Cayman Islands Institute of Professional Accountants

AML GUIDANCE

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AML Supervision

FOR Designated Non-Financial Businesses or Professions (DNFBPs)

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Welcome to CIIPA's AML Guidance Newsletter

This is the first edition of CIIPA's AML Guidance Newsletter, published as part of our AML Supervision Programme for DNFBPs. The newsletter is one element of CIIPA's ongoing programme of support, outreach and supervisory engagement.

If you are registered with CIIPA and conducting relevant financial business – which includes insolvency appointments and liquidations – you are subject to the Anti-Money Laundering Regulations (2025 Revision) (the "**AMLRs"**). This newsletter is designed to help you understand what that means in practice, what CIIPA expects, and how you can demonstrate that your firm is meeting its obligations.

What to expect from future newsletters

Each newsletter will focus on one core compliance topic in depth, chosen to reflect the inspection programme and the areas where CIIPA's reviews have identified scope for improvement. The planned topics over the next four issues are:

Issue	Publication	Focus Topic
1	July 2026	The Business Risk Assessment – understanding and documenting your firm's risks (including proliferation financing)
2	August 2026	Training, governance and demonstrating effectiveness – preparing for inspections
3	September 2026	Customer Due Diligence (CDD) Simplified Due Diligence (SDD) and Enhanced Due Diligence (EDD) for insolvency appointments
4	October 2026	Suspicious Activity Reporting – how to build a strong SAR culture

The newsletter is also the place where CIIPA will share regulatory updates, emerging typology guidance, and anonymised lessons from inspection outcomes across the supervised population.

Onsite Monitoring Visits — What to Expect

CIIPA's AML supervision programme includes onsite inspection visits conducted by the Institute of Chartered Accountants in England and Wales (ICAEW) on CIIPA's behalf. ICAEW has extensive Cayman experience in conducting the Quality Assurance Review System (QARS) and in AML supervisory compliance in the UK and brings specialist knowledge of insolvency practice to this role.

How the first round of visits will work

The first round of onsite visits will commence in November 2026. Firms selected for a visit in that round will be notified well in advance and will receive a pre-inspection pack that sets out exactly what to prepare and how the visit will be structured. The general process is:

Stage	What happens
12 weeks before the visit	Notification letter sent. This will include details of the documents that the reviewer will ask to see as part of the on-site visit. The letter will also identify key personnel who will need to be available during the on-site review. You will also be asked to submit your current Business Risk Assessment
6-8 weeks before the visit	You will receive a pre-visit call from the on-site reviewer who will introduce themselves and discuss the practicalities of the review, the documents that will be required and discuss arrangements for meetings with key personnel. If you have any questions you can pose these to the reviewer at this time.
4 weeks before the visit	BRA submitted to CIIPA.
Onsite visit	ICAEW reviewers attend your premises. The visit will include interviews with your AMLCO,MLRO and Deputy MLRO about the services you provide that are in scope of the AMLRs. If you have had a prior AML monitoring review from CIIPA, the reviewer will discuss this and the action you have taken since to address any issues raised. The reviewer will discuss how you conclude on money laundering risks and how you mitigate those risks. Your business risk assessment is the starting point for all discussions. The review will also include consideration of your AML policies and procedures, review of a sample of completed customer due diligence on your clients (which will be selected onsite) and SAR activity, and details of staff training. They will discuss preliminary feedback. After the visit, you will receive a visit report with details of any findings that you will be expected to respond to within a fixed timeframe.
After the visit	You provide a response to any findings the ICAEW reviewers identified during the visit. ICAEW will issue a report to CIIPA based on the findings and your response CIIPA issues a draft inspection report. You have the opportunity to respond before the final report is issued.

CIIPA recognises that, while AML inspections are not a new process, many firms have not been subject to a supervisory visit since 2022 and, for some firms, this may be their first inspection The purpose of the inspection programme is to review current risks – it is to understand where your firm's AML controls are working well and where there is room for improvement, and to help the sector understand the risk and ensure that the regulatory requirements are met.

Focus Topic: The Business Risk Assessment

The Business Risk Assessment – or BRA – is the most important AML document your firm will produce. It is required by law. It is the first document ICAEW will request before an inspection. And it is the foundation on which everything else in your AML framework is built.

What the BRA needs to cover

The BRA must address the specific risks relevant to your firm. A generic template is unlikely to be adequate. For your firm, the risk assessment should reflect the actual work you do and the specific exposures that come with it. At minimum, the BRA must address:

Required content of a Business Risk Assessment – Regulation 8 AMLRs

- Your firm's business profile: structure, size, the types of services and appointments you take, and the proportion of your work that involves relevant financial business
- Customer / client risk: the nature of the parties you deal with – creditors, debtors, shareholders, directors – and the risk they present. This includes PEP exposure and the profile of the jurisdictions involved
- Geographic risk: the countries and jurisdictions connected to your appointments, including where assets are held, where creditors are based, and where transactions are taking place
- Products and services: the types of engagements and appointment and the specific risks each presents – for example, whether you are handling cash, managing bank accounts, or distributing assets
- Delivery channels: how services are delivered and any third-party reliance arrangements
- Proliferation financing (PF) risk: a specific assessment of the risk that any aspect of your work could be connected to the proliferation of weapons of mass destruction or sanctions evasion (see below)
- Controls in place: how each identified risk is mitigated – CDD procedures, screening, reporting, training

Regulatory basis: *Regulation 8(1) and (2), Regulation 8A AMLRs (2025 Revision)*

The legal requirement

Regulation 8(1) and (2) of the AMLRs (2025 Revision) requires every firm conducting relevant financial business to take appropriate steps to identify, assess and understand the money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks it faces. This assessment must be documented kept up to date and made available to CIIPA on request. Policies, controls and procedures that are approved by senior management must be implemented. Regulation 8A adds specific requirements for country and geographic risk assessment.

Proliferation Financing must be in your BRA – it can be separate document but it must be covered

Not all firms covered a proliferation financing risk assessment as a part of their BRA. CIIPA's position is that each firm needs to evidence that it can a provide effective risk management.

ML, TF and PF risks are interconnected. A party connected to sanctions evasion or the proliferation of weapons is also a party presenting significant ML risk. Separating the assessments creates a risk that the controls applied to each are treated as disconnected, and that the overall picture of the firm's risk is lost.

For most firms, PF risk arises primarily through two channels:

- Sanctions exposure: parties connected to your appointments (directors, shareholders, creditors, counterparties) may be subject to UN, OFAC, EU or UK financial sanctions. In international liquidations, this risk is heightened.
- Understanding is there are any dual use goods that could be used for non-legal purposes, such as chemicals, electrical products and components.
- Asset / jurisdiction exposure: assets held in certain jurisdictions, or transactions with counterparties in sanctioned jurisdictions, may give rise to PF risk even where no individual is directly listed.

Understanding your risks – looking at your current and closed cases

The most important thing your BRA can do is accurately reflect the actual risk your firm faces, not a theoretical or generic version of it. The starting point for a good BRA is a review of your own casework.

Insolvency & Liquidations

CIIPA expects that firms will review both current and recently closed appointments when preparing or updating their BRA. This means asking specific questions about each appointment or class of appointment:

Current appointments	Closed appointments
• Who are the key parties – directors, shareholders, creditors, beneficial owners? • Have all parties been screened against sanctions lists and PEP databases? • What jurisdictions are involved and what is the risk profile of each?	• Did any matters present ML, TF or PF concerns during the appointment? • Were any SARs filed – and if not, why not? • Were there patterns of behaviour that should inform your risk view – third-party pressure, unexplained transactions, asset dissipation?

CIIPA's expectation

Your BRA should contain a dedicated section on proliferation financing risk that is integrated with your overall risk assessment. The PF section should identify the specific ways in which your engagements, appointments or work could expose your firm to PF risk and set out the controls you have in place to manage this. The BRA should show that your firm understands how PF risk interacts with your ML and TF risk, not that it exists in a separate silo.

It is important to remember that the Financial Action Task Force defines PROLIFERATION FINANCING as '*providing funds or financial services which are used, in whole or in part, for the manufacture, acquisition, possession, development, export, trans-shipment, brokering, transport, transfer, stockpiling or use of nuclear, chemical or biological weapons and their means of delivery and related materials (including both technologies and dual use goods used for non-legitimate purposes), in contravention of national laws or, where applicable, international obligations*'.

- Is there any adverse media, law enforcement involvement, or FRA interaction?
- Is the ongoing monitoring of each appointment up to date?
- What was the business sector and service and what are the AML/TF/PF risks
- Did your CDD identify all beneficial owners? Were there obstacles to verification?
- What would you do differently now?

The answers to these questions should feed directly into your BRA. If your current or closed caseload shows a pattern of PEP-connected appointments, for example, that must be reflected in your BRA as a specific risk factor with a corresponding control response. The business sectors should mean risks are flagged and staff are made aware by training and policies, procedures and controls that reduce risks.

Key risks for practitioners and firms – what to include in your BRA

CIIPA have identified a number of risk areas that are particularly relevant to insolvency and liquidation practices, but will be applicable to a wide range of sectors. These are based on well observed patterns across comparable supervisory regimes, and the nature of insolvency work in international financial centres like the Cayman Islands. Firms should consider each of these when preparing or updating their BRA:

Risk Area	What to consider in your BRA
Pre-appointment conduct	The period before your appointment can be the most significant for ML risk. Asset dissipation, transactions at undervalue, preferences to connected parties, and fraudulent trading are all indicators that require assessment. Your BRA should address how you identify and record pre-appointment conduct risk.
Beneficial ownership	In Cayman insolvency work, the beneficial ownership of insolvent entities can be complex, particularly where multi-layered corporate structures, nominees, and offshore holding companies are involved. Your BRA should address how your firm verifies beneficial ownership in these circumstances and what enhanced due diligence is applied where ownership cannot be readily verified.
PEP connections	Politically exposed persons (PEPs) are disproportionately represented in international insolvency matters. Your BRA should address the likelihood of PEP connection across your case types and the EDD procedures your firm applies where a PEP is identified. This includes PEPs as directors, shareholders, creditors, and third-party purchasers of assets.
Cross-border transactions	Insolvency appointments can involve assets in multiple jurisdictions and transactions with parties based in high-risk or sanctioned jurisdictions. Your BRA should identify the jurisdictions most commonly encountered in your caseload and assess the risk each

	presents. Country risk should be maintained on an ongoing basis – sanctions lists and FATF grey/black lists change regularly.
Creditor claims and fraud	False creditor claims are a known ML typology in insolvency contexts. The insolvent estate can be used to legitimise proceeds of crime by asserting inflated or fabricated debts. Your BRA should address how your firm assesses the credibility of significant claims and what triggers a more detailed review.
Asset sales and distributions	The sale of assets and distribution of funds are the points of highest ML/TF risk in the insolvency process. Third-party purchasers may be connected to the insolvent entity, acting at undervalue, or seeking to launder proceeds. Your BRA should address who is buying, what the source of funds is, and whether sanctions screening is conducted before funds are distributed.
Sanctions and PF exposure	International insolvency appointments can involve counterparties, asset locations, or financial institutions in jurisdictions subject to UN, OFAC, EU or UK sanctions. Your BRA must include an assessment of PF risk and your firm's exposure to sanctions through its caseload. This is not a separate exercise – it is part of your overall risk picture.
Digital assets and crypto	The number of insolvency appointments involving cryptocurrency and other digital assets is increasing. These assets present specific challenges for CDD, valuation and sanctions screening. If your firm handles or is likely to handle digital assets, your BRA should address this specifically.

CIIPA recognises that, while AML inspections are not a new process, many firms have not been subject to a supervisory visit since 2022 and, for some firms, this may be their first inspection The purpose of the inspection programme is to review current risks – it is to understand where your firm's AML controls are working well and where there is room for improvement, and to help the sector understand the risk and ensure that the regulatory requirements are met.

Sanctions screening – an ongoing obligation, not a one-off check

Sanctions screening deserves specific attention. It is not sufficient to screen parties at the point of appointment and treat that as the end of the matter. Sanctions lists are updated frequently – OFAC, UN, EU and UK lists can change daily – and a party who was clear at appointment may become a designated person during the course of the matter.

Your BRA should document your firm's approach to sanctions screening: which lists you screen against, how often, using what tools, and how you record the outcomes. If your screening identifies a potential match, you must have a process for escalating this to your MLRO and, where appropriate, seeking legal advice before proceeding.

When sanctions screening should be conducted

- At appointment: all directors, shareholders, beneficial owners, known creditors and key counterparties
- When new parties are identified during the course of the appointment
- Before any significant asset sale or distribution of funds
- Before completing any transaction with a third-party purchaser
- On a periodic basis throughout long-running appointments
- Immediately upon becoming aware of any change in the political or regulatory status of a jurisdiction connected to the matter

The BRA is not a standalone document

One of the most common weaknesses in firm AML frameworks is that the BRA seems to exist as an isolated document – it is produced to satisfy the regulatory requirement but it does not actually drive the firm's day-to-day compliance approach. This has the potential to fundamentally misunderstands what the BRA is for.

A good BRA is the engine of your AML framework. Everything else – your CDD procedures, your training programme, your policies, your monitoring approach – should flow from the risks identified in the BRA. If your BRA says that PEP-connected appointments are a significant risk, your CDD procedures shall include enhanced due diligence for PEP-connected parties as required by regulation 27 of the AMLRs, and your training should cover how to identify and manage PEP exposure. If your BRA says that cross-border transactions are common and that certain jurisdictions carry elevated risk, your country risk assessment should be current and your screening should be calibrated accordingly.

The legal requirement

Regulation 8(1) and (2) of the AMLRs (2025 Revision) requires every firm conducting relevant financial business to take appropriate steps to identify, assess and understand the money laundering (ML), terrorist financing (TF) and proliferation financing (PF) risks it faces. This assessment must be documented kept up to date and made available to CIIPA on request. Policies, controls and procedures that are approved by senior management must be implemented. Regulation 8A adds specific requirements for country and geographic risk assessment.

The BRA identifies

your firm's specific ML, TF and PF risks

- ▶ Drives your CDD and EDD procedures
- ▶ Determines your screening requirements
- ▶ Shapes your training programme
- ▶ Informs your policies and procedures
- ▶ Sets your ongoing monitoring approach
- ▶ Supports your SAR decisions

When ICAEW inspectors review your BRA, they will be looking not just at the document itself but at whether your firm is actually applying the risk-based approach it describes. A well-written BRA that does not match your firm's actual practice, or that is not referenced in your policies and training, will be identified as a gap.

Keeping your BRA up to date

The BRA is not a document you write once and file. Regulation 8(2) requires that it be kept up to date. In practice this means:

- Reviewing the BRA at least once a year, even if nothing has changed
- Updating it promptly when your firm takes on new types of work, enters new markets, or identifies new risk factors through its casework
- Reviewing it when there is a change in your AMLCO or MLRO
- Reviewing it when the Office for Strategic Action on Illicit Finance (OSAIF), CIIPA or another authority issues updated guidance on a risk relevant to your practice
- Reviewing it after any inspection or CIIPA interaction that identifies a new risk dimension.

The date of the most recent review and the name of the senior manager who reviewed and approved it should be clearly recorded on the document.

What your firm should do now

Action for your firm

1. Review your current BRA: Is it up to date? Does it reflect your actual insolvency caseload? Has it been reviewed by senior management in the past 12 months?
2. Check that PF risk is included: Is there a dedicated section in your BRA addressing proliferation financing and sanctions exposure? If this is currently a separate document, integrate it into the main BRA.
3. Review your current and closed cases: Conduct a structured review of your active appointments and recently closed matters using the questions set out in this newsletter. Update your BRA to reflect any risk patterns you identify.
4. Run a sanctions screening exercise: Screen all relevant parties on your current appointments against current UN, OFAC, EU and UK sanctions lists. Document the exercise and record the outcome on each file.
5. Check the links: Does your BRA connect to your CDD procedures, policies, and training? If a new member of staff read your BRA, would they understand what is expected of them?
6. Be ready for the pre-inspection request: When CIIPA issues your pre-inspection notification, your BRA will be the first document requested. It should be current, documented in writing, and readily available.

The date of the most recent review and the name of the senior manager who reviewed and approved it should be clearly recorded on the document.

Contact CIIPA

If you have questions about your firm's AML obligations or about the inspection programme, please contact CIIPA's regulatory team. We will also be publishing further guidance documents and running AMLCO Forum sessions – details will be circulated to all registered firms.

Regulatory Reminder

The following key AML obligations apply to all CIIPA-registered firms conducting relevant financial business. Non-compliance can result in administrative fines under the AMLRs (2025 Revision).

Obligation	What it requires	Regulatory reference
BRA	Documented, implement policies controls and procedures senior-management-approved. Must cover ML, TF and PF. Must be kept up to date.	*Reg 8(1)(2) AMLRs*
AMLCO / MLRO	Designated AMLCO, MLRO and Deputy MLRO at the managerial level with appropriate seniority, skills and authority. Appointment letters required.	*Reg 3(1), 33(1) and 33(2) AMLRs*

This newsletter is for guidance purposes and does not constitute legal advice. Firms should take independent legal advice where appropriate. The AMLRs (2025 Revision) and the Proceeds of Crime Act (2025 Revision) are the authoritative legal texts.

CDD/EDD/SDD	Customer due diligence (CDD) at the start of a business relationship and on an ongoing basis. Enhanced Due Diligence where higher risk factors are present. Simplified Due Diligence where a low level of risk identified and assessed.	*Part 4, 5 and 6 AMLRs*
Screening	Sanctions screening of all relevant parties, including on an ongoing basis throughout the appointment.	*Reg 5(v) AMLRs*
SARs	Obligation to report suspicious activity to the FRA via the MLRO. Tipping-off prohibition applies.	*Reg 19 AMLRs and POCA (revisions 2025)*
Training	All relevant staff must receive AML training appropriate to their role. AMLCO, MLRO and Deputy MLRO must maintain their professional knowledge.	*Reg 5 AMLRs*