



# FINANCIAL REPORTING AUTHORITY

CAYMAN ISLANDS GOVERNMENT

PORTFOLIO OF LEGAL AFFAIRS



## ANNUAL REPORT

1 JANUARY - 31 DECEMBER 2020



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## MESSAGE FROM THE DIRECTOR

I am pleased to report on the operations of the Financial Reporting Authority (“FRA”) in this annual report for the 2020 financial year (“the Reporting Period”), which marks the eighteenth reporting period for the FRA.

As an administrative financial intelligence unit, the FRA is responsible for receiving, requesting, analysing and disseminating financial information disclosures concerning proceeds of criminal conduct or suspected proceeds of criminal conduct. Domestically, the investigation of financial crime and associated offences falls under the ambit of local law enforcement agencies.

The FRA received 1,021 cases during the Reporting Period, comprising 850 Suspicious Activity Reports (SARs) from 252 Reporting Entities; 80 Requests for Information and 35 Voluntary Disclosures from 43 overseas Financial Intelligence Units (OFIUs); and 56 Requests for Information from 2 Local Law Enforcements Agencies (LEAs). Overall, there was a 10% decrease in the number of cases received during the Reporting Period compared to the same period in 2019 (1,021 vs 1,138).

During the Reporting Period the FRA performed initial analysis on 885 cases. It also issued 113 directives pursuant to section 4(2)(c) of the Proceeds of Crime Act to amplify or clarify information received. The FRA also made 67 requests for information to overseas FIUs, primarily to assist local law enforcement agencies with investigations.

The FRA closed 757 cases during the Reporting Period, resulting in 270 disclosures to local law enforcement agencies or competent authorities, and 193 disclosures to overseas financial intelligence units.

A detailed breakdown of the cases that were analysed and closed, along with details of the disclosures made by the FRA are detailed in Section III of this annual report.

During the Reporting Period the FRA exercised its powers under section 4(2)(b) of the POCA on six (6) occasions to obtain an order from the Court to order an entity to refrain

from dealing with a person's account for twenty-one days. The assets held by the accounts in question totalled approximately USD205 million.

With regard to staffing, in January 2020 the FRA hired an Administrative Manager. In the second half of 2020, the FRA completed interviews for a Senior Financial Analyst and 2 Financial Analysts.

FRA staff spent significant time during the Reporting Period meeting obligations regarding the jurisdiction's 4<sup>th</sup> Round Mutual Evaluation by the Caribbean Financial Action Task Force ("CFATF"). The key activities included: continued implementation of the action plan to address the Recommended Actions (RAs) stated in the Mutual Evaluation Report (MER); attending monthly committee and working group meetings; preparing the Post Observation Period Report; and preparing for the meeting with the Americas Joint Group. The FRA remains committed to maintaining the progress made in addressing the relevant RAs and ensuring it meets international standards.

A major achievement during the Reporting Period was the FRA's upgrade of its IT infrastructure, culminating in November 2020 when the AMLive Reporting Portal, a web facing solution for the filing of SARs electronically, went live.

During the Reporting Period, the majority of the work undertaken by the Sanctions Coordinator was to address RAs in the MER directly related to Targeted Financial Sanctions (TFS) for terrorist financing (TF) and proliferation financing (PF), including: ensuring the timely communication of TFS; building on the existing industry guidance for TFS and improving awareness of TFS obligations; and improving the coordination and cooperation among domestic agencies regarding PF.

I would like to take this opportunity to recognise and express appreciation to my staff for their continued commitment to the work of the FRA.

**RJ Berry**  
**Director**

## 2020 – HIGHLIGHTS

<b><u>FINANCIAL INTELLIGENCE DISCLOSURES</u></b>		
<b>270 Domestic Disclosures Made</b>		
<b>Top 3 Recipients of financial intelligence disclosures</b>		
<b><u>RCIP-FCU</u></b>	<b><u>CIMA</u></b>	<b><u>CBC</u></b>
218	30	18
<b>6 Refrain from Dealing Orders Issued (assets of approximately (US\$205 million)</b>		
<b><u>Financial Sanctions Implementation</u></b>		
<b>112 Financial Sanctions notices published on website</b>		
<b>CULTURE OF COMPLIANCE</b>		
<b>1,021</b> Cases received		
<b>885</b> Analysis initiated		
<b>757</b> Analysis completed		
<b>GLOBAL CONTRIBUTION</b>		
<b>80</b> Inquiries received from foreign counterparts		
<b>67</b> Inquiries made to foreign counterparts		
<b>193</b> Disclosures to Overseas FIUs		
<b>TOP 3 RECIPIENTS OF OVERSEAS DISCLOSURES</b>		
<b><u>FinCEN (US)</u></b>	<b><u>NCA – (UK)</u></b>	<b><u>Hong Kong</u></b>
60	17	13

## I. LEGAL FRAMEWORK

In 2020, the Cayman Islands changed from having a Legislative Assembly to a Parliament. Shortly after, Parliament passed the Citation of Acts of Parliament Law, 2020; under this statute, pieces of legislation formerly referred to as 'Laws' became 'Acts'.

The Cayman Islands fully understands and accepts that operating a financial services centre involves serious obligations. The Cayman Islands Government enforces a strong anti-money laundering (AML) and countering the financing of terrorism (CFT) regime through the following pieces of legislation:

### 1. The Proceeds of Crime Act (2020 Revision) ("POCA")

The POCA was introduced in 2008 and consolidated in one place the major anti-money laundering provisions, which were previously in three separate pieces of legislation. The POCA re-defined, clarified and simplified offences relating to money laundering and the obligation to make reports of suspicious activity to the FRA. It also introduced the concept of negligence to the duty of disclosure, and imposed a duty to report if the person receiving information knows, suspects, or has reasonable grounds for knowing or suspecting, that another person is engaged in criminal conduct, and such information came to him in the course of business in the regulated sector,

or other trade, profession, business or employment.

It also governs the operations of the FRA.

In addition the Act widened the definition of criminal conduct, which is now defined as any offence committed in the Cayman Islands or any action that would have constituted an offence if committed in the Cayman Islands. As the definition was previously limited to indictable offences, the change simplified the task of assessing whether a particular set of facts falls within the POCA, and further satisfies the 'dual criminality' provisions, which mandate that the FRA may only respond to a request for information from another FIU if the offence being investigated in the overseas jurisdiction is also a crime in the Cayman Islands.

In 2019, the Act was amended to provide, amongst other things, for the receipt by the FRA of cash transaction reports, wire transfer reports and threshold-based declarations or disclosures where the information is required by law. The necessary legislative framework is now in place to implement whatever threshold reporting is decided by the jurisdiction via regulations.

The same piece of amending legislation changed the set-up of the AMLSG adding the Chairman of the Anti-Corruption Commission to its membership and making some other minor amendments to the functioning of the group.



All these amendments are contained in the 2020 Revision.

## **2. Misuse of Drugs Act (2017 Revision) ("MDL")**

The MDL has over the years been amended to give effect to the Cayman Islands' international obligations, and particularly to the United Nations ("UN") Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The MDL contains measures to deal with drug trafficking and the laundering of the proceeds from such activity. The Act empowers the authorities to seize and confiscate drug trafficking money, and laundered property and assets. The Criminal Justice (International Cooperation) Act (2015 Revision) – originally enacted as the Misuse of Drugs (International Cooperation) Law - provides for cooperation with other countries in relation to collecting evidence, serving documents and immobilising criminally obtained assets in relation to all qualifying criminal proceedings and investigations.

## **3. Terrorism Act (2018 Revision) ("TL")**

The Terrorism Act is a comprehensive piece of anti-terrorism legislation that, inter alia, implements the UN Convention on the Suppression of Financing of Terrorism.

The 2018 Revision includes the relevant FATF requirements, particularly with regard to "freezing without delay" and reporting obligations of persons in relation to any United

Nation Security Council Resolutions related to terrorist financing. The FRA has also assumed responsibilities for coordinating the implementation of targeted financial sanctions in relation to terrorist financing.

## **4. Anti-Corruption Act (2019 Revision) ("ACL")**

Brought into effect on 1 January 2010, the ACL initiated the establishment of the Anti-Corruption Commission ("ACC") and also criminalised acts of corruption, bribery and embezzlement of funds.

The ACL seeks to give effect to the UN Convention against Corruption and the Organisation for Economic Cooperation and Development ("OECD") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. International cooperation and asset recovery are important components of this legislation including measures to prevent and detect transfers of illegally acquired assets, the recovery of property and return of assets.

In June 2016 the ACL was amended, empowering the ACC to operate as a separate law enforcement agency.

## **5. Proliferation Financing (Prohibition) Act (2017 Revision) ("PFPL")**

The Proliferation Financing (Prohibition) Act 2010 conferred powers on the Cayman Islands Monetary Authority ("CIMA") to take action against persons and activities that may be

related to terrorist financing, money laundering or the development of weapons of mass destruction. The legislation required CIMA to issue directions, where it reasonably believed that certain activities in these areas were being carried on that posed a significant risk to the interests of the Islands or the United Kingdom (U.K.).

The 2017 Revision brought the PFPL in line with the relevant FATF requirements, particularly with regard to “freezing without delay” and reporting obligations of persons in relation to any United Nation Security Council Resolutions related to proliferation financing. The FRA has also assumed responsibilities for coordinating the implementation of targeted financial sanctions in relation to proliferation financing.

## **6. The Anti-Money Laundering Regulations (2020 Revision) (“AMLRs”)**

This revision of the AMLRs came into force in early 2020 and repealed and replaced the Money Laundering Regulations (2018 Revision). They aligned the anti-money laundering framework in the Cayman Islands with the FATF Recommendations. The new Revision reflected amendments made in November and December 2017; and June and July 2019.

The AMLRs have been amended twice since the Revision was published. Recent amendments have addressed, inter alia, switching to a risk-based threat, enhanced

customer due diligence and eligible introducers, disclosure requirements (including production of information) for persons carrying out relevant financial business and a number of regulations about designated non-financial businesses and professions (DNFBPs). Administrative fines are provided for and are frequently refined.

The latest version of the Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands (the GNs) were published on 5 June 2020. The GNs were amended in February 2021 to incorporate additional guidance to Virtual Asset Service Providers.

## **7. Anti-Money Laundering (Money Services Business Threshold Reporting) Regulations, 2020**

New regulations passed pursuant to section 145 of the Proceeds of Crime Act (2020 Revision) by the Cabinet - and gazetted in November 2020 - impose a duty on money services businesses (as defined) to make quarterly reports to the FRA regarding single or aggregate transactions in any month in the quarter that equal or exceed US\$ 3,500.

## II. THE FINANCIAL REPORTING AUTHORITY

### 1. BACKGROUND

The FRA, known to counterparts worldwide by its Egmont handle “CAYFIN”, is the financial intelligence unit of the Cayman Islands. As such it is the national agency responsible for receiving, requesting, analysing and disseminating financial information disclosures concerning proceeds of criminal conduct, in order to counter money laundering, terrorism, the financing of terrorism or suspicions of any of those crimes.

The FRA has evolved over the years. It began as the Financial Investigation Unit in the early 1980s, operating within police headquarters. In 2000 it underwent a name change to become the Financial Reporting Unit, with the head of unit becoming a civilian post and the appointment of a legal advisor. Line management for operational work was undertaken by the office of the Attorney General. Throughout this period, the role of the unit was to receive, analyse and investigate SARs, in addition to gathering evidence to support prosecutions.

In 2004, the Cayman Islands moved toward an administrative-type unit. The Proceeds of Criminal Conduct (Amendment) Law 2003 (PCCL) created the Financial Reporting Authority, the name by which the unit is presently known. The law, which came into force on 12<sup>th</sup> January 2004, mandated that the FRA become a full-fledged civilian body, and

that its function change from being an investigative to an analytical type FIU. Accordingly its mandate was restricted to the receipt and analysis of financial information, coupled with the ability to disseminate this intelligence to agencies where authorised to do so by the PCCL. Its existence and independence were further enshrined in the POCA, which repealed and replaced the PCCL and came into force on 30<sup>th</sup> September 2008. The investigative mandate is undertaken by domestic law enforcement agencies, including the Royal Cayman Islands Police Service (“RCIPS”), the Cayman Islands Customs and Border Control (“CBC”) and the Anti-Corruption Commission (“ACC”).

### 2. Role and Function

#### SARs

The FRA's main objective is to serve the Cayman Islands by participating in the international effort to deter and counter money laundering and the financing of terrorism.

As noted above, a primary role of the FRA is to receive, analyse, request and disseminate disclosures of financial information, concerning the proceeds of criminal conduct, suspected proceeds of criminal conduct, money laundering (ML), or suspected money laundering, all of which are derived from any criminal offence committed in these islands or overseas if the criminal act satisfies the dual criminality test set out in the POCS; or the financing of terrorism (FT) which can be legitimately obtained money or the proceeds of criminal conduct as defined in POCA.

The FRA also serves as the contact point for international exchanges of financial intelligence within the provisions of the POCA.

Financial intelligence is the end product of analysing one or several related reports that the FRA is mandated to receive from financial services providers and other reporting entities. Our ability to link seemingly unrelated transactions allows us to make unique intelligence contributions to the investigation of money laundering and terrorist financing activities.

A key priority for the FRA is to provide timely and high quality financial intelligence to local and overseas law enforcement agencies through their local FIU, in keeping with the statutory requirements of the POCA.

### TFS

The FRA is responsible for ensuring the implementation of targeted financial sanctions with respect to terrorism, terrorism financing, proliferation, proliferation financing, and other restrictive measures related to anti-money laundering (AML) and combatting both the financing of terrorism (CFT) and the financing of proliferation (CFP) from and within the Cayman Islands.

The Sanctions Coordinator (SC) plays a critical role in the implementation and enforcement of these targeted financial sanctions and other restrictive measures, and in developing and

enhancing the jurisdiction's AML/CFT regime, while ensuring ongoing compliance with international standards and best practices.

During the Reporting Period, the majority of the work undertaken by the Sanctions Coordinator and the FRA was to continue to address RA in the MER directly related to TFS for TF and PF. The major accomplishments during the Reporting Period include:

- Timely Communication of Notices
  - Ensure ongoing timely publication and distribution of TFS Notices - current average of 1-4 hours,
  - 112 Financial Sanctions Notices (2019: 72) were published on the FRA Website.
  
- Outreach and Training
  - Presentations were made at 2 outreach events organised by the National Coordinator's Office; 2 presentations at a private sector organised event and to a private entity on TFS related to TF and PF.
  - Presentation to a government agency on TFS related to TF and PF, proliferation financing and potential risk associated with aircraft registration.
  
- Guidance
  - On 21 February 2020, the FRA also updated its TFS Industry Guidance by including new information to help relevant institutions and businesses and professions in discharging their

- obligations under the sanctions regimes. All the outreach conducted by the SC conveyed information relating to reporting obligations, as included in the guidance. On the same date the FRA also published a Guide to Identifying Proliferation Financing which focuses on indicators of possible proliferation financing risks and suggests tools that relevant institutions and businesses or professions should implement and incorporate to counter proliferation financing. Both documents are available to the public on the FRA's website.
- On 24 April 2020 and 22 July 2020 the FRA updated its published a List of Financials Sanctions Targets By Regimes implemented in the Cayman Islands (originally published on October 18 2019), together with the associated principal Overseas Orders in Council and their amendments.
  - On 10 December 2020 the FRA published a Public Notice on the introduction of the Global Human Rights Sanctions Regime in the Cayman Islands.
  - On 29 December 2020 a Public Notice was published informing all relevant institutions, businesses or professions of the changes to the sanctions framework in the United Kingdom (UK) as a result of its decision to exit the European Union (EU) (aka BREXIT).
- Cooperation and Coordination

In April 2019, the Cayman Islands reviewed its co-operation and co-ordination mechanisms and established the **Proliferation Inter Agency Group (PIAG)**. PIAG is a sub-committee of the Inter- Agency Coordination Committee (IACC), to provide a more focused approach on the implementation of PF-related matters. The SC is the Chairperson and members are representatives from CIMA, AMLU, FRA, DCI, GR, FCU, the Office of the Director Public Prosecution (ODPP), Customs & Border Control (CBC), the Ministry of Financial Services (MFS), Maritime Authority of the Cayman Islands (MACI) and the Ministry of Finance and Economic Development. The core purpose of PIAG is to ensure coordination and cooperation in the area of PF and to help equip FIs and DNFBPs with a better understanding of PF risks in order to successfully mitigate against those risks. PIAG undertook a Proliferation Financing Threat Assessment (PFTA) which was finalized in May 2020. The PFTA identifies, discusses and ultimately assesses the PF threats and vulnerabilities faced by competent authorities and the underlying threats to the Cayman Islands as an international financial centre. It also outlines the current efforts to address these threats and vulnerabilities. This

- assessment enables government agencies to better understand their vulnerabilities, enhance domestic coordination and cooperation, and allow for resources to be allocated to areas of greater risk. The PFTA will contribute to the development of a PF risk assessment. The PFTA is published on the AMLU's website.
- o Building upon the foundation that was laid at the UNODC training in March 2019, PIAG coordinated training on Countering PF that was facilitated by the Alpha Project of Kings College London, during the week of 3 February 2020. The training was delivered to 111 participants in total, 52 persons from government agencies, with responsibilities for AML/CFT/CPF, CILPA and CARA, and 59 persons from the private sector (Banks, Money Services Business, Insurance, Lawyers, TCSPs, Investment Fund Administrators, Real Estate, Accountants), deemed to be at higher risk for PF.
  - o The FRA also published guidance on Identifying Proliferation Finance on its website in February 2020.

### **3. Organisational Structure and Management**

The FRA is a part of the Cayman Islands Government's Portfolio of Legal Affairs. The head of this portfolio is the Hon. Attorney General. In addition, the FRA reports to the AMLSG, a body created by the same statute as

the FRA. The AMLSG is chaired by the Hon. Attorney General and the membership comprises the Chief Officer in the Ministry responsible for Financial Services or the Chief Officer's designate (Deputy Chairman), the Commissioner of Police, the Director of CBC (formerly the Collector of Customs), the Managing Director of CIMA, the Solicitor General, the Director of Public Prosecutions, the Chief Officer or Director, as the case may be, of the department in Government charged with responsibility for monitoring compliance with anti-money laundering and counter terrorism measures for Designated Non-Financial Businesses and Professions ("DNFBPs") and the Chairman of the ACC (added in 2019). The Director of the Financial Reporting Authority is invited to attend meetings, as is the Head of the Anti-Money Laundering Unit, who also serves as secretary.

The AMLSG has responsibility for oversight of the anti-money laundering policy of the Government and determines the general administration of the business of the FRA. It also reviews the annual reports submitted by the Director, promotes effective collaboration between regulators and law enforcement agencies and monitors the FRA's interaction and cooperation with overseas FIUs.

The FRA believes that a healthy and well managed organisation sustains performance. In particular, it maintains strong focus on the effective management of human, financial and technical resources.

At 31 December 2020, the FRA staff comprised a Director, Legal Advisor, Sanctions Coordinator, Senior Accountant, two Senior Financial Analysts, 6 Financial Analysts and an Administrative Manager, all having suitable qualifications and experience necessary to perform their work.

It is expected that all staff abide by the highest standards of integrity and professionalism. In particular, the FRA places great emphasis on the high level of confidentiality demanded by its role, as well as the financial industry with whom it interacts. It is the FRA's belief that staff should have the appropriate skills to carry out their duties, and thus provides specialised training suited to individual responsibilities, in addition to continuing education to ensure that staff remain up-to-date with industry and regulatory developments crucial to the effective functioning of the FRA.

During the Reporting Period, staff completed 28.5 days of 'in person' training through local workshops and conferences, including a Counter Proliferation Finance Course presented by Kings College London, Awareness and Understanding of Investment Funds presented by the National Coordinator's Team and a Workshop on Crypto Assets presented by the Office of the Director of Public Prosecutions, the Cayman islands Bureau of Financial Investigations and the FRA.

Staff also attended / completed online training, including Trade Based Money Laundering presented by the United Nations Office on

Drugs and Crime, online FIU Connect modules provided by ManchesterCF or other virtual seminars presented by several training providers on a variety of topics, including: Terrorist Financing, Trade-Based Money Laundering, Environmental Crimes, Human Trafficking, Illegal Wildlife Trade as a Financial Crime / Wildlife Trafficking and International Public Corruption.

FRA Staff also participated in and gained valuable experience from the 72 days spent representing the FRA at the 51<sup>st</sup> CFATF Plenary, Egmont Meetings, as well as outreach events for reporting entities.

#### **4. Protecting Confidentiality of Information**

The POCA provides the framework for the protection of information obtained by the FRA. Furthermore a layered approach to security has been adopted for the FRA's office and systems. Protecting financial information received from reporting entities is a critical function of the FRA. Computer security measures include advanced firewalls to prevent unauthorised access to our database. In addition staff are aware of their responsibilities to protect information, and severe penalties exist, under the POCA, for the unauthorised disclosure of information in our possession and control.

The FRA constantly reviews its security procedures to ensure that those procedures remain current in its continued effort to maintain confidentiality.

## 5. Relationships

### Working with Financial Service Providers and Other Reporting Entities

The FRA recognises that the quality of the financial intelligence it produces is shaped directly by the quality of reports it receives from financial service providers and other reporting entities. If reporting entities are to produce insightful and relevant reports of superior quality, it is of utmost importance that they understand and are able to comply with the requirements of the POCA to which they are subject.

Recognising the vital importance of working with financial service providers and other reporting entities to raise awareness and understanding of their legal obligations under the POCA, the FRA meets with MLROs to share matters of mutual interest.

### The Egmont Group

The Egmont Group of FIUs is an international, officially recognised body through the adoption of the Egmont Charter in the May 2007 Plenary held in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada. Its membership as at July 2019 comprises 164 countries. It sets standards for membership as well as expanding and systematising international cooperation in the reciprocal exchange of financial information within its membership. The Cayman Islands' commitment to abide by the Egmont Group Principles for Information Exchange preceded its admission to full Egmont membership in

2000. The FRA will continue to participate in the Egmont Working Groups, Plenaries and the Heads of FIU meetings.

### Memoranda of Understanding (MOUs)

The FRA can exchange information with other financial intelligence units around the world with regards to information in support of the investigation or prosecution of money laundering and/or terrorist financing. However some FIUs are required by their domestic legislation to enter into arrangements with other countries to accommodate such exchanges. In this context the FRA is empowered by the POCA to enter into bilateral agreements with its counterpart giving effect to the global sharing of information.

The FRA did not enter into any new MOUs with FIUs during the Reporting Period; however, it has signed and exchanged MOUs with the following 20 FIUs as of 31 December 2020:

Australia, Canada, Chile, Guatemala, Guernsey, Honduras, Indonesia, Israel, Jamaica, Japan, Mauritius, Nigeria, Panama, Poland, Republic of Korea (South Korea), the Russian Federation, Saint Vincent and the Grenadines, South Africa, Thailand and the United States.

### The Caribbean Financial Action Task Force

The CFATF is an organisation of states of the Caribbean basin that have agreed to implement common countermeasures to address the problem of money laundering. It was established as the result of meetings convened in Aruba in



May 1990, and Jamaica in November 1992. CFATF currently has 25 member countries.

The main objective of the CFATF is to achieve implementation of, and compliance with, recommendations to prevent and combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

The Mutual Evaluation Programme (MEP) is a crucial aspect of the work of the CFATF, as it helps the CFATF Secretariat ensure that each member state fulfills the obligations of membership. Through this monitoring mechanism the wider membership is kept informed of what is happening in each member country that has signed the MOU. For the individual member, the MEP represents an opportunity for an expert objective assessment of the measures in place for fighting money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

#### The FATF Recommendations and Methodology

Following the conclusion of the third round of mutual evaluations of its members, the FATF reviewed and updated the FATF Recommendations, in close co-operation with the FATF-Style Regional Bodies (which includes the CFATF) and the observer organisations.

The FATF Recommendations (2012) ("the Recommendations") have been revised to strengthen global safeguards and further protect the integrity of the financial system by

providing governments with stronger tools to take action against financial crime.

The FATF revised its Methodology in 2013, setting out the basis for undertaking assessments of technical compliance with the Recommendations. For its 4<sup>th</sup> round of mutual evaluations, the FATF has adopted complementary approaches for assessing technical compliance with the Recommendations, and for assessing whether and how the AML/CFT system is effective. Therefore, the Methodology comprises two components:

- a) The technical compliance assessment addresses the specific requirements of the Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities.
- b) The effectiveness assessment seeks to evaluate the adequacy of the implementation of the Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected results.

### III. PERFORMANCE REPORTING

#### 1. Receiving Information - Suspicious Activity Reports (SARs)

The FRA receives information from reporting entities relating to suspected money laundering, proceeds of criminal conduct, terrorism and the financing of terrorism through SARs. It also receives requests for information from local law enforcement agencies, CIMA and overseas FIUs. SARs and requests for information are collectively referred to as cases in this report.

Upon receipt, each case is examined to ensure that the report contains all the required data. The case is then assigned a reference number and data from the case is entered into the FRA's SAR database.

During the Reporting Period, the FRA received 850 SARs from 252 different reporting entities. This number excludes the 43 overseas FIUs that requested information from the FRA, or voluntarily disclosed information to the FRA. SARs received from the 252 reporting entities are classified in the succeeding table according to the licence / registration that they hold with CIMA, if they are a regulated / registered entity. Reporting entities that are not regulated are classified according to the type of service that they provide. Regulated / registered entities are shown as part of the following sectors regulated by CIMA: banking, fiduciary services, insurance services, investment funds and fund

administrators, money transmitters and securities investment businesses.

Designated Non-Financial Businesses and Professions (DNFBPs) consist of law practitioners, accounting professionals, real estate brokers, and dealers of high value items.

The number of reporting entities decreased from 262 in 2019 to 252 in 2020. Reporting entities in the banking sector continue to be the largest source of SARs.

The number of cases filed under each of those sectors and the DNFBPs are as follows:

Sector	No of Cases
Banking	239
Money transmitters	128
Fiduciary services	135
Investment funds and fund	
Administrators	122
Insurance services	74
DNFBPs	71
Securities investment businesses	36
LEAs & Competent Authority	21
Others	24
Requests for Information – Domestic	56
Disclosures & Requests for Information – Overseas	115
<b>Total No of Cases</b>	<b>1,021</b>

Anyone who files a SAR has a defence to any potential related money laundering or terrorist financing offences. SARs filed under the POCA do not breach the Confidential Information Disclosure Act, 2016, nor do they give rise to any civil liability. An important exception to this rule is that it is no defence to such liability, if the person making the report is also the subject of the report.

Chart 3.1 on the succeeding page shows the total number of reports by financial year since 2015/2016. The FRA received 1,021 new cases during the Reporting Period. Since fiscal year 2013/2014, the FRA has used its existing risk ranking for cases to determine which reports are to be expedited while the rest are dealt with in accordance with existing timetables. The existing risk ranking for cases allows the FRA to efficiently focus its resources.

The FRA is of the view that its ongoing outreach and the continued vigilance of reporting entities is vital in the fight against money laundering and terrorist financing.

The average number of cases received per month in 2020 was 85, compared to 95 cases per month in 2019. While not noticeable in the monthly average, we are of the view that the decline in the number of reports can at least in part be attributed to the Cayman Islands 'Shelter in Place' regulations that ran from March to June 2020. During the said period retail banking and money services business activities appear to have been curtailed.

Chart 3.2 on the next page shows 220 reports in a 'one-off' event in December 2017. In the 2019 Annual Report the format of this chart was revised to show SARs received from January to December. In prior years it reflected the reporting period that ran from July to June.

A total of 1,911 subjects were identified in cases (see Chart 3.3 on page 19), comprising 1,245 natural persons and 666 legal entities.

121 natural persons and 60 legal entities were the subject of multiple SARs.

In some cases, particularly where the service provider has limited information about a counterpart to the transaction, the nationality or domicile of the subject is not known. This is also the situation in those reports relating to declined business and scams. There are also instances when a requesting overseas FIU does not have complete details regarding the nationality of all the subjects of their request. During the year, the number of subjects with unknown nationality or country of incorporation was 302, comprising 235 natural persons and 67 legal entities.

The number of subjects whose nationality or country of incorporation is not identified declines from 302 to 128 when subjects of request for information from domestic law enforcement agencies and overseas FIUs are excluded. Banks also contributed subjects whose nationality or country of incorporation is not identified, totalling 43.

Charts 3.1 and 3.2 on the next page do not include SARs received during the Reporting Period that were updates to a previously submitted report that is pending. As a consequence, the subjects of those updates are not included in the number of natural persons and legal entities identified as subjects of SARs in Chart 3.3 on page 19.

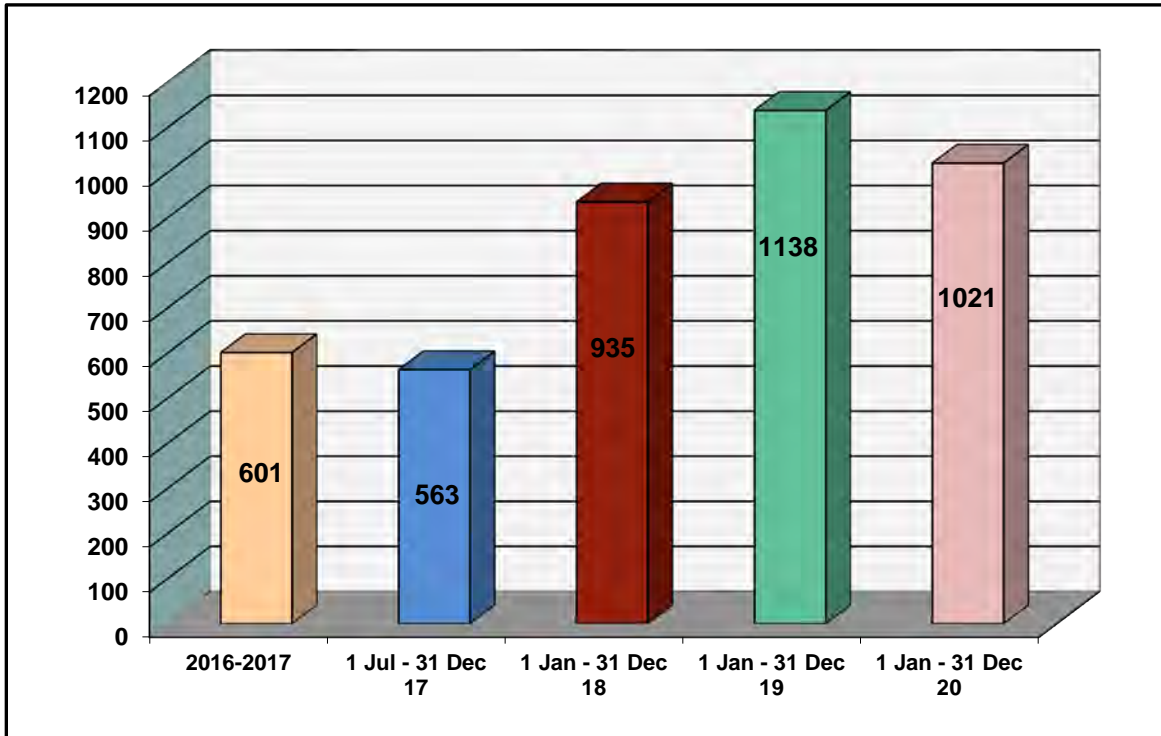


Chart 3.1: Total cases by financial year / Reporting Period

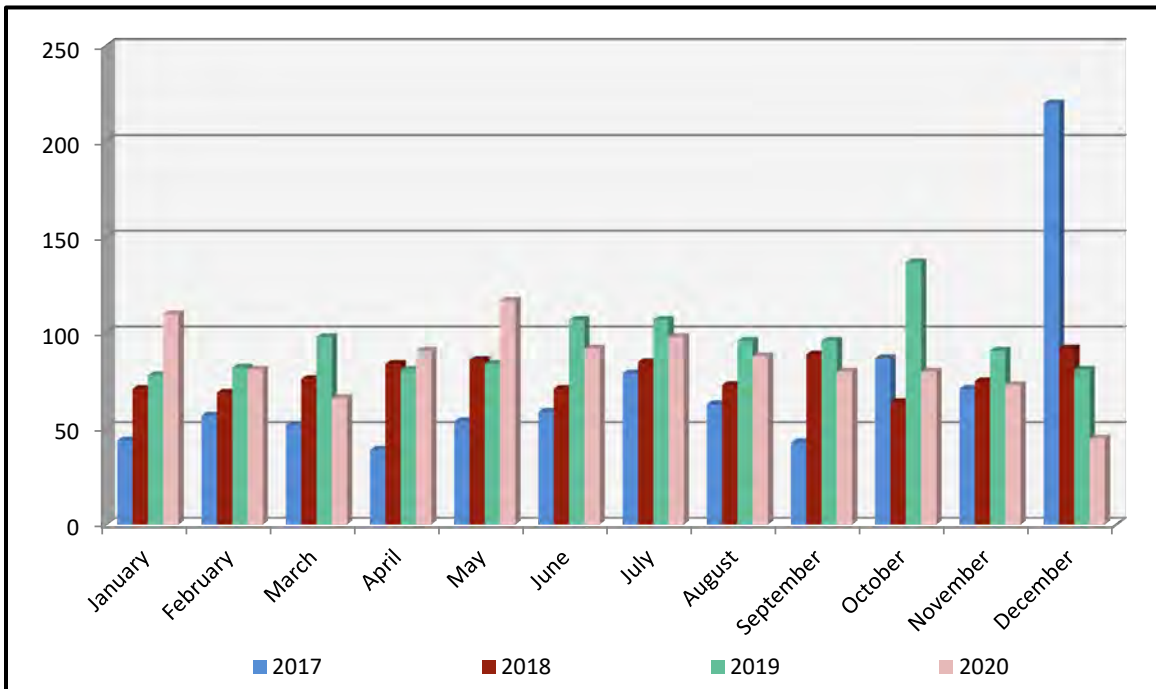


Chart 3.2: Comparison of monthly cases received

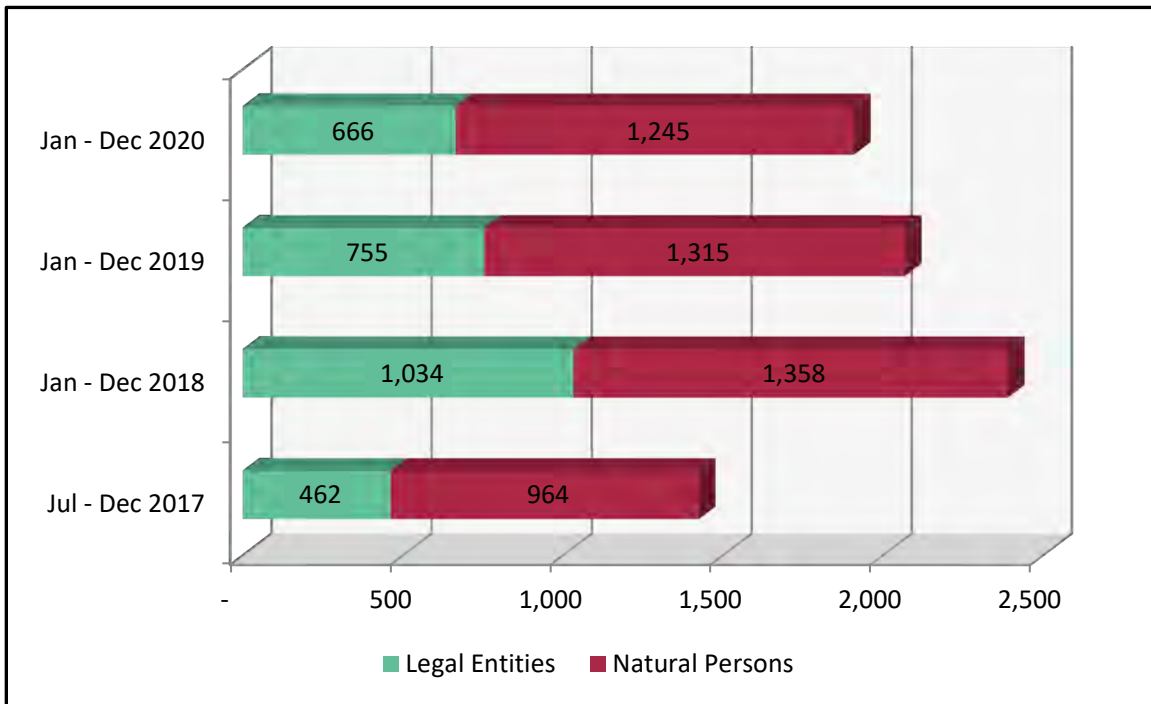


Chart 3.3: Number of subjects by financial year / Reporting Period

Countries of Subjects Reported

The international scope of the Cayman Islands’ financial services industry is reflected in the wide range of subjects’ countries reported in cases. The “Countries of Subjects” chart on the succeeding page lists 110 different countries for the subjects of the reports. In light of the international character of the subjects reported, our membership of the Egmont Group has proven to be a valuable resource for information exchange and requests, and has enhanced the analysis of information reported in the development of intelligence.

The greatest number of subjects was classed as Caymanian, totalling 472; 86 were Caymanian nationals (natural persons) and 386 were legal entities established in the Cayman Islands. The United States was second largest nationality of subjects with 131 natural persons and 21 legal entities. The United Kingdom with 84, comprising

69 natural persons and 15 legal entities was third, followed by: Jamaica with 67 natural persons; and Brazil with 57, 46 natural persons and 11 legal entities. Together these five countries account for 832 subjects, which represents 44% of the total.

The British Virgin Islands, Canada, Peru, Turkey, Peoples Republic of China, Philippines, Taiwan, Namibia, Venezuela, India, Italy and Russia are the country of nationality for between 20 to 60 subjects.

Hong Kong, Syria, Colombia, Pakistan, Bahamas, Switzerland, Belize, Saudi Arabia, Ecuador, Japan, South Korea, Trinidad and Tobago, Cuba, Honduras, New Zealand, Argentina, Australia, Cyprus, Luxembourg, Mexico, Nicaragua, Panama, Singapore, Spain, United Arab Emirates, Guernsey, Indonesia, Malaysia, Netherlands, Uruguay, Dominican Republic, Kuwait and Senegal are the country of nationality for between 5 to 19 subjects.

The category "Others" in Chart 3.4 comprises the following countries with 4 or less subjects: Angola, Denmark, France, Germany, Guatemala, Israel, Jordan, Malta, Romania, Sweden, Austria, Bermuda, Bulgaria, El Salvador, Moldova, Seychelles, St. Kitts and Nevis, Bangladesh, Barbados, Curacao, Egypt, Haiti, Ireland, Kenya, Lebanon, Nigeria, Poland, Portugal, Uzbekistan, Aruba, Bahrain, Belgium, Botswana, Chile, Cook Islands, Costa Rica, Croatia, Gabon, Greece, Grenada, Guinea, Guyana, Iraq, Isle of Man, Kazakhstan, Latvia, Mauritius, Monaco, Morocco, Papua New Guinea, Paraguay, Saint Vincent & the Grenadines, St. Lucia, Thailand, Tanzania, The Democratic Republic of the Congo, Uganda, Ukraine, Zambia and Zimbabwe.

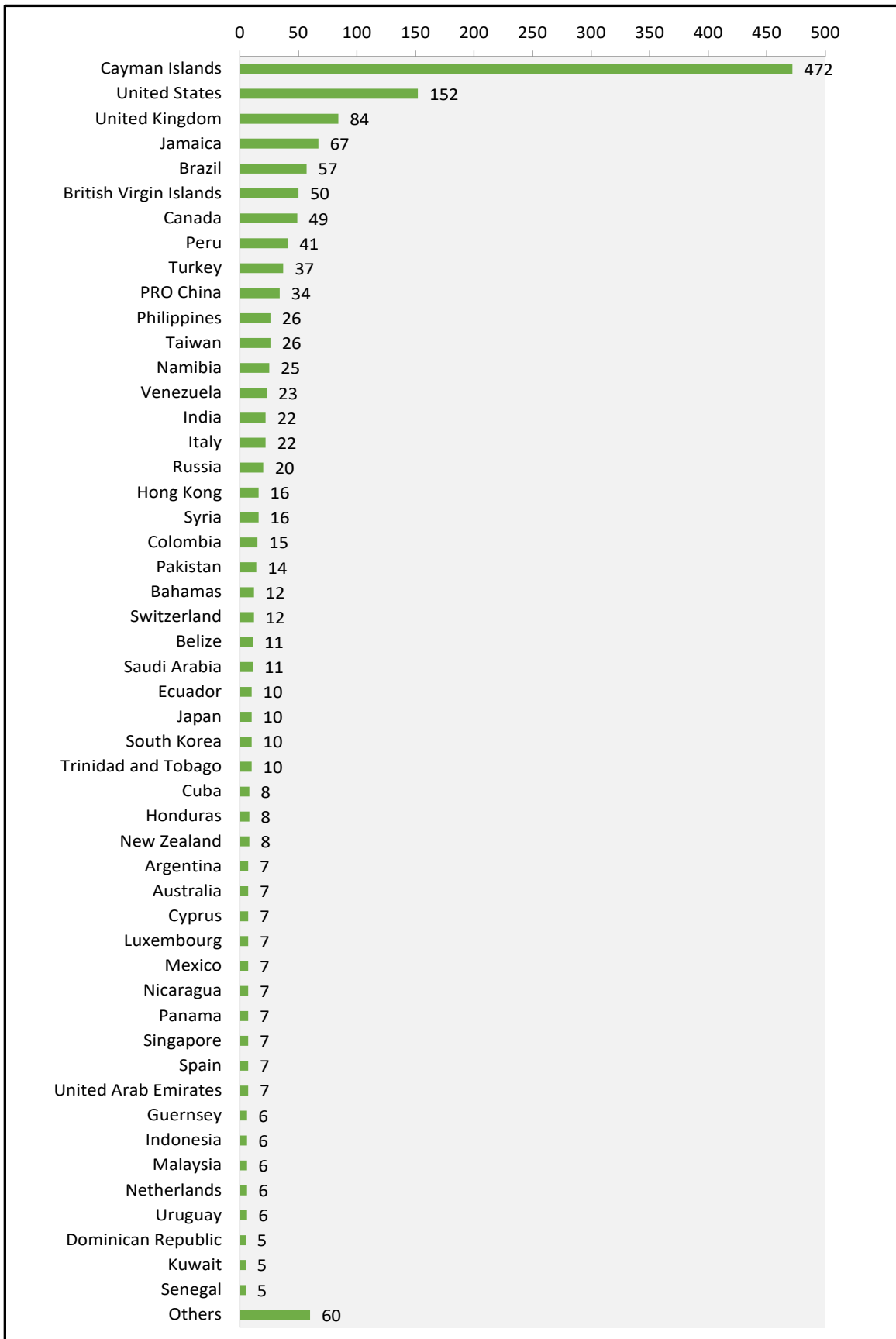


Chart 3.4: Countries of subjects in SARs reported in the Reporting Period

Sources of Cases

Chart 3.5 shows a detailed breakdown of the sources of cases. CIMA regulated financial service providers submitted a substantial portion of the cases that the FRA received. The seven largest contributors were:

- Banks - 239
- Money Transmitters – 128
- Overseas Financial Intelligence Units – 115
- Company Managers / Corporate Service Providers – 86
- Law Enforcement Agencies & Competent Authorities - 77
- Insurance Businesses – 74
- Mutual Fund Administrators - 62
- Investment Funds – 60

Banks continue to be the largest source of SARs, with 239 reports filed by 31 banks or banking type entities, comprising: 156 cases filed by 8 Class A banks; 80 cases filed by 21 Class B banks; 2 cases filed by a Credit Union and 1 case filed by a Building Society. This compares to 301 reports filed by 31 banks or banking type entities during 2019, comprising: 199 cases filed by 11 Class A banks; 98 cases filed by 20 Class B banks; and 4 cases filed by a Building Society.

Money Transmitters filed 128 SARs in 2020, 37% less than the 202 SARs filed during 2019. Mutual Fund Administrators filed 62 SARs, a 25% decrease compared to 83 in 2019.

Trust Businesses and Company Managers / Corporate Service providers continue to be a significant source of SARs with a combined 135

SARs filed during the Reporting Period, compared to 156 in 2019.

Law Enforcement Agencies & Competent Authorities account for 77 cases filed during the Reporting Period; 56 of these were requests for information while 21 were SARs. This was 64% increase from the 47 cases in 2019.

Insurance Businesses filed 74 SARs during the Reporting Period, which is comparative to the 75 filed in 2019. Mutual Fund Administrators filed 62 during the Reporting Period, the same number of reports filed in 2019.

Investments Funds, comprising Mutual Funds and Private Funds, filed 60 reports, an increase of 22% from the 49 reports received in 2019.

The largest number of SARs received from DNFBPs came from law practitioners (42). Other DNFBPs filing SARs included: accounting professionals, real estate brokers, second-hand dealers and dealers of high value goods.



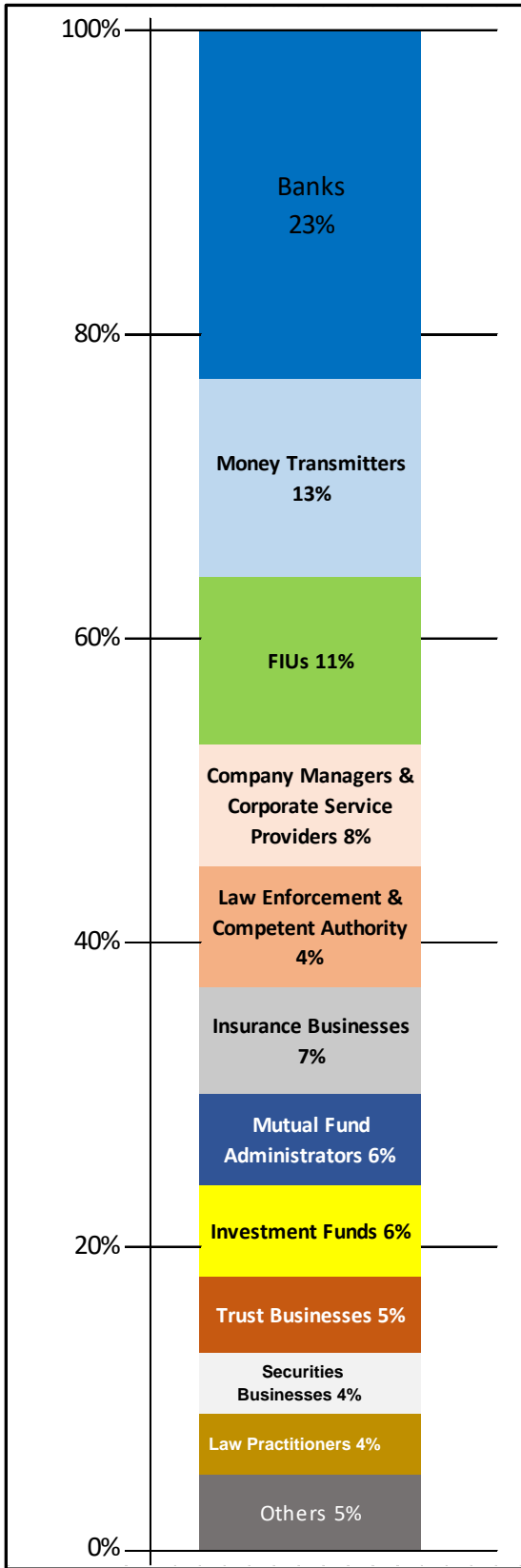


Chart 3.5: Sources of Cases

## 2. Analysing Information

The FRA conducts in-depth research and analysis by matching data in the SAR to existing records and intelligence information in the SAR database, as well as to information contained in other external databases. An important element of the FRA's analysis is the ability, provided for by the POCA, to request information from any person, in order to clarify or amplify information disclosed in a report, or at the request of an overseas FIU. Failure to provide this information within 72 hours is an offence under the POCA. A second important element is the FRA's ability to request and exchange information with Egmont Group members.

Consistent with the provisions of the POCA, the FRA made 113 requests locally to clarify or amplify information received in 100 cases; 63 of these requests were to the SAR filer with the other 50 going to third parties. The majority of the information requested consisted of: financial information, such as account statements and details of specific transactions; beneficial ownership (including registers); and constitutional documents. The FRA also made a request to a domestic agency for information.

A total of sixty seven (67) requests for information were made to thirty eight (38) overseas FIUs in connection with fifty seven (57) cases. Sixty six (66) requests were to Egmont member FIUs via the Egmont Secure Web and 1 was made via an encrypted email. Forty three (43) of those requests were made on behalf of local law enforcement agencies. These requests greatly assisted the FRA in

determining whether to make disclosures to local law enforcement, as well as to overseas FIUs, or to assist local law enforcement with their investigations. Chart 3.6 below shows the number of requests made locally and overseas by financial year since 2016/17.

Upon completion of the analysis, an assessment is made to determine if the analysis substantiates the suspicion of money laundering, financing of terrorism or criminal conduct. If, in the opinion of the Director, this statutory threshold is reached, the FRA discloses the information to the appropriate local law enforcement agency, Supervisor or overseas FIU.

Additionally, the provisions of section 4(2)(ca) of the POCA allow the FRA, in its discretion or upon request, to disclose information and the results of its analysis to local law enforcement, CIMA and any public body to whom the Cabinet has assigned the responsibility of monitoring AML, in cases where the threshold of suspicion of criminal conduct has not been met.

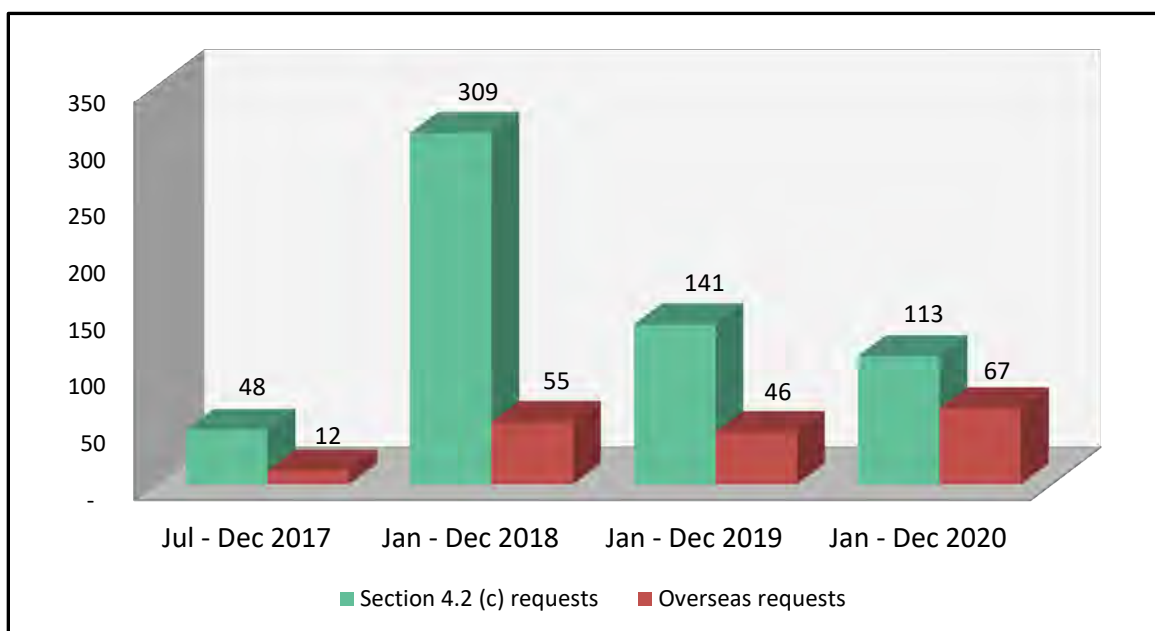


Chart 3.6: Number of request made locally and overseas

### SARs Trend Analysis

The five most common reasons for filing reports during the Reporting Period were:

- suspicious financial activity – 375
- fraud – 267
- money laundering – 131
- tax evasion – 48
- corruption – 45
- declined business - 45

Table 3.7 below provides a detailed breakdown of the reasons for suspicion.

Reason	%
Suspicious Activity	37%
Fraud	26%
Money Laundering	13%
Tax Evasion	5%
Corruption	4%
Declined Business	4%
Regulatory Matters	2%
Sanctions	2%
Drug Trafficking	1%
Others	6%
<b>Total</b>	<b>100%</b>

Table 3.7: Reasons for suspicion

### Suspicious Financial Activity

A large number of reports filed with the FRA are due to 'suspicious activity', wherein the reporting entity is noticing more than one unusual activity but could not arrive at a specific suspicion of an offence. The FRA recognises that this is a perfectly valid reason to submit a SAR.

After detailed analysis by the FRA, many of these reports fail to meet the statutory threshold for disclosure. Nevertheless, they form a vital part of intelligence gathering and help build a clearer picture of the money-laundering threat to the Islands and help safeguard against criminal elements.

Some of these suspicious activities when matched to information in the FRA's SAR database have led to the identification of criminal conduct or suspicions of criminal conduct.

In an effort to provide a more detailed breakdown of what types of activities were deemed suspicious by SAR filers, we have grouped the reports by the most recognizable of the activities as follows:

- a) **117 reports that involve unusual conditions or circumstances:** Unusual conditions or circumstances include: an approach made by local authorities for information about a customer or an account; unusual inquiries or requests by account holders; suspicions about the physical condition of the money / asset being transacted, and could also include concerns about the sources of those funds.
- b) **81 reports about transactions inconsistent with client profile:** Reports about transactions that are inconsistent with the established client profile include reports where the FSP identified that its client's recent transactions do not match the profile initially provided when the account was established and the client's explanation for the transactions appears to raise further questions.
- c) **80 reports regarding inadequate and / or inconsistent information:** Reports with inadequate and / or inconsistent information provided are those where the reporting entities have received inadequate information or deemed responses to their continuing due diligence inquiries as being evasive, incomplete or inconsistent.
- d) **55 reports of transactions that appear to be structured to avoid reporting thresholds:** These include reports from: money remitters about customers keeping their remittance below a certain amount so as to avoid having to provide source of funds or other KYC information; and banks where there appear to be attempts to break transactions into smaller amounts to avoid reporting thresholds, as well as reports about multiple overseas cash withdrawals via ATMs.
- e) **23 reports about activities that appear to lack economic purpose:** Reports about activities that appear to lack economic purpose include those that involve complex structures where payments appear to merely pass through accounts. It also includes reports about funds being withdrawn from insurance policies within a relatively short period of time from their establishment.
- f) **19 reports regarding high volume transactions:** Reports about high volume transactions, including those involving cash, consist of reports about subjects making multiple cash transactions (i.e., deposits, withdrawals or remittances); as well as accounts that have a noticeable high volume compared with similar accounts. Most of the time these would also involve suspicions about the sources of funds being remitted or deposited.

## Fraud

Fraud was the second most common reason for the filing of suspicious activity reports. Included in this category are bank fraud, securities fraud, internet fraud and other financial scams. During 2020 the FRA received reports regarding the following:

### *Bank Fraud*

Cases about bank fraud generally involved the use of illegal means to obtain money, assets, or other property owned or held by a financial institution, or to obtain money from depositors by fraudulently posing as a bank or other financial institution. This can involve the use of the internet or online schemes. Included in reports about bank fraud are account take-over schemes, forged cheques, cheque kiting, debit or credit card skimming and fraudulent bank reference letters.

Business Email Compromise (BEC) frauds have become the most prevalent form of account takeover schemes identified in SARs and continues to be a serious concern and threat. BEC is where a compromised or spoofed email account is used by fraudsters to issue fraudulent payment instructions to transfer money from bank accounts. Based on SARs received in 2020, US\$9 million was lost to these schemes (there are ongoing efforts to recover US\$6 million) and the attempted misappropriation of a further US\$17.3 million was prevented by mitigating procedures. In 2019, US\$1.4 million was lost to these schemes and the attempted misappropriation of a further US\$67.7 million was prevented by mitigating procedures.

Fraudsters exploit the amount of time that the fraud remains undiscovered by quickly moving the money into mule accounts. Most filings reported companies initially being contacted via emails that were made to appear similar to those of the legitimate users.

Internet fraud and online schemes have been an area of concern for law enforcement. Just as technology has become an integral part of business and government processes, criminals also have come to rely on technology as a tool to support their illegal operations. Based on reports received, banks and their customers continue to be the target of phishing and account take-over schemes.

### *Investment/Securities Fraud*

Investment/Securities Fraud, more specifically insider trading and stock manipulation, are regularly identified as reasons for suspicion. Most of these reports received during the Reporting Period raised suspicions that the services of Cayman Islands based financial service providers are being abused to facilitate deceptive practices in the stock or commodities markets. Other reports raised suspicions that assets owned by an individual or entity that has been the subject of adverse reports regarding insider trading and stock manipulation may be tainted with the proceeds of an illegal scheme and that the reporting entity could not confirm or eliminate such possibility. A smaller portion of those reports are about actual transactions that give rise to suspicion of trading on insider information or schemes that manipulate stock values.

*Unlawful schemes and other financial fraud*

Suspicious of fraud through unlawful schemes, or other financial fraud, include those that involve the use of deception such as ponzi schemes, pyramid schemes, mortgage fraud schemes and advance fee frauds. Some of the reports received also identified subjects absconding with investor funds.

The FRA continues to receive SARs from money service businesses about “person in need schemes or romance schemes”, which appear to be a variation of advance fee fraud schemes. The reports were mostly about victims of this type of fraud who were identified by MSBs as sending money to individuals that they do not personally know. These victims are usually of advanced age or with philanthropic desires to help individuals. The explanation for the purpose of the transaction is usually as a gift or financial assistance.

In prior years, the FRA received reports about fraudulent overpayment schemes that target Cayman Islands based online consumer-to-consumer shopping websites. In this scheme, the buyer claims to be from overseas and creates an excuse to make payment in the form of a cashier's cheque, money order or personal cheque for more than the selling price. They then instruct the seller to wire them back the extra money. The cheque the buyer sends bounces and the seller is then liable for the total amount of the cheque. More recent reports received by the FRA identified a variation of this counterfeit cheque overpayment scam that targets Cayman Islands based real estate

brokers by posing as individuals wishing to acquire or rent property in the Cayman Islands.

The number of reports about debt collection scams where the perpetrators claim to be international clients with large commercial accounts that need to be placed with a local collection agency for collection has continued to decrease; however, these types of fraud continue to occur, albeit less frequently, as evidenced by the occasional SAR still being received.

Other cases where fraud or some form of deception have been suspected include cases about excessive fees charged by a financial service provider, suspicions of breach of investment guidelines, allegations of misappropriation of funds or suspicions of fraudulent financial reporting.

**Corruption**

The ACL, as well as global benchmarks in anti-bribery legislation like the UK's Bribery Act 2010 and the US Foreign Corrupt Practices Act (“FCPA”) continue to keep the focus of bribery and corruption firmly into the minds of those operating businesses in the Cayman Islands.

The Lava Jato (Operation Carwash) investigation in Brazil and other major cases have exposed the networks of corruption that connect elites at the highest levels of government and business—including transnationally—and the degree to which policy and politics have been merged in a form of state

capture<sup>1</sup>. As the network of these individuals and companies were exposed, reporting entities have reviewed their accounts, heightened the monitoring and scrutiny of transactions that are linked to accounts identified and have reported activities that appear unusual. This has led to an increase in SARs that identify foreign corruption as the primary suspicion.

Reporting entities have also been reporting associations of accounts maintained with them that are linked to those individuals and companies that are either under investigation or have been charged for corruption overseas.

During the Reporting Period reports that identified foreign corruption included those involving entities whose beneficial owners, or related parties, are linked to overseas or local corruption investigations.

Also included in this category are requests for information from overseas FIUs regarding corruption investigations, transactions which appear to be linked to bribes or the solicitation of bribes or kick-backs.

### **Money Laundering**

The processes by which proceeds of crime may be laundered are extensive. The financial services industry, which offers services and products for managing, controlling and possessing money and property belonging to others, is susceptible to abuse by money launderers. While all crimes can be a predicate

offence for money laundering, this category is used by the FRA to identify SARs whose reason for suspicion is the specific act of disguising the original ownership and control of the proceeds of criminal conduct, by making such proceeds appear to have been derived from a legitimate source. This includes the provision of financial services that aid in the concealment of the original ownership and control of the proceeds of criminal conduct. Some of the cases in this category have multiple underlying predicate offences, which tend to be categorised as a money laundering matter.

Close to half of the SARs held in this category are requests for information from overseas FIUs and local law enforcement pertaining to money laundering investigations. Most of these requests for information, particularly those from FIUs cite money laundering as the offence under investigation.

SARs received from domestic reporting entities in this category include those reports that identify that the subject is under an overseas investigation, or is closely associated with individuals who are under money laundering investigation. Also included in this category are those reports that identify transactions that appear to be structured to circumvent money laundering guidelines.

### **Tax Evasion**

Section 247A of the Penal Code (2017

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<sup>1</sup> Report of the Expert Advisory Group on Anti-Corruption Transparency, and Integrity in Latin

America and the Caribbean, p4, available at <https://publications.iadb.org>.

Revision) became effective 1 December 2017, implementing the requirement under FATF Recommendation 3 to include tax crimes as a predicate offence for money laundering. The amendment to the Penal Code makes certain acts or omissions, when done with the intent to defraud the government, an offence in the Cayman Islands.



### 3. Disseminating Intelligence

#### Disposition of Cases

The dissemination or disclosure of financial intelligence, resulting from its analysis, is a key function of the FRA. Once information is analysed and the Director has reviewed and agreed with the findings, a determination is made regarding onward disclosure.

Pursuant to section 138 of POCA, financial intelligence is disclosed to the following designated agencies where the required statutory threshold, suspicion of criminal conduct, has been met:

- Local law enforcement agencies in the Cayman Islands.
- CIMA, DITC and any public body to whom the Cabinet has assigned the responsibility of monitoring compliance with money launder regulations under section 4(9) of the POCA.
- Overseas financial intelligence units.

The statutory purposes of onward disclosure are to:

- report the possible commission of an offence;
- initiate a criminal investigation;
- assist with any investigation or criminal proceeding; or
- facilitate the effective regulation of the financial services industry.

The POCA was amended in December 2017 to allow the FRA to disseminate, in its discretion or upon request, information and results of any analysis to CIMA, any public body to whom the

Cabinet has assigned the responsibility of monitoring compliance with money laundering regulations under section 4(9) of POCA, and any law enforcement agency within the Islands (section 4(2)(ca)). A further amendment was made to the POCA in December 2018 removing the requirement to obtain the consent of the Hon. Attorney General for the FRA to disseminate information to an overseas FIU.

Cases which do not meet the threshold for disclosure (or are not disclosed under section 4(2)(ca)) are retained in the FRA's confidential SAR database pending future developments. As new cases are received and matched with data in the SAR database, prior cases may be re-evaluated with the receipt of new information.

During the Reporting Period, the FRA received 1,021 new reports. The FRA completed the review of 456 of these reports, leaving 565 in progress at 31 December 2020. Of the 456 new reports analysed, 192 were deemed to require no further immediate action, 167 resulted in a disclosure, 65 were replies to requests from FIUs and 32 were replies to requests from local agencies.

The FRA also completed analysis on 208 of 928 reports carried over from 2019, 34 of 480 reports carried over from 2018, 21 of the 339 reports carried over from the interim period of 1-Jul-17 to 31-Dec-17, 18 of 295 cases carried over from 2016/17, 12 of 200 reports carried over from 2015/2016, 8 of 83 reports carried over from 2014/2015, a total of 301 reports.

Disposition	No. of Cases						
	2020	2019	2018	2017	2016-17	2015-16	2014-15
Cases Analysed Requiring No Further Action	192	147	149	104	94	177	275
Cases Analysed that Resulted in a Disclosure	167	154	228	98	151	191	161
Reply to Domestic Requests	32	37	17	8	8	3	-
Reply to Overseas Requests	65	80 <sup>2</sup>	95 <sup>3</sup>	35	71 <sup>4</sup>	61 <sup>5</sup>	57
In Progress (as at 31 December 2020)	565	720	446	318	277	188	75
<b>Total Cases</b>	<b>1,021</b>	<b>1,138</b>	<b>935</b>	<b>563</b>	<b>601</b>	<b>620</b>	<b>568</b>

Table 3.8 Disposition of reports received as at 31 December 2020

Of the 301 previous reports that were completed, 168 were deemed to require no further immediate action, 96 resulted in a disclosure, 21 were replies to requests from FIUs and 16 were replies to a local request.

Table 3.8 shows the disposition of the reports for the past five reporting periods as at 31 December 2020.

As at 31 December 2020, the FRA had commenced initial analysis on: 142 of the 565 pending 2020 cases; 155 of the 720 pending 2019 cases; 108 of the 446 pending 2018 cases; 46 of 318 pending Jul – Dec 2017 cases; 43 of 277 pending 2016/2017 cases; 38 of 188 pending 2015/2016 cases; and 48 of 75 pending 2014/2015 cases. Those cases are in varying stages of completion.

The total number of reports that resulted in voluntary disclosures during the reporting period was 263. These 263 reports comprise 167 reports from 2020, 74 reports from 2019, 7 reports from 2018, 5 reports from Jul – Dec 2017, 2 reports from 2016/2017, 5 reports carried over from 2015/2016 and 3 report carried over from 2014/2015. Those voluntary disclosures as well as other action taken on cases carried over from prior years are reflected in Table 3.8 above. (See Table 3.11, 3.12, 3.13, 3.14, 3.15 and 3.16 for prior year comparison). Information contained in those 263 reports was disclosed in the manner shown in Table 3.9 below. The total number of cases disclosed exceeded the number of actual cases, as some disclosures were made to more than one local law enforcement agency and / or overseas FIU.

<sup>2</sup> Nine of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.

<sup>3</sup> Ten of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.

<sup>4</sup> Six of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.

<sup>5</sup> One of these cases also resulted in disclosures, but is not included in the number of cases disclosed to avoid double counting.

Disposition	Reporting Period						
	2020	2019	2018	2017	2016-17	2015-16	2014-15
Royal Cayman Islands Police Service	165	63	7	4	2	5	3
Cayman Islands Monetary Authority	73	38	4	1	1	4	2
Other Local Law Enforcement Agencies	13	12	2	1	1	-	-
Other Competent Authorities	-	-	-	-	-	-	-
Overseas FIUs	90	23	6	6	2	5	1

Table 3.9: Number of SARs that contributed to disclosures made during 2020

### Financial Intelligence Disclosures

While some SARs have a direct and immediate impact on investigations both domestic and overseas, some are more useful when coupled with information available in other SARs, as well as law enforcement and regulatory publications. Both instances however assist in the production of financial intelligence.

The actual number of financial intelligence disclosures (i.e., the number of letters containing financial intelligence) is presented below.

Recipient	2020	2019	2018
RCIPS	218	114	178
CIMA	30	27	73
Immigration	16	5	16
Customs	2	-	2
Tax Information	2	1	1
ACC	2	9	12
Overseas FIUs	193 <sup>6</sup>	119 <sup>7</sup>	206 <sup>8</sup>
<b>Total</b>	<b>463</b>	<b>276</b>	<b>489</b>

The top 5 reasons for disclosures made to the RCIPS during the reporting period were:

- fraud – 40%
- money laundering – 24%
- international corruption – 8%
- terrorism & terrorist financing – 6%
- suspicious activity – 6%

The top 5 reasons for disclosures made to Overseas FIUs during the reporting period were:

- fraud – 45%
- money laundering – 26%
- international corruption – 8%
- tax evasion – 6%
- regulatory matters – 5%

### Voluntary Disclosures Overseas

The FRA discloses financial intelligence to its overseas counterparts, either as a result of a suspicion formed through its own analysis, or in response to a request for information. During the Reporting Period, the FRA made 116 voluntary disclosures to overseas FIUs from 133 reports completed. Those 133 reports comprise 90 reports from 2020, 23 reports from 2019, 6 reports carried over from 2018, 6 reports carried over from Jul - Dec 2017, 2

<sup>6</sup> Includes 77 responses to 58 RFIs from overseas FIU that disclose substantial information

<sup>7</sup> Includes 32 responses to 31 RFIs from overseas FIU that disclose substantial information

<sup>8</sup> Includes 43 responses to 41 RFIs from overseas FIU that disclose substantial information.

reports carried over from 2016/2017, 5 reports carried over from 2015/2016 and 1 report carried over from 2014/2015.

Chart 3.10 on the next page shows that those voluntary disclosures and responses went to 66 different jurisdictions.

In 2019 the FRA made 87 voluntary disclosures to overseas FIUs from 95 reports completed. Those 95 reports comprise 45 reports from 2019, 33 reports from 2018, 6 reports from Jul - Dec 2017, 6 reports from 2016/2017, 4 reports carried over from 2015/2016 and 1 report carried over from 2013/2014.

The FRA also responded to 86 requests for information from overseas FIUs. We provided substantial information in 77 of those responses, while minimal or negative responses were provided in 11. Those reports comprise 65 reports from 2020, 11 reports from 2019, 4 reports carried over from 2018, 3 reports carried over from Jul - Dec 2017 and 3 report carried over from 2016/2017.

In 2019 the FRA also responded to 90 requests for information from overseas FIUs. We provided substantial information in 31 of those responses, while minimal or negative responses were provided in 59. Those reports comprise 69 reports from 2019, 14 reports from 2018, 5 reports carried over from 2016/2017, 1 reports carried over from 2015/2016 and 1 reports carried over from 2014/2015.

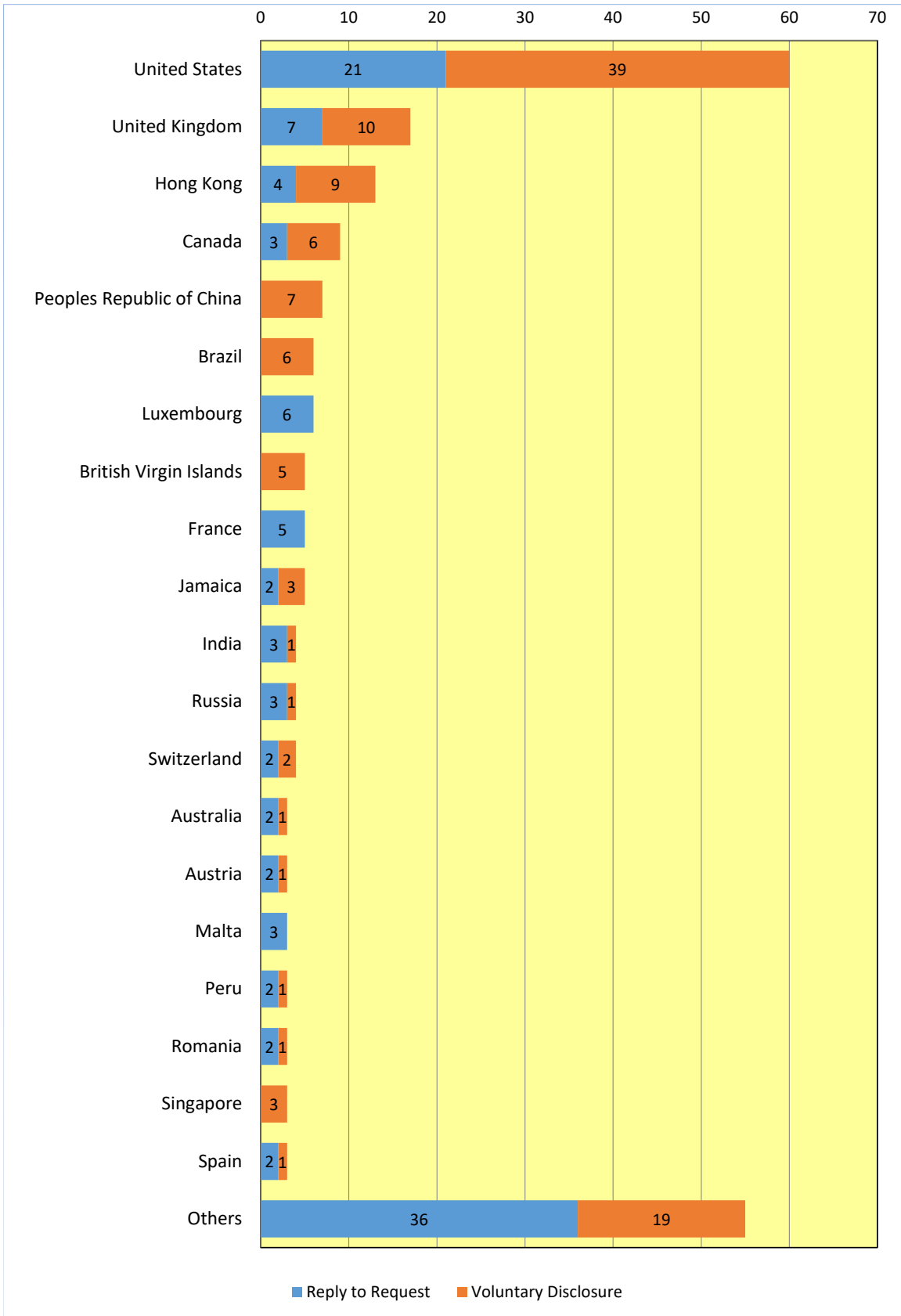


Chart 3.10: Overseas disclosures and replies to request for information

**Disposition of 2019 Reports Carried Over to Reporting Period**

During the Reporting Period, 208 of the 928 reports carried over from 2019 were completed: 107 reports were deemed to require no further action, 74 resulted in a disclosure, 16 were responses to domestic requests and 11 were

responses to overseas FIUs.

Of the 74 reports that resulted in a disclosure: 63 were disclosed to RCIPS; 38 were disclosed to CIMA; 9 were disclosed to CI Immigration; 3 were disclosed to HM Customs; and 23 were disclosed to Overseas FIUs. The updated disposition of reports from 2019 is as follows:

Disposition	2019 Cases Carried Over to 1-Jan-20	2019 Cases Analysed through 2019	Total
Cases Analysed Requiring No Further Action	107	40	147
Disclosed to ACC only	-	3	3
Disclosed to CIMA and Overseas FIU	-	1	1
Disclosed to CIMA and RCIPS	34	1	35
Disclosed to CIMA, RCIPS, CI Immigration and Overseas FIU	1	-	1
Disclosed to CIMA, RCIPS and Overseas FIU	3	25	28
Disclosed to RCIPS only	8	32	40
Disclosed to RCIPS and HM Customs	1	-	1
Disclosed to RCIPS, HM Customs and Overseas FIU	2	1	3
Disclosed to RCIPS, CI Immigration and Overseas FIU	1	-	1
Disclosed to RCIPS and Overseas FIU	12	13	25
Disclosed to CI Immigration only	7	-	7
Disclosed to Overseas FIU only	5	4	9
Reply to Domestic Requests	16	20	36
Reply to Domestic Requests and Disclosed to Overseas FIU	-	1	1
Reply to Overseas Requests	10	60	70
Reply to Overseas Requests and Disclosed to Overseas FIU	-	2	2
Reply to Overseas Requests, Disclosed to CIMA and RCIPS	-	1	1
Reply to Overseas Requests and Disclosed to RCIPS and to HM Customs	-	2	2
Reply to Overseas Requests and Disclosed to RCIPS	1	4	5
In Progress as of 31 December 2019	-	928	928
Cases carried forward to 1 January 2020	(928)	-	(928)
In Progress as of 31 December 2020	720	-	720
<b>Total Cases</b>	<b>-</b>	<b>1,138</b>	<b>1,138</b>

Table 3.11: Disposition of cases carried over from 2019

**Disposition of 2018 Reports Carried Over to Reporting Period**

During the Reporting Period, 34 of the 480 reports carried over from 2018 were completed: 23 reports were deemed to require no further action, 7 resulted in a disclosure, and 4 were responses to overseas FIUs.

Of the 7 reports that resulted in a disclosure: 7 were disclosed to RCIPS; 4 were disclosed to CIMA; 1 was disclosed to CI Immigration; and 6 were disclosed to Overseas FIUs. The updated disposition of reports from 2018 is as follows:

Disposition	2018	2018	Total
	Cases Carried Over to 1-Jan-20	Cases Analysed through 2019	
Cases Analysed Requiring No Further Action	23	126	149
Disclosed to ACC only	-	10	10
Disclosed to CIMA only	-	14	14
Disclosed to CIMA and Overseas FIU	-	4	4
Disclosed to CIMA and RCIPS	-	14	14
Disclosed to CIMA, RCIPS and HM Customs	-	1	1
Disclosed to CIMA, RCIPS and CI Immigration	-	1	1
Disclosed to CIMA, RCIPS, DITC and Overseas FIU	-	-	1
Disclosed to CIMA, RCIPS and Overseas FIU	4	53	57
Disclosed to RCIPS only	1	41	42
Disclosed to RCIPS and CI Immigration	-	6	6
Disclosed to RCIPS, DITC and Overseas FIU	-	1	1
Disclosed to RCIPS, CI Immigration and Overseas FIU	1	1	2
Disclosed to RCIPS and Overseas FIU	1	58	59
Disclosed to CI Immigration only	-	2	2
Disclosed to Overseas FIU only	-	14	14
Reply to Domestic Requests	-	17	17
Reply to Overseas Requests	4	81	85
Reply to Overseas Requests and Disclosed to Overseas FIU	-	1	1
Reply to Overseas Requests, Disclosed to CIMA and RCIPS	-	1	1
Reply to Overseas Requests and Disclosed to RCIPS	-	8	8
In Progress as of 31 December 2019	-	480	480
Cases carried forward to 1 January 2020	(480)	-	(480)
In Progress as of 31 December 2020	446	-	446
<b>Total Cases</b>	-	935	935

Table 3.11: Disposition of cases carried over from 2018

**Disposition of Jul - Dec 2017 Reports Carried Over to Reporting Period**

During the Reporting Period, 21 of the 339 reports carried over from Jul – Dec 2017 were completed: 13 reports were deemed to require no further action, 5 resulted in a disclosure, and 3 were responses to a request from a FIU. Of

the 5 reports that resulted in a disclosure: 4 were disclosed to RCIPS; 1 was disclosed to CI Immigration; 1 was disclosed to CIMA; and 5 were disclosed to Overseas FIUs.

The updated disposition of reports from Jul – Dec 2017 is as follows:

Disposition	Jul-Dec 2017 Cases Carried Over to 1-Jan-20	Jul-Dec 2017 Cases Analysed through 2019	Total
Cases Analysed Requiring No Further Action	13	91	104
Disclosed to ACC only	-	5	5
Disclosed to CIMA only	-	20	20
Disclosed to CIMA and RCIPS	-	5	5
Disclosed to CIMA, RCIPS and CI Immigration	-	-	-
Disclosed to CIMA, RCIPS and Overseas FIU	1	16	17
Disclosed to HM Customs only	-	-	-
Disclosed to RCIPS only	-	12	12
Disclosed to RCIPS and CI Immigration	-	1	1
Disclosed to RCIPS and HM Customs	-	-	-
Disclosed to RCIPS, CI Immigration and Overseas FIU	1	-	1
Disclosed to RCIPS and Overseas FIU	2	26	28
Disclosed to CI Immigration only	-	2	2
Disclosed to Overseas FIU only	1	6	7
Reply to Domestic Requests	-	8	8
Reply to Overseas Requests	2	32	34
Reply to Overseas Requests and Disclosed to RCIPS	1	-	1
In Progress as of 31 December 2019		339	339
Cases carried forward to 1 January 2020	(339)	-	(339)
In Progress as of 31 December 2020	318	-	318
<b>Total Cases</b>	<b>-</b>	<b>563</b>	<b>563</b>

Table 3.12: Disposition of cases carried over from 2017



**Disposition of 2016/2017 Reports Carried Over to Reporting Period**

During the Reporting Period, 18 of the 295 reports carried over from 2016/2017 were completed: 13 reports were deemed to require no further action, 2 resulted in a disclosure, and 3 were responses to a request from a FIU.

Of the 2 reports that resulted in a disclosure: 2 were disclosed to RCIPS; 1 was disclosed to CIMA; 1 was disclosed to CI Immigration; and 2 were disclosed to Overseas FIUs.

The updated disposition of reports from 2016/2017 is as follows:

Disposition	2016-17	2016-17	Total
	Cases Carried Over to 1-Jan-20	Cases Analysed through 2019	
Cases Analysed Requiring No Further Action	13	81	94
Disclosed to CIMA only	-	9	9
Disclosed to CIMA and Overseas FIU	-	9	9
Disclosed to CIMA and RCIPS	-	8	8
Disclosed to CIMA, RCIPS and CI Immigration	-	1	1
Disclosed to CIMA, RCIPS and Overseas FIU	1	22	23
Disclosed to HM Customs only	-	-	-
Disclosed to RCIPS only	-	46	46
Disclosed to RCIPS and CI Immigration	-	4	4
Disclosed to RCIPS and HM Customs	-	1	1
Disclosed to RCIPS, CI Immigration and HM Customs	-	1	1
Disclosed to RCIPS, CI Immigration and Overseas FIU	1	-	1
Disclosed to RCIPS and Overseas FIU	-	36	36
Disclosed to CI Immigration only	-	-	-
Disclosed to Overseas FIU only	-	12	12
Reply to Domestic Requests	-	8	8
Reply to Overseas Requests	3	62	65
Reply to Overseas Requests and Disclosed to Overseas FIU	-	1	1
Reply to Overseas Requests and Disclosed to RCIPS	-	3	3
Reply to Overseas Requests and Disclosed to CIMA and RCIPS	-	2	2
In Progress as of 31 December 2019		295	295
Cases carried forward to 1 January 2020	(295)	-	(295)
In Progress as of 31 December 2020	277	-	277
<b>Total Cases</b>	<b>-</b>	<b>601</b>	<b>601</b>

Table 3.13: Disposition of cases carried over from 2016/2017

**Disposition of 2015/2016 Reports Carried Over to Reporting Period**

During the Reporting Period, 12 of the 200 reports carried over from 2015/2016 were completed: 7 reports were deemed to require no further action and 5 resulted in a

disclosure. Of the 5 reports that resulted in a disclosure: 5 were disclosed to RCIPS; 4 were disclosed to CIMA; and 5 were disclosed to Overseas FIUs.

The updated disposition of reports from 2015/2016 is as follows:

Disposition	2015-16	2015-16	Total
	Cases Carried Over to 1-Jan-20	Cases Analysed through 2019	
Cases Analysed Requiring No Further Action	7	170	177
Disclosed to CIMA only	-	4	4
Disclosed to CIMA and Overseas FIU	-	3	3
Disclosed to CIMA and HM Customs	-	1	1
Disclosed to CIMA and RCIPS	-	16	16
Disclosed to CIMA, RCIPS and CI Immigration	-	3	3
Disclosed to CIMA, RCIPS, CI Immigration and HM Customs	-	2	2
Disclosed to CIMA, RCIPS and Overseas FIU	4	14	18
Disclosed to HM Customs only	-	2	2
Disclosed to RCIPS only	-	85	85
Disclosed to RCIPS and CI Immigration	-	16	16
Disclosed to RCIPS, CI Immigration and Overseas FIU	-	1	1
Disclosed to RCIPS and Overseas FIU	1	24	25
Disclosed to CI Immigration only	-	2	2
Disclosed to Overseas FIU only	-	13	13
Reply to Domestic Requests	-	3	3
Reply to Overseas Requests	-	60	60
Reply to Overseas Requests and Disclosed to RCIPS	-	1	1
In Progress as of 31 December 2020		200	200
Cases carried forward to 1 January 2020	(200)	-	(200)
In Progress as of 31 December 2020	188	-	188
<b>Total Cases</b>	<b>-</b>	<b>620</b>	<b>620</b>

Table 3.14: Disposition of cases carried over from 2015/2016

**Disposition of 2014/2015 Reports Carried**

**Over to Reporting Period**

The updated disposition of reports from 2014/2015 is as follows:

During the Reporting Period, 8 of the 83 reports carried over from 2014/2015 were completed: 5 were deemed to require no further action, and 3 resulted in a disclosure. Of the 3 reports that resulted in a disclosure: 3 were disclosed to RCIPS; 1 was disclosed to CIMA; and 2 were disclosed to Overseas FIUs.

Disposition	2014-15 Cases Carried Over to 1-Jan-20	2014-15 Cases Analysed through 2019	Total
Cases Analysed Requiring No Further Action	5	270	275
Disclosed to CIMA only	-	34	34
Disclosed to CIMA and Overseas FIU	-	3	3
Disclosed to CIMA and RCIPS	-	10	10
Disclosed to CIMA, RCIPS and CI Immigration	-	2	2
Disclosed to CIMA, RCIPS and Overseas FIU	1	10	11
Disclosed to RCIPS only	1	67	68
Disclosed to RCIPS and CI Immigration	-	7	7
Disclosed to RCIPS and Overseas FIU	1	10	11
Disclosed to CI Immigration only	-	1	1
Disclosed to Overseas FIU only	-	14	14
Reply to Overseas Requests	-	57	57
In Progress as of 31 December 2019		83	83
Cases carried forward to 1 January 2020	(83)		(83)
In Progress as of 31 December 2020	75		75
<b>Total Cases</b>	-	568	568

Table 3.15: Disposition of cases carried over from 2014/2015

## 4. The Year in Review

Disposition	No. of Cases						
	2020	2019	2018	1 Jul – 31 Dec 2017	2016-17	2015-16	2014-15
Cases Analysed Requiring No Further Action	192	147	149	104	94	177	275
Disclosed to ACC only	2	3	10	5	-	-	-
Disclosed to CIMA only	-	-	14	20	9	4	34
Disclosed to CIMA and Overseas FIU	-	1	4	-	9	3	3
Disclosed to CIMA and HM Customs	-	-	-	-	-	1	-
Disclosed to CIMA and RCIPS	31	35	14	5	8	16	10
Disclosed to CIMA, RCIPS and HM Customs	-	-	1	-	-	-	-
Disclosed to CIMA, RCIPS, and CI Immigration	-	-	1	-	1	3	2
Disclosed to CIMA, RCIPS, CI Immigration and Overseas FIU	1	1	-	-	-	-	-
Disclosed to CIMA, RCIPS, CI Immigration and HM Customs	-	-	-	-	-	2	-
Disclosed to CIMA, RCIPS, DITC and Overseas FIU	2	-	1	-	-	-	-
Disclosed to CIMA, RCIPS and Overseas FIU	36	28	57	17	23	18	11
Disclosed to HM Customs only	-	-	-	-	-	2	-
Disclosed to RCIPS only	36	40	42	12	46	85	68
Disclosed to RCIPS and CI Immigration	1	-	6	1	4	16	7
Disclosed to RCIPS and HM Customs	1	1	-	-	1	-	-
Disclosed to RCIPS, HM Customs and Overseas FIU	-	3	-	-	-	-	-
Disclosed to RCIPS, CI Immigration and HM Customs	-	-	-	-	1	-	-
Disclosed to RCIPS, DITC and Overseas FIU	-	-	1	-	-	-	-
Disclosed to RCIPS, CI Immigration, and Overseas FIU	-	1	2	1	1	1	-
Disclosed to RCIPS and Overseas FIU	45	25	59	28	36	25	11
Disclosed to CI Immigration only	6	7	2	2	-	2	1
Disclosed to Overseas FIU only	6	9	14	7	12	13	14
Reply to Domestic Requests	32	36	17	8	8	3	-
Reply to Domestic Requests, Disclosed to Overseas FIU	-	1	-	-	-	-	-
Reply to Overseas Requests	53	70	85	34	65	60	57

Table 3.17 Disposition of cases received as at 31 December 2020 (detailed)

Disposition	No. of Cases						
	2020	2019	2018	1 Jul – 31 Dec 2017	2016-17	2015-16	2014-15
Reply to Overseas Requests, Disclosed to Overseas FIU	-	2	1	-	1	-	-
Reply to Overseas Requests, Disclosed to CIMA and RCIPS	3	1	1	-	2	-	-
Reply to Overseas Requests, Disclosed to RCIPS and HM Customs	-	2	-	-	-	-	-
Reply to Overseas Requests, Disclosed to RCIPS	9	5	8	1	3	1	-
In Progress – initial analysis completed	142	155	108	46	43	38	48
In Progress – initial analysis incomplete	423	565	338	272	234	150	27
	1,021	1,138	935	563	601	620	568

Table 3.17 Disposition of cases received as at 31 December 2020 (continued)

## Significant Events

### **Analysis of Reports**

The FRA had 2,888 reports to analyse during the Reporting Period, comprising: 1,021 new reports, 755 reports carried over from 2019, 365 reports carried over from 2018, 289 reports carried over from Jul – Dec 2017, 256 reports carried over from 2016/2017, 162 carried over from 2015/2016, and 40 carried over from 2014/2015. There were also 458 reports that were initially analysed, but not completed as they required further analysis, comprising: 173 reports carried over from 2019, 115 reports carried over from 2018, 50 reports carried over from Jul – Dec 2017, 39 reports carried over from 2016/2017, 38 reports carried over from 2015/2016, and 43 reports carried over from 2014/2015.

The FRA staff analysed 885 of the 2,888 unanalysed reports, during the Reporting Period, comprising: 599 reports from 2020, 194 reports received during 2019, 29 reports carried over from 2018, 18 reports carried over from Jul – Dec 2017, 22 reports carried over from 2016/2017, 10 reports carried over from 2015/2016 and 13 reports carried over from 2014/2015. An average of 74 reports were analysed per month.

A total of 757 reports were closed during the Reporting Period, comprising: 456 reports received in 2020, 208 reports received during 2019, 34 reports carried over from 2018, 21 reports carried over from Jul-Dec 2017, 18 reports carried over from 2016/2017, 12 reports carried over from 2015/2016 and 8 reports

carried over from 2014/2015. On average, 63 reports were completed per month.

### **Financial Sanctions regarding TF and PF**

During the Reporting Period the FRA published 112 Financial Sanctions Notices on its website. The FRA subscribes to the Email Alert provided by the Office of Financial Sanctions Implementation within UK HM Treasury, advising of any changes to United Nations, European Union and UK financial sanctions in effect. The FRA forwards these notices automatically to local law enforcement agencies and competent authorities, converts it to a Cayman Notice and publishes the Cayman Financial Sanctions Notice on its website.

### **The Egmont Group Meetings**

The FRA attended and participated in a meeting of the Americas Region of the Egmont Group which took place on the 3<sup>rd</sup> and 4<sup>th</sup> of March 2020 in Lima, Peru. Representatives of FIUs from jurisdictions in the Americas, including the Caribbean, gathered to work through key Egmont Group priorities which included: review of the Egmont Group's Biennial Census (2019) as it related to the Americas Region, review of the Egmont Group's IT needs and a follow up discussion on Public-Public Cooperation (PPC). There were also presentations and a discussion on the topics for the next Egmont Group Plenary Meeting then scheduled for July 2020 in Mexico which involved: Virtual Assets/Fintech and the role of FIUs in combating ML and TF.

With the postponement of the Egmont Plenary Meeting, the FRA Director participated in a

series of webinars from the 8<sup>th</sup> – 9<sup>th</sup> of July 2020. The webinars were designed to share expertise and strategically discuss how to equip FIUs with knowledge and expertise to better tackle the ML/TF risks associated with VAs/VASPs/MPS and to rapidly provide the widest range of international cooperation. The topics covered were:

- Introduction to VAs and VASPs: terminology, AML/CFT regime vulnerabilities stemming from VAs, the revised FATF standards and their impact on the FIUs' interactions with VASPs sector.
- Operational aspects associated with VAs: blockchain or other technology analyses, information gaps, expertise requirements, IT tools, etc.
- Domestic and International Cooperation on ML/TF Cases through VAs or VASPs: challenges and best practices.
- Vulnerabilities of mobile payment services (MPS) to ML/TF: FIU challenges and best practices.

On the 9<sup>th</sup> of July 2020 a member of staff participated in a virtual operational training session on Illegal Wildlife Trade as a Financial Crime which was organized by The Egmont Centre of FIU Excellence and Leadership (ECOFEL). This co-delivered training session by FATF and ECOFEL will help FIUs to better understand, identify and investigate financial flows related to Illegal Wildlife Trade.

### **The CFATF Plenary Meetings**

The CFATF May 2020 Plenary was cancelled due to the COVID-19 pandemic.

In July 2020 a virtual Heads of FIU ("HFIU") meeting was convened, primarily to discuss the impact of the COVID-19 Pandemic on the operations of member FIUs. FIUs discussed the practices utilised to ensure they remain operational during the Pandemic and the measures utilised to ensure that information and intelligence is securely received, accessed and disseminated. Three staff members from the FRA participated.

The FRA participated in the virtual 51<sup>st</sup> CFATF Plenary Meeting in November 2020. The focus for the FRA is the HFIU meeting that takes place at the plenary.

The Egmont Group Regional Representative ("EGRR") provided an update on the different projects currently being undertaken by the Egmont working groups. The Information Exchange Working Group (IEWG) has several ongoing projects, including the Financing of Extreme Right-Wing Terrorism. The Membership Support and Compliance Working Group (MSCWG) experienced the most challenges due to the pandemic as it is preventing sponsor-FIUs from conducting onsite visits to prospective member FIUs; the new membership process will experience delays, until the situation stabilises. The Policy and Procedures Working Group (PPWG) is currently completing work on the recommendations to address impediments that still exist between EG FIUs regarding information exchange.

A presentation on 'FIU Independence and Autonomy' was made by a representative of the

Egmont Centre of FIU Excellence and Leadership (ECOFEL). A key element of transparency is to ensure that the appointment of a Director of an FIU be apolitical and to have a formal written, comprehensive procedures regarding the appointment and dismissal of FIU directors, which should include the factors for dismissal.

A presentation on 'Enhancing International cooperation' was made by the National Coordinator of the Cayman Islands, which highlighted some of the issues regarding international cooperation that was cited in the MER for the Cayman Islands and the actions taken by the jurisdiction to address the deficiencies. Some of the areas covered included types of requests, nature of investigation, inter-agency cooperation and coordination, statistics and international asset recovery.

Member FIUs gave brief oral and written updates on material activities / developments in their respective jurisdictions.

The HFU concluded with the handing over of the Chair of the group from FIU, Antigua and Barbuda to FIU Bahamas.

Staff of the FRA also participated in the CFATF Risk Trends and Methods Group (CRTMG).

The outcomes of the FATF RTMG October 2020 meeting were discussed.

An interim report on the CRTMG Financial Flows from Human Trafficking project was

presented by the Director of the FRA, who is the Project Leader. The interim report reflected the analysis of data obtained from nine (9) completed questionnaires received from members and Plenary approved an extension of the deadline for the Project to May 2021.

At the 51<sup>st</sup> CFATF Plenary the 4<sup>th</sup> Round MER for St. Lucia was debated and approved.

### Results of Disclosures of Information

Feedback from local law enforcement agencies and competent authorities revealed an increased use of financial intelligence disclosed by the FRA, including the following:

- RCIPS: 35 investigations commenced as a result of disclosures from the FRA (80 SARs disclosed); these investigations are in line with the risk profile of the jurisdiction as an international financial centre
- CBC: 2 disclosures from the FRA resulted in investigations being opened and 2 other disclosures provided information that was highly relevant to ongoing investigations providing actionable lines of enquiry; 5 disclosures were referred to the Enforcement Division; and 1 person was arrested for overstaying as a result of a disclosure
- CIMA: All disclosures from the FRA are factored into their supervisory approach; specifically some of the disclosures have been used as follows: (i) the suspension and revocation of a registration under the Directors Registration and Licensing Act; (ii)



independent investigation by CIMA, which included conducting an onsite inspection of the regulated entity. The Authority imposed conditions on the entity's license and subsequently revoked the license; and (iii) factored into the scheduling of onsite inspections and desk top reviews.

The FRA also provided assistance to law enforcement by responding to requests from them with any relevant information held by the FRA. Some of these cases also involved the FRA requesting information from FIUs on behalf of the local law enforcement agency.

The very nature of a criminal investigation can sometimes mean that detailed feedback is not always forthcoming. The FRA and its law enforcement partners continue to look at improving the feedback provided to reporting entities.

#### **Use of Section 4(2)(b) Powers**

During the Reporting Period the FRA also used financial intelligence to exercise its powers under section 4(2)(b) of the POCA on six (6) occasions where it had reasonable cause to believe that the information related to proceeds or suspected proceeds of criminal conduct to obtain an order from the Court to order an entity to refrain from dealing with a person's account for twenty-one days. The assets held by the accounts in question totalled approximately USD205 million. Of the six applications, four have subsequently led to successful restraint

applications by RCIPS of approximately USD200 million.

#### **Industry Presentations**

During the Reporting Period, the FRA made a number of presentations at outreach events covering one or more of the following topics: functions of the FRA, SAR statistics, SAR reporting obligations, and obligations regarding targeted financial sanctions related to terrorist financing and proliferation financing. Details of those presentations are as follows:

1. Four (4) presentations at industry association events.
2. Eleven (11) presentations at events organized by the Anti-Money launder Steering Group, Anti-Money Laundering Unit, a Law Enforcement Agency, Competent Authorities, Self-Regulatory Bodies or the National Coordinator's Office.
3. One (1) presentation to a Government Department.
4. Three (3) presentations at private sector organized events and to private entities
5. Eight (8) 1-on-1 meetings with Money Laundering Reporting Officers.

## IV. SCENARIOS THAT WOULD TRIGGER FILING OF A SUSPICIOUS ACTIVITY REPORT (TYPOLOGIES)

The following is a compilation of sanitised cases that were analysed and completed during the Reporting Period that we believe illustrate some of the key threats facing the jurisdiction in the fight against money laundering and terrorist financing. These cases have been identified by the primary typology involved, though some of them may involve more than one typology. They are being included here for learning purposes and as a feedback tool for our partners in the fight against money laundering and terrorist financing.

### 1. Securities Fraud

The FRA received SARs from various FSPs (Mutual Fund Administrators, Company Managers / Corporate Service providers and an AML Compliance Service provider) regarding Mr. M and Mr. N who are suspected of being involved in an insider trading scheme. These individuals are investors in Cayman Islands mutual funds and are shareholders in a Cayman Islands Investment Manager.

The reasons for suspicion highlighted a complaint by the Securities Commission in Jurisdiction 1 in relation to an alleged long running insider trading scheme involving Messrs. M and N. The complaint also named

some of the Cayman Islands entities as relief defendants, along with a number of other companies domiciled in other jurisdictions believed to be owned by Messrs. M and N.

The FRA made an immediate disclosure to RCIPS.

The FRA issued section 4(2)(c) directives to obtain additional information to amplify its analysis, including: details of subscriptions, redemptions, transfers and current fund valuations; communications with Messrs. M and N or their appointed representatives; and corporate details of the entities owned by Messrs. M and N.

The FRA also made requests for information to three overseas FIUs, including jurisdictions: that funds were received from or paid to; where entities owned or controlled by Messrs. M and N were domiciled or operated from; and where Messrs. M and N are believed to reside.

Based on all the information received, Messrs. M and N had established a number of companies in different jurisdictions to hold their investments in the Cayman funds, and had transferred their investments into the name of a large banking institution as nominee.

The Director of the FRA took the decision to obtain the necessary permission to issue refrain from dealing orders, pursuant to Section 4 (2)(b) of POCA. Having received an order from the Grand Court, the FRA issued orders to two of the Cayman funds to refrain from dealing

in the accounts controlled by Messrs. M and N for a period of 21 days.

It was subsequently determined that assets held by the two Cayman funds were also subject to restraint orders in Jurisdiction 1.

A supplemental disclosure was made to RCIPS, and disclosures were made to CIMA and the Financial Intelligence Unit in Jurisdiction 1.

Indicators:

- Adverse information regarding insider trading scheme
- Complex ownership structure and transfer to nominee shareholder
- Concerns about sources of funds and timing of investment

## **2. Fraud – Business email compromise**

The FRA received a SAR from a Class A Bank (Bank 1) regarding a fraudulent wire transfer made by their customer, Mr. Z, to an account maintained by Company R (domiciled in Jurisdiction 8) at a bank in Jurisdiction 9.

Bank 1 received email instructions from Mr. Z to send a wire transfer payment for approximately €25k. Mr. Z visited Bank 1 to sign the wire transfer documents as well as to produce identification for verification purposes, following which the wire transfer was executed. A few days later Mr. Z informed Bank 1 that his email had been hacked and the beneficiary information was changed; Mr. Z stated he was not aware that the beneficiary information was

changed when he visited Bank 1. Mr. Z requested a re-call of the wire and the funds were returned approximately a month later.

The FRA's review revealed another recent SAR from another Class A Bank (Bank 2) advising that Mr. Z ordered a wire transfer to Company S (domiciled in the Cayman Islands) at a bank in Jurisdiction 10 for approximately US\$1 million. Bank 2 conducted a verification phone call with Mr. Z to confirm the wire instructions and executed the wire transfer. A few days later Mr. Z contacted Bank 2 to report that his email was hacked, that the hackers intercepted his communication with Company S and provided fraudulent wire instructions which resulted in Mr. Z's funds being sent to an account in Jurisdiction 10. Bank 2 confirmed that approximately US\$240k had been successfully recalled.

Disclosures were made to the RCIPS, CIMA and the Financial Intelligence Units in Jurisdictions 8, 9 and 10 for intelligence purposes.

Indicators:

- The receiving Bank and recipient were in two different jurisdictions
- The name of the intended recipient company did not match public information

## **3. Fraud – Business email compromise**

The FRA received a SAR from a Real Estate Agent (the REA) regarding a series of

suspicious communications from Mr. B and his attorney, which ultimately appeared to be an attempt to defraud the REA.

Mr. B expressed an interest in investing in real estate in the Cayman Islands and was seeking someone to assist in the purchase and development of property to be acquired. Mr. B subsequently provided the acreage of the property being sought and that he needed a partner to manage the development. He also provided the name of a Law firm and contact number for his attorney, Law1, in order for the REA to provide information for a MOU to be prepared.

The REA's attempts to contact Law1 by phone were unsuccessful; the REA then sent an email to the Law1, who responded with a series of one line text messages late at night. The REA requested to be emailed instead.

The business communications were conducted through Law1, who was appointed as power of attorney for Mr. B for the intended transactions. Law1 sought various information from the REA for the MOU, including full name, nationality, religion, gender, D.O.B, company address, driver's license or passport. The REA provided responses including sending a copy of his driver's license. Law1 indicated that a bank account would be set up in the REA's name in order for land to be purchased and to fund the development. Law1 also indicated that he would provide details of who to contact at the bank. The REA assumed that the account could only be possibly set up if he had in fact contacted the bank.

The REA provided listings for real estate in line with what was understood to be Mr. B requirements, along with the pros and cons of each, and invited him to review and advise if any listings were of interest. Law1 responded with their choices in a short time frame, without asking any questions about price, viability, profit and loss for the properties chosen, which caused the REA to suspect that purchase of the properties was not their prime purpose.

The REA requested KYC details and highlighted the requirements under the AMLRs; these KYC details were not provided despite Law1 indicating that they were ready to move forward with property purchase.

The REA subsequently received via WhatsApp bank account details, a customer service email address and telephone numbers. The REA did not contact the bank and blocked the two phone numbers previously used for communication. The REA also contacted his local financial institution to have a caution notice put on his bank accounts, although he was assured that there can be no activity without him or his joint account holder knowing about it.

All queries including open source data searches were negative for Mr. B and Law1. It appears that the communication may have been an attempt to garner information from the REA with the intent to defraud him and by extension the real estate company he work for.

A disclosure was made to RCIPS for intelligence purposes.

Indicators:

- Unsolicited business enquiry coupled with unusual business practices to conduct transactions;
- Lack of questions regarding cost and profitability of proposed development; and
- Reluctance to provide necessary KYC details for verification purposes

#### 4. Advanced Fee Scam

The FRA received a SAR from Bank 2 concerning one of its customers who was purportedly defrauded of US\$2k.

The suspected advanced-fee fraud involved the stated funds being wired by the customer to an account in Jurisdiction 4, in the name of SUBJECT A. The customer made the payment in order to receive a package containing several hundred thousands of dollars and other valuables. According to the information submitted, the package's alleged point of origin was Jurisdiction 5. It was also noted that the package was shipped by SUBJECT B via a dispatcher, Company A.

Despite the funds being sent by the customer, copies of email exchanges showed that PERSON C (a friend of the customer), was the sole person who communicated with the purported fraudsters. At various stages, PERSON C sought updates regarding the package including details of its arrival and also requested feedback from SUBJECT B as to how payment could be made for its release given that Company A had stated that the

package was allegedly restrained and awaiting custom clearance in Jurisdiction 6 which included "diplomatic handover charges".

Based on the events noted, it was ultimately determined that Person C was potentially the true intended receiver of the fraudulent package and that the customer had wired the funds to assist PERSON C with funding its shipment.

Disclosures were made the RCIPS and the Financial Intelligence Unit in Jurisdiction 4 for intelligence purposes.

Indicators:

- Client sent funds to unknown person as payment for substantial cash and valuables promised in return
- The fraudulent scheme included various cross border components
- Alleged fraudster(s) used the excuse of package being restrained in Jurisdiction 6 as a delay tactic to mislead client

#### 5. Fraud

The FRA received a SAR from a Class A Bank (Bank 1) regarding a fraudulent Securities Bond Assignment document submitted by Mr. J representing Company Y, both purporting to reside and operate from Jurisdiction 1.

Bank 1's office in Jurisdiction 1 received an email communication from Mr. J purporting to be a client of Bank 1; the email communication contained a number of documents, including: a

Securities Bond Assignment from Euroclear Bank Securities signed by a senior officer of Bank 1 assigning €2 billion of a bond issue to Company Y; and instructions from Mr. J to pay the coupon due on the bond to an account in the name of Company Y maintained at a bank in Jurisdiction 1.

Bank 1 determined that the assignment document was not signed any of its senior officers and that Mr. J and Company Y were not customers.

The FRA's analysis also identified adverse information regarding Mr. J in online complaint / scam reports.

Disclosures were made to RCIPS and the Financial Intelligence Unit in Jurisdiction 1 for intelligence purposes.

Indicators:

- Fraudulent documents: internal document purporting to be signed by a senior officer of a bank; external document purporting to be issued by a recognised international securities settlement and services provider
- Adverse information regarding complaints / allegations of other fraudulent schemes

## 6. International Corruption

A SAR was filed by a Corporate Services provider (the CSP) as the registered office of a Cayman Islands Ex-Segregated portfolio Company (the SPC) after it was alerted by the SPC's Fund Administrator, an affiliate of the

CSP based in Jurisdiction 10, that an investor, Mr. X, is named on a sanctions list issued by Jurisdiction 5 for corruption in his home country.

The FRA's review revealed no direct connection to the Cayman Islands, other than Mr. X's investment in the SPC. The review also revealed that Mr. X is a very influential person in Jurisdiction 11 and is the majority owner of a business which is also sanctioned by Jurisdiction 5.

The FRA issued a section 4(2)(c) directive to obtain additional information to amplify its analysis, including a schedule of subscriptions and redemption and bank account details of where monies were received from or paid to, and KYC document including source of funds for the investment.

The additional information revealed Mr. X's investment into the SPC was paid from a bank in Jurisdiction 10. The source of funds revealed that Mr. X's income was purportedly derived from business proceeds and personal savings; a portfolio statement of assets was provided by a bank in Jurisdiction 12.

While Mr. X is not listed as a Politically Exposed Person (PEP), publicly available information revealed that he appears to have significant political influence in Jurisdiction 11 and has used that influence to gain substantive government contracts.

Disclosures were made to RCIPS and the Financial Intelligence Units in Jurisdictions 5, 10 and 12 for intelligence purposes only.

Indicators:

- Individual and associated company named on a Sanctions List
- Adverse information regarding corruption and political influence

## **7. International Corruption**

A SAR was filed by a Class B Insurer in relation to Subject A, a businessman who was arrested in Jurisdiction 7, along with a number of other individuals including politically exposed persons, on suspicion of involvement in corruption. Subject A made total contributions of \$49,450.00 over a five year period.

The SAR filer submitted the following types of supporting documents along with the SAR submission, which assisted the FRA with its analysis:

- Identification documents related to the subject;
- Source of funds for contributions into the policy;
- Subscription agreement between the SAR filer and client; and
- Account statements for the policy.

A request for FIU information was submitted to Jurisdiction 7, who was able to confirm information held by the FRA and provide

additional information to amplify the FRA's analysis.

A disclosure was made to the RCIPS for intelligence purposes.

Indicators:

- Adverse information about the beneficial owner

## **8. Tax Evasion**

The FRA received SARs from a Mutual fund Administrator and a Cayman Fund regarding Mr. J and Company G in relation to charges of conspiracy, witness tampering, obstruction of justice and multiple tax violations in a barratry scheme. The SARs identify that funds were being held by Company G in the Cayman Fund.

Mr. J is an attorney practicing through his firm Company G, both based in Jurisdiction 6. Mr. J is also the trustee of the investor and potentially a beneficiary.

An announcement was made by the relevant Attorney's Office in Jurisdiction 6 that an indictment had been unsealed alleging that Mr. J along, with other co-conspirators, defrauded Jurisdiction 6 through tax evasion in a barratry scheme. Mr. J evaded taxes through filing false documentation. Mr. J was further charged with witness tampering and obstruction of justice due to ordering co-conspirators to destroy documentation and to not cooperate with the investigation.

Analysis by the reporting entities showed that there is no evidence directly linking the invested monies of Company G with the criminal activities; however, given the scale of the criminal enterprise and illicit gains of millions of dollars there were reasonable grounds to suspect that the invested funds could be tainted.

The FRA issued a section 4(2)(c) directive to obtain additional information to amplify its analysis, including a schedule of subscriptions and redemption and bank account details of where monies were received from or paid to.

Disclosures were made to the RCIPS, CIMA and the Financial Intelligence Unit in Jurisdiction 6 for intelligence purposes.

Indicators:

- Adverse information about the beneficial owner

## 9. Drug Trafficking

A Money Services Business (MSB) submitted a SAR in relation to the remittance activity of Mr. A, as a result of his high volume of remittances sent to numerous unrelated individuals residing in Jurisdiction 3. The MSB also flagged that it appeared that Mr. A was attempting to 'structure' his remittances. The MSB provided remittance statements for a two year period.

The FRA issued a section 4(2)(c) directive to obtain additional information to amplify its analysis. The additional information revealed

that Mr. A had remitted over CI\$50k to numerous individuals residing in Jurisdiction 3 over a three year period.

Further analysis by the FRA identified that Mr. A had been arrested and charged for drug offences in the Cayman Islands. In addition he had travelled numerous times to Jurisdiction 3 over the years.

A disclosure was made to the RCIPS for intelligence purposes.

Indicators:

- High volume of transfers between client and multiple individuals / unrelated third parties
- Client appears to be structuring amounts to avoid additional KYC by the MSB

## 10. Terrorist Financing

The FRA received a SAR from Bank 1 following a review it conducted on transactions made by a Nonprofit Organization (NPO 1), domiciled in Jurisdiction 1, based on adverse media reports alleging that NPO 1 had provided hundreds of thousands of dollars to a former Nonprofit Organization (NPO 2), also domiciled in Jurisdiction 1, now designated as a terrorist organization by the Government of Jurisdiction 1.

Bank 1 identified numerous transactions totalling over USD\$3 Million that were processed through a multicurrency account held by a company domiciled in Jurisdiction 2



that provides online transaction and payment processing solutions; approximately USD\$250k was paid by NPO1 to NPO 2 over a 10 year period through this account. The payments were made prior to NPO2 being designated as a terrorist organisation.

Disclosures were made to the RCIPS, CIMA and to the Financial Intelligence Units in Jurisdictions 1 and 2 for intelligence purposes.

Indicators:

- The ultimate source of funds and purpose of the wire transfers passing through the multicurrency account were unknown
- The frequency and rate of the activity observed is high and unusual
- Conducting transactions/business with an entity subsequently designated as a terrorist organization

These examples are based on actual information we have received and sanitised to protect the identities of the individuals or entities concerned.

Further typologies can be found at [www.Egmontgroup.org](http://www.Egmontgroup.org) or [www.FATF-GAFI.org](http://www.FATF-GAFI.org) or [www.cfatf-gafic.org](http://www.cfatf-gafic.org).

## V. STRATEGIC PRIORITIES: PERFORMANCE FOR 2020 AND BUILDING ON STRENGTHS IN 2021

The FRA plays a crucial role in the jurisdiction's fight against being used for money laundering, terrorist financing, proliferation financing and other financial crime. It is also a vital agency in the Cayman Islands' efforts to demonstrate compliance with the FATF 40 Recommendations and prove effective implementation of those Recommendations.

### 2020 Performance

Our main priorities during 2020 were:

#### 1. Produce useful intelligence reports in a timely manner

This priority was largely achieved. Through its analysis of information collected under the POCA reporting requirements, the FRA developed specific financial intelligence disclosures and provided strategic insights into trends and patterns of financial crime.

During 2020, the FRA completed the following:

- (i) Produced 463 financial intelligence reports (disclosures) for use of local law enforcement agencies, CIMA and other Supervisors, and overseas FIUs. Positive feedback was received from local law enforcement agencies, CIMA and overseas

FIUs regarding the usefulness of disclosures by the FRA. The FRA also periodically met with local agencies and obtained formal feedback on the usefulness of our intelligence reports.

- (ii) With the FRA actively monitoring the timeliness of our disclosures, 39% of disclosures to local law enforcement was made within 35 days and the average number of days to complete a request for information from an overseas FIU was reduced to 63 days.
- (iii) Trends and patterns of financial crime impacting the Cayman Islands was featured in our Annual Report.

#### 2. Promote cooperative relationships with Reporting Entities

This priority was achieved. Throughout the Reporting Period we maintained and developed cooperative working relationships with reporting entities. We participated in numerous outreach events hosted by Supervisors, Industry Associations, the National Coordinator's Team and the FRA, making presentations on SAR filing obligations and the type of information to include in making a high quality SAR. The FRA also conducted eight 'One-on-One' meetings with MLROs to give specific feedback on SAR quality, and discuss trends and other relevant matters.

We also hosted several online meetings to appraise Reporting Entities about the development, launch and implementation of the FRA's AMLive Reporting Portal.

**3. 4<sup>th</sup> Round Mutual Evaluation**

This priority was achieved, as the FRA delivered on all major deadlines during the Reporting Period. The key activities included: continued implementation of the action plan to address the relevant recommended actions stated in the MER; attending monthly committee and working group meetings; preparing the Post Observation Period Report; and preparing for the meeting with the Americas Joint Group.

**4. High Performing Staff**

This priority was achieved to a significant extent. Staff were kept up to date with developing issues in AML/CFT/CFP and in the Financial Industry training events and workshops facilitated by international and domestic presenters. FRA Staff completed a number of online training courses through the FIU Connect modules provided by ManchesterCF and Courses in Egmont's ECOFEL e-learning platform.

In preparation for the new database and analytical tool, FRA Staff received 5 days of virtual training in the use of IBM i2 iBase and i2 Analyst Notebook.

**5. Robust Information Technology Infrastructure**

This priority was achieved. In November 2020 the FRA's AMLive Reporting Portal, a web facing solution went live. This brought to completion the FRA's upgrade of its systems which also included upgrading its internal servers and network infrastructure for the installation of IBM i2 iBase as the new database management solution and IBM i2 Analyst Notebook as an analytical tool. With the AMLive and IBM i2 solutions the FRA now has capabilities that allow: secure submission and storage of SARs electronically; secure electronic communication with reporting entities; automatic population of the SAR database; and the provision of analytic tools to improve the research and analysis performed by staff

The IBM i2 solutions provided the FRA with better User/Group Management, Data Access Control and Security Access Codes that further strengthened the layered approach to security. Security measures now include roles based access to information on the SAR database for internal security as well as advanced firewalls to prevent unauthorised access to our database.

**Strategic Priorities for 2021**

During 2021 we will continue to build on our strengths and seek to continuously improve performance. Our main priorities for the year will remain unchanged, namely:

**1. Produce useful intelligence reports in a timely manner**

A key priority for the FRA is to provide timely and high quality financial intelligence that meets the operational needs of local law enforcement agencies, CIMA and other Supervisors, and overseas FIUs.

Through its analysis of information collected under the POCA reporting requirements, the FRA aims to develop specific financial intelligence disclosures and provide strategic insights into trends and patterns of financial crime.

To deliver on this priority, we will:

- (i) Continue to periodically assess the intelligence reports we produce to ensure that they are useful to the recipients, including developing and revising standard formats use by FRA staff, meeting with local agencies regularly and obtaining formal feedback on the usefulness of our intelligence reports. Feedback will also be sought from overseas FIUs.
- (ii) Actively monitor the timeliness of our disclosures, with the aim of continuously improving disclosure times.
- (iii) Publish annually trends and patterns of financial crime impacting the Cayman Islands.

**2. Promote cooperative relationships with Reporting Entities**

The quality of our disclosures hinges directly on the quality of the SARs / information we receive. We are committed to developing and maintaining cooperative working relationships with all reporting entities, by encouraging an open line of communication to discuss matters of mutual interest, with a view to enhancing the quality of information we receive. The effective and efficient use of the AMLive Reporting Portal is integral to the accomplishment of this priority.

To deliver on this priority, we will:

- (i) Foster effective and efficient use of AMLive Reporting Portal by engaging with reporting entities and providing immediate feedback on filings.
- (ii) Conduct as needed virtual meetings with Reporting Entities to answer inquiries and enhance their proficiency in use of the AMLive Reporting Portal.
- (iii) Conduct regular (likely quarterly) presentations at industry association organised events, as well as to local businesses at their request on their obligations under the POCA and the work of the FRA.
- (iv) Hold 'One-on-One' meetings with MLROs to give specific feedback on SAR quality, and discuss trends and other relevant matters.

### 3. Ongoing CFATF / FATF Work

The FRA will continue to work closely with the AMLSG, the Inter-Agency Coordination Committee (and its subcommittees, such as the Financial Crime Focus Group and the Proliferation Inter Agency Group) and divisions within the Cayman Islands Government to ensure robust AML/CFT/CFP legislation, policies and programmes are effectively implemented in the Cayman Islands.

To deliver on this priority, we will:

- (i) Coordinate all actions required to continue meeting the FRA's responsibilities under the relevant international standards.
- (ii) Meet deadlines for any reporting requirements.
- (iii) Ensure that records, reports and publications that evidence the implementation and effectiveness of applicable acts and regulations are prepared and maintained.

### 4. High Performing Staff

The FRA seeks to promote and create a culture of excellence and integrity that inspires exceptional teamwork, service and performance. The development of staff by ensuring they are kept up to date with developing issues in AML/CFT/CFP is therefore critical to the effective operation of the FRA.

To deliver on this priority, we will:

- (i) Provide training opportunities geared towards enhancing Analytical staff's proficiency in use of i2 iBase and i2 Analyst Notebook.
- (ii) Develop a training plan for staff during the next 12 months, primarily using online resources such as ManchesterCF's FIU Connect modules and Egmont's ECOFEL e-learning platform.
- (iii) Define clear performance expectations and provide timely feedback to staff.

### 5. Enhance benefits of New Information Technology Infrastructure

Protecting information received from reporting entities is a critical function of the FRA and we are committed to maintaining a secure database that houses all SARs received from reporting entities. A layered approach to security has been adopted for the FRA's office and computer systems. Security measures include monitoring systems and advanced firewalls to prevent unauthorised access to our database.

The upgrades to the FRA's systems and infrastructures improved our overall security environment and provided opportunities for more efficient operations. The overall security environment was improved by adding specific controls related to data access and security classification codes.

In order to maximize the benefits of this new Information Technology Systems and Infrastructure the following are to be completed:

- (i) Complete data migration from the old database to the new IBM i2 iBase database. This includes retiring the former database and servers.
- (ii) Provide specific users with training on roles based data access and security classification codes to ensure proper appreciation of the security features in the new database.
- (iii) Ensure that automated notifications, alerts and reports in the new database are operating effectively and are accessible to staff.
- (iv) Develop a well-planned incident response program to address any Security Incidents that arise from security alerts from monitoring systems and other security breaches.

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