

# **OUTREACH**

## **Anti Money Laundering and Terrorist Financing Supervision**

**May 2019**



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# Introduction

Lisa Bowyer | Technical Advisor

Sheree Ebanks | CEO

Vanessa Hansen | Head of Operations and  
Communications

Samantha Bartlett | Regulatory Affairs  
Coordinator

# Why supervision now?

1996

Money laundering  
criminalised

New obligation to report  
suspicious activity

2000/01

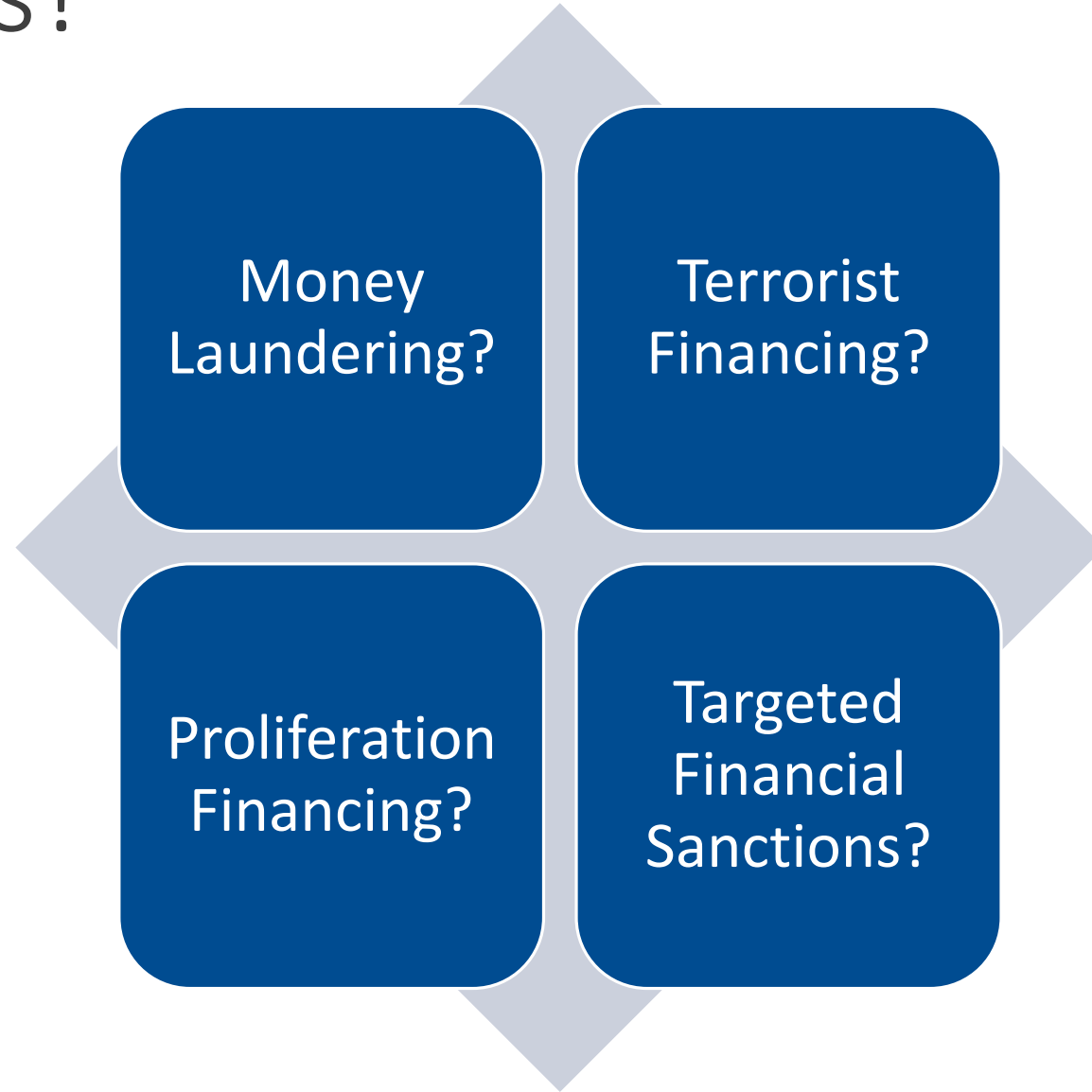
Blacklisting: Regulations  
require entities  
conducting relevant  
financial business to  
have controls

Financing terrorism  
criminalised

2010

Corruption criminalised

# What is?



# Regulatory Framework

Proceeds of Crime/  
Terrorism Law

AML Regulations

Guidance



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# Risks for Accountants

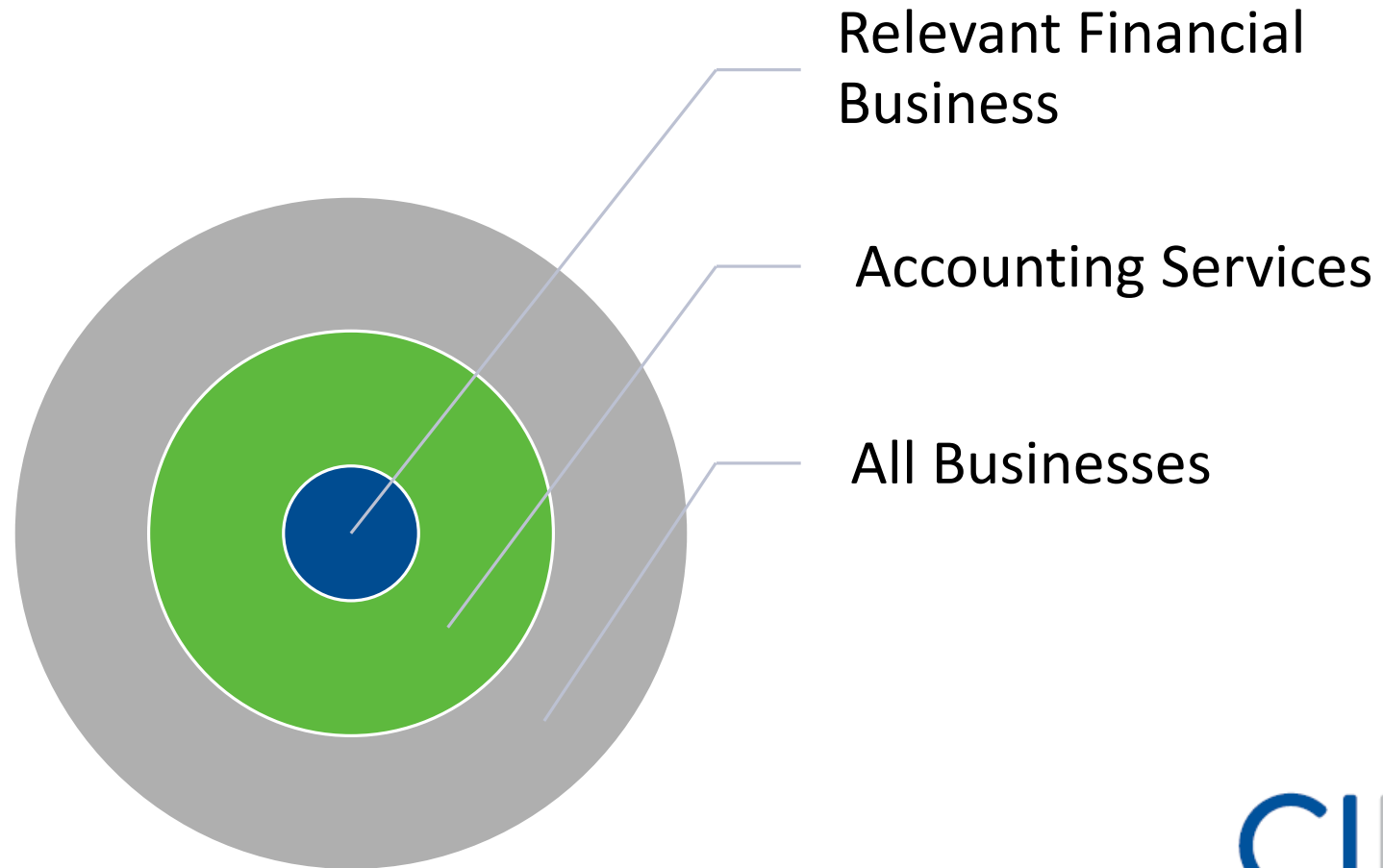
Higher Risk Services	Medium Risk Services	Lower Risk Services
Company Formation and Termination	Fiduciary	Audit and Assurance
Accounting and Bookkeeping-False Accounts	Payroll	Tax Services
Handling Client Money and Accounts		

CIIPA ML TF Risk Assessment May 2019



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# Scope and “Relevant Financial Business”



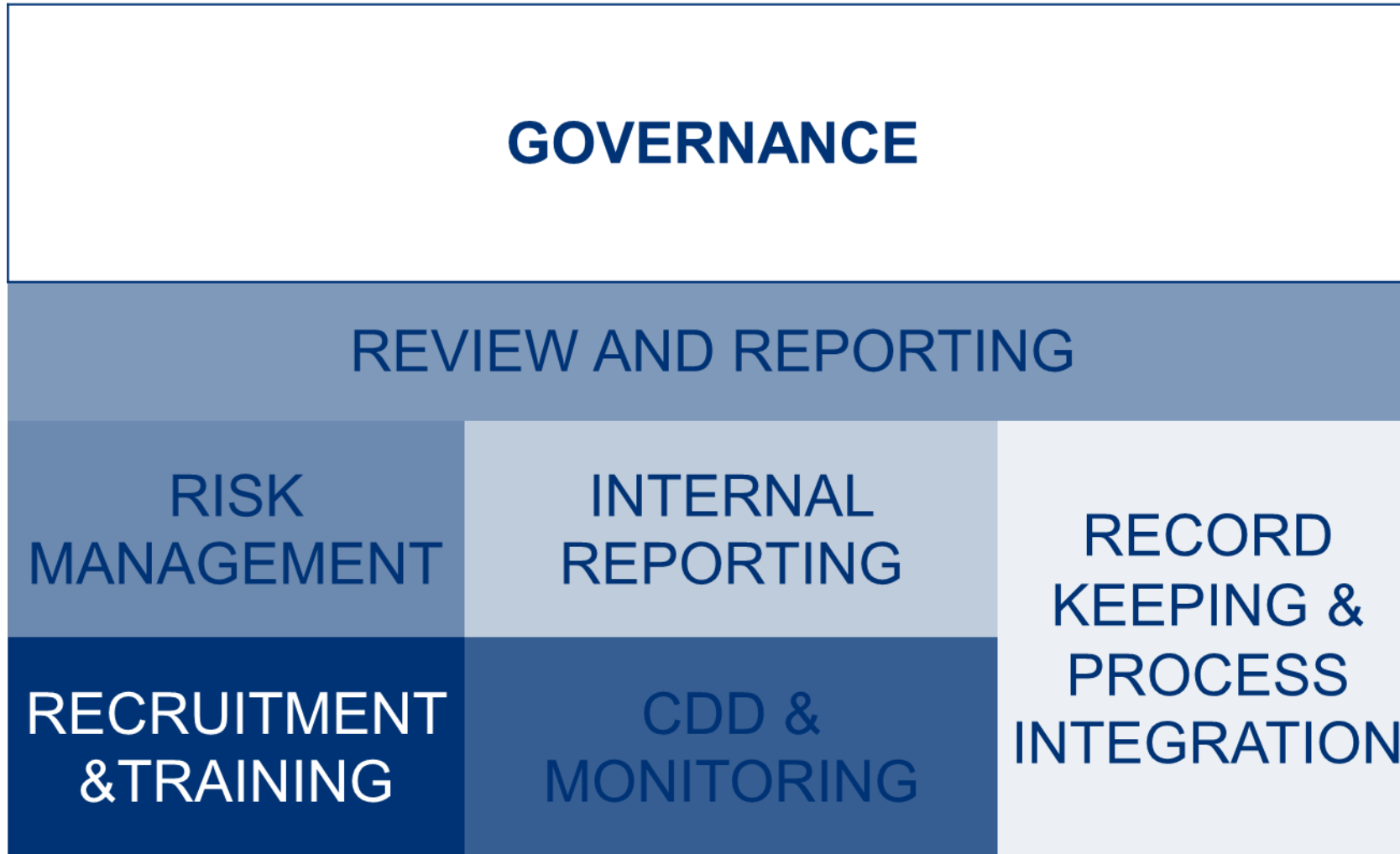
# Governance

Report to Governing Body which is ultimately responsible

- AML Compliance Officer
- Money Laundering Reporting Officer
- Liability on persons responsible (partners, managers)



# Controls

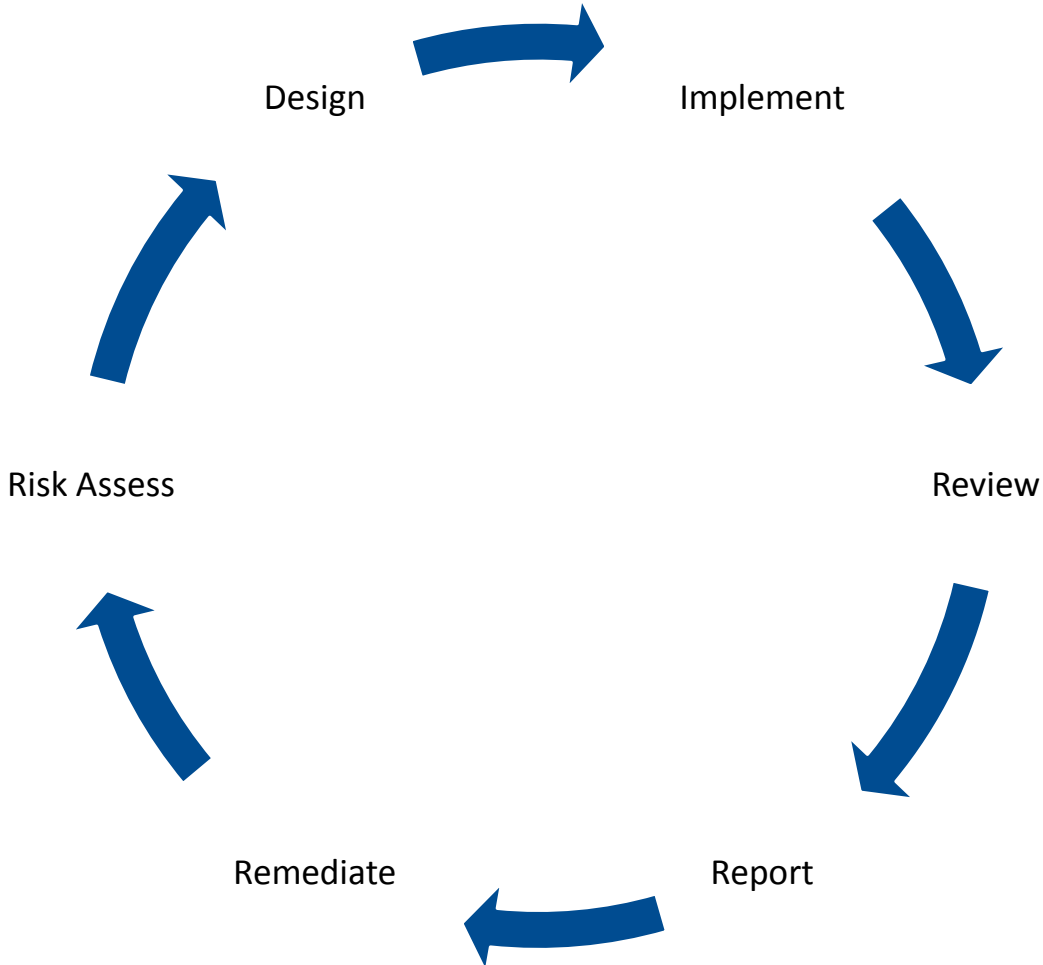


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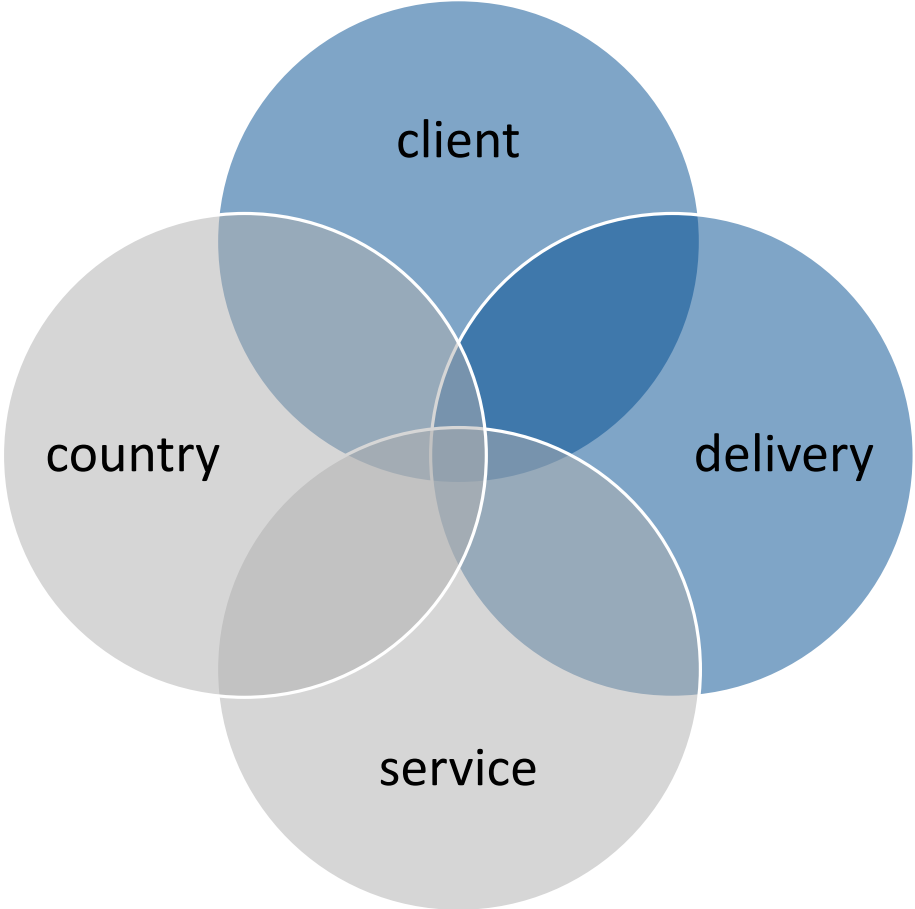
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# Firm's Risk Assessment/Management



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# Firm's Risk Assessment



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# Client Due Diligence

**ID + V**

**ID =**

Identify the client by obtaining information, (often from the client) about the client

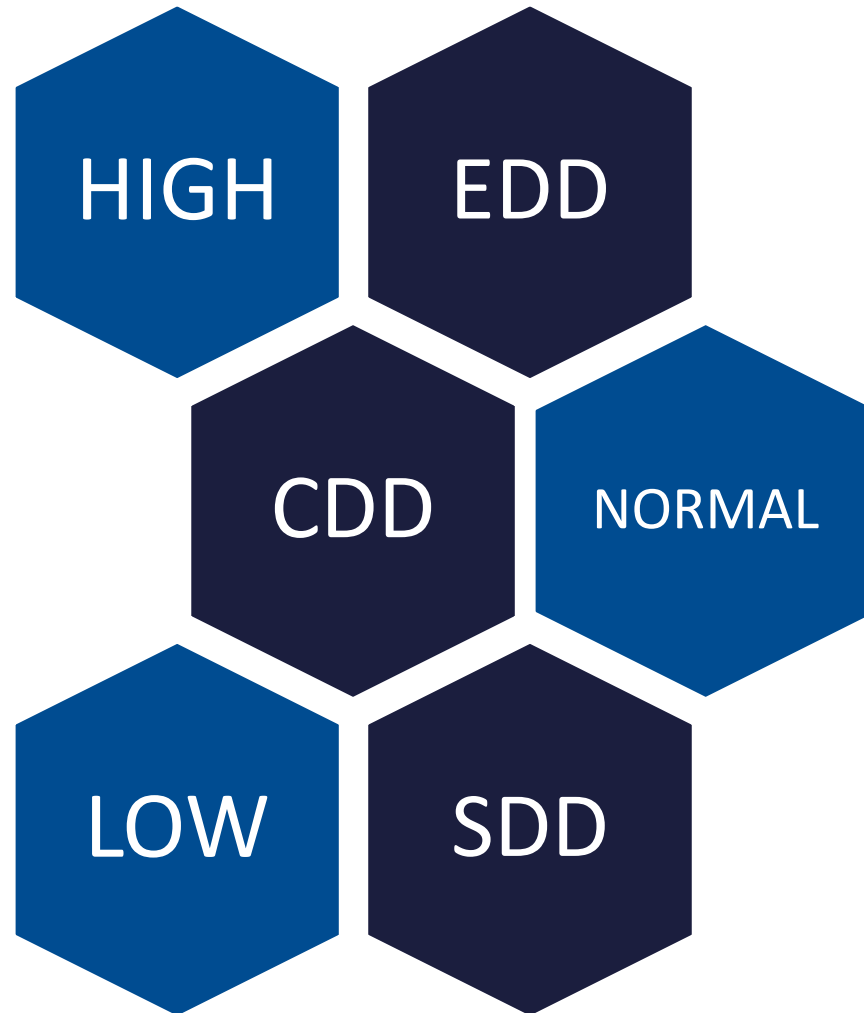
**V =**

Verify the information provided by obtaining proof



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# Enhanced Due Diligence



# Simplified Due Diligence

Where **LOW RISK** and Customer is:

- Subject to Reg 5 itself;
- Government body;
- Regulated as FI overseas in equiv country;
- Listed company;
- Association pension fund;

(and subsidiaries of the above)

# Ongoing Due Diligence

- Trigger Based Monitoring
- Periodic Monitoring

# Internal Reporting

Firms conducting relevant financial business must have internal reporting **procedures** that enable staff to disclose their knowledge or suspicions of money laundering or terrorist financing.

An MLRO must be appointed to receive these disclosures.

Create an internal reporting Form for staff to complete and submit.

The image shows a 'Suspicious Activity Report' form. At the top, it is dated July 2003 and includes a header with various regulatory codes (FR, FDIC, OCC, OTS, NCUA, TREASURY) and OMB numbers. The form is divided into two main parts: 'Part I Reporting Financial Institution Information' and 'Part II Suspect Information'. Part I includes fields for the name of the financial institution, its address, city, state, and zip code, and the primary federal regulator (FDIC, OCC, OTS, or NCUA). It also asks for the address of the branch office where the activity occurred and if the institution is closed. Part II asks for the suspect's name, address, city, state, zip code, and country, along with their phone number, date of birth, and admission/confession status. It also includes a section for identifying the suspect (Driver's License, Passport, Alien Registration, or Other) and a section for the relationship to the financial institution (Accountant, Attorney, Customer, Officer, Agent, Borrower, Director, Shareholder, Appraiser, Broker, Employee, or Other). The form concludes with a section for the relationship to the institution (insider or not) and the date of suspension, termination, or resignation.



# Completing SARs

Introduction - Body - Conclusion

5 five *W*'s of the suspicious activity —

Who?

What?

When?

Where?

Why?

Keep a Log

# Who?

## Subject

Expand on information- employment – job title  
and employer

Additional ID numbers

Secondary addresses

Relationship if more than one subject



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# What?

Types of Instruments used

Bank drafts

Companies trusts

and how: in person, machine, phone or email



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# When?

Date and dates of activities  
(spreadsheet and attach?)

# Where?

Including multiple locations  
Is the location relevant? Explain why

# Why?

Why or how differs from usual or  
expected activity  
Detail!

# Training

Firm's training to be provided regularly and include:

- an explanation of the **law** within the context of the firm's own commercial activities;
- the Firm's **policies and procedures**; and
- how to deal with **transactions** that might be related to money laundering and terrorist financing, including:
  - how to use internal reporting controls,
  - the business's expectations of confidentiality, and
  - how to avoid tipping off

# Record Keeping

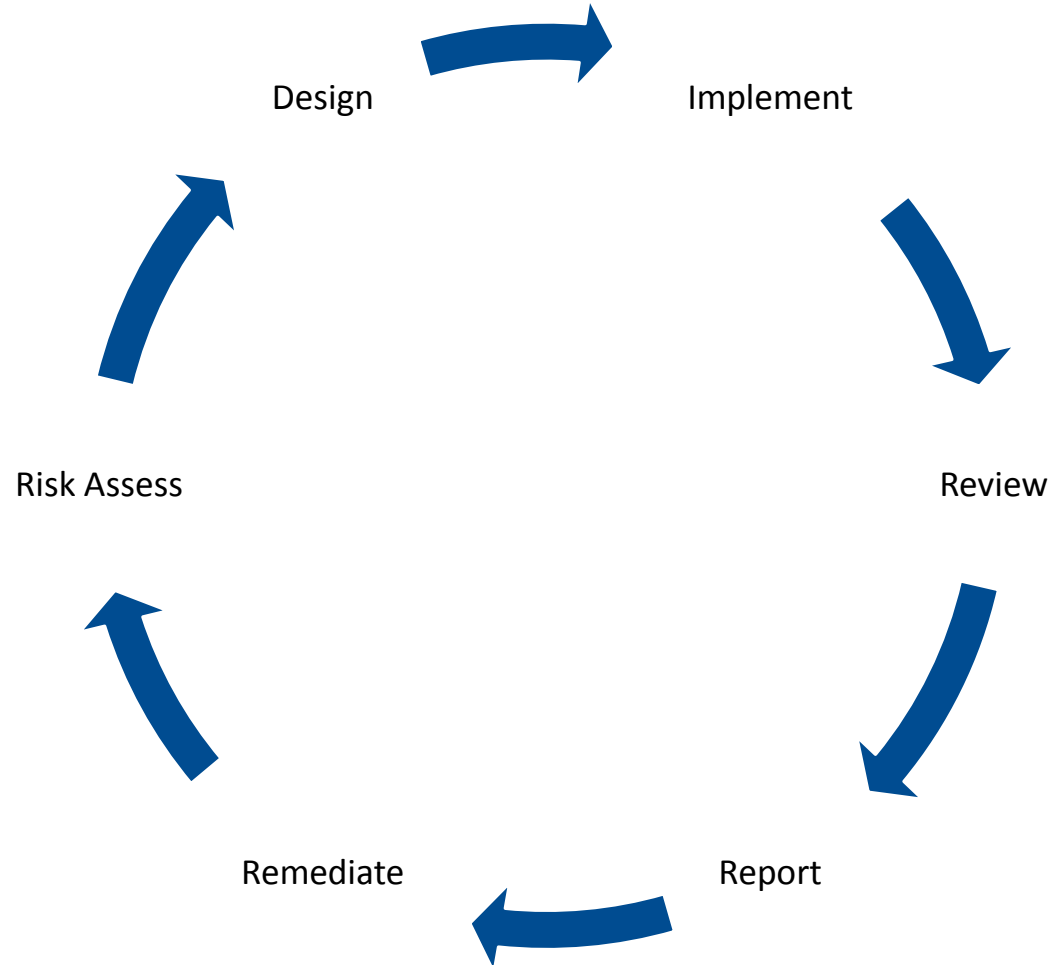
Records relating to CDD, including non-engagement documents relating to client relationships, any transactions and correspondence must be kept for at least **five years from the end of the client relationship or one off transaction.**

- Readily retrievable
- Document as a defence
- Data Protection Law

5



# Review and Reporting



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# Penalties

## **Administrative Fines**

Shall not exceed **\$100,000** for a natural person or **\$250,000** for a legal person.

Factors considered in the decision to impose a fine and the amount:

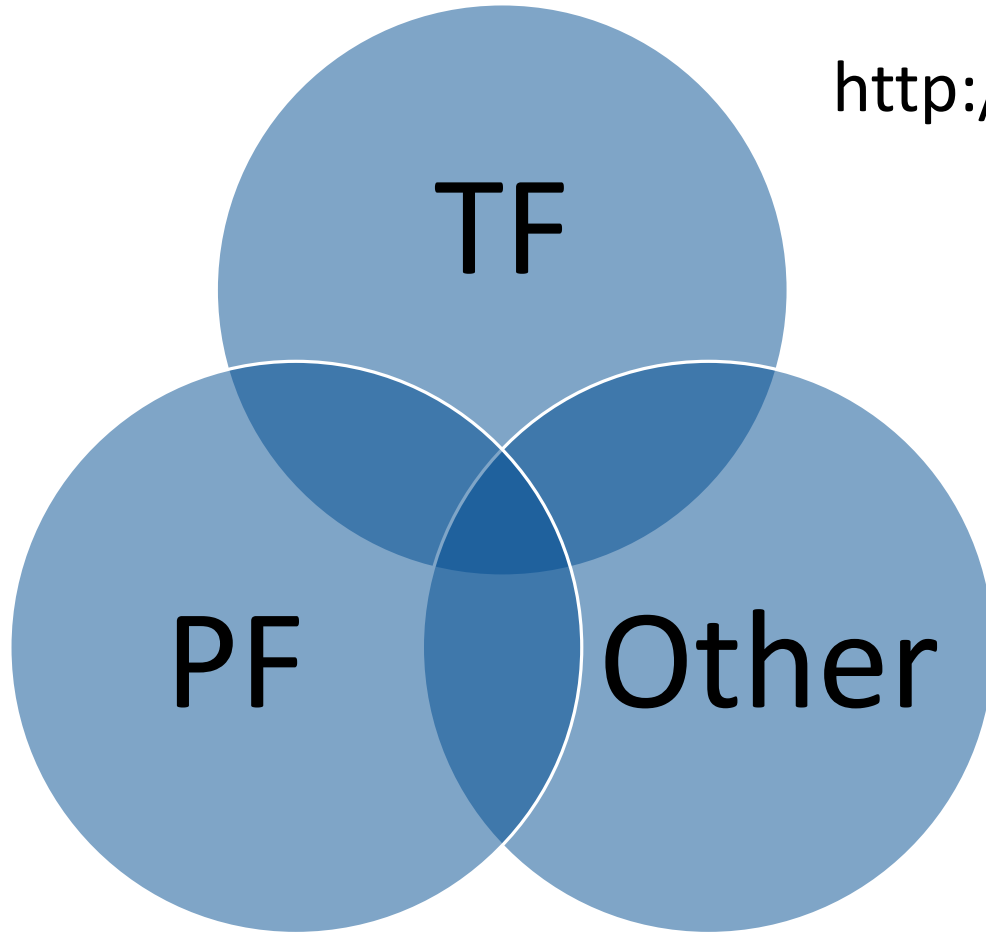
- (a) the nature and seriousness of the contravention committed;
- (b) previous contraventions, the number and seriousness of such contraventions;
- (c) whether the firm has followed CIIPA guidance;
- (d) whether the contravention was deliberate or reckless or caused by the negligence of the firm;
- (e) whether any loss or damage has been sustained by third parties as a result of the contravention;
- (f) whether there has been any gain to the firm as a result of the contravention; and
- (g) the ability of the firm to pay the fine.

## **Referral to Director of Public Prosecutions**

Where there are grounds for alleging that a primary POCL offence has been committed

# Targeted Financial Sanctions

<http://fra.gov.ky/contents/page/1>



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# Next Steps

- Register [www.ciipa.ky](http://www.ciipa.ky)
- Read CIIPA ML TF Risk Assessment
- Read [CIIPA Guidance AML CFT](#)
- Appoint an AML Compliance Officer and MLRO
- Complete Risk Assessment for your firm
- Devise risk based controls for your firm