

Cayman Islands' removal from the FATF grey list

A Basel AML Index briefing following the decision of the Financial Action Task Force (FATF) to delist the Cayman Islands from its list of jurisdictions under increased monitoring ("grey list") in October 2023.

In a nutshell

Jurisdiction: Cayman Islands

On FATF grey list: February 2021 to October 2023

Principal reasons: Low performance in effectiveness

Latest FATF reports: April 2019 (mutual evaluation report) and October 2021 (follow-up report), by CFATF (Caribbean Financial Action Task Force)

Significance: Being delisted is essential for the Cayman Islands's attractiveness for investments and to be further delisted from the EU list of high-risk third countries.

1 Background information

The 2019 [mutual evaluation report](#) for the Cayman Islands found severe deficiencies in terms of the effectiveness of its anti-money laundering and counter financing of terrorism framework. In five of the FATF's 11 effectiveness criteria (Immediate Outcomes or IOs), the country scored the lowest possible level:

- Supervision (Immediate Outcome 3)
- Preventive measures (Immediate Outcome 4)
- Financial intelligence units (Immediate Outcome 6)
- Investigation and prosecution of money laundering offences (Immediate Outcome 7)
- Investigation and prosecution of terrorist financing offences (Immediate Outcome 9)

In the other four effectiveness criteria, it demonstrated moderate performance. In none of the criteria was the Cayman Islands rated as having a substantial or high level of effectiveness.

In terms of technical compliance with the FATF's 40 Recommendations, the mutual evaluation report rated Cayman Islands as:

- Compliant in 12 Recommendations (3, 5, 9, 11, 12, 13, 18, 20, 27, 33, 37, 39).
- Largely compliant in 15 Recommendations (4, 6, 7, 8, 10, 14, 15, 16, 17, 21, 30, 31, 36, 38, 40).
- Partially compliant in 13 Recommendations (1, 2, 19, 22, 23, 24, 25, 26, 28, 29, 32, 34, 35).

2 Action taken and progress made

The Cayman Islands' Government started addressing the identified deficiencies following the publication of the mutual evaluation report, based on a list of [63 recommendation actions](#). By February 2021, when it was [added to the grey list](#), it claimed only three items were left unaddressed, in brief:

1. Apply effective, proportionate and dissuasive sanctions and penalties for breaches.
2. Enforce requirements for beneficial ownership information.
3. Demonstrate that money laundering prosecutions are in line with the jurisdiction's risk profile.

Progress in terms of technical compliance was reflected in the follow-up reports. The [February 2021 report](#) demonstrated that the Cayman Islands had made progress in addressing its deficiencies and it was re-rated on 16 Recommendations: R1, R2, R15, R18, R21, R22, R23, R24, R25, R26, R28, R29, R32, R34 and R35. In June that year, the FATF [removed](#) the first item from the action plan on sanctions and penalties. In the [October 2021 follow-up report](#), the Cayman Islands showed an improvement in its score for R15 (new technologies). However, it continued to stay on the grey list due to the unaddressed deficiencies in effectiveness.

In October 2022, the FATF [urged](#) the Cayman Islands to complete the last item in the action plan on the prosecution of money laundering offences and extended the deadline to February 2023.

In June 2023, the FATF announced that the Cayman Islands had substantially completed all of the recommended actions. It organised an on-site inspection that led to its removal from the grey list in October 2023.

3 Expected results

Graduation from the grey list will likely improve the Cayman Islands' reputation as a financial centre, said Premier Wayne Panton in a [public statement](#) following the delisting. The Minister of Financial Services and Commerce was reportedly "barely able to contain his joy".

It is anticipated that the Cayman Islands may also be removed from the European Union's list of high-risk third jurisdictions, where it was placed after being grey listed. This reportedly [triggered](#) some investors to move to other jurisdictions such as Bermuda and Jersey. If so, the Government and financial services industry eagerly [anticipate](#) the return of European investors.

4 Cayman Islands in the Basel AML Index

Cayman Islands is not included in the Public Edition of the Basel AML Index due to very limited availability of data.

The Cayman Islands achieved the following scores in the latest FATF assessments:

- 18% for effectiveness
- 85% for technical compliance

Based on the Basel AML Index methodology and calculations, its score on the FATF indicator alone was 5.95 before graduation from the grey list and 4.94 afterwards.¹

A note for Basel AML Index users

The Basel AML Index uses FATF data from both mutual evaluation reports and follow-up reports to score a jurisdiction's money laundering and terrorist financing risks. Information on a jurisdiction's categorisation as being "under increased monitoring" ("grey list") or a "high-risk jurisdiction" ("black list") is included in the Basel AML Index Expert Edition for information or decision-making purposes. This information is included in a separate column to the jurisdiction's risk scores. Being on these lists does impact the overall score of the jurisdiction in the Basel AML Index. This is because the jurisdiction's performance is already taken into account based on the latest mutual evaluation report and follow-up report data.

However, in October 2023, the Basel AML Index methodology was amended to better reflect the progress in effectiveness of jurisdictions that graduate from the grey list. The methodology

¹ The Basel AML Index uses a double weight for effectiveness criteria in its methodology. See: <https://index.baselgovernance.org/methodology>.

now assumes that jurisdictions that have graduated from the grey list have improved the effectiveness of their AML/CFT systems to at least a moderate level. This contributes to larger improvements in the scores and rankings of some delisted jurisdictions. See the [website](#) for more information.