

FINANCIAL REPORTING AUTHORITY

2022 ANNUAL REPORT

CAYMAN ISLANDS GOVERNMENT

PORTFOLIO OF LEGAL AFFAIRS

TABLE OF CONTENTS

Message from the Director 3

2022 HIGHLIGHTS 5

I. Legal Framework 6

II. The Financial Reporting Authority 8

1. Background 8

2. Role and Function 9

3. Organisational Structure and Management 12

4. Protecting Confidentiality of Information 14

5. Relationships 14

III. PERFORMANCE REPORTING 17

1. Receiving Information - Suspicious Activity Reports (SARs) 17

2. Analysing Information 25

3. Disposition of Cases 31

IV. Scenarios that Would Trigger Filing of a Suspicious Activity Report (Typologies) 38

V. Strategic Priorities: performance for 2022 and Building on Strengths in 2023 48

MESSAGE FROM THE DIRECTOR

I am pleased to report on the operations of the Financial Reporting Authority ("FRA") in this annual report for the 2022 financial year ("the Reporting Period"), which marks the twentieth reporting period for the FRA.

As an administrative financial intelligence unit, the FRA is responsible for receiving, requesting, analysing and disseminating financial information disclosures concerning proceeds of criminal conduct or suspected proceeds of criminal conduct. Domestically, the investigation of financial crime and associated offences falls under the ambit of local law enforcement agencies.

The FRA received 1,586 cases during the Reporting Period, comprising 1,365 Suspicious Activity Reports ("SARs") from 338 Reporting Entities; 152 Requests for Information and 45 Voluntary Disclosures from 52 overseas Financial Intelligence Units ("OFIUs"); and 24 Requests for Information from a Local Law Enforcement Agency ("LEA") or Competent Authority ("CA"). The number of cases received increase by 55% compared to the number of cases received during 2021 (1,586 vs 1,025).

During 2022 the FRA continued to register users from reporting entities and familiarise them with using the AMLive Reporting Portal in order to electronically submit their reports. At the end of the Reporting Period there were 386 registered users from 198 Reporting Entities; 1,075 SARs (75%) were filed using AMLive during 2022.

During the Reporting Period the FRA performed initial analysis on 1,150 cases. It also issued 160 directives pursuant to section 4(2)(c) of the Proceeds of Crime Act ("the POCA") to amplify or clarify information received, or to respond to a request from an OFIU. The FRA also made 24 requests for information to OFIUs, primarily to assist local law enforcement agencies with investigations.

The FRA closed 1,000 cases during the Reporting Period, resulting in 239 disclosures to local law enforcement agencies or competent authorities, and 374 disclosures to overseas financial intelligence units.

A detailed breakdown of the cases that were analysed and closed, along with details of the disclosures made by the FRA are detailed in Section III of this annual report.

During the Reporting Period the FRA exercised its powers under section 4(2)(b) of the POCA on one (1) occasion to obtain an order from the Court to order an entity to refrain from dealing with a person's account for twenty-one days. The assets held by the account in question totalled approximately US$204,000.

With regard to staffing, the FRA hired three Financial Analysts in the latter part of 2022, bringing its staffing complement to 17.

During the Reporting Period, the vast majority of the work undertaken by the Sanctions Coordinator was in connection with the implementation of the unprecedented sanctions imposed against Russia in response to its invasion of the Ukraine on 24 February 2022. As a result, it was a very challenging year for the FRA due to significantly increased workflows, including but not limited to: engagement with industry stakeholders, other competent authorities and partner agencies in the United Kingdom; reviewing and processing licence applications; reviewing and processing Compliance Reporting Forms ("CRFs"); issuing financial sanction notices; reviewing and commenting on changes to regulations and Orders in Council; work from the Russia Sanctions Taskforce. Apart from Russia Sanctions, the FRA also continued the actions taken to address recommended actions in the Caribbean Financial Action Task Force ("CFATF") 4th Round Mutual Evaluation Report ("MER") directly related to Targeted Financial Sanctions ("TFS") for terrorist financing ("TF") and proliferation financing ("PF").

I would like to take this opportunity to recognise and express appreciation to my staff for their continued commitment to the work of the FRA.

RJ Berry
Director

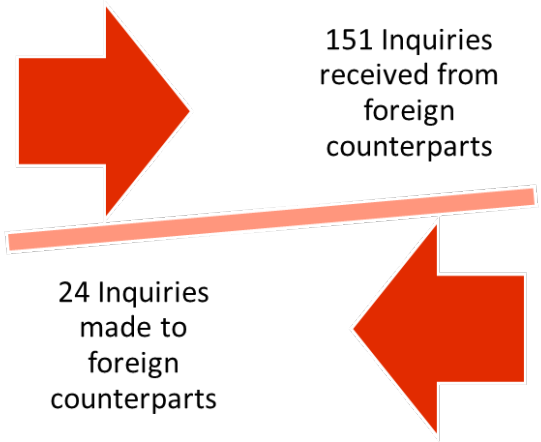
2022 HIGHLIGHTS

Cases Received and Analysed

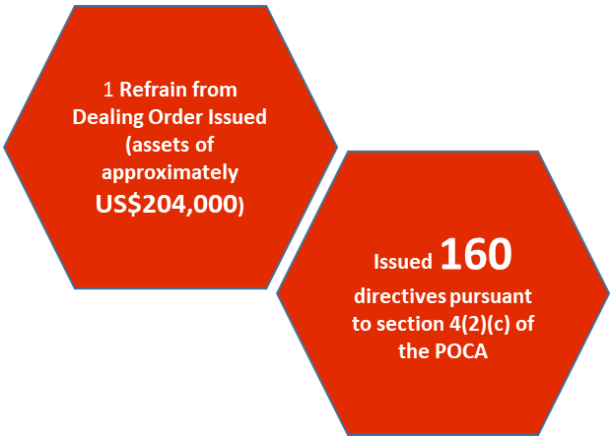


Actions Taken & Financial Intelligence Disclosures

Global Contribution



Domestic Action



374 Disclosure to Overseas FIUs

Top 3 Recipients of Overseas Disclosures

FinCEN (US)	NCA (UK)	JAFIC (Japan)
76	32	19

239 Domestic Disclosures Made

Top 3 Recipients of Domestic Disclosures

RCIP-FCU/CIBFI	CIMA	ACC
152	65	9

Targeted Financial Sanctions

193 Financial Sanctions Notices Issued

I. LEGAL FRAMEWORK

In 2020, the Cayman Islands changed from having a Legislative Assembly to a Parliament. Shortly after, Parliament passed the Citation of Acts of Parliament Law, 2020; under this statute, pieces of legislation formerly referred to as 'Laws' became 'Acts'.

The Cayman Islands fully understands and accepts that operating a financial services centre involves serious obligations. The Cayman Islands Government enforces a strong anti-money laundering (AML), countering the financing of terrorism (CFT) and countering the financing of proliferation (CFP) regime through the following pieces of legislation:

1. The Proceeds of Crime Act (2020 Revision) (" the POCA")

The POCA was introduced in 2008 and consolidated in one place the major anti-money laundering provisions, which were previously in three separate pieces of legislation. The POCA re-defined, clarified and simplified offences relating to money laundering and the obligation to make reports of suspicious activity to the FRA. It also introduced the concept of negligence to the duty of disclosure, and imposed a duty to report if the person receiving information knows, suspects, or has reasonable grounds for knowing or suspecting, that another person is engaged in criminal conduct, and such information came to him in the course of business in the regulated sector, or other trade, profession, business or employment.

The POCA also governs the operations of the FRA.

2. Misuse of Drugs Act (2017 Revision) ("MDA")

The MDA has over the years been amended to give effect to the Cayman Islands' international obligations, and particularly to the United Nations ("UN") Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. The MDA contains measures to deal with drug trafficking and the laundering of the proceeds from such activity. The Act empowers the authorities to seize and confiscate drug trafficking money, and laundered property and assets. The Criminal Justice (International Cooperation) Act (2015 Revision) – originally enacted as the Misuse of Drugs (International Cooperation) Law - provides for cooperation with other countries in relation to collecting evidence, serving documents and immobilising criminally obtained assets in relation to all qualifying criminal proceedings and investigations.

3. Terrorism Act (2018 Revision) ("TA")

The Terrorism Act is a comprehensive piece of anti-terrorism legislation that, inter alia, implements the UN Convention on the Suppression of Financing of Terrorism.

The 2018 Revision includes the relevant Financial Action Task Force ("FATF") requirements, particularly with regard to "freezing without delay" and reporting obligations of persons in relation to any United Nation Security Council Resolutions related to terrorist financing. The FRA has also assumed responsibilities for coordinating the implementation of targeted financial sanctions in relation to terrorist financing.

4. Anti-Corruption Act (2019 Revision) ("ACA")

Brought into effect on 1 January 2010, the ACA initiated the establishment of the Anti-Corruption Commission ("ACC") and also criminalised acts of corruption, bribery and embezzlement of funds.

The ACA gives effect to the UN Convention against Corruption and the Organisation for Economic Cooperation and Development ("OECD") Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. International cooperation and asset recovery are important components of this legislation including measures to prevent and detect transfers of illegally acquired assets, the recovery of property and return of assets.

5. Proliferation Financing (Prohibition) Act (2017 Revision) ("PFPA")

The Proliferation Financing (Prohibition) Act 2010 conferred powers on the Cayman Islands Monetary Authority ("CIMA") to take action against persons and activities that may be related to terrorist financing, money laundering or the development of weapons of mass destruction. The legislation required CIMA to issue directions, where it reasonably believed that certain activities in these areas were being carried on that posed a significant risk to the interests of the Islands or the United Kingdom (U.K.).

The 2017 Revision brought the PFPA in line with the relevant FATF requirements, particularly with regard to "freezing without delay" and reporting obligations of persons in relation to any United Nation Security Council Resolutions related to proliferation financing. The FRA has also assumed responsibilities for coordinating the implementation of targeted financial sanctions in relation to proliferation financing.

6. The Anti-Money Laundering Regulations (2023 Revision) ("AMLRs")

This revision of the AMLRs came into force in early 2020 and repealed and replaced the Money Laundering Regulations (2018 Revision). They aligned the anti-money laundering framework in the Cayman Islands with the FATF Recommendations. The new Revision reflected amendments made in November and December 2017; and June and July 2019.

The AMLRs were amended three times since the last Revision was published. Amendments

have addressed, inter alia, switching to a risk-based threat, enhanced customer due diligence and eligible introducers, disclosure requirements (including production of information) for persons carrying out relevant financial business and a number of regulations about designated non-financial businesses and professions (DNFBPs). Administrative fines are provided for and are frequently refined.

The latest version of the Guidance Notes on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands (the GNs) were published on 5 June 2020 by The Cayman Islands Monetary Authority (CIMA) under s.34 of The Monetary Authority Law (2020 Revision). The GNs were amended in February 2021 to incorporate additional guidance to Virtual Asset Service Providers and May 2021 regarding securitisation.

7. Anti-Money Laundering (Money Services Business Threshold Reporting) Regulations, 2020

Regulations passed pursuant to section 145 of the Proceeds of Crime Act (2020 Revision) by the Cabinet - and gazetted in November 2020 - impose a duty on money services businesses (as defined) to make quarterly reports to the FRA regarding single or aggregate transactions in any month in the quarter that equal or exceed US$ 3,500.

8. Anti-Money Laundering (Class A and Class B Bank Threshold Reporting) Regulations, 2022

Regulations passed pursuant to section 145 of the Proceeds of Crime Act (2020 Revision) by the Cabinet - and gazetted in January 2022 - impose a duty on Class A and Class B banks (as defined) to make monthly reports to the FRA regarding threshold transfers in the month that equal or exceed US$ 100,000.

II. The Financial Reporting Authority

1. Background

The FRA, known to counterparts worldwide by its Egmont handle “CAYFIN”, is the financial intelligence unit of the Cayman Islands. As such it is the national agency responsible for receiving, requesting, analysing and disseminating financial information disclosures concerning proceeds of criminal conduct, in order to counter money laundering, terrorism, the financing of terrorism or suspicions of any of those crimes.

The FRA has evolved over the years. It began as the Financial Investigation Unit in the early 1980s, operating within police headquarters. In 2000 it underwent a name change to become the Financial Reporting Unit, with the head of the unit becoming a civilian post and the appointment of a legal advisor. Line management for operational work was undertaken by the office of the Attorney General. Throughout this period, the role of the unit was to receive, analyse and investigate SARs, in addition to gathering evidence to support prosecutions.

In 2004, the Cayman Islands moved toward an administrative-type unit. The Proceeds of Criminal Conduct (Amendment) Law 2003 (PCCL) created the Financial Reporting Authority, the name by which the unit is presently known. The law, which came into force on 12th January 2004, mandated that the FRA become a full-fledged civilian body, and that its function change from being an investigative to an analytical type FIU. Accordingly its mandate was restricted to the receipt and analysis of financial information, coupled with the ability to disseminate this intelligence to agencies where authorised to do so by the PCCL. Its existence and independence were further enshrined in the POCA, which repealed and replaced the PCCL and came into force on 30th September 2008. The investigative mandate is undertaken by domestic law enforcement agencies, including the Royal Cayman Islands Police Service ("RCIPS"), the Cayman Islands Customs and Border Control ("CBC") and the Anti-Corruption Commission ("ACC").

2. Role and Function

SARs

The FRA's main objective is to serve the Cayman Islands by participating in the international effort to deter and counter money laundering and the financing of terrorism.

As noted above, a primary role of the FRA is to receive, analyse, request and disseminate disclosures of financial information, concerning the proceeds of criminal conduct, suspected proceeds of criminal conduct, money laundering (ML), or suspected money laundering, all of which are derived from any criminal offence committed in these islands or overseas if the criminal act satisfies the dual criminality test set out in the POCA; or the financing of terrorism (FT) which can be legitimately obtained money or the proceeds of criminal conduct as defined in the POCA.

The FRA also serves as the contact point for international exchanges of financial intelligence within the provisions of the POCA.

Financial intelligence is the end product of analysing one or several related reports that the FRA is mandated to receive from financial services providers ('FSPs') and other reporting entities. Our ability to link seemingly unrelated transactions allows us to make unique intelligence contributions to the investigation of money laundering and terrorist financing activities.

A key priority for the FRA is to provide timely and high quality financial intelligence to local and overseas law enforcement agencies through their local FIU, in keeping with the statutory requirements of the POCA.

Targeted Financial Sanctions (TFS)

The Governor of the Cayman Islands is the competent authority for implementation of financial sanctions measures. Under the Overseas Orders in Council ("OOIC") the Governor's responsibilities and duties include, inter alia, the power to grant, vary and revoke

licences (which permit the conduct of specified activities otherwise not permitted under the OOIC), the duty to publish certain lists; and power to delegate any of the Governor's functions. However, the FRA is officially responsible for helping to ensure the implementation of Targeted Financial Sanctions (TFS) with respect to terrorism, terrorism financing, proliferation, proliferation financing, and other restrictive measures related to Anti-Money laundering ("AML"), combatting the financing of terrorism ("CFT") and proliferation ("CFP") within the Cayman Islands; i.e. functions relating to counter-terrorism and proliferation finance, both of which are monitored by FATF/CFATF. The Governor has delegated the function of receiving CT and CP-related reports to the FRA.

The Sanctions Coordinator ("SC") plays a critical role in the implementation and enforcement of these targeted financial sanctions and other restrictive measures, and in developing and enhancing the jurisdiction's AML/CFT regime, while ensuring ongoing compliance with international standards and best practices.

During the Reporting Period the FRA published 193 Financial Sanctions Notices on its website, an increase from 98 in 2021. The FRA subscribes to the Email Alert provided by the Office of Financial Sanctions Implementation ("OFSI) within UK HM Treasury, advising of any changes to United Nations, European Union and UK financial sanctions in effect. The FRA forwards these notices automatically to local law enforcement agencies and competent authorities, converts it to a Cayman Notice and publishes the Cayman Financial Sanctions Notice on its website. The average turn-around time for converting these notices, distributing them via e-mail and posting them to the FRA's website is between 1-3 hours.

Russia Sanctions

The Russian invasion of Ukraine on 24 February 2022 led to an unprecedented number of sanctions being imposed by the United Kingdom (and other countries) on Russia in terms of size, scale and complexity. As a result, it was a very challenging year for sanctions implementation in the Cayman Islands due to significantly increased demands on the FRA.

Since February 2022, there have been 17 amendments with 1 revocation, covering various measures to the UK's Russia (Sanctions) (EU Exit) Regulations. Of these, 14 amendments have been extended to the Cayman Islands in 2022: amendment 1 was extended automatically with amendments 2-8 and 11-16 reflected in the 4 amendments to Russia (Sanctions) (Overseas Territories) Order.

OFSI published an unprecedented number of new designations under the Russia sanctions

regime, with over 1,400 new listings since the invasion of Ukraine. The FRA published all of these without delay, and sent emails to over 1,200 subscribers, detailing the changes to the Consolidated List. In addition, the nature and volume of the FRA's engagement with industry stakeholders, other competent authorities, external UK Partners (primarily the Foreign, Commonwealth & Development Office, OFSI, Department for Transport), increased to meet the new challenges posed by the Russia Sanctions regime. The Director and the Sanctions Coordinator participated in five domestic outreach sessions. The FRA published the following notices on its website: "Fresh Sanctions as Russia invades Ukraine" which included a brief overview of the Russia sanctions, obligations, offences and penalties); and "Red Alert on Financial Sanctions Evasion Typologies: Russian Elites and Enablers". This was issued by the UK National Crime Agency (NCA), National Economic Crime Centre (NECC), Joint Money Laundering Intelligence Taskforce (JMLIT) and OFSI. The aim of the alert was to promote awareness and bring about preventative action.

As part of their reporting obligations, relevant firms have an obligation to report information concerning funds or economic resources belonging to, owned, held or controlled by a designated person in a Compliance Reporting Form (CRF). This report must be made as soon as practicable to the FRA, which has been delegated by the Governor as the appropriate recipient of these reports.

Since 1 March 2022, a total of 1,030 CRFs were received by the FRA related to the Russia Sanctions regime. A total of approximately USD$ 8.8 billion and EUR€298.6 million held by, or on behalf of, persons designated under the Russia Sanctions regime were reported as being frozen. In addition, the FRA received 144 suspicious activity reports (SARs) related to Russia sanctions, which have been cross-referenced with the CRFs.

The FRA has also seen a significant increase in licence applications and queries received under the Russia Sanction regime. Twenty two (22) formal applications have been received, the majority of which were made under the extraordinary situation and prior obligations licensing grounds.

The Cayman Islands has adopted a robust and comprehensive response to the imposition of the new Russia sanctions measures. Of note, in March 2022 a joint Task Force on Russia, comprising representatives from eleven Ministries/Offices/Portfolios/Agencies, was formed to coordinate, identify, and implement policy amendments to implement the Russia Sanctions regime. The Director is the Chair of the Task Force and the Sanctions Coordinator is a member. The primary purpose of the Task Force is to provide centralised discussions and decisions around policy and communications arising from the ongoing sanctions. The Task Force met numerous times during 2022, meeting weekly initially and then every two weeks later in the year. The Task Force also issued periodic press statements about its role

and the work being undertaken.

One feature of the ongoing engagement with industry stakeholders was regarding the issuance of a General Licence, which allows multiple parties to undertake specified activities without applicants needing to submit a specific licence request to the FRA. His Excellency the Governor, Mr. Martyn Roper, with the consent of the UK Secretary of State, issued the following General Licences during 2022, which were posted along with the publication notice on the FRA's website and disseminated to subscribers:

1. On October 4 2022: General Licence GL/2022/0001 allows a Relevant Investment Fund or Fund Manager to redeem, withdraw or otherwise deal with an Investment Interest and make payments for basic needs, routine holding and maintenance and legal fees from frozen accounts.
2. On December 20 2022: General Licence GL/2022/0002 implements the Oil Price Cap which came into force on 15 December 2022. This measure will deprive Russia of access to excess oil revenues by constraining its ability to sell at global market prices, while still enabling Russian oil to flow to the third countries that need it.

3. Organisational Structure and Management

The FRA is a part of the Cayman Islands Government's Portfolio of Legal Affairs. The head of this portfolio is the Hon. Attorney General, with operation line management to the Solicitor General. In addition, the FRA reports to the AMLSG, a body created by the same statute as the FRA. The AMLSG is chaired by the Hon. Attorney General and the membership comprises the Chief Officer in the Ministry responsible for Financial Services or the Chief Officer's designate (Deputy Chairman), the Commissioner of Police, the Director of CBC (formerly the Collector of Customs), the Managing Director of CIMA, the Solicitor General, the Director of Public Prosecutions, the Chief Officer or Director, as the case may be, of the department in Government charged with responsibility for monitoring compliance with anti-money laundering and counter terrorism measures for Designated Non-Financial Businesses and Professions ("DNFBPs") and the Chairman of the ACC (added in 2019). The Director of the Financial Reporting Authority is invited to attend meetings, as is the Head of the Anti-Money Laundering Unit, who also serves as secretary.

The AMLSG has responsibility for oversight of the anti-money laundering policy of the Government and determines the general administration of the business of the FRA. It also reviews the annual reports submitted by the Director, promotes effective collaboration between regulators and law enforcement agencies and monitors the FRA's interaction and cooperation with overseas FIUs.

The FRA believes that a healthy and well managed organisation sustains performance.

In particular, it maintains strong focus on the effective management of human, financial and technical resources.

At 31 December 2022, the FRA had seventeen (17) staff: a Director, Legal Advisor, Sanctions Coordinator, Senior Accountant, three Senior Financial Analysts, 9 Financial Analysts and an Administrative Manager, all having suitable qualifications and experience necessary to perform their work.

It is expected that all staff abide by the highest standards of integrity and professionalism. In particular, the FRA places great emphasis on the high level of confidentiality demanded by its role, as well as by the financial industry with whom it interacts. Staff must have the appropriate skills to carry out their duties, and therefore the FRA provides specialised training suited to individual responsibilities, in addition to continuing education to ensure that staff remain up-to-date with industry and regulatory developments crucial to the effective functioning of the FRA.

During the Reporting Period, staff attended / completed the following online training:

1. FATF Introductory online course on the 40 Recommended Actions and Immediate Outcomes (12 staff completed this online course)
2. OFSI Sanctions Forum (1 staff attended)
3. Prosecuting Legal Persons and Civil Recovery Work Shop (3 staff attended)
4. Staff completed a number of online training provided by the Egmont Group and the Egmont Centre for FIU Excellence and Leadership (ECOFEL) and attended other virtual seminars presented by several training providers on a variety of topics, including:
    a. Introduction to Virtual Assets and Virtual Asset Analysis
    b. Corporate Vehicles and Financial Products
    c. Professional Money Laundering
    d. Ransomware
    e. Cyber Security Awareness

FRA Staff also participated in and gained valuable experience from representing the FRA at the 54th and 55th CFATF Plenaries and Egmont Group Meetings.

During the Reporting Period, the FRA made a number of presentations at outreach events covering one or more of the following topics: functions of the FRA, SAR statistics, SAR reporting obligations, and obligations regarding targeted financial sanctions related to terrorist financing and proliferation financing. Details of those presentations are as follows:

1. Four (4) presentations at international and domestic industry association events.
2. Two (2) presentations at private sector organised events and to private entities
3. Two (2) 1-on-1 meetings with Money Laundering Reporting Officers (MLROs).

4. Eight (8) meetings with MLROs to demonstrate AMLive Reporting Portal functionalities.

4. Protecting Confidentiality of Information

The POCA provides the framework for the protection of information obtained by the FRA. Furthermore a layered approach to security has been adopted for the FRA's office and systems. Protecting financial information received from reporting entities is a critical function of the FRA. Computer security measures include advanced firewalls to prevent unauthorised access to our database. In addition staff are aware of their responsibilities to protect information, and severe penalties exist, under the POCA, for the unauthorised disclosure of information in our possession and control.

The FRA constantly reviews its security procedures to ensure that those procedures remain current in its continued effort to maintain confidentiality.

5. Relationships

Working with Financial Service Providers and Other Reporting Entities

The FRA recognises that the quality of the financial intelligence it produces is shaped directly by the quality of reports it receives from financial service providers and other reporting entities. If reporting entities are to produce insightful and relevant reports of superior quality, it is of utmost importance that they understand and are able to comply with the requirements of the POCA to which they are subject.

Recognising the vital importance of working with financial service providers and other reporting entities to raise awareness and understanding of their legal obligations under the POCA, the FRA meets with MLROs to share matters of mutual interest.

The Egmont Group

The Egmont Group of FIUs is an international, officially recognised body through the adoption of the Egmont Charter in the May 2007 Plenary held in Bermuda and the establishment of its permanent Secretariat in Toronto, Canada. Its membership currently comprises 166 countries. It sets standards for membership as well as expanding and systematising international cooperation in the reciprocal exchange of financial information within its membership. The Cayman Islands' commitment to abide by the Egmont Group Principles for Information Exchange preceded its admission to full Egmont membership in 2000. The FRA continues to actively participate in the Egmont Working Groups, Plenaries and the Heads of FIU meetings.

Memoranda of Understanding (MOUs)

The FRA can exchange information with other financial intelligence units around the world with regards to information in support of the investigation or prosecution of money laundering and/or terrorist financing. However some FIUs are required by their domestic legislation to enter into arrangements with other countries to accommodate such exchanges. In

this context the FRA is empowered by the POCA to enter into bilateral agreements with its counterpart giving effect to the global sharing of information.

During the Reporting Period the FRA signed a MOU with the Supervisory and Financial Information Authority of the Holy See / Vatican City State. It is currently in discussions with three (3) OFIUs to sign an MOU. The FRA has signed and exchanged MOUs with the following 21 FIUs as of 31 December 2022: Australia, Canada, Chile, Guatemala, Guernsey, Honduras, Indonesia, Israel, Jamaica, Japan, Mauritius, Nigeria, Panama, Poland, Republic of Korea (South Korea), the Russian Federation, Saint Vincent and the Grenadines, South Africa, Thailand, the United States and the Vatican City State.

The Caribbean Financial Action Task Force

The CFATF is an organisation of states of the Caribbean basin that have agreed to implement common countermeasures to address the problem of money laundering. It was established as the result of meetings convened in Aruba in May 1990, and Jamaica in November 1992. CFATF currently has 24 member countries.

The main objective of the CFATF is to achieve implementation of, and compliance with, recommendations to prevent and combat money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

The Mutual Evaluation Programme (MEP) is a crucial aspect of the work of the CFATF, as it helps the CFATF Secretariat ensure that each member state fulfills the obligations of membership. Through this monitoring mechanism the wider membership is kept informed of what is happening in each member country that has signed the MOU. For the individual member, the MEP represents an opportunity for an expert objective assessment of the measures in place for fighting money laundering, terrorist financing and the financing of the proliferation of weapons of mass destruction.

The FATF Recommendations and Methodology

Following the conclusion of the third round of mutual evaluations of its members, the FATF reviewed and updated the FATF Recommendations, in close co-operation with the FATF-Style Regional Bodies (which includes the CFATF) and the observer organisations.

The FATF Recommendations (2012) ("the Recommendations") have been revised to strengthen global safeguards and further protect the integrity of the financial system by providing governments with stronger tools to take action against financial crime.

The FATF revised its Methodology in 2013, setting out the basis for undertaking assessments of technical compliance with the Recommendations. For its 4th round of mutual evaluations, the FATF has adopted complementary approaches for assessing technical compliance with the Recommendations, and for assessing whether

and how the AML/CFT system is effective. Therefore, the Methodology comprises two components:

a) The technical compliance assessment addresses the specific requirements of the Recommendations, principally as they relate to the relevant legal and institutional framework of the country, and the powers and procedures of the competent authorities.

b) The effectiveness assessment seeks to evaluate the adequacy of the implementation of the Recommendations, and identifies the extent to which a country achieves a defined set of outcomes that are central to a robust AML/CFT system. The focus of the effectiveness assessment is therefore on the extent to which the legal and institutional framework is producing the expected results.

The FATF Recommendations and Methodology are reviewed and amended periodically. The Recommendations and Methodology were last updated in February 2023 and October 2021 respectively.

III. PERFORMANCE REPORTING

1. Receiving Information - Suspicious Activity Reports (SARs)

The FRA receives information from reporting entities relating to suspected money laundering, proceeds of criminal conduct, terrorism and the financing of terrorism through SARs. It also receives requests for information from local law enforcement agencies, local supervisory agencies, such as CIMA, and overseas FIUs. SARs and requests for information are collectively referred to as cases in this report.

Upon receipt, each case is examined to ensure that the report contains all the required data. The case is then assigned a reference number and data from the case is entered into the FRA's SAR database.

During the Reporting Period, the FRA received 1,365 SARs from 368 different reporting entities, up from 851 SARs from 317 different reporting entities in 2021. This number excludes the 52 overseas FIUs that requested information from the FRA, or voluntarily disclosed information to the FRA. SARs received from the 368 reporting entities are classified in the succeeding table according to the licence / registration that they hold with CIMA, if they are a regulated / registered entity. Reporting entities that are not regulated are classified according to the type of service that they provide. Regulated / registered entities are shown as part of the following sectors regulated by CIMA: banking, fiduciary services, insurance services, investment funds and fund administrators, money transmitters and securities investment businesses.

Designated Non-Financial Businesses and Professions (DNFBPs) consist of law practitioners, accounting professionals, real estate brokers, and dealers of high value items.

The number of cases filed under each of those sectors and the DNFBPs are as follows:

Sector	No of Cases
Virtual Asset Service Provider	374
Investment funds and fund Administrators	303
Banking	239
Fiduciary services	221
Securities investment businesses	45
Insurance services	51
Money transmitters	6
DNFBPs	81
LEAs & Competent Authority	21
Others	24
Requests for Information – Domestic	24
Disclosures & Requests for Information – Overseas	197
Total No of Cases	1,586

Anyone who files a SAR currently has a defence to any potential related money laundering or terrorist financing offences. SARs filed under the POCA do not breach the Confidential Information Disclosure Act, 2016, nor do they give rise to any civil liability. An important exception to this rule is that it is no defence to such liability, if the person making the report is also the subject of the report.

Chart 3.1 on the succeeding page shows the total number of reports by financial year since 2018. The FRA received 1,586 new cases

during the Reporting Period. Since fiscal year 2013/2014, the FRA has used its existing risk ranking for cases to determine which reports are to be expedited while the rest are dealt with in accordance with existing timetables. The existing risk ranking for cases allows the FRA to efficiently focus its resources.

The average number of cases received per month in 2022 was 132, compared to 85 in 2021.

A total of 2,634 subjects were identified in cases (see Chart 3.3 on page 20), comprising 1,732 natural persons and 902 legal entities. 185 natural persons and 84 legal entities were the subject of multiple SARs.

In some cases, particularly where the service provider has limited information about a counterpart to the transaction, the nationality or domicile of the subject is not known. This is also the situation in those reports relating to declined business and scams. There are also instances when a requesting overseas FIU does not have complete details regarding the nationality of all the subjects of their request. During the year, the number of subjects with unknown nationality or country of incorporation was 507, comprising 319 natural persons and 188 legal entities.

The number of subjects whose nationality or country of incorporation is not identified declines from 507 to 264 when subjects of request for information from domestic law enforcement agencies, competent authorities and overseas FIUs are excluded. Banks also contributed subjects whose nationality or country of incorporation is not identified, totalling 58.

Charts 3.1 and 3.2 on the next page do not include SARs received during the Reporting Period that were updates to a previously submitted report that is pending. As a consequence, the subjects of those updates are not included in the number of natural persons and legal entities identified as subjects of SARs in Chart 3.3 on page 20.

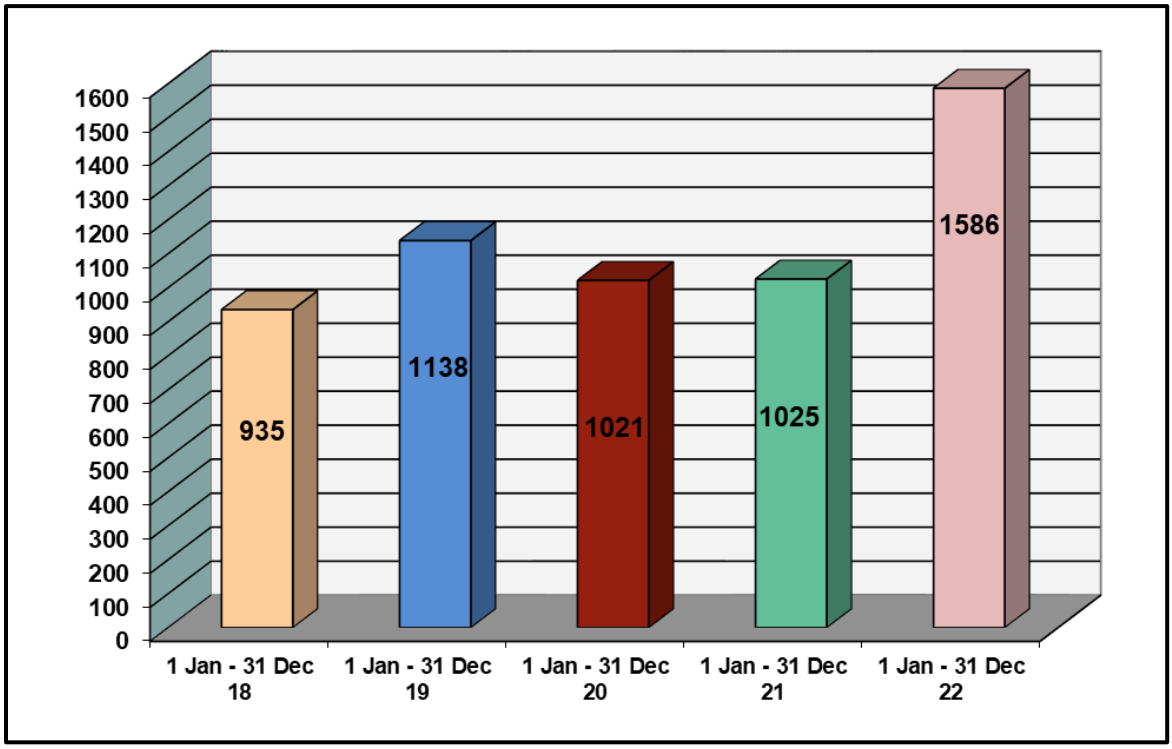


Chart 3.1: Total cases by financial year / Reporting Period

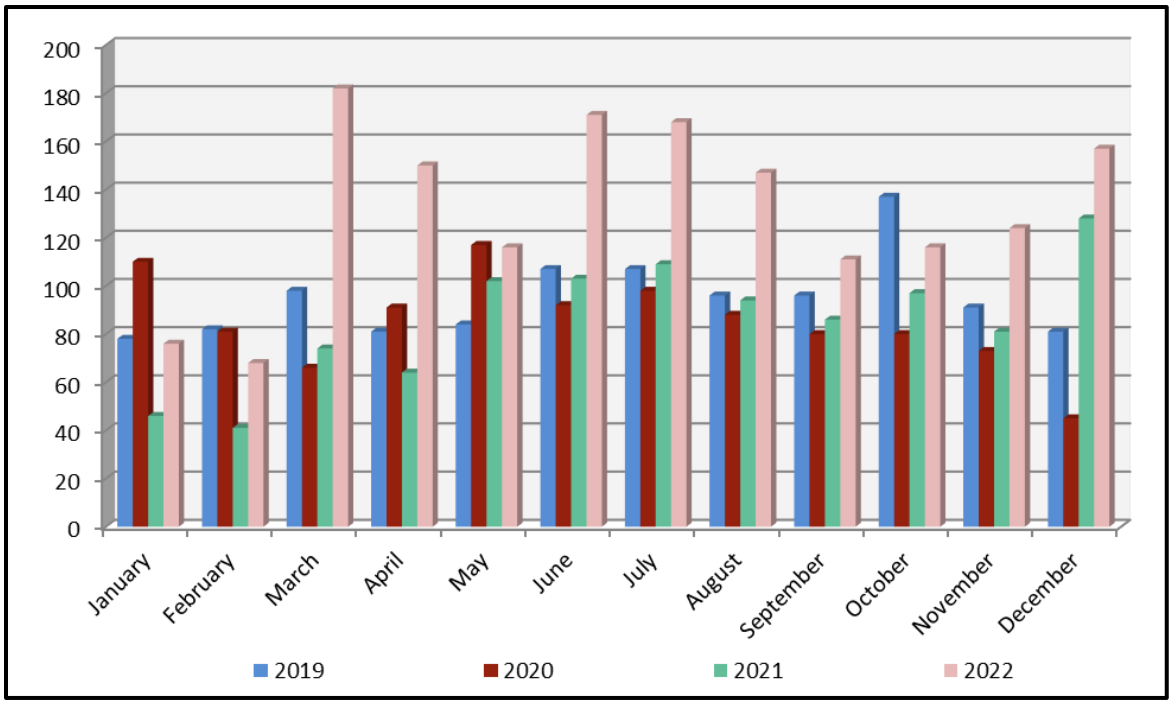


Chart 3.2: Comparison of monthly cases received

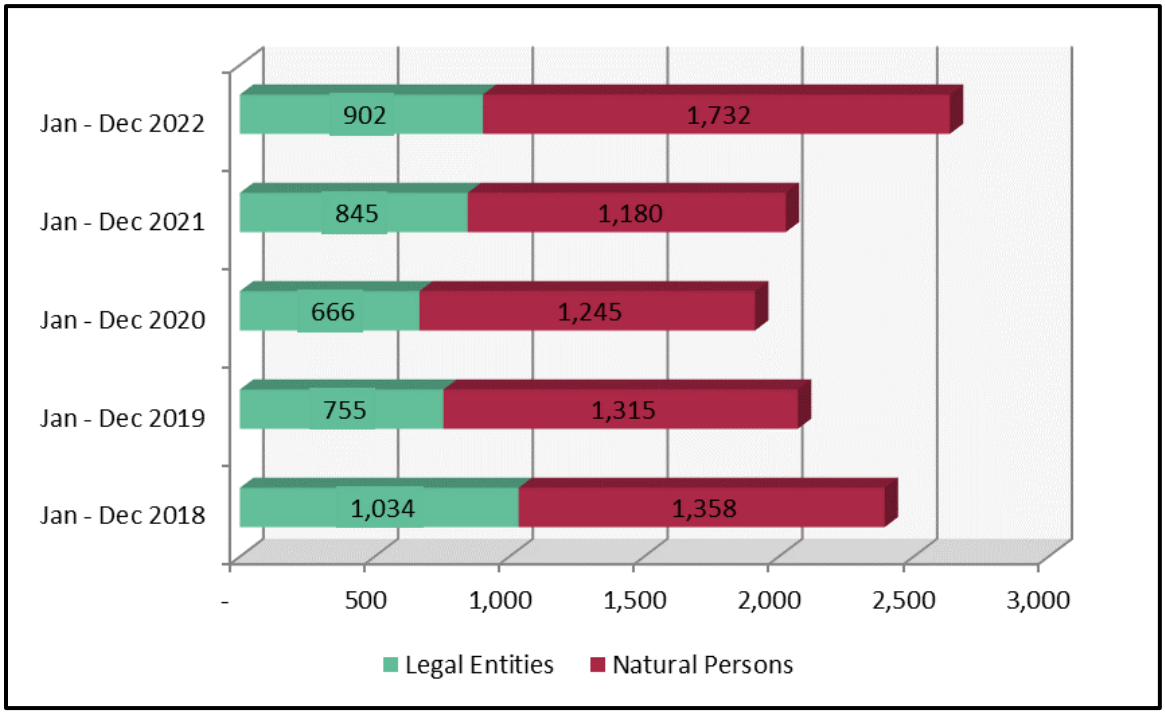


Chart 3.3: Number of subjects by financial year / Reporting Period

Countries of Subjects Reported

The international scope of the Cayman Islands' financial services industry is reflected in the wide range of subjects' countries reported in cases. The "Countries of Subjects" chart on the succeeding page lists 122 different countries for the subjects of the reports. In light of the international character of the subjects reported, our membership of the Egmont Group has proven to be a valuable resource for information exchange and requests, and has enhanced the analysis of information reported in the development of intelligence.

The greatest number of subjects was classed as Caymanian, totalling 468; 59 were Caymanian nationals (natural persons) and 409 were legal entities established in the Cayman Islands. The United Kingdom was the second largest number of nationality of subjects with 240 natural persons and 21 legal entities. The United States was third largest with 214 natural persons and 39 legal entities, followed by: Russia with 154, comprising 145 natural persons and 9 legal entities; China with 66 natural persons and Canada with 64, comprising 57 natural persons and 7 legal entities. Together these six countries account for 1,266 subjects, which represents 48% of the total.

The category "Others" in Chart 3.4 comprises the following countries with 5 or fewer subjects: Argentina, Austria, Ghana, Guatemala, Pakistan, Poland, Spain, Vietnam, Belize, Cuba, Denmark, Iraq, Malta, Singapore, Croatia, Greece, Lebanon, Moldova, Mongolia, New Zealand, Palestine, Panama, St. Vincent & Grenadines, Sudan, Turkey, Uzbekistan, Afghanistan, Azerbaijan, Dominican Republic, El Salvador, Finland, Hungary, Indonesia, Kuwait, Nepal, Romania, St. Kitts and Nevis, Trinidad and Tobago, Albania, Anguilla, Antigua and Barbuda,

Bahrain, Bolivia, Bulgaria, Côte d'Ivoire, Czech Republic, Equatorial Guinea, Georgia, Guyana, Isle of Man, Kenya, Libya, Liechtenstein, Marshall Islands, Mauritius, Monaco, Morocco, Niue, Norway, Oman, Puerto Rico, Qatar, Sierra Leon, Slovakia, Slovenia, Sri Lanka, Syria, Tanzania, Thailand, Uganda and Vanuatu.

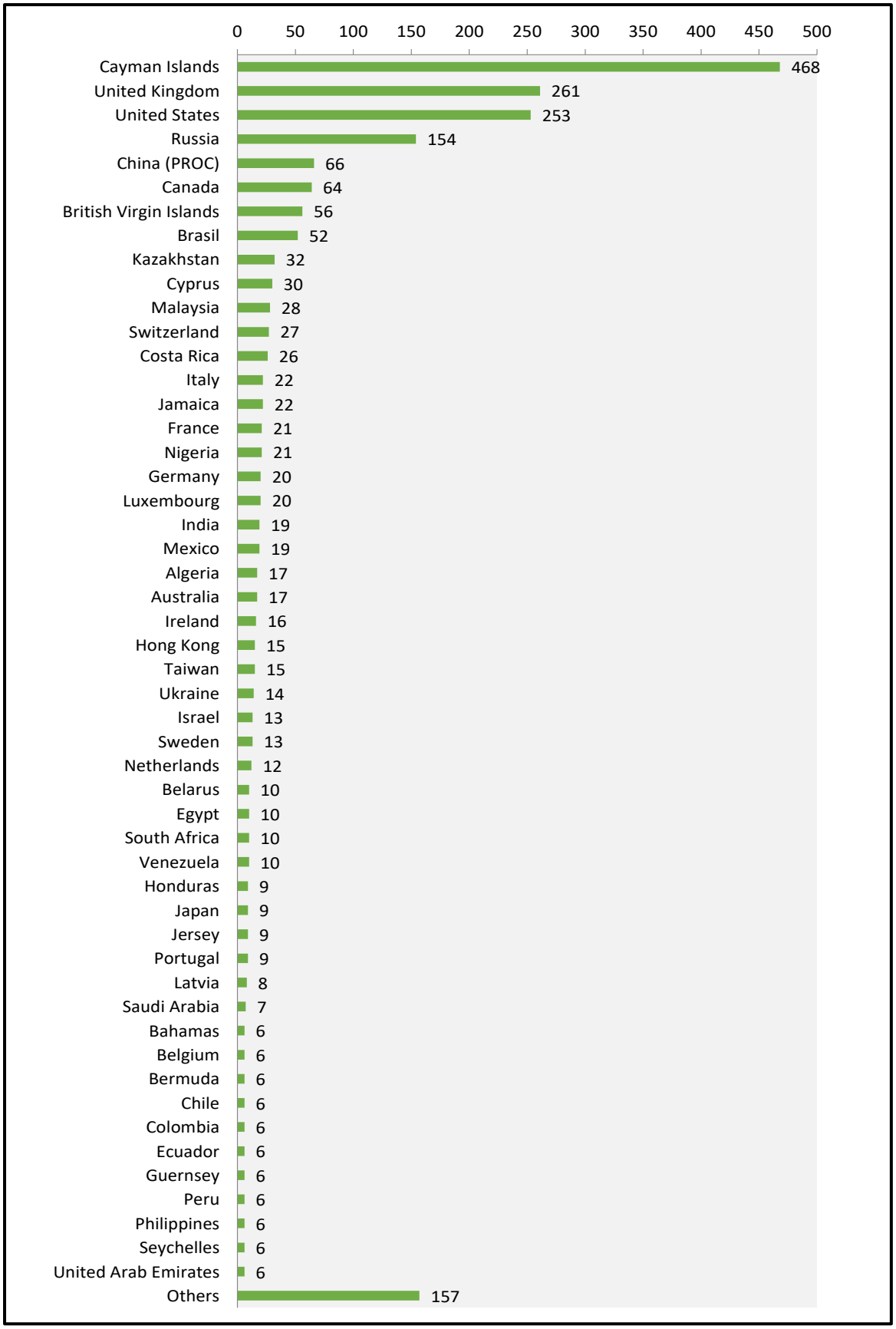


Chart 3.4: Countries of subjects in SARs reported in the Reporting Period

Sources of Cases

Chart 3.5 shows a detailed breakdown of the sources of cases. CIMA regulated financial service providers submitted a substantial portion of the cases that the FRA received. The ten largest contributors were:

- Virtual Asset Service Provider – 374
- Banks – 239
- Overseas Financial Intelligence Units – 197
- Investment Funds – 190
- Company Managers / Corporate Service Providers – 177
- Mutual Fund Administrators - 113
- Insurance Businesses – 51
- Lawyers – 49
- Securities Licensees – 45
- Trust Companies – 44

Four (4) Virtual Asset Service Providers filed 374 reports becoming the largest source of SARs. In 2021, two (2) Virtual Asset Service Providers filed 33 reports.

Banks continue to be a major source of SARs, with 239 reports filed by 27 banks or banking type entities, comprising: 178 cases filed by 6 Class A banks; 58 cases filed by 18 Class B banks; and 3 cases filed by a Credit Union. This compares to 241 reports filed by 31 banks or banking type entities during 2021, comprising: 178 cases filed by 6 Class A banks; 62 cases filed by 20 Class B banks; and 1 case filed by a Credit Union.

Investments Funds, comprising Mutual Funds and Private Funds, filed 190 reports, an increase of 150% from the 76 reports received in 2021.

Company Managers / Corporate Service providers and Trust Companies continue to be a significant source of SARs with a combined 221 SARs filed during the Reporting Period, a 52% increase compared to 145 in 2021.

Mutual Fund Administrators filed 113 reports during the Reporting Period, a 43% increase compared to 79 in 2021.

Insurance Businesses filed 51 SARs during the Reporting Period, compared to the 45 in 2021

Securities Licensees filed 45 SARs during the Reporting Period, compared to 51 in 2021.

The largest number of SARs received from DNFBPs came from law practitioners (49). Other DNFBPs filing SARs included: accounting professionals, real estate brokers, second-hand dealers and dealers of high value goods.

Receipt of Threshold Reports from Money Service Businesses and Banks

On 1 March 2022, the Anti-Money Laundering (Class A and Class B Bank Threshold Reporting) Regulations, 2022 were approved by Cabinet. The Regulations required that a monthly report of threshold transactions carried out by a bank or a nil report in case a bank does not carry out a threshold transfer within the reporting period be submitted to the Financial Reporting Authority.

For the 10 month period ended 31 December 2022, the combined value of bank threshold transfers was approximately US$2.35 trillion for outgoing transfers (71,377 transactions) and US$1.11 trillion for incoming transfers (30,301 transactions)

This is the second year that money services businesses have been submitting threshold transactions on a quarterly basis to the Financial Reporting Authority. The combined value of MSB threshold transactions for the Reporting Period was approximately US$24.9 million for outgoing remittances (20,531 transactions) and US$448,000 for incoming remittances (189 transactions).

These additional data are assessed when analysing cases, and has helped amplify the analysis for a handful of cases. The information received from threshold reporting be also be used in future strategic analysis projects where relevant.

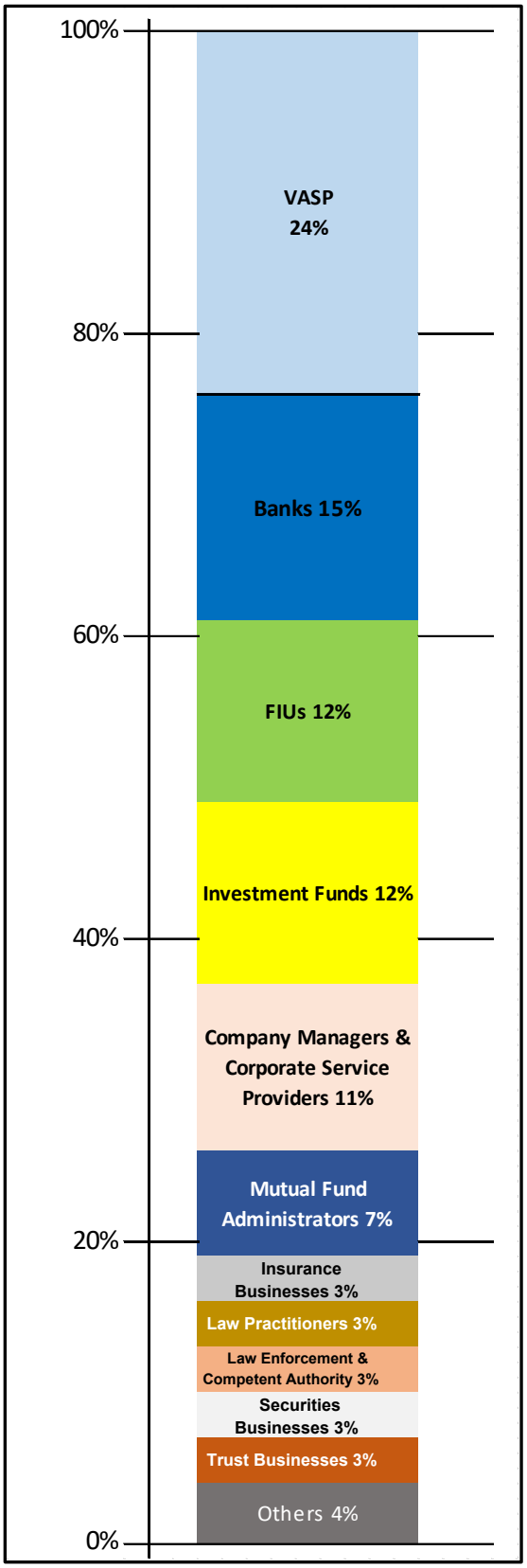


Chart 3.5: Sources of Cases

2. Analysing Information

The FRA conducts in-depth research and analysis by matching data in the SAR to existing records and intelligence information in the SAR database, as well as to information contained in other external databases. An important element of the FRA's analysis is the ability, provided for by the POCA, to request information from any person, in order to clarify or amplify information disclosed in a report, or at the request of an overseas FIU. Failure to provide this information within 72 hours is an offence under the POCA. A second important element is the FRA's ability to request and exchange information with Egmont Group members.

Consistent with the provisions of the POCA, the FRA made 160 requests locally to clarify or amplify information received in 139 cases; 57 of these requests were to the SAR filer with the other 103 going to third parties. The majority of the information requested consisted of: financial information, such as account statements and details of specific transactions; beneficial ownership (including registers); and constitutional documents.

Twenty four (24) requests for information were made to eighteen (18) overseas FIUs in connection with twenty (20) cases. All twenty four (24) requests were to Egmont member FIUs via the Egmont Secure Web. Sixteen (16) of those requests were made on behalf of local law enforcement agencies. These requests greatly assisted the FRA in determining whether to make disclosures to local law enforcement, as well as to overseas FIUs, or to assist local law enforcement with their investigations. Chart 3.6 below shows the number of requests made locally and overseas by financial year since 2019.

Upon completion of the analysis, an assessment is made to determine if the analysis substantiates the suspicion of money laundering, financing of terrorism or criminal conduct. If, in the opinion of the Director, this statutory threshold is reached, the FRA discloses the information to the appropriate local law enforcement agency, Supervisor or overseas FIU.

Additionally, the provisions of section 4(2)(ca) of the POCA allow the FRA, in its discretion or upon request, to disclose information and the results of its analysis to local law enforcement, CIMA and any public body to whom the Cabinet has assigned the responsibility of monitoring AML, in cases where the threshold of suspicion of criminal conduct has not been met.

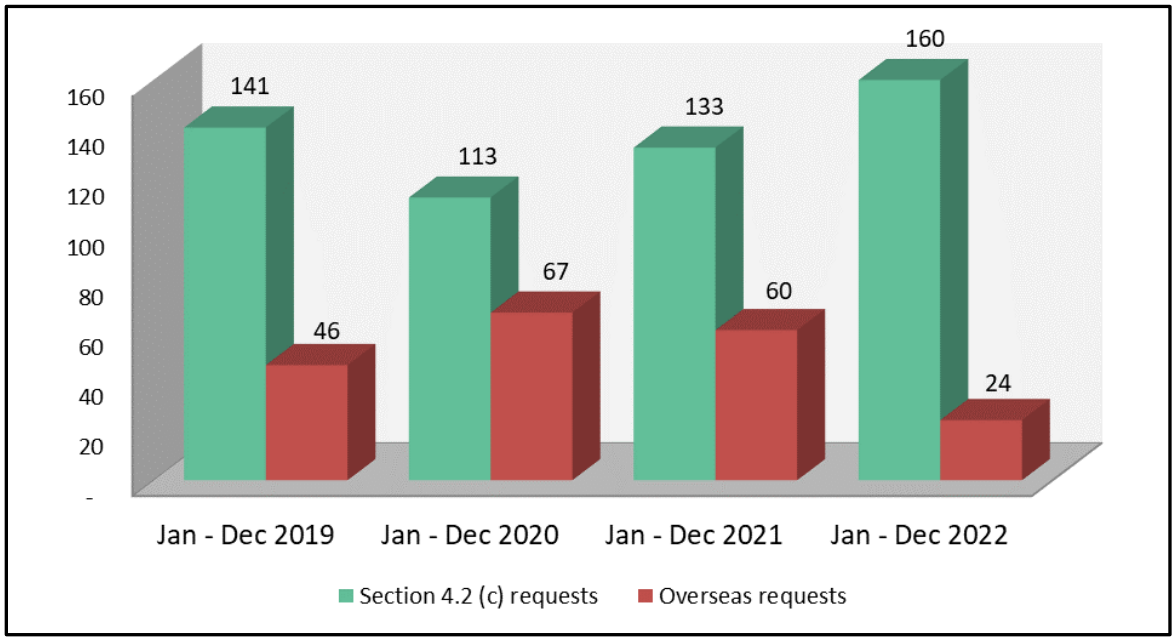


Chart 3.6: Number of requests made locally and overseas

SARs Trend Analysis

Table 3.7 below provides a detailed breakdown of the reasons for suspicion.

Reasons	%
Suspicious Activity	58%
Fraud	37%
Sanctions	17%
Politically Exposed Persons	10%
Money Laundering	10%
Corruption	8%
Tax Evasion	5%
Regulatory Matters	4%
Declined Business	3%
Unlicensed Regulated Activity	2%
Drug Trafficking	2%
Theft	1%
Others	6%

Table 3.7: Reasons for suspicion

Since 2021 multiple reasons for suspicion for each case have been tracked. For the 1,586 cases received, 2,570 reasons for suspicion were recorded. The most common reasons for filing reports during the Reporting Period were:

- suspicious financial activity – 925
- fraud – 585
- sanctions – 265
- politically exposed persons - 160
- money laundering – 151
- corruption – 131

Suspicious Financial Activity

A large number of reports filed with the FRA are due to 'suspicious activity', wherein the reporting entity is noticing more than one unusual activity but could not arrive at a specific suspicion of an offence. The FRA recognises that this is a perfectly valid reason to submit a SAR.

In an effort to provide a more detailed breakdown of what types of activities were deemed suspicious by SAR filers, we have grouped the reports by the most recognizable of the activities as follows:

a) **542 reports that involve unusual conditions or circumstances**: Unusual conditions or circumstances include: VASPs identifying that a digital wallet

or virtual assets had an exposure to Darknet entities; an approach made by local authorities for information about a customer or an account; unusual inquiries or requests by account holders; and reports about funds being withdrawn from insurance policies within a relatively short period of time from their establishment.

b) **191 reports regarding inadequate and / or inconsistent information:** Reports with inadequate and / or inconsistent information provided are those where the reporting entities have received inadequate information or deemed responses to their continuing due diligence inquiries as being evasive, incomplete or inconsistent.

c) **81 reports about activities that appear to lack economic purpose**: Reports about activities that appear to lack economic purpose include reports from VASPs about customer transactions that appear to just pass though digital wallets (top-up, conversion followed by withdrawal); reports from banks about customer transactions that appear to just pass though accounts.

d) **76 reports about transactions inconsistent with client profile:** Reports about transactions that are inconsistent with the established client profile include reports where the FSP identified that its client's recent transactions do not match the profile initially provided when the account was established and the client's explanation for the transactions appears to raise further questions.

e) **19 reports of transactions that appear to be structured to avoid reporting thresholds**: These include reports from: banks where there appear to be attempts to break transactions into smaller amounts to avoid reporting thresholds.

f) **16 reports regarding high volume transactions:** Reports about high number of transactions occurring, including those involving cash, consist of reports about subjects making multiple cash transactions (i.e., deposits, withdrawals or remittances); as well as transactions in virtual assets/digital wallets that have a noticeable high volume compared with similar accounts. Most of the time these would also involve suspicions about the sources of funds being deposited.

Fraud

In the 2021 National Risk Assessment ('NRA') conducted by the jurisdiction, fraud featured prominently. With regard to foreign-generated proceeds of crime, fraud received a "High" threat rating and was identified as the number one threat for the risk of money laundering. With regard to domestically generated proceeds of crime, fraud and theft were combined and received a "Medium-Low" threat rating and was ranked number 3 for the risk of money laundering. Fraud was the second most common reason for filing SARs during the

Reporting Period and has consistently featured in the top reasons for filing a SAR for several years.

As stated previously, the FRA now records multiple reasons for suspicion for each case, including different types of fraud. During 2022 585 total reasons for suspicions associated with fraud were recorded for 397 cases. The following is a high level overview of the types of frauds reported.

False Documents or Representations

A high number of cases were filed by a cross-section of FSPs were there is suspicion that the customer / client is providing a false document or misleading representation, usually when conducting due diligence at client take on or while conducting retrospective due diligence.

There were a handful of cases where foreign individuals attempted to deposit a fake cheque purported to be issued by a Cayman bank at a foreign institution. None of these transactions was successful.

There were also a small number of cases reported where a foreign-service provider, typically an investment manager, issued false or misleading information to investors.

Misappropriation and Ponzi/Pyramid Schemes

Many of these cases were as a result of adverse media regarding foreign persons being indicted or under investigation.

For misappropriation of monies, the cases typically involved misappropriation from investment vehicles they manage or their employer, and them having a nexus to Cayman funds. In a handful of cases the misappropriation was from a Cayman fund.

The same was true for Ponzi/Pyramid schemes. In one case a Cayman fund had made an investment into entities that it later emerged was a Ponzi scheme.

Investment/Securities Fraud

Investment/Securities Fraud, including insider trading, stock manipulation and other securities violations, are regularly identified as reasons for suspicion. Most of the reports received during the Reporting Period raised suspicions that assets owned by an individual or entity that has been the subject of adverse reports might be the proceeds of an illegal scheme and that the reporting entity could not confirm or eliminate such possibility. A handful of cases identified a Cayman entity being named as a relief defendant or being associated with a defendant in foreign proceedings. A smaller portion of reports are about actual transactions that give rise to suspicion of trading on insider information or schemes that manipulate stock values.

Business Email Compromise

Business Email Compromise (BEC) frauds have become the most prevalent form of account takeover schemes identified in SARs and continues to be a serious concern and threat. BEC is where a compromised or

spoofed email account is used by fraudsters to issue fraudulent payment instructions to transfer money from bank accounts. Based on SARs received in 2022, US$472 thousand was lost to these schemes and the attempted misappropriation of a further US$2.1 million was prevented by mitigating procedures. In 2021, US$1.33 million was lost to these schemes and the attempted misappropriation of a further US$24.4 million was prevented by mitigating procedures. Of note, there was an increase in cases with local victims.

Crypto Frauds

There was a significant increase in cases identifying frauds involving crypto assets during 2022. A significant number of cases involved direct or indirect transactions with a wallet associated with a Darknet entity, in particular fraud shops. There was also a significant increase in requests from OFIUs regarding frauds in their jurisdictions that involved crypto transactions or a wallet with a Cayman nexus. There were a few cases regarding unauthorised access and payments from a digital wallet.

Domestic Cyber Fraud

There was a substantial increase in reports regarding domestic cyber fraud, particularly through schemes involving phishing, either via emails, SMS or cloned website. The most common attempts were communications purporting to come from a bank. There were a handful of cases involving communications from local utility companies. Although not received through SARs, the FRA is also aware of phishing attempts using Sanctions Notice purported to be issued by the FRA, communications purporting to come from RCIPS regarding investigations they are conducting and correspondence purporting to come from the Anti-Money Laundering Unit regarding AML requirements.

Credit Card / Debit Card schemes also featured in SARs, including cases where Vendors were compromised resulting in access to client information and brute-force computing to attempt to guess a valid combination of credit card number, expiration date and card verification value, or CVV number.

There were a handful of advance fee fraud cases, primarily involving fake adverts regarding properties available for rent and goods for sale.

Sanctions and Politically Exposed Persons

There was significant overlap on cases with sanctions and PEPs. The significant increase in cases with sanctions and PEPs as the reason for suspicion is directly correlated with the number of sanctions imposed by the United Kingdom and other countries on Russia in response to the invasion of Ukraine on 24 February 2022.

The vast majority of cases reported that persons designated by OFSI were directly or indirectly, through foreign companies, investors in Cayman funds. A handful of cases reported that designated persons were the beneficial owners of Cayman companies, which in some cases owned Cayman flagged luxury yachts.

A significant number of designated persons were also deemed to be PEPs; however, some cases with PEPs were aligned with foreign corruption.

Corruption

Corruption also featured prominently in the 2021 NRA. With regard to foreign-generated proceeds of crime, corruption/bribery received a High threat rating and was identified as the number two threat for the risk of money laundering. With regard to domestically generated proceeds of crime, corruption received a Medium-Low threat rating and was ranked number 4 for the risk of money laundering.

The ACA, as well as global benchmarks in anti-bribery legislation like the UK's Bribery Act 2010 and the US Foreign Corrupt Practices Act ("FCPA") continue to keep the focus of bribery and corruption firmly into the minds of those operating businesses in the Cayman Islands.

The vast majority of the SARs citing corruption as a reason for suspicion received during the Reporting Period involved foreign corruption. In some cases FSPs reported that individuals and companies that are either under investigation or have been charged for corruption overseas maintained an account. Reports were also received identifying Cayman domiciled entities whose directors, officers or beneficial owners, or related parties, are linked to overseas investigations.

Also included in this category are requests for information from overseas FIUs regarding corruption investigations, transactions which appear to be linked to bribes or the solicitation of bribes or kick-backs.

Money Laundering

The processes by which proceeds of crime may be laundered are extensive. The financial services industry, which offers a vast array of services and products, is susceptible to misuse by money launderers. While all crimes can be a predicate offence for money laundering, this category is used by the FRA to identify SARs whose reason for suspicion is the act of money laundering.

Almost three quarters of the cases in this category are requests for information from overseas FIUs and local law enforcement pertaining to money laundering investigations.

SARs received from domestic reporting entities in this category typically involve adverse media regarding a person who is subject to foreign criminal proceedings, has been charged or is under investigation, or is closely associated with individuals who are under investigation for money laundering.

3. Disseminating Intelligence

Disposition of Cases

The dissemination or disclosure of financial intelligence, resulting from its analysis, is a key function of the FRA. Once information is analysed and the Director has reviewed and agreed with the findings, a determination is made regarding onward disclosure.

Pursuant to section 138 of the POCA, financial intelligence is disclosed to the following designated agencies where the required statutory threshold, suspicion of criminal conduct, has been met:

- ☐ Local law enforcement agencies in the Cayman Islands.
- ☐ CIMA, DITC and any public body to whom the Cabinet has assigned the responsibility of monitoring compliance with money launder regulations under section 4(9) of the POCA.
- ☐ Overseas financial intelligence units.

The statutory purposes of onward disclosure are to:

- ☐ report the possible commission of an offence;
- ☐ initiate a criminal investigation;
- ☐ assist with any investigation or criminal proceeding; or
- ☐ facilitate the effective regulation of the financial services industry.

The POCA was amended in December 2017 to allow the FRA to disseminate, in its discretion or upon request, information and results of any analysis to CIMA, any public body to whom the Cabinet has assigned the responsibility of monitoring compliance with money laundering regulations under section 4(9) of the POCA, and any law enforcement agency within the Islands (section 4(2)(ca)). A further amendment was made to the POCA in December 2018 removing the requirement to obtain the consent of the Hon. Attorney General for the FRA to disseminate information to an overseas FIU.

Cases which do not meet the threshold for disclosure (or are not disclosed under section 4(2)(ca) are retained in the FRA's confidential SAR database pending future developments. As new cases are received and matched with data in the SAR database, prior cases may be re-evaluated with the receipt of new information.

During the Reporting Period, the FRA received 1,586 new reports. The FRA completed the review of 896 of these reports, leaving 690 in progress at 31 December 2022. Of the 896 new reports analysed, 246 were filed as intelligence, 16 were deemed to require no further immediate action, 483 resulted in a disclosure, 129 were replies to requests from FIUs and 22 were replies to requests from local agencies.

The FRA also completed the review of 70 of 528 reports carried over from 2021, 12 of 452 reports carried over from 2020, 7 of 641 reports carried over from 2019, 5 of 397 reports carried over from 2018, 8 of the 211 reports carried over from the interim period of 1-Jul-17 to 31-Dec-17, 1 of 238 cases carried over from 2016/17 and 1 of 152 reports carried over from 2015/2016, a total of 104 reports.

	No. of Cases								
Disposition	2022	2021	2020	2019	2018	1 Jul – 31 Dec 2017	2016-17	2015-16	2014-15
Cases Analysed Requiring No Further Action	16	28	241	209	196	211	128	211	311
Filed as intelligence	246	209	6	-	-	-	-	-	-
Cases Analysed that Resulted in a Disclosure	483	205	228	178	235	106	157	194	161
Reply to Domestic Requests	22	32	38	37	17	8	8	3	-
Reply to Overseas Requests	129[1]	93[2]	68[3]	80[4]	95[5]	35[6]	71[7]	61[8]	58
In Progress (as at 31 December 2021)	690	458	440	634	392	203	237	151	38
Total Cases	1,586	1,025	1,021	1,138	935	563	601	620	568

Table 3.8 Disposition of reports received as at 31 December 2022

	Reporting Period								
Disposition	2022	2021	2020	2019	2018	2017	2016-17	2015-16	2014-15
Royal Cayman Islands Police Service	467	41	6	6	-	2	1	1	-
Cayman Islands Monetary Authority	417	31	1	4	-	-	-	1	-
Other Local Law Enforcement Agencies	11	-	-	-	-	-	-	-	-
Other Competent Authorities	1	3	-	-	-	-	-	-	-
Overseas FIUs	419	36	4	7	-	-	1	1	-

Table 3.9: Number of SARs that contributed to disclosures made during 2022

[1] Fourteen of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[2] Seventeen of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[3] Twelve of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[4] Ten of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[5] Ten of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[6] One case also resulted in a disclosure, but is not included in the number of cases disclosed to avoid double counting.
[7] Six of these cases also resulted in disclosures, but are not included in the number of cases disclosed to avoid double counting.
[8] One of these cases also resulted in disclosures, but is not included in the number of cases disclosed to avoid double counting.

Of the 104 previous reports that were completed, 21 were deemed to require no further immediate action, 7 were filed as intelligence, 64 resulted in a disclosure, 11 were replies to requests from FIUs and 1 was a reply to a local request.

Table 3.8 shows the disposition of the reports for the past five reporting periods as at 31 December 2021.

As at 31 December 2021, the FRA had commenced initial analysis on: 82 of the 528 pending 2021 cases; 157 of the 452 pending 2020 cases; 179 of the 641 pending 2019 cases; 117 of the 397 pending 2018 cases; 50 of 211 pending Jul – Dec 2017 cases; 46 of 238 pending 2016/2017 cases; 39 of 152 those 547 reports was disclosed in the manner shown in Table 3.9 below. The total number of cases disclosed exceeded the number of actual cases, as some disclosures were made to more than one local law enforcement agency and / or overseas FIU.

Financial Intelligence Disclosures

The actual number of financial intelligence disclosures (i.e., the number of letters containing financial intelligence) is presented below.

Recipient	2022	2021	2020
RCIPS	152[9]	173[10]	218[11]
CIMA	65[12]	47[13]	30
ACC	9[14]	3	2
CBC	9	9	18
CARA	2	1	-
DITC	1	-	2
DCI	1	-	-
Overseas FIUs	374[15]	241[16]	193[17]
Total	613	463	463

While some SARs have a direct and immediate impact on investigations both domestic and overseas, some are more useful when coupled with information available in other SARs, as well as law enforcement and regulatory publications. Both instances however assist in the production of financial intelligence.

The top 5 reasons for disclosures made to the RCIPS during the reporting period were:

- fraud – 34%
- sanctions & regulatory matters – 20%
- money laundering – 12%
- child abuse/pornography – 7%
- Drug trafficking – 6%

[9] Includes 14 responses to 17 requests
[10] Includes 41 response to 34 requests
[11] Includes 59 responses to 53 requests
[12] Includes 3 responses to 3 requests
[13] Includes 3 responses to 3 requests
[14] Includes 3 responses to 3 requests
[15] Includes 142 responses to 140 RFIs from overseas FIU that disclose substantial information
[16] Includes 104 responses to 79 RFIs from overseas FIU that disclose substantial information
[17] Includes 77 responses to 58 RFIs from overseas FIU that disclose substantial information

The top 5 reasons for disclosures made to Overseas FIUs during the reporting period were:

- fraud – 41%
- sanctions & regulatory matters – 23%
- money laundering – 14%
- international corruption – 3%
- tax evasion – 3%

Voluntary Disclosures Overseas

The FRA discloses financial intelligence to its overseas counterparts, either as a result of a suspicion formed through its own analysis, or in response to a request for information. During the Reporting Period, the FRA made 232 voluntary disclosures to overseas FIUs from 468 reports completed. Those 468 reports comprise 419 reports from 2022, 36 reports from 2021, 4 reports from 2020, 7 reports from 2019, 1 report from 2016/2017, and 1 report from 2015/2016.

In 2021 the FRA made 137 voluntary disclosures to overseas FIUs from 162 reports completed. Those 162 reports comprise 98 reports from 2021, 33 reports from 2020, 15 reports from 2019, 4 reports from 2018, 6 reports from Jul - Dec 2017, 4 reports from 2016/2017, and 2 reports from 2015/2016.

The FRA also responded to 140 requests for information from overseas FIUs. Those reports comprise 129 reports from 2022, and 11 reports from 2020.

In 2021 the FRA responded to 86 requests for information from overseas FIUs. Those reports comprise 82 reports from 2021, 3 reports from 2020 and 1 report from 2014-15.

Chart 3.10 on the next page shows that the 2022 voluntary disclosures and responses went to 66 different jurisdictions.

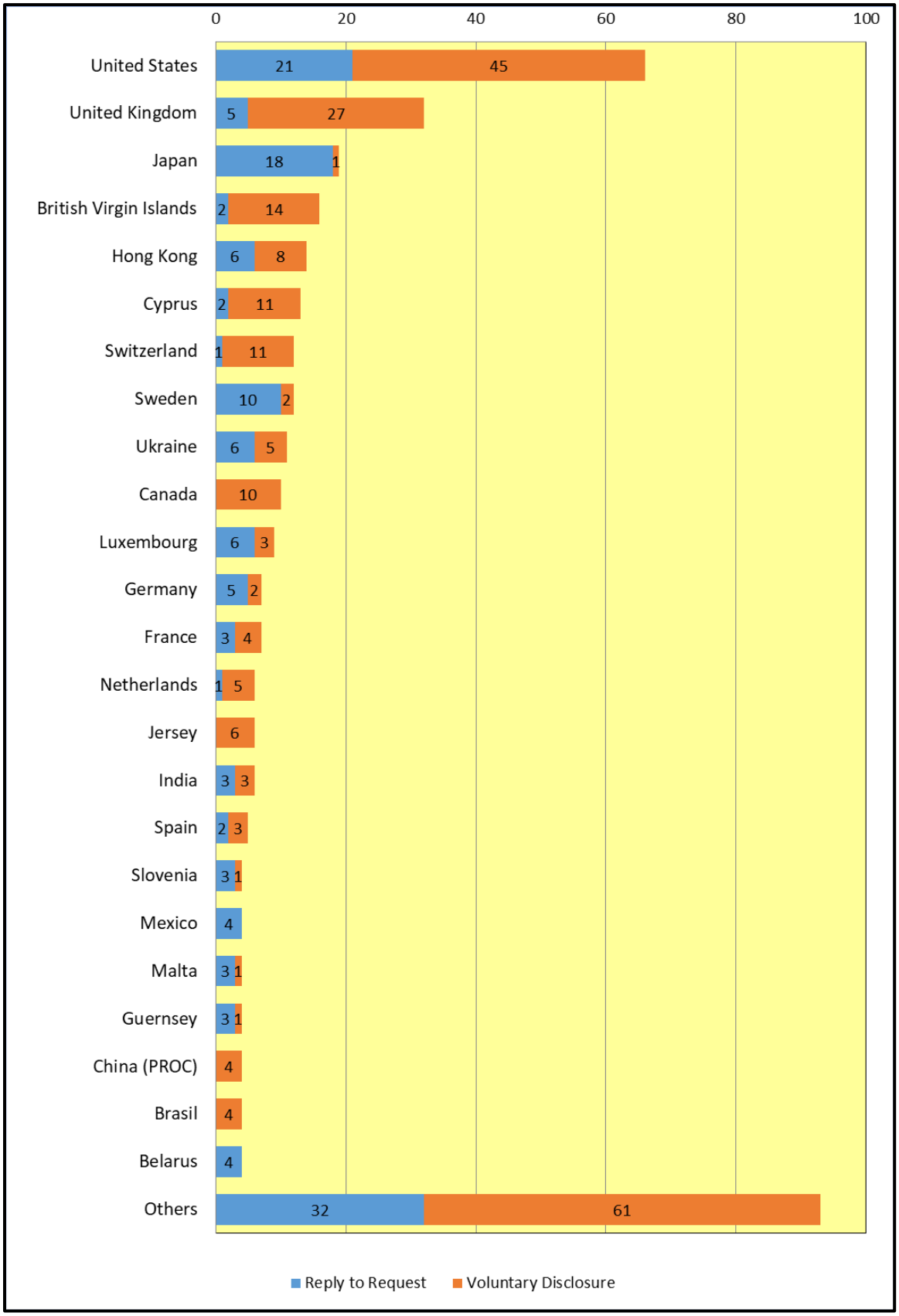


Chart 3.10: Overseas disclosures and replies to request for information

Significant Events

Analysis of Reports

The FRA had 3,335 reports to analyse during the Reporting Period, comprising: 1,586 new reports, 446 reports carried over from 2021, 295 reports carried over from 2020, 462 reports carried over from 2019, 280 reports carried over from 2018, 161 reports carried over from Jul – Dec 2017, 192 reports carried over from 2016/2017 and 113 carried over from 2015/2016. There were also 708 reports that where initially analysed, but not completed as they required further analysis, comprising: 82 carried over from 2021, 157 reports carried over from 2020, 179 reports carried over from 2019, 117 reports carried over from 2018, 50 reports carried over from Jul – Dec 2017, 46 reports carried over from 2016/2017, 39 reports carried over from 2015/2016, and 38 reports carried over from 2014/2015.

The FRA staff analysed 1,150 of the 3,335 unanalysed reports, during the Reporting Period, comprising: 1,068 reports from 2022, 59 reports from 2021, 7 reports from 2020, 4 reports received from 2019, 6 from 2018, 4 from Jul – Dec 2017, 1 report from 2016/2017 and 1 report from 2015/2016. An average of 96 reports were analysed per month.

A total of 1,000 reports were closed during the Reporting Period, comprising: 896 reports received in 2022, 70 reports received in 2021, 12 reports received in 2020, 7 reports received in 2019, 5 reports received in 2018, 8 reports received in Jul-Dec 2017, 1 report received in 2016/2017 and 1 report received in 2015/2016. On average, 83 reports were completed per month.

Results of Disclosures of Information

Feedback from local law enforcement agencies and competent authorities revealed an ongoing use of financial intelligence disclosed by the FRA, including the following:

	2022	
Contents of the Disclosure	**CIBFI**	**CIMA**
Provided new information regarding known subjects	28	33
Provided you with unknown subjects	31	40
Corroborated information already known	7	14
Information disclosed to another agency	7	-
Triggered new investigation	4	1
Use of the Disclosure		
Actionable	29	25
Not Actionable	92	20
Total Feedback Forms provided	**121**	**45**

The FRA also provided assistance to law enforcement by responding to requests from them with any relevant information held by the FRA. Some of these cases also involved the FRA requesting information from OFIUs on behalf of the local law enforcement agency.

Use of Section 4(2)(b) Powers

During the Reporting Period the FRA also used financial intelligence to exercise its powers under section 4(2)(b) of the POCA on one (1) occasion ordering an entity to refrain from

dealing with a person's account for twenty-one days. The assets held by the account in question totalled approximately US$204,000.

This power is only exercisable after the Grand Court grants permission to do so, having been satisfied that the FRA had reasonable cause to believe that the information contained in the report related to proceeds or suspected proceeds of criminal conduct.

Financial Sanctions regarding TF and PF

During the Reporting Period the FRA published 193 Financial Sanctions Notices on its website. The FRA subscribes to the Email Alert provided by the Office of Financial Sanctions Implementation within UK HM Treasury, advising of any changes to United Nations, European Union and UK financial sanctions in effect. The FRA forwards these notices automatically to local law enforcement agencies and competent authorities, converts it to a Cayman Notice and publishes the Cayman Financial Sanctions Notice on its website.

The Egmont Group Meetings

Due to the challenges of the COVID-19 pandemic, the Egmont Working Group meetings and the Americas Group Regional meeting were held virtually in January 2022 and February 2022 respectively. Six (6) staff attended various virtual meetings.

The Director of the FRA attended the 28th annual Egmont Group Plenary from July 10-15, 2022, in Riga, Latvia. The Plenary was attended by 320 delegates (including 16 observers and one international partner) and 103 FIUs.

The 28th Plenary's Thematic Discussion "New Ways to Drive FIU Effectiveness in a Risk-Based Environment" explored alternative ways to drive FIU effectiveness, including enhancing multilateral information sharing, prioritizing domestic & international cooperation, & enhancing FIUs' role in the domestic AML/CFT system.

The CFATF Plenary Meetings

The 54th CFATF Plenary and Working Group Meetings were held virtually due to the ongoing challenges of the COVID-19 pandemic. Six (6) staff attended various virtual working group meetings, including the HoFIUs meeting, which is the focus for the FRA.

The Mutual Evaluation Reports for Aruba and Grenada were adopted at the Plenary; Aruba was placed in regular follow up and Grenada was placed in enhanced follow up.

The 55th CFATF Plenary and Working Group Meetings were held in person and were hosted by the Cayman Islands. The Hon. Attorney General of the Cayman Islands became Chair of the CFATF and the Director of the FRA became Chair of the CFATF Heads of FIUs Forum. Sixteen (16) staff attended various meetings during the Plenary.

The Mutual Evaluation Reports for Suriname and Venezuela were adopted at the Plenary; both countries were placed in enhanced follow up.

IV. SCENARIOS THAT WOULD TRIGGER FILING OF A SUSPICIOUS ACTIVITY REPORT (TYPOLOGIES)

The following is a compilation of sanitised cases that were analysed and completed during the Reporting Period that we believe illustrate some of the key threats facing the jurisdiction in the fight against money laundering and terrorist financing. These cases have been identified by the primary typology involved, though some of them may involve more than one typology. They are being included here for learning purposes and as a feedback tool for our partners in the fight against money laundering and terrorist financing.

1. Fraud - Spoofing Fraud Scheme

The FRA received a SAR from a Bank regarding fraudulent transactions conducted on a customer's accounts.

The customer reportedly conducted a balance inquiry and realized that the balance on his account was incorrect. As a result, the customer visited the Bank to verify the balance observed.

Upon review, it was discovered that two unauthorised online wire transfers were made from the account; immediate efforts were made by the Bank to recover funds. During the review it was revealed that in the days prior, the customer received a telephone call and text messages from an individual purporting to be acting on behalf of the Bank. The customer advised that the caller ID of the number that called was known to be associated with the Bank. The individual reportedly advised the customer that their online client credentials were compromised and requested the customer's information in order to assist with resetting the password so as to prevent any fraud on the account. The information requested was provided which consequently led to unauthorised/fraudulent transactions being conducted on the customer's account.

In order to amplify its analysis, the FRA issued a Section 4(2) (c) directive to the Bank to obtain account statements and details of specific transactions. Analysis of the information revealed that the fraudulent transfers were made to an entity with an account held in Jurisdiction 1 and to another account in a similar name to the customer in Jurisdiction 2.

Database searches conducted for the entity domiciled in Jurisdiction 1 indicated the potential existence of other fraudulent activities or attempts made by the fraudsters. There were also adverse traces/reports linked to the entity in open source checks.

Disclosures were made to RCIPS and the OFIUs in Jurisdictions 1 and 2 for intelligence purposes.

Indicators:

- Phishing scheme
- Communication purporting to come from a bank that the customer's online banking information was compromised.
- Request for the customer's personal and private financial online credentials.

2. Fraud - Securities Fraud

The FRA received a SAR from a Mutual Fund Administrator / Registered Office service provider regarding Subject A, a citizen of Jurisdiction 1 and an investor in a Cayman Fund.

According to the details provided, Subject A was charged by authorities in Jurisdiction 2, along with other individuals for engaging in a long-running international "pump-and-dump" stock manipulation scheme. Subject A was said to have participated by coordinating stock promotion campaigns and providing funding in furtherance of the stock manipulation schemes.

When Subject A and his wife invested in the Fund the subscription funds were wired from an account at a bank in Jurisdiction 3.

In order to amplify analysis, the FRA issued a Section 4.2 (c) directive to the SAR filer for Subject A's subscription and redemption history and KYC documents.

Disclosures were made to RCIPS, CIMA and OFIUs in Jurisdictions 1, 2 and 3 for intelligence purposes.

Indicators:

- Adverse information alleging subject's involvement in financial crime.
- Foreign criminal charges against an investor in a Cayman fund.

3. Fraud – False Documents

The FRA received a SAR from a Bank after it received a call from a real estate agent in Jurisdiction 1 who was looking to confirm a bank reference letter received from Person A as support for a real estate transaction in Town Y. The reference letter was signed by Person B as the Bank's employee. The reason for suspicion indicated that the Bank informed the real estate agent that Person B was not an employee of the Bank and that the reference letter was false and could not be confirmed.

Person A subsequently reached out to the Bank querying the account balance for an account in the name of Company X. Person A left a telephone number for the Bank to call back. The Bank does not hold any accounts in the name of Person A or Company X.

The FRA's open source searched yielded results for an inactive company in Jurisdiction 1 listing Person A as president and agent for the entity. The FRA was not able to confirm if the

entity or individual are subjects as it may be possible that the names were being falsely used by individuals carrying out the attempted fraud.

The FRA made disclosures to RCIPS and the OFIU in Jurisdiction 1 for intelligence purposes.

Indicators:

- False document on the Bank's letterhead signed by someone who was not an employee.
- Person A and Company X appeared to have no links to Town Y.

4. Fraud – Elderly Fraud

The FRA received a SAR from a Bank regarding a large transaction received by Subject A from another customer, an elderly person known to the Bank (Victim). As there was no clear connection between Subject A and the Victim, the matter was further investigated by the Bank.

Subject A stated that the Victim was her boyfriend and that the monies were a gift to assist with the purchase of a home in Jurisdiction 1. The Bank's review showed that the monies were not being utilised for the stated purpose and a hold was placed on the monies. When contacted by the Bank regarding the transaction, the Victim sent an email confirming Subject A was employed as his Caretaker/Helper, which conflicted with the explanation provided by Subject A; also the Bank's KYC indicated that Subject A was employed in the hospitality industry. The Victim further confirmed that the monies were a gift (gift letter provided) to assist with the purchase of a home in Jurisdiction 1. A Source of Funds declaration form was subsequently completed for Subject A and the hold on the monies was released.

The bank remained suspicious, given that the Victim had very recently visited the bank with a member of local law enforcement and another customer, Subject B, who was employed as the Victim's Caretaker/Helper and received a gift in the form of a transfer from the Victim to assist in the purchase of a home in Jurisdiction 2. A gift letter was provided for this transfer; however, based on the investigation conducted local law enforcement determined that the ongoing gift transfers between the Victim and Subject 2 was elderly abuse in the form of financial exploitation. Subject 2 was required to remit the monies back to the Victim due to the fact the monies were not utilised for the purpose initially outlined.

A section 4.2 (c) directive was issued to obtain statements and supporting documents from the Bank in relation Subjects A and B.

A disclosure was made to RCIPS for intelligence purposes.

Indicators:

- Unusual transfers made by an elderly person
- Conflicting information regard nature of the relationship between the parties
- Conflicting employment details
- Monies not being used for their stated

purpose
- Investigation by law enforcement

5. Terrorist Financing

The FRA received a SAR from a VASP regarding Subject A in relation to suspicious digital currency transactions and possible links to terrorist financing.

The VASP stated that Subject A is a student with vague Source of Funds information. The account was funded via credit card (control numbers and FSP provided). All top-ups are immediately withdrawn and sent to a crypto address associated with Subject B, who is listed on a counter terror financing list in Jurisdiction 1 due to associations with donation campaigns carried out by a recognised terrorist group.

Disclosures were made to CIBFI, CIMA and the OFIU in Jurisdiction 1 for intelligence purposes.

Indicators:
- Unusual virtual asset transaction activities
- Vague source of funds and purpose of transactions
- Possible links to Terrorist Financing

6. Money Laundering (via the use of Crypto Currency)

The FRA received a SAR from a VASP regarding suspicious transaction patterns of numerous top-ups, exchange and withdrawal by Subject A, a resident in Jurisdiction 1.

The SAR identified that Subject A's bank account that was being used to fund the account with the VASP was receiving a number of incoming payments from third parties that were subsequently forwarded to other accounts. It was suspected that Subject A was using the account as a transit account. The bank account had links to Jurisdiction 1 and Jurisdiction 2.

During the review it was also identified that the volume and value of transactions observed were outside of Subject A's customer profile, and that Subject A was unable to provide a satisfactory explanation for the unusual or suspicious transaction patterns observed.

The SAR further identified that Subject A used a VPN and Proxy when logging into the account.

FRA analysis indicated that Subject A's account was possibly being used as a transit account with potential links to illicit activities and money laundering.

Disclosures were made to RCIPS, CIMA and the OFIU in Jurisdictions 1 and 2 for intelligence purposes.

Indicators:

- Suspicious / Unusual transaction patterns.
- Incoming payments from third parties that are subsequently forwarded to other accounts.

- Amounts deposited did not correspond to the client's income.
- Unsatisfactory response from the client regarding transaction patterns.
- Use of VPN and proxy login-ins.

7. Money Laundering (placement, layering), Domestic Corruption

The FRA received a SAR from a Bank regarding Subject A being accused of corruption.

The reason for suspicion highlighted that Subject B, a family member of Subject A, deposited a cheque in the name of Subject A into Subject B's bank account.

Subject B thereafter issued a cheque to Subject A for the same amount; Subject A subsequently depleted the funds via cash withdrawals.

Based on the information received, the FRA formed the view that Subject A had received a cheque as a result of corrupt activities, Subject B deposited the cheque on Subject A's behalf and subsequently paid the funds to Subject B to try and disguise the true source of funds.

A disclosure was made to the ACC for intelligence purposes.

Publicly available information indicates that Subject A has been charged by the ACC.

Indicators:

- Adverse information regarding corruption.
- Deposit of third party cheque.
- Cheque subsequently issued to the payee of the original cheque.

8. International Corruption, Money Laundering

The FRA received a SAR from a Cayman Fund in relation to Subject A being charged in Jurisdiction 1 with corruption and money laundering and being subject to a property freezing order in Jurisdiction 2. Subject A is the Ultimate Beneficial Owner of Company X, a nominee investor in the Fund that first subscribed via a stock transfer. The beneficial owner of the nominee company was identified during a subsequent review conducted a significant time after the initial subscription.

Company X was now looking to redeem the investment and the Fund became aware of adverse media. The investor account and redemption amount were frozen.

The SAR set out a time line of all the negative news, some of which predated the acceptance of the initial subscription.

The FRA's analysis suggested that the money invested into the Fund was the proceeds of crime and the investment had taken place around the time that asset recovery measures were being taken against Subject A.

Disclosures were made to RCIPS, CIMA and the OFIU in Jurisdictions 1 and 2 for intelligence purposes.

Indicators:

- Investment made via a nominee investor.
- Insufficient due diligence at on-boarding.
- Investment made around the time when asset recovery measure were being taken in another jurisdiction.
- Adverse media regarding corruption and money laundering.
- Criminal charges and freezing orders in foreign jurisdictions.

9. Drug Trafficking

The FRA received a SAR from a VASP regarding Subject A being associated with criminal activity and disposing of a significant amount of crypto assets.

The reason for suspicion highlighted that adverse media was discovered when Subject A was attempting to change the wallet from a personal one to a corporate one. The media found suggested Subject A was a member of a narcotics network who was convicted for a drug-related offence and served jail time in Jurisdiction 1.

The FRA issued section a 4(2) (c) directive in order to obtain additional information to amplify its analysis, including: account statements, information relating to where the wallet was being held, copies of service agreements, transaction information detailing amounts, dates, origin and source of funds documents.

Based on all the information received, the FRA formed the view that Subject A had made numerous large deposits in a short time period into the virtual currency wallets. The subject had sent some of the funds to somewhere else in the block chain and also transferred some funds to Subject A's bank account in Jurisdiction 1; however, most of the funds still remained in the wallet.

The FRA made disclosures to RCIPS and the OFIU in Jurisdiction 1 for intelligence purposes. The FRA also made a requests for information to the OFIU in Jurisdiction 1.

The Director of the FRA took the decision to obtain the necessary permission to issue a refrain from dealing order, pursuant to Section 4(2) (b) of POCA. Having received an order from the Grand Court, the FRA ordered the VASP to refrain from dealing in the funds held on behalf of Subject A for a period of 21 days.

Additional intelligence received by the FRA suggested that Subject A had not paid financial reparations for his crime when released from custody after alleging insolvency.

Indicators:

- Adverse media regarding participation in a drug smuggling ring.
- Significant top-up activity inconsistent with client profile.
- Concerns regarding source of funds.

10. Sanctions

The FRA received several SARs from a number of FSPs and Cayman Funds regarding four persons (the Natural Subjects) and four companies they are shareholders of (Company E, Company F, Company G and Company H), domiciled in Jurisdiction 1.

The Natural Subjects were named as sanctioned designated persons by Jurisdiction 2, which placed an immediate freeze on all funds or economic resources owned, held or controlled by them.

Pursuant to their reporting obligations under the relevant sanctions regulations extended to the Cayman Islands, relevant firms also submitted CRFs to the FRA, as designated by the Governor, where they had reasonable cause to suspect that they are in possession or control or are otherwise dealing with the funds or economic resources of a designated person.

The SARs and CRFs identified that the Natural Subjects currently hold or previously held substantial investments, either directly or through Subject E, Subject F or Subject G, in a number of Cayman funds, and that existing accounts or pending redemption payments had been frozen.

The SARs and CRFs also highlighted that the Natural Subjects are a part of the ultimate ownership structure of the duly appointed Investment Management Company, Subject H, to one of the Cayman Funds.

The FRA also received a spontaneous disclosure from the OFIU in Jurisdiction 3.

The FRA issued section a 4(2) (c) directive in order to obtain additional information to amplify its analysis, including additional information relating to investment and ownership information. Based on all the information received, the FRA noted that the one or more of the above Subjects are also ultimate beneficial owners of other Cayman domiciled entities.

The FRA made disclosures to RCIPS, CIMA and the OFIU in Jurisdictions 1, 2 and 3 for intelligence purposes.

Indicators:

- Designation on a Sanctions List
- Complex ownership structure involving several jurisdictions

11. Sanctions

The FRA received numerous SARs from multiple reporting entities regarding Subject A, who was named as a sanctioned designated person by Jurisdiction 1, which placed an immediate freeze on all funds or economic resources owned, held or controlled by them.

The SARs identified that subject was an investor in numerous Cayman funds, through a complex ownership structure involving entities domiciled in Jurisdictions 2, 3 and 4. In addition, relevant service providers were domiciled in Jurisdiction 5.

Additionally, pursuant to their reporting obligations under the relevant sanctions regulations extended to the Cayman Islands, relevant firms also submitted CRFs to the FRA, which identified a large number of Cayman funds that Subject A was a significant indirect investor in.

Furthermore criminal investigations into Subject A regarding money laundering and sanctions evasion have been initiated in Jurisdiction 2.

Disclosures were made to CIBFI, CIMA and the OFIU in Jurisdictions 1 to 5 for intelligence purposes.

The FRA also received a spontaneous disclosure from Jurisdiction 2.

Indicators:

- Designation on a sanctions list.
- Overseas criminal investigation regarding money laundering and sanctions evasion
- Complex ownership structure involving several jurisdictions

12. PEP / Designated Person

The FRA received a SAR regarding Subject A from FSPs that provide registered office services to Company X and act as authorised representative for Vessel Y. A trust owns Company X, which in turns owns Vessel Y.

The SAR stated that Subject A is a beneficiary of the trust. It further stated that Subject A is the wife of Subject B, who is a PEP and was sanctioned by Jurisdictions 1 and 2.

The trust was settled by Subject C; however, the FSPs are not aware of the connection between Subjects A and C. The FSPs suspected that the true settlor of the trust might be Subject B

The FRA's research revealed that Subject B is sanctioned in several jurisdictions, including Jurisdiction 3. Additionally, Subject C was identified as a previous director of Company X.

In order to amplify its analysis, the FRA issued a Section 4(2)(c) directive to obtain registration details regarding Vessel Y.

Disclosures were made to RCIPS and the OFIU in Jurisdictions 1, 2 and 3 for intelligence purposes.

Indicators:

- Association (spouse) between trust beneficiary and sanctioned person
- Trust beneficiary closely associated with a politically exposed person
- Suspicion that the ownership of the vessel was structured to conceal true beneficial owner

13. Theft

The FRA received a SAR from a Bank regarding Subject A being arrested on suspicion of theft and false accounting.

According to the SAR and adverse media, Subject A was arrested on suspicion of theft and false accounting in relation to Company X; Subject A was formerly employed at Company X. It is alleged that the significant theft occurred over a few years and Subject A used false accounting methods to conceal and falsify records and documents in an attempt to cover the wrongdoing.

The Bank observed that during the time frame the alleged theft occurred, Subject A made multiple deposits in cash and cheques. The Source of Funds Declaration for Subject A stated that the deposits were from salary advances and rental income from apartments.

A review of the FRA database revealed that Subject A was the principal of previous disclosures, one of which was triggered by a SAR from another bank regarding the same matter. The FRA noted the adverse media was dated.

Disclosures were made to RCIPS and CIMA for intelligence purposes.

Indicators:

- Adverse media information regarding theft and false accounting.
- Deficiency in detecting adverse media in a timely manner.

14. Gambling

The FRA received a SAR from a Bank regarding an existing client, Subject A. The Bank had written to Subject A to obtain updated customer information after a review was completed.

Subject A requested that their name be removed from the joint account. The Bank noted from the review that Subject A had been charged with conspiracy to commit unlawful gambling and they had reason to believe that some of the funds in the account may have been the proceeds of crime. Subject A requested that the account be closed as they were changing banks.

A disclosure was made to RCIPS for intelligence purposes.

Indicators:

- Adverse media regarding being charged with conspiracy to commit unlawful gambling.
- Request to be removed from a joint account and to close account.

15. Tax Evasion

The FRA received a number of SARs from a Corporate Services Provider (“the CSP”) regarding Subject A, and a number of Cayman registered investment and equity holding entities directed and beneficially owned by Subject A. The CSP filed the SAR after identifying adverse media linking Subject A to a freezing order in Jurisdiction 1 for allegedly failing to pay a very significant tax bill.

Based on all the information and supporting documents received, the FRA used the ownership structure of the Cayman entities to

identify additional local entities and establish the links between them and other entities in Jurisdiction 2.

The FRA made disclosures to RCIPS and the OFIU in Jurisdictions 1 and 2 for intelligence purposes.

Indicators:

- Adverse media linking subject to tax evasion overseas.
- Freezing Order in foreign jurisdiction.
- Complex ownership structure involving several jurisdictions for no apparent economic purpose.

16. Child Abuse – Virtual Asset

The FRA received a SAR from a VASP after identifying that Subject A had directly transacted with a crypto wallet associated with child abuse related material. Subject A is a resident and citizen of Jurisdiction 1.

The FRA made immediate disclosures to RCIPS, CIMA and the OFIU in Jurisdiction 1 for intelligence purposes.

Indicators:

- Direct transaction with a crypto wallet associated with child abuse related material.

17. Darknet Crypto Transactions

The FRA received numerous SARs from a VASP in relation to direct and indirect transactions conducted by subjects resident in various countries with wallets associated with Darknet Markets. The Darknet Markets included: fraud shops; sale of illicit drugs; sale of credit card information or other personal identification; and entities sanctioned in another jurisdiction.

The FRA made disclosures to RCIPS, CIMA and the relevant OFIUs for intelligence purposes.

Indicators:

- Transaction with a crypto wallet linked associated with a Darknet Market

These examples are based on actual information we have received and sanitised to protect the identities of the individuals or entities concerned.

Further typologies can be found at www.Egmontgroup.org or www.FATF-GAFI.org or www.cfatf-gafic.org.

V. STRATEGIC PRIORITIES: PERFORMANCE FOR 2022 AND BUILDING ON STRENGTHS IN 2023

The FRA plays a crucial role in the jurisdiction's fight against being used for money laundering, terrorist financing, proliferation financing and other financial crime. It is also a vital agency in the Cayman Islands' efforts to demonstrate compliance with the FATF 40 Recommendations and prove effective implementation of those Recommendations.

Performance 2022

During 2022 our main priorities were:

1. **Produce useful intelligence reports in a timely manner**

   This priority was largely achieved. Through its analysis of information collected under the POCA reporting requirements, the FRA developed specific financial intelligence disclosures and provided strategic insights into trends and patterns of financial crime.

   During 2022, the FRA completed the following:

   (i) Produced 613 financial intelligence reports (disclosures) for use by local law enforcement agencies, CIMA and other Supervisors, and overseas FIUs. Overall, positive feedback was received from local law enforcement agencies, CIMA and overseas FIUs regarding the usefulness of disclosures by the FRA. The FRA also periodically met with local agencies and obtained formal feedback on the usefulness of our intelligence reports. The FRA received 121 Feedback forms from the RCIPs and 45 Feedback forms from CIMA.

   (ii) With the FRA actively monitoring the timeliness of our disclosures, 46% of disclosures to local law enforcement was made within 35 days, compared to 43% in 2021. The average number of days to complete a request for information from an overseas FIU was reduced to 40 days in 2022 from 50 days in 2021.

   (iii) Trends and patterns of financial crime impacting the Cayman Islands are featured in this Annual Report.

2. **Promote cooperative relationships with Reporting Entities**

   This priority was largely achieved. Throughout the Reporting Period we maintained and developed cooperative working relationships with reporting entities. We participated in a number of outreach events hosted by Supervisors and Industry Associations.

   The FRA also conducted two 'One-on-One' meetings with MLROs to give specific feedback on SAR quality, and discuss trends and other relevant

matters. We also hosted eight (8) meetings with MLROs to demonstrate functionalities of the FRA's AMLive Reporting Portal.

3. Ongoing CFATF / FATF Work

This priority was achieved. The FRA continued to work closely with all stakeholders to ensure robust AML/CFT/CFP legislation, policies and programmes are effectively implemented in the Cayman Islands.

The FRA also continued to execute all measures it took to remediate the recommended actions from the 2019 Mutual Evaluation Reports and monitored performance measures continually.

The Hon. Attorney General of the Cayman Islands became Chair of the CFATF in November 2022 and the Director of the FRA became Chair of the CFATF Heads of FIUs Forum.

4. High Performing Staff

This priority was achieved to a significant extent. Staff were kept up to date with developing issues in AML/CFT/CFP and in the Financial Industry training events and workshops facilitated by international and domestic presenters. FRA Staff completed the FATF Introductory online course on the 40 Recommended Actions and Immediate Outcomes; and participated in the Prosecuting Legal Persons and Civil Recovery Work Shop.

The following activities were completed:

(i) Members of staff participated in i2 iBase and i2 Analyst Notebook tips and tricks sessions facilitated by the i2 Group.

(ii) Members of staff completed the following seminars: Introduction to Virtual Assets and Virtual Asset Analysis; Corporate Vehicles and Financial Products; Professional Money Laundering; Ransomware; and Cyber Security Awareness.

(iii) Performance expectations are clearly defined and documented.

5. Enhance benefits of New Information Technology Infrastructure

This priority was achieved to some extent. The following were undertaken to maximise the benefits of the new Information Technology Systems and Infrastructure:

(i) During the Reporting Period the FRA continued to register users from reporting entities and familiarise them with using the AMLive Reporting Portal in order to electronically submit their reports. These efforts continued in 2022. The FRA held 8 meetings with MLROs to demonstrate the AMLive Reporting Portal functionalities. At the end of 2022 there were 386 registered users from 198

Reporting Entities; 1,025 SARs (75%) were filed using AMLive.

(ii) Work on data migration from the old database to the new IBM i2 iBase database continues, import of certain information has begun but further work is to be completed before the former database and servers can be retired.

(iii) Members of staff participated in i2 iBase and i2 Analyst Notebook tips and tricks sessions facilitated by the i2 Group.

(iv) Automated notifications, particularly for new cases assigned are being used by staff. Reports summarising all cases assigned to each analyst have also been made available.

(v) Work continues to evaluate how intelligence products are best shared and communicated with Law Enforcement and Competent Authorities.

(vi) Work with the Office of the Chief Information Security Officer to address/respond to security alerts from monitoring systems regarding security threats.

Strategic Priorities for 2023

During 2023 we will continue to build on our strengths and seek to continuously improve performance. Our main priorities for the year will remain unchanged, namely:

1. Produce useful intelligence reports in a timely manner

An ongoing key priority for the FRA is to provide timely and high quality financial intelligence that meets the operational needs of local law enforcement agencies, CIMA and other Supervisors, and overseas FIUs.

Through its analysis of information collected under the POCA reporting requirements, the FRA aims to develop specific financial intelligence disclosures and provide strategic insights into trends and patterns of financial crime.

To deliver on this priority, we will:

(i) Continue to periodically assess the intelligence reports we produce to ensure that they are useful to the recipients.

(ii) Meet regularly with local agencies and obtain formal feedback on the usefulness of our intelligence reports. Feedback will also be sought from overseas FIUs.

(iii) Actively monitor the timeliness of our disclosures, with the aim of continuously improving disclosure times.

(iv) Publish annually trends and patterns of financial crime impacting the Cayman Islands.

2. **Promote cooperative relationships with Reporting Entities**

The quality of our disclosures hinges directly on the quality of the SARs / information we receive. We are committed to developing and maintaining cooperative working relationships with all reporting entities, by encouraging an open line of communication to discuss matters of mutual interest, with a view to enhancing the quality of information we receive. The effective and efficient use of the AMLive Reporting Portal is integral to the accomplishment of this priority.

To deliver on this priority, we will:

(i) Foster effective and efficient use of the AMLive Reporting Portal by engaging with reporting entities. During 2023 the FRA will start to use the feedback functionality in AMLive to provide feedback on specific SAR submissions.

(ii) Redevelop and launch the FRA website to provide reporting entities with a useful AML/CFT/CFP resource.

(iii) Continue to conduct virtual meetings as needed with Reporting Entities to answer inquiries and enhance their proficiency in use of the AMLive Reporting Portal.

(iv) Make regular presentations at industry association organised events, as well as to individual entities at their request on their obligations under the POCA and the work of the FRA.

(v) Continue to hold 'One-on-One' meetings with MLROs to give specific feedback on SAR quality, and discuss trends and other relevant matters.

3. **Ongoing CFATF / FATF Work**

The FRA will continue to work closely with the AMLSG, the Inter-Agency Coordination Committee (and its subcommittees), and divisions within the Cayman Islands Government to ensure that robust AML/CFT/CFP legislation, policies and programmes are effectively implemented in the Cayman Islands.

To deliver on this priority, we will:

(i) Coordinate all actions required to continue meeting the FRA's responsibilities under the relevant international standards.

(ii) Meet deadlines for any reporting requirements.

(iii) Ensure that records, reports and publications showing the implementation and effectiveness of applicable acts and regulations are prepared and maintained.

(iv) Ensure that relevant agendas are developed for the CFATF Heads of FIUs Forum meetings and effectively chair meetings.

4. High Performing Staff

The FRA seeks to promote and create a culture of excellence and integrity that inspires exceptional teamwork, service and performance. The development of staff by ensuring they are kept up to date with developing issues in AML/CFT/CFP is therefore critical to the effective operation of the FRA.

To deliver on this priority, we will:

(i) Continue to evaluate whether staff has sufficient access to appropriate data and applications to respond to developing trends and patterns of financial crime impacting the Cayman Islands.

(ii) Continue to provide training opportunities geared towards enhancing staff's analytical proficiency in use of i2 iBase and i2 Analyst Notebook.

(iii) Continue to provide relevant training to staff, primarily using online resources.

(iv) Develop skills to make the most effective and timely use of methods, tools and techniques to search for publicly available information on multiple platforms.

(v) Continue to define clear performance expectations and provide timely feedback to staff.

5. Enhance benefits of Information Technology Infrastructure

Protecting information received from reporting entities is a critical function of the FRA. A layered approach to security has been adopted for the FRA's office and computer systems. Security measures include monitoring systems and advanced firewalls to prevent unauthorised access to our database.

The upgrades to the FRA's systems and infrastructures improved our overall security environment and provided opportunities for more efficient operations. The overall security environment was improved by adding specific controls related to data access and security classification codes.

In order to maximize the benefits of this new Information Technology Systems and Infrastructure the following are to be completed:

(i) Complete data migration from the old database to the new IBM i2 iBase database, including retiring the former database and servers.

(ii) Provide further training in iBase and Analyst Notebook. iBase training to focus on use of automated notifications, alerts and reports in the new database.

(iii) Provide FRA Users with training in AMLive to enable them to build expertise on the FRA's online reporting platform.

(iv) Continuously assess and improve infrastructure for sharing intelligence and communicating with Competent Authorities.

(v) Procure Blockchain analytics tool to enhance analysis of cases involving crypto assets.

(vi) Develop a well-planned incident response program to address any Security Incidents that arise from security alerts from monitoring systems and other security breaches.

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