



Cayman Islands
Institute of
Professional
Accountants

Report on Supervision Activities of CIIPA in 2023 pursuant to the AML Regulations

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Introduction

As the designated Anti-Money Laundering (“AML”) Supervisory Authority for accounting firms, CIIPA continued its supervision in 2023. This entailed continuing off-site monitoring and this document outlines key activities and themes and findings arising from supervision.

This Report is presented to the Anti Money Laundering Steering Group in accordance with Regulation 53D of the Anti-Money Laundering Regulations (2023 Revision).



Ogier’s Georgia Scott delivers a presentation during the AML/CFT Updates course, in September 2023.

Registrations

As at 31 December 2023, there were 133 registered firms comprising:

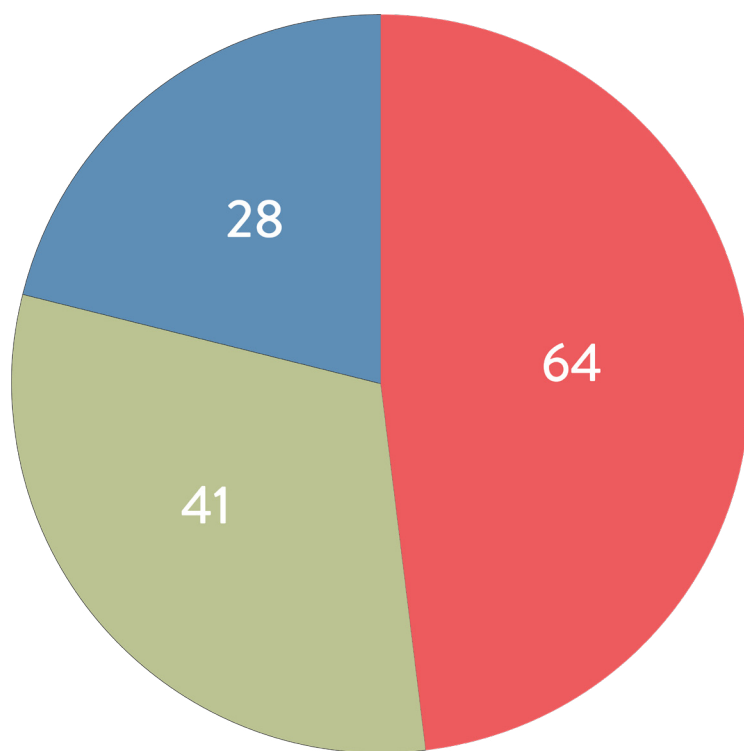
- 41 audit firms that are not engaged in relevant financial business (“RFB”),
- 64 accounting firms that are not engaged in relevant financial business and
- 28 audit and accounting firms that are engaged in relevant financial business.

Four accounting firms that are not engaged in RFB became registered in the period January to December 2023.

Five other accounting firms that are not conducting relevant financial business deregistered in 2023 as a result of accounting services no longer being provided. The firms were deregistered six to 12 months after the revocation of their trade and business licences.

CIIPA anticipates that a number of firms, that should be registered, remain unregistered. It is continuing to work with the Department of Commerce and Investment (“DCI”) to ascertain and agree the best process to capture the activities requiring registration with CIIPA at the time of licensing with Department of Commerce and Investment. Categories available for licensing with Department of Commerce and Investment such as ‘Consultant’ may be misused, advertently or inadvertently, to pass under the radar of Department of Commerce and Investment and, thus, CIIPA.

Inherent Risk Per Firm’s Business Risk Assessment



Accounting firms not engaged in RFB

Audit firms not engaged in RFB

Audit / Accounting firms engaged in RFB

Registrations (cont.)

Further, one of the 28 registered firms previously recorded as conducting relevant financial business claimed to no longer be conducting the same in response to the requirement to submit the CIIPA AML Return in 2023. CIIPA awaits amendments to the AML Regulations to mandate the gathering of data from all accounting firms whether or not it is established or claimed that they are conducting relevant financial business, before adopting a process to verify that this or any other firm is no longer conducting relevant financial business and thereby not subject to supervision.

One accounting firm that was not engaged in RFB became registered in the period January to December 2023 as RFB after changing services and will now be supervised for AML purposes.

A change in the AML function occurred in two firms engaged in relevant financial business. One appointed a new (internal) AMLCO in June 2023, and another appointed in September 2023.

CIIPA undertakes to support the Cayman Islands Monetary Authority in its collection of Proceeds of Crime Act declarations from public practice firms as required by section 31 of the Accountants Act.

Supervision

The primary change in CIIPA's supervision during 2023 was the introduction of an AML Return to collect a variety of data necessary to determine the risk in firms and the likely effectiveness of its controls in mitigating and managing that risk. A total of 27 of

the 28 firms recorded as conducting relevant financial business submitted the return. Once the amendments to the AML Regulations have been made we will request that the firm complete the AML Return.

Governance

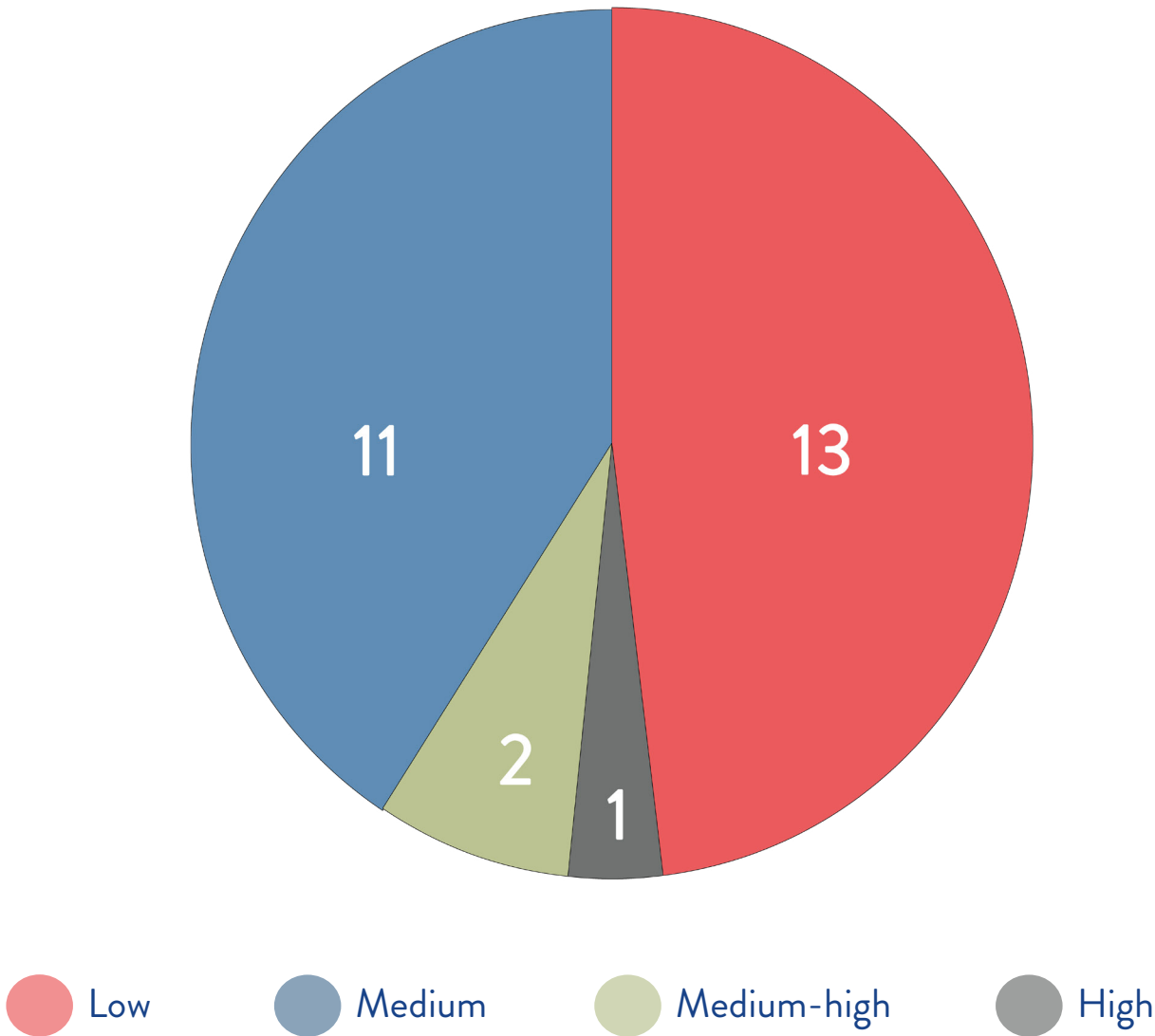
All supervised firms are formed as companies with the exception of one partnership and one sole practitioner individual. Almost half (13) firms are directly owned by natural persons residing in the Cayman Islands. Control of firms is held by natural persons in the Cayman Islands for nineteen of the firms with a further six firms being controlled by persons in both the Cayman Islands and overseas. Only one firm which is a global firm is controlled by persons outside of the Cayman Islands.



Risk

The most common assessment of each firm’s submission of inherent risk, was low. Where firms rate themselves as low risk per their Business Risk Assessment without a sound basis for doing so or contrary to the National Risk Assessment or the assessments of

other firms in the same sector and with a similar profile, this is a high-risk factor in CIIPA’s risk assessment of the firm. Thus, we see opposite results when comparing the firms’ BRAs with CIIPA’s.



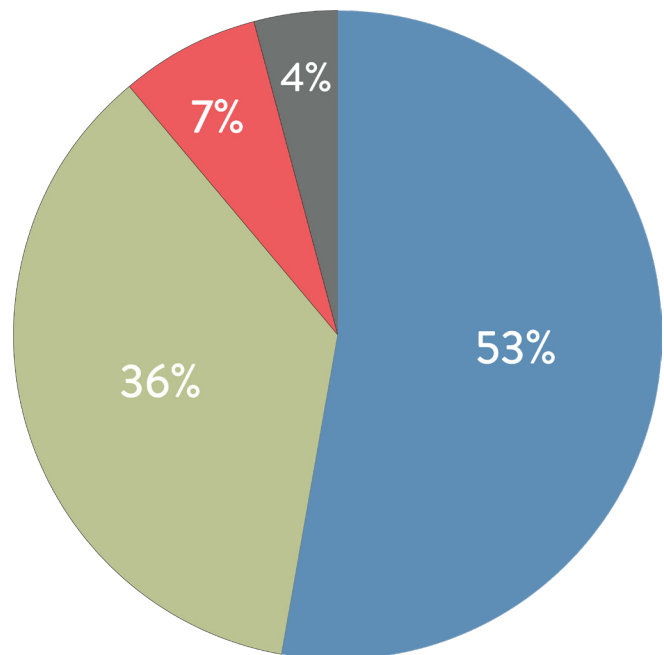
Controls

There were wide ranging results on firms' approach to an independent assessment of its AML system of controls. Whilst all, with the exception of two firms, had conducted an assessment within the last three years, there were four firms where this is a risk that their assessment was not adequately independent or appropriate. This has resulted in an increased factor in CIIPA's risk assessment of them and therefore its supervision.

For sanctions screening 12 firms had adopted an automated system, 11 a manual approach, and 4 a combination of the two.

Risk Profile of Supervised Entities

Results of analysis of the AML Returns was reported internally and used to update the risk profiles as noted above. The changes effected during 2023 and the offsite supervision, resulted in a **reduction in low-risk** firms from three to one (due to changes in firm ownership and control or the AML Return submissions), an increase in medium risk firms from 12 to 15 and a **decrease in medium high risk** from 11 to 10 firms.



● Low

● Medium-high

● Medium

● High

Policy

New guidance was issued on the use of eKYC.

Consultations

During the year CIIPA responded to consultation conducted by:

- The Cayman Islands Monetary Authority on guidance relating to use of e-KYC and Record Retention.
- The Anti Money Laundering Unit on amendments to the Anti Money Laundering Regulations.
- The Ministry of Financial Services and Commerce regarding the Beneficial Ownership Transparency Bill.



Outreach activities

CIIPA's vision includes facilitating trust and confidence in the Cayman Islands and the accountancy industry globally by providing knowledge, resources, advocacy and regulation.

To that end, CIIPA carried out several initiatives aimed at educating members and keeping them abreast of the latest ML/TF/PF developments both locally and abroad.

Events

- AML/CFT Updates course held in September 2023.
- CIIPA's Momentum Conference in November 2023 included presentations and educational offerings relevant to AML/CFT.



Communications

- Financial Sanctions Notices sent throughout 2023 directly to CIIPA contacts via email.
- CIIPA has a link to the FRA's online Financial Sanctions Notices on the AML/CFT section of its website.
- Published Outcomes of the FATF Plenaries on the CIIPA website throughout 2023.
- Issued a press release in June 2023 highlighting CIIPA's work as the AML supervisor for the accounting profession.



Cooperation

CIIPA continued to liaise with the other domestic AML supervisors both directly and through the AML Supervisors Forum pursuant to the Cayman Islands Multilateral Memorandum of Understanding. CIIPA met with the Financial Reporting Authority to discuss matters of mutual interest.

- Financial Reporting Authority, meetings in June and August 2023
- AML Supervisors Forum, meetings in May, August and September 2023
- Cayman Attorneys Regulation Authority meeting in June 2023
- Department of Commerce and Investment, cooperation on registration of firms in May 2023

Future objectives & outlook

CIIPA continues its supervision through the planned implementation of an Anti-Money Laundering Return. The intention is that all registered firms will be required to complete and submit the form in 2024 once necessary amendments to the Anti Money Laundering Regulations are effective.

CIIPA will design its risk-based supervision according to the data received which may include thematic inspections on the Business Risk Assessments of firms given divergence between firms and from CIIPA's own supervisory risk assessments, and arrangements for independent reviews of AML systems.

CIIPA looks forward to contributing to ongoing actions further to the National Strategy of the Cayman Islands.

Glossary of Acronyms

ACRONYM	TERM
BRA	Business Risk Assessment
CDD	Client Due Diligence
CRA	Client Risk Assessments
FATF	Financial Action Task Force
ML	Money Laundering
PEP	Politically Exposed Person
PF	Proliferation Financing
SDD	Simplified Due Diligence
TF	Terrorist Financing
UBO	Ultimate Beneficial Owners



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