



**Reporting Obligations  
Supervisory Approach  
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# DISCLAIMER



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# OVERVIEW

- The MER and what Assessors said
- What is CIMA looking for?



# MER JURISDICTIONAL GRADES



## *Effectiveness & Technical Compliance Ratings*

### *Effectiveness Ratings*

<b>IO.1</b> Risk, policy and coordination	<b>IO.2</b> International cooperation	<b>IO.3</b> Supervision	<b>IO.4</b> Preventive measures	<b>IO.5</b> Legal persons and arrangements	<b>IO.6</b> Financial intelligence
<b>Mod.</b>	<b>Mod.</b>	<b>Low.</b>	<b>Low</b>	<b>Mod.</b>	<b>Low</b>
<b>IO.7</b> ML investigation & prosecution	<b>IO.8</b> Confiscation	<b>IO.9</b> TF investigation & prosecution	<b>IO.10</b> TF preventive measures & financial sanctions	<b>IO.11</b> PF financial sanctions	
<b>Low</b>	<b>Mod.</b>	<b>Low</b>	<b>Mod.</b>	<b>Mod.</b>	

## CAYMAN ISLANDS MER – What Assessors Said

- *"...Consequently, its generation of financial intelligence is reliant upon reporting entities effectively identifying suspicious transactions....."*
- *"....Therefore, not all FIs and DNFBPs are well positioned to identify suspicious transactions within the risk and context of the Cayman Islands..... The far reaching effect of this gap is that not all relevant suspicious transactions are being identified."*

# CAYMAN ISLANDS MER – What Assessors Said



- “...the FRA and competent authorities should provide greater guidance and feedback to FIs and DNFBPs so that they sufficiently understand how to identify suspicious transactions which may involve potential complex ML/TF cases. .”

# Reporting Obligations



# AMLRS 2020



- Speak to (inter alia):
  - Requirement to appoint MLRO
  - Internal Reporting Procedures
  - Obligation to file a SAR



# Reporting Obligations- What is CIMA Looking For?

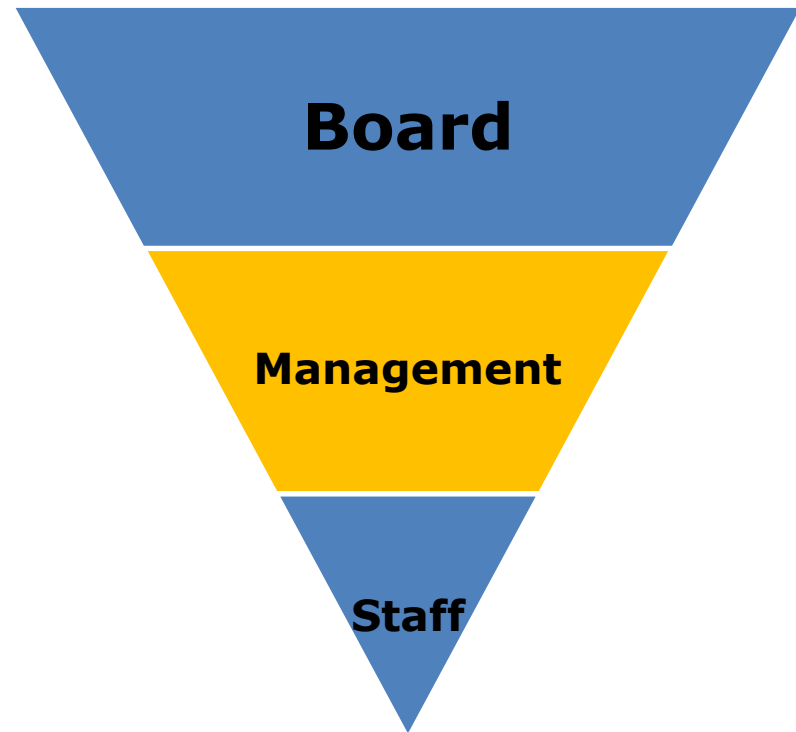
- Compliance Culture
- Policies and Procedures
- KYC – Holistic Approach
- Monitoring
  - Appointed MLRO
- Risk Assessment of Clients (including PEPs)
- Screening
- Logs of disclosures to the FRA
- Training

# MLRO Function

- Independent Function
- Approved by Board
- Managerial Level
- Knowledgeable of AML/CFT framework
- Accessible to staff

# COMPLIANCE CULTURE

- It starts at the top!
- AML/CFT/CFP programme must infiltrate business operations and emanate from the highest level.
- The Governing Body must visibly demonstrate commitment to AML/CFT/CFP compliance.
- Result in buy from management, staff and customers.



# COMPLIANCE POLICIES AND PROCEDURES

- Documented Policies and Procedures in including the mechanics of detecting and reporting suspicion
- Approved by the Governing Body
- Maintained and up to date
- Reflect application of relevant legislation, guidance and best practices
- Available and accessible to management and staff.

# CUSTOMER DUE DILIGENCE - Holistic Process



## Look beyond the surface:

- Understand Structures
- Owned and Controlled
- Purpose and Rationale
- Documentation to KYC

# SCREENING AND TRANSACTION MONITORING

- Using up to date information
- Thresholds
- Who, what is being screened
- Using variables
- Understand your software
- Reliable software
- News feeds/articles
- Independent searches
- Consider frequency of screening

# TRAINING

- Train employees and managers
  - What does suspicion look like
  - Who to report to
  - How to report
  - Tipping Off
- Ensure awareness of risks and of the latest trends, typologies and red flags
- Consider how to inform of updates in legislative or policy framework to foster continuous awareness

# SAR LOGS/KEY DOCUMENTATION

**Maintain a log/documentation in relation to:**

- Matters reported
  - Internally
  - Externally



# QUALITY INFORMATION TO FILING SARS

- Add key/useful information to supplement the report:

Customer Profile – Date Relationship  
Commenced

Expected activity associated with relationship

Statements  
Value of Investments

Ownership Structure  
Due Diligence  
Source of Funds

Agreements  
Contracts

History of Activity  
Sending/Receiving

## Other Consequences

- Extend beyond failure to adhere to the obligation to report itself:
- Breach includes inadequate:
  - Policies and procedures
  - Customer Due Diligence
  - Customer Screening, Monitoring
- CIMA has the power to pursue enforcement action including admin fines for certain violations of the AMLRs.
- Per R.56 - A person who contravenes the AMLRs commits an offence and is liable - (a) on summary conviction, to a fine of \$500K; or (b) on conviction on indictment, to a fine and to imprisonment for two years

# MER JURISDICTIONAL GRADES: Where We Want to Be



## *Effectiveness & Technical Compliance Ratings*

### *Effectiveness Ratings*

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<b>HIGH</b>					
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<b>HIGH</b>					

# SUMMARY

- Obligation to report a suspicious rests with all of us.
- Critical to safeguarding the AML/CFT framework of the Islands.
- Important source to progressing investigations.
- Essential that persons doing relevant financial business remain vigilant in detecting suspicious activity.
- Ensure awareness of risks and of the latest trends, typologies and red flags.
- Document, Implement, Train, Monitor, Report.



**THANK YOU!**