to the FATF Recommendations in order to better align them with measures to promote financial inclusion. This is part of FATF's programme of work to address the unintended consequences of AML/CFT measures.

The revisions focus on Recommendation 1 and its Interpretive Note, with corresponding changes to Recommendations 10 and 15 and related Glossary definitions. These proposed revisions aim to better promote financial inclusion through increased focus on proportionality and simplified measures in the risk-based approach, and to give countries, supervisors, and financial institutions greater confidence and assurance when implementing simplified measures.

The following revisions are proposed:

(a) Replacement of the term “commensurate” with “proportionate” in Recommendation 1, in order to clarify how these concepts should be applied in the context of a risk-based approach; to set clearer expectations with regard to simplified measures; and to align the FATF's language more closely with that of financial inclusion stakeholders and frameworks. The term “proportionate” is defined as follows: “In the context of the risk-based approach adopted by the FATF Recommendations, a proportionate or commensurate measure or action is one that appropriately corresponds to the level of identified risk and effectively mitigates the risks”.

(b) Amendments to require supervisors to “review and take into account the risk mitigation measures undertaken by financial institutions / DNFBPs”, to avoid over-compliance resulting from an only partial understanding of the risks, and also to consider proportionality in the engagements with them.

(c) On adoption of simplified measures in lower risk situations, FATF proposes to replace “countries may decide to allow simplified measures” with “countries should allow and encourage simplified measures”. This would place an explicit requirement on countries to be more active in creating an enabling environment for implementation of simplified measures;

(d) On “non-face-to-face customer-identification and transactions” as an example of potentially higher-risk situations, addition of qualification (“unless appropriate risk mitigation measures have been implemented”) to reflect technological advancements in digital identity systems that may reduce the risks associated with non-face-to-face interactions, and recognise that in many countries this has become the normal mode of interaction with financial institutions.

## **5. REMOVAL FROM EU ANTI-MONEY LAUNDERING LIST**

The Cayman Islands was removed from the EU AML list, effective 7 February 2024 following the decision of the FATF monitoring group and subsequent removal from the UK's list of high-risk third countries for AML purposes. On 18 January 2024, the EU published a revised list of high-risk countries for AML purposes in its official journal, on which the Cayman Islands did not appear.

## **6. CAYMAN ISLANDS APPOINTED ONE OF THE FIRST FINANCIAL ACTION TASK FORCE GUEST MEMBERS**

In October 2024, the FATF announced that the Cayman Islands would be appointed as one of two first-ever guest members under the new Regional Bodies' Guest Initiative. As a guest member, the Cayman Islands will be attending plenaries and participating in meetings and working groups for a period of one year. This was a very welcome development and demonstrates the evolution of the perception and status of the Cayman Islands internationally.



## 7. LEGISLATION REVIEW AND UPDATES

### 7.1. Legislative Consolidations

New revisions were released during 2024 for the following Acts and Regulations:

- Anti-Corruption Act (2024 Revision)
- Companies Management Act (2024 Revision)
- Financial Regulations (2024 Revision)
- International Tax Co-operation (Economic Substance) Act (2024 Revision)
- Money Services Act (2024 Revision)
- Partnership Act (2024 Revision)
- Proceeds of Crime Act (2024 Revision)\*
- Virtual Asset (Service Providers) Act (2024 Revision)

\*Does not include all provisions from the 2023 Amendment.

### 7.2. Beneficial Ownership Transparency

The Ministry of Financial Services and Commerce (the “Ministry”) invited comments on a draft Beneficial Ownership Transparency (Amendment) Bill, 2024 (the “Bill”) and the draft Beneficial Ownership Transparency (Amendment) Regulations, 2024 (the “Regulations”). Following the approval in December 2023 of the Beneficial Ownership Transparency Act, 2023 and the draft Beneficial Ownership Transparency Regulations, 2024 and associated draft Guidance, the Ministry continued engagement with industry and other stakeholders. During these engagements, some amendments to the legislation were identified as being necessary in order to bring some clarity to certain aspects of the legislation, and to ensure the continued effectiveness of the beneficial ownership legislation in the long term.

### Key Proposed Amendments in the Bill:

(a) Trusts and Beneficial Ownership: The Bill clarifies that where a trust within the ownership structure of a legal person meets the conditions in the definition of beneficial owner, a trustee of the trust should be identified as the contact person, even if other beneficial owners have been identified.

(b) Senior Managing Officials: The Bill clarifies that a senior managing official only needs to be listed as the contact person when no registrable beneficial owners (including reportable legal entities) are identified.

(c) Legal Person Obligations: Senior managing officials are now explicitly included in the obligations of legal persons.

(d) Review of Particulars: The review process for required particulars now includes information provided through alternative compliance routes.

(e) Appointment Responsibilities: Legal persons are responsible for appointing licensed fund administrators or contact persons, especially during winding up.

(f) Access to Information: The Bill expands access to beneficial ownership information to additional government entities and foreign counterparts, while ensuring minors’ information is protected and exempt from the Freedom of Information Act.

## Key Proposed Amendments in the Regulations:

(a) Economic Rights: The term "interest" replaces "shares" to ensure economic rights are adequately captured.

(b) Corporate Trustees: Details of individual contacts must be provided for corporate trustees and certain persons under the Act.

(c) Administrative Fines: An administrative fine is introduced for legal persons whose appointed fund administrator or contact person fails to provide requested beneficial ownership information.

These amendments are the result of ongoing consultations with industry stakeholders and aim to enhance the clarity, effectiveness, and compliance of the beneficial ownership transparency framework in the Cayman Islands.

### 7.3. Companies (Amendment) Bill 2024

The Companies (Amendment) Act, 2024 (the "CA Act") was gazetted 11 March 2024 but is not yet in force. The CA Act provides for, amongst other things, adjustment of the procedure for the reduction of share capital to allow for a special resolution supported by a solvency statement, issue, repurchase or redemption of fractional shares, variation of the section 60 procedure for the passing of a special resolution (if authorised by the articles, allowing for a two-thirds majority in writing) and conversion of a limited liability company or foundation company to an exempted company.

### 7.4. Virtual Asset (Services Providers) (Amendment) Bill, 2024

The Cayman Islands Virtual Asset (Service Providers) (Amendment) Bill, 2024 aims to update the existing Virtual Asset (Service Providers) Act (the "VASP Act") to strengthen the regulatory framework for virtual asset service providers (VASPs) in the Cayman Islands, ensuring better oversight and protection for clients.

The principal purpose of the proposed changes is to prepare the VASP Act for the commencement of the licensing regime for virtual asset trading platform operators and virtual asset custodians. The definition of operator of a virtual asset trading platform will be revised as part of the proposal to give greater clarity, especially in the case of innovative trading platforms which may or may not have a clearly identifiable group managing the platform, such as a decentralised autonomous organisation (often referred to as a DAO). It is also proposed that a definition for "Convertible Virtual Asset", previously omitted, also be added. The proposed changes impose a requirement for regulated VASPs to have no less than three directors at all times including at least one independent director without a vested interest in the virtual asset service provider. A provision is also added which states that approval for a new director or senior officer lapses or will be revoked by CIMA under specific circumstances, bringing the Act in line with existing regulatory laws. The fee structure will be simplified by removing the fee-assessment requirement, thus giving greater clarity on the fees payable by any new applicant.

New licensing fees have also been proposed by way of an amendment to the Virtual Asset (Service Providers) Regulations.

### **7.5. Proceeds of Crime (Amendment) Act**

Certain provisions of the Proceeds of Crime (Amendment) Act (the “POCAA”) came into force 31 January 2024. The POCAA aims to reform intelligence gathering and investigations, bring the jurisdiction into alignment with international best practice, clarify the evidential basis of criminal property and protect self-regulatory bodies from liability in executing their duties.

Sections 11, 12 and 13 concerning the concealment of, arrangements in relation to and the acquisition, use and possession of property came into force 1 January 2025. These sections retain the statutory defence against money laundering where a suspicious activity report (SAR) is filed or intended to be filed provided that disclosure is made to the Financial Reporting Authority (FRA) and where consent of the FRA has been provided to proceed with the action giving rise to the SAR. Regulations are to be made to establish a framework under which persons who file SARs may seek or obtain a defence to specified offences under the new consent regime.

### **7.6. The Perpetuities (Amendment) Act, 2024**

The Perpetuities (Amendment) Act, 2024 (the “PA Act”) has come into force in the Cayman Islands, providing for the disapplication of the rule against perpetuities (the “Rule”) for Cayman Islands ordinary trusts. This legislative development aims to provide greater flexibility for trusts and align the Cayman Islands with other leading international financial jurisdictions which already allowed for the creation of dynastic trusts which can last indefinitely.

The PA Act permits the settlor of a new trust (provided such trust does not hold any land or any interest in land in the Cayman Islands) to choose whether or not to disapply the Rule against perpetuities for any new Cayman Islands ordinary trust and to create a trust with an unlimited duration. However, if the settlor does not expressly disapply the Rule against perpetuities, the Rule will continue to apply and the trust will therefore have a maximum perpetuity period of 150 years.

The PA Act allows settlors, enforcers and trustees of existing Cayman Islands law governed trusts to apply to the Grand Court of the Cayman Islands for the disapplication of the Rule against perpetuities so that those trusts can last indefinitely. It also provides that the Rule against perpetuities will not be applicable where a foreign trust changes its governing law to Cayman law if the Rule was not previously applicable under the trust’s former governing law.



## 8. SANCTIONS & GENERAL LICENSES

### 8.1. Sanctions

The Financial Reporting Authority (FRA) issued new Financial Sanctions Guidance under the Sanctions and Anti-Money Laundering Act 2018 outlining obligations under financial sanctions including the FRA's approach to licensing and compliance issues.

The Russia (Sanctions) (Overseas Territories) (Amendment) Order 2024 came into effect on 14 March 2024 and extended the new licensing grounds established in the UK's Russia sanctions regulations in December 2023 with necessary modifications to enable Cayman Islands entities to seek a specific licence on the grounds of 'divestment'. This includes the divestment of an interest a designated person or the Government of Russia holds in the entity. There are various conditions, including that the sole consideration for the acquisition is a transfer of funds and such funds are credited to a frozen account held by a qualifying institution.

Cayman Islands entities that have frozen assets or interests pursuant to the Russian sanctions regulations may wish to explore the option of seeking a specific licence from the Governor (via the FRA) on the basis of this new ground. We are available to assist with advice on applicability and licence applications, with which our team has practical experience.

The FRA also issued new reporting requirements under the Russia Sanctions Regime:

#### **Immobilised assets reporting measure:**

A relevant firm is required to report to the Governor as soon as practicable if it knows, or has reasonable cause to suspect, that it holds funds or economic resources for a person to whom financial services must not be provided (a "prohibited person"). A prohibited person means the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, the Ministry of Finance of the Russian Federation, a person owned or controlled directly or indirectly by these entities, or a person acting on behalf of or at the direction of these entities.

#### **Designated Persons asset reporting measure:**

Designated persons who are Territory Persons are required to report the nature, value and location of any funds or economic resources they own, hold or control in any jurisdiction (worldwide assets) in excess of US\$13,000 to the Governor, with "Territory Person" defined as modified.

Designated persons who are not Territory Persons are required to report the nature, value and location of any funds or economic resources they own, hold or control in the Cayman Islands (Territory assets) in excess of US\$13,000 to the Governor.

The initial report must be provided within 10 weeks of the relevant date and any subsequent change to the nature, value or location of the funds or economic resources must be reported to Governor as soon as practicable.

## 8.2. General Licenses

The Governor of the Cayman Islands issued two general licences over the last year under regulation 64 of the Russia (Sanctions) (EU Exit) Regulations 2019. General Licence GL/2024/0001 for Legal Services, in effect from 15 November 2023, initially permitted an attorney or law firm who has provided legal advice to a person designated under either the Russia or Belarus regime to receive payment from that designated person (DP) without a specific licence issued by the Governor of the Cayman Islands (the “Governor”), expired 15 May 2024.

On 24 May 2024, the Governor issued General Licence GU2024/0001 (the “General Licence”) which (subject to certain conditions) permits an attorney or law firm who has provided legal advice to a DP under either the Russia or Belarus regime to receive payment from that DP without a specific licence issued by the Governor, provided that the terms of General Licence are met.

The main changes (when compared to General Licence GL2023/0003) are:

- (a) attorneys’ fees and expenses caps have been reset;
- (b) attorneys’ fees and expenses caps now apply to each Law Firm instructed by the DP to cover all matters on which that law firm is instructed by that DP;
- (c) brief fees and refresher fees to be paid to an attorney in the event these are fixed fees and not subject to hourly rates;
- (d) these fees may now be included in the overall cap of US\$600,000 for attorneys’ fees.

Payments received under a General Licence must be reported to the Governor within 14 days of the payment being received, with the details and supporting evidence requested in Part A or Part B. A DP or person relying on the General Licence must keep accurate, complete and readable records, on paper or electronically, of any activity purporting to have been permitted under this licence for a minimum of 6 years.

General Licence GL/2022/0001, issued 4 October 2022, which 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, was extended to 16 October 2025.

## 9. ARTICLES & ALERTS

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

[New Regulatory Framework for Virtual Asset Custodians and Trading Platforms in the Cayman Islands](#)

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

[Advancing Virtual Asset Regulation in the Cayman Islands](#)

[Cayman Entities and the Economic Substance Regime – Is Your Cayman Entity in Compliance?](#)

[Virtual Asset Service Providers and the Travel Rule](#)

[Responding to Regulatory Notices: A Litigator's Perspective](#)

[Developments in Disclosure Orders Against Decentralised Finance Projects](#)

[Stablecoins in the Cayman Islands](#)

[The Importance of Sound Corporate Governance for Virtual Asset Service Providers: Lessons from Past Failures](#)

[Annual Board Meeting and Other Corporate Governance Requirements for Funds](#)

[Navigating the Future: Highlights from CIMA's Outreach Session on the Virtual Asset Service Provider Regime](#)

In addition, CIMA recently published their most recent AML/CFT Activity Report which can be accessed on their website [here](#).





# Key Contacts

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## 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](#).

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