



# The Waystone Cayman Islands Update

Welcome to our Cayman update which will provide you with a quarterly review of a wide range of Cayman Islands related regulatory compliance matters including, news, guidelines and significant updates.

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This edition features regulatory updates and developments for funds:

## Updates on the New Beneficial Ownership Transparency Framework

The Beneficial Ownership Transparency Act (“BOTA”) and the associated Beneficial Ownership Transparency Regulations came into force on 31 July 2024 with a compliance deadline of 1 January 2025. Non-compliance with the BOTA, 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. To ensure adherence to the new regulations, Waystone is pleased to offer dedicated support to help regulated entities meet their obligations. Waystone Corporate Services (Cayman) Ltd. is licensed by the Cayman Islands Monetary Authority (“CIMA”) which allows it to be appointed as a Contact Person for regulated funds who may wish to utilise the alternative route to compliance. Should you require our services, you can reach out to your Waystone contact for assistance.

The Beneficial Ownership Transparency (Access Restriction) Regulations, 2024 (the “BOTA AR Regulations”) came into force on 9 December 2024. The BOTA AR Regulations set out the framework for individuals to apply for protection from public disclosure of beneficial ownership information where they believe that their association with the legal person, if disclosed, would place them (or an individual living with them) at serious risk of kidnapping, extortion, violence, intimidation or other similar danger or serious harm.

An application under the BOTA AR Regulations to prohibit disclosure of information on the search platform must be made in prescribed form and accompanied by supporting evidence, together with a fee of KYD1,000. Approved applications will stay in effect for three years.

The Beneficial Ownership Transparency (Legitimate Interest Access) Regulations, 2024 (the “LIA Regulations”) were published in the Cayman Islands Gazette on 19 December 2024 and will come into force on 28 February 2025. These LIA Regulations will allow members of the public, who can evidence a legitimate interest, to access certain beneficial ownership information of legal persons where evidence is provided that the legal person is linked to money laundering or terrorist financing.

## DITC CRS Reviews Are Underway

The Cayman Islands’ Department for International Tax Cooperation (“DITC”) has announced that comprehensive Common Reporting Standard (“CRS”) reviews, which began in November 2024, are now underway. These reviews, which are similar to an onsite inspection or an audit, will examine Cayman Islands Financial Institutions’ (“FIs”) adherence to their CRS obligations. Amidst heightened scrutiny on CRS compliance, many FIs may face challenges in meeting all requirements and adequately preparing for these reviews. If an examination be required, the Fund’s Principal Point of Contact (“PPoC”) will receive an information request via email, focusing on three main areas of the CRS review, which may include:

### 1. Financial Institution Information

The PPoC may be asked to provide the following:

- contact details of the Directors
- legal documents and Financial Statement
- CRS Policies and Procedures - these are required to be specific to the entity and demonstrate how the FI ensures compliance with CRS requirements (including due diligence, responsible persons, documentation, and other key items).

### 2. Service Provider Information

The FI will be asked to provide the contact details of key personnel, including Automatic Exchange of Information (“AEOI”) Delegate, Administrator, Investment Manager, Money Laundering Reporting Officer (“MLRO”)/Anti-Money Laundering Compliance Officer (“AMLCO”) and service providers.

### 3. Financial Account Information

An investor classification report for all reportable and non-reportable investors will be required to be submitted. Additionally, the DITC will issue breach notices, allowing FIs the opportunity to correct any incorrect or incomplete data submitted. It is crucial to address these promptly to avoid further administrative actions by the DITC.

## FRA Advisory – Defense Against Money Laundering/Consent Regime

On 10 January 2025, the Cayman Islands Financial Reporting Authority (“FRA”) published an Industry Advisory: Defense Against Money Laundering (“DAML”)/Consent Regime.

This Advisory notes that amendments to the Proceeds of Crime (Amendment) Act, 2023 came into force on 2 January 2025.

Prior to these revisions, the Proceeds of Crime Act (“POCA”) provided certain defenses for a person who filed a Suspicious Activity Report (“SAR”). Following the commencement of the POCA revisions, these SAR defenses are now only available to a person who filed a SAR and sought consent from the FRA prior to approving a suspicious transaction or any act which may be potentially a money laundering offence.

Legitimate businesses may develop suspicion in relation to a customer, investor or counterparty such that they consider they may be exposed to criminal property. As well as being required on a mandatory basis to make a SAR to avoid committing a failure to disclose Offence, the business may also want to make the SAR to obtain a DAML, in order not to inadvertently commit one or more of the core money laundering offences – such as accepting, retaining or transferring criminal property.

The FRA has published industry guidance on how the new DAML consent regime will work, including a 7-working day notice period during which the DAML SAR must be responded to by the FRA, failing which the applicant is deemed to have received consent.

Should a request for a DAML be refused, the FRA will notify the party who submitted the SAR. A “Moratorium Period” of 30 calendar days then begins. During this time, law enforcement will be working to take positive enforcement action against the criminal property identified in the SAR. This could include property freezing orders or restraint orders.

The FRA is expected to issue new regulations and guidance in relation to the same.

## CIMA Updates

On 6 November 2024, CIMA published its Regulatory Update: January to June 2024. The update covers legislative, regulatory updates, highlights from thematic reviews – Nature, Accessibility and Retention of and industry outreach for the period, as well as upcoming initiatives and regulatory plans.

A summary of the legislative changes as summarised in the report are as follows:

- Virtual Asset (Service Providers) Act (2024 Revision): Issued on 15 February 2024, this Act consolidates previous versions of the Act.
- Companies Management Act (2024 Revision): Published on 1 February 2024, this revision replaced the 2021 revision and includes updates to remove references relating to the beneficial ownership regime for incidental and connected purposes.
- Money Services Act (2024 Revision): Published on 8 February 2024, the revision for incidental and connected purposes. Includes updates to remove references relating to the beneficial ownership regime.
- The Anti-Money Laundering (Amendment) Regulations, 2024: The Cayman Islands Government published the Anti-Money Laundering (Amendment) Regulations on 19 April 2024. The regulations aim to improve measures to combat money laundering, terrorist financing, and proliferation financing.

In November 2024 CIMA **published** the results of its **Thematic Review on Corporate Governance**, to assess compliance with the Rule on Corporate Governance issued in April 2023 and effective from October 2023.

The review evaluated selected licensees across the regulatory sectors and highlighted both recommended practices and areas requiring improvement. The report emphasised:

- the importance of adapting governance frameworks to an entity’s size, complexity, and risk profile
- the need for tailored frameworks to meet Cayman Islands’ regulatory standards, in group-affiliated entities
- challenges in ensuring consistent application of principles such as objectivity, conflict management, and robust risk controls.

## Amendments to AML Regulations

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.

## DITC Economic Substance Bulletin

The Department for International Tax Cooperation (“DITC”) published a November 2024 Updates Bulletin, which:

- provided a reminder that the deadline for filing economic substance (“ES”) returns and tax residency overseas (“TRO”) forms for the 2023 financial year was 31 December 2024 (for entities with a 31 December financial year end)
- noted that the ES notification and ES return forms have been updated, primarily to accommodate the submission of ES information for partnerships, but also with some technical changes to enhance the quality of the data reported
- reminded industry that ES notifications may be edited within 12 months of submission and noted that, if an ES notification requires updating after that timeframe, an ES return must be submitted.

The key changes to the ES notifications are that the financial year start and end dates are now mandatory; and Partnerships must provide details for at least one General Partner. The key changes to the ES return forms are that Partnerships conducting relevant activities must confirm whether their General Partner’s income derives solely from the entity’s relevant income.

## Adjustments in Annual Fees

The Cayman Islands Ministry of Financial Service and Commerce has announced increases to the company annual fees in the Cayman Islands, effective from 1 January 2025.

Accordingly, the new fees are outlined in the table below. Please note that all amounts are in KYD.

<b>Company Annual Fees</b>				
<b>Type</b>	<b>Lower Share Capital</b>	<b>Upper Share Capital</b>	<b>Current Annual Fee</b>	<b>New Annual Fee</b>
<b>Companies – Exempt</b>	0	42,000.00	825	925
	42,001	820,00.00	1,125	1,225
	820,001	1,640,000.00	2,109	2,209
	-	>1,640,000.00	2,693	2,793
<b>Companies – Non-Resident</b>	0	42,000.00	800	900
	-	>42,000.00	1,040	1,140
<b>Companies – Foreign</b>			1,550	1,650
<b>Limited Liability Companies</b>			1,000	1,100
<b>Exempted limited partnership (Registered Fund)</b>			1,200	1,300
<b>Exempted and Limited Liability Partnership (Non regulated)</b>			2,000	2,100
<b>Foreign limited partnership</b>			1,550	1,650

## Monetary Authority Act Amendments and CIMA Fees

In line with the changes to CIMA fees, the Monetary Authority Act (2020 Revision) was amended effective 1 January 2025 to permit the making of regulations prescribing the charging of fees for administrative services provided by CIMA to persons registered under any of the regulatory laws; to allow for fees to be prescribed as non-refundable; to repeal and replace Schedule 2 (Fees) to provide for additional non-refundable administrative services and their corresponding fees; and to validate certain revenue collection actions of CIMA.

On 15 January 2025, CIMA issued a Notice confirming that all updated CIMA and Registry fees came into effect on 1 January 2025. On the same date, CIMA published a second related Notice providing that:

- 2024 fees must be paid by the 15 January statutory deadline and, from 16 January 2025, CIMA will begin assessing penalties on any of these outstanding annual fee amounts; and
- CIMA has granted an extension to 17 February 2025 for the payment of the 2025 fee changes (i.e., the difference between the 2024 and 2025 fees) and, from 18 February 2025, CIMA will begin assessing penalties on outstanding annual fee change/increase amounts.

## CPO/CTA Registration Reminders

The Commodity Futures Trading Commission (“CFTC”) requires any person that claims an exemption from Commodity Pool Operator (“CPO”) registration under CFTC Regulation 4.13(a)(1), 4.13(a)(2), 4.13(a)(3), 4.13(a)(5), an exclusion from CPO registration under CFTC Regulation 4.5 or an exemption from Commodity Trading Advisor (“CTA”) registration under 4.14(a)(8) (collectively, exemption) to annually affirm the applicable notice of exemption within 60 days of the calendar year end, which is 1 March 2025, for this affirmation cycle.

Persons re-affirming an exemption under 4.13(a)(1), 4.13(a)(2), 4.13(a)(3) and 4.13(a)(5) will be required to attest that neither the person nor its principals has in its background any statutory disqualifications listed under Section 8a(2) of the Commodity Exchange Act.

Failure to affirm an active exemption from CPO or CTA registration will result in the exemption being withdrawn on 3 March 2025.

## Stay informed with our Cayman Update

Our team helps you stay ahead in the ever-evolving regulatory landscape with expert insights on key [Cayman Islands compliance matters](#). This quarterly update covers essential news, guidelines, and significant developments to keep you informed. If you'd like to discuss any of the topics covered, please reach out to your usual Waystone representative or contact us below.

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