



# Cayman Islands funds and regulatory update November 2024

Newsletters - 25/11/2024

This is a round-up of recent Cayman Islands legal and regulatory developments relevant to funds. In addition, we present an interactive [compliance calendar for Cayman funds](#), providing the key dates for Cayman Islands investment funds in the year ahead, which can be used to auto-populate your calendar.

## Summary of recent and upcoming legal and regulatory developments

<u>New beneficial ownership transparency framework now in force</u>	
<u>Amendments to AML Regulations prompt internal review of AML policies and procedures</u>	
<u>SAR defences: FRA consent regime to be introduced</u>	

<u>CIMA's Rule on Corporate Governance: 18 months later</u>	
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## New beneficial ownership transparency framework now in force

The new Beneficial Ownership Transparency Act and supporting regulations (**BOT Framework**) came into force on 31 July 2024 and must be complied with by 1 January 2025.

All Cayman legal persons, including many that were out of scope of or exempt under Cayman's previous beneficial ownership regime (such as investment funds), must urgently assess how the BOT Framework applies to them and, if necessary, identify their registrable beneficial owners and provide certain information to the corporate services provider that maintains their beneficial ownership register in the Cayman Islands. Non-compliance with the BOT Framework, including the obligation to provide accurate and up-to-date information, may result in penalties against the relevant legal person and / or its registrable beneficial owners.

Since its announcement, we have been advising clients on their relevant classification and obligations under the BOT Framework. For an overview of changes under the BOT Framework, including a summary of the proactive steps all Cayman Islands legal persons should be taking with

their legal counsel to comply with the BOT Framework, see our dedicated [FAQs](#) page and client briefing: [Cayman Islands beneficial ownership transparency regime](#).

In addition to Ogier's classification advice, Ogier Global is offering its registered office clients "Contact Person" services for funds registered with the Cayman Islands Monetary Authority (CIMA), which are able to utilise the "alternative route to compliance" (see our [guide to Ogier Global Cayman Islands beneficial ownership reporting](#)).

## Amendments to AML Regulations prompt internal review of AML policies and procedures

Amendments to the Anti-Money Laundering Regulations (AMLRs) published on 19 April 2024 were centred around proliferation financing risk which is defined as "the potential breach, non-implementation or evasion of targeted financial sanctions obligations related to proliferation financing that are imposed or applied by United Nations Security Council Resolutions."

While combatting proliferation financing was broadly a requirement under the previous AMLRs, the amendment makes clear the importance of managing proliferation financing risks and provides specific additional requirements when undertaking risk assessments, enhanced due diligence, training and maintaining records and reports.

It is crucial that fund investment managers, administrators and other service providers relying on their jurisdiction's AML regime being equivalent to that of the Cayman Islands, ensure that such jurisdiction's AML regime at a minimum reflects the new requirements with respect to proliferation financing risk and the wider amendments. As usual, this assessment should be documented as required by applicable CIMA guidance.

We expect that some existing AML policies and procedures may already meet the new requirements. However, as part of the prescribed annual review, we recommend contacting your usual Ogier attorney or the contacts listed at the end of this briefing for assistance refreshing any AML policies and procedures.

## SAR defences: FRA consent regime to be introduced

The Proceeds of Crime Act (Revised) (POCA) provides for defences to the money laundering offences set out at Part 5 of POCA for persons who suspect or become aware of criminal activity or criminal proceeds in a transaction and have filed a suspicious activity report (SAR) with the Financial Reporting Authority (FRA) in relation to the same.

Recent amendments to POCA, which are due to commence on 2 January 2025 (postponed from 30 April 2024), will effectively make such defences subject to such persons having both filed a SAR with, and received consent from, the FRA prior to continuing any involvement in the relevant

transaction and / or committing any other act which might otherwise potentially amount to a relevant POCA offence.

These amendments also provide for the implementation of regulations with respect to how reporters of suspicious activity may seek and obtain a defence in relation to specific money laundering or terrorist financing offences. We will provide a further update once the relevant regulations are published. In the meantime, AML policies and procedures should be reviewed and updated as necessary to not only reflect the incoming SAR consent regime but also the proliferation financing updates mentioned above.

## **CIMA's Rule on Corporate Governance: 18 months later**

For relevant background, please see our previous briefings on corporate governance:

[Enhancement of Cayman's corporate governance framework for regulated funds](#)

[Update on CIMA Rules and statements of guidance](#)

[How are funds meeting CIMA's rules on corporate governance?](#)

In addition to Ogier's legal advice with respect to corporate governance obligations and establishing an appropriate internal framework to satisfy CIMA's requirements, [Ogier Global](#) can also assist by providing corporate secretarial and board support services.

## **Minor increase of government annual fees**

From 1 January 2025 annual government fees will increase for many Cayman entities by approximately US\$120. For ease of reference, fees for certain entities are set out below.


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## Enhancement to audit waiver process for regulated funds

Particularly towards year end with an increase of audit waiver applications related to terminations, the streamlined application process through CIMA's REEFS portal is a welcome step towards improving the efficiency of regulatory filings. Substantive requirements of audit waiver applications remain the same.

## Termination of Cayman Islands vehicles: minimising 2025 fees

Any Cayman vehicle that is considering termination should consider taking certain active steps before year end in order to reduce or eliminate certain annual fees and regulatory obligations for 2025. With increased government turnaround times towards year end, we recommend engaging legal counsel and initiating the termination process as soon as possible to mitigate the likelihood of incurring 2025 fees.

Broadly, CIMA registered funds must complete their deregistration and have no remaining assets or liabilities prior to commencing the statutory voluntary liquidation process. Funds who have not already submitted the CIMA deregistration application prior to **31 October 2024** are advised to reserve 2025 annual fees in full.

Ogier Global, Ogier's affiliate corporate services provider, offers voluntary liquidation services. For further information, please see: [Termination of Cayman entities and minimising 2025 fees](#).

For advice concerning any of the above matters, please contact your usual Ogier attorney or any of the contacts listed in this briefing.

### About Ogier

Ogier is a professional services firm with the knowledge and expertise to handle the most demanding and complex transactions and provide expert, efficient and cost-effective services to all our clients. We regularly win awards for the quality of our client service, our work and our people.

### Disclaimer

This client briefing has been prepared for clients and professional associates of Ogier. The information and expressions of opinion which it contains are not intended to be a comprehensive

study or to provide legal advice and should not be treated as a substitute for specific advice concerning individual situations.

Regulatory information can be found under [Legal Notice](#)

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