UPDATE

CIMA AML and Sanctions Rules: Key Actions for Cayman Islands Funds

Key Takeaways

- The Rules take effect on 18 September 2026.
- Cayman Islands Monetary Authority ("CIMA") registered funds should review existing anti-money laundering ("AML") and sanctions compliance arrangements.
- Governing bodies should consider AML governance frameworks, AML officer independence, fund-level risk assessments, training and independent AML audit arrangements.
- The requirements are expected to align with many existing operating practices, subject to appropriate review and documentation.

Overview of CIMA's New AML and Sanctions Rules

CIMA has introduced new AML and sanctions rules that will affect Cayman Islands regulated entities, including CIMA registered funds. As outlined in our industry advisory, CIMA has released the Rule on Effective Compliance Programme for the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing for Financial Services Providers (the "AML Rule") and the Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions (the "Sanctions Rule") (together, the "Rules").

The Rules are applicable to Cayman Islands regulated entities, including investment funds registered with CIMA as private funds (under the Private Funds Act) and mutual funds (under the Mutual Funds Act) ("CIMA registered funds"). However, the Rules also apply to any investment manager or advisor that is registered with CIMA pursuant to the Securities Investment Business Act and the information detailed below should be read as applying equally to these types of regulated entities.

The Rules take effect on 18 September 2026. CIMA registered funds are already subject to the Cayman Islands AML regime, and the Rules represent an evolution, rather than an overhaul, of that regime.

We expect that the current operating practices of most CIMA registered funds will align with the new requirements, and that any areas requiring attention can be addressed in a way that complements existing arrangements.

However, it is important for CIMA registered funds to review existing compliance programmes and consider any enhancements that should be incorporated into a CIMA registered fund's corporate governance framework and compliance programme.

We have also included an overview that sets out the key areas of focus.

CIMA Rules Compliance Checklist

To assist in your review, we summarise the key action items to address:

- Review and, if necessary, update existing AML and sanctions policies and procedures and compliance programme

- Adopt a documented AML governance framework for each CIMA registered fund
- Confirm that AML officers meet the independence requirements
- Complete or review and update the fund-level risk assessment
- Confirm independent AML audit arrangements and the frequency of those audits
- Confirm sanctions screening, monitoring and escalation procedures
- Arrange annual AML training for governing body members, AML officers and other relevant persons
- Document compliance at the next corporate operator meetings

Effect of the CIMA AML and Sanctions Rules

The Rules establish minimum standards that CIMA expects the governing body of a CIMA registered fund to adopt and implement in relation to AML, counter-terrorist financing, counter-proliferation financing and sanctions procedures and controls.

For CIMA registered funds structured as exempted limited partnerships, the "governing body" refers to the general partner of the CIMA registered fund which may in certain structures equate to the ultimate controllers of the fund.

These regulatory measures largely codify key aspects of CIMA's previously non-binding AML Guidance Notes, creating enforceable obligations.

While reaffirming existing requirements, the AML Rule expands on certain components and introduces additional requirements that should be integrated into compliance programmes. Of particular note, the AML Rule mandates that a CIMA registered fund undertakes an independent AML audit at appropriate intervals based on that fund's risk assessment.

We do not anticipate that the AML Rules will materially impact current operating practices for most CIMA registered funds. CIMA recognises that application should be proportionate to a regulated entity's risk profile, size, complexity, structure and nature of business.

CIMA also expressly contemplates that relevant requirements may be delegated or outsourced to a service provider, such as the CIMA registered fund's sponsor or a third-party service provider such as the Maples Group.

In most instances, we expect that the enhanced requirements can be aligned with arrangements already in place with oversight and compliance addressed at operator meetings held at least annually as part of the CIMA registered fund's corporate governance process.

Key Compliance Obligations for CIMA Registered Funds

Set out below are key areas of focus, practical action points and the ways in which the Maples Group can support your compliance with the Rules.

Governance Framework and Oversight

The governing body of a CIMA registered fund must establish a documented AML governance framework that defines the allocation of roles and responsibilities of all senior persons involved in the implementation and oversight of the compliance programme and designates the AML officers.

The governing body will exercise oversight of the framework through minuted governing body meetings, which includes a review of the AMLCO annual report.

How the Maples Group Can Support

We can prepare an appropriate form of AML governance framework for incorporation into your existing corporate governance arrangements, tailored and applied across all of your impacted CIMA registered funds in a manner that aligns with your operating model.

We can also provide support for annual operator meetings.

AML Officers

The AML Rule reaffirms that the AMLCO must be a person of good repute who possesses integrity, suitable qualifications and sufficient seniority, skill and experience to oversee the effectiveness of a CIMA registered fund's compliance programme.

The AMLCO must perform the compliance function independently and objectively from business and operational functions and may not be a member of the CIMA registered fund's governing body. The governing body retains ultimate responsibility for the CIMA registered fund's compliance programme.

AML officers may be employees of a sponsor provided they meet the relevant qualifications, apply an independent and objective mind to their role and are not members of the CIMA registered fund's governing body. These functions can also be outsourced to a third-party service provider.

Where we have been contracted to provide AML officers, our qualified personnel satisfy the requisite qualifications for appointment as AMLCO, MLRO and Deputy MLRO.

Independent AML Audits

The AML Rule requires independent testing of AML compliance programmes to be fulfilled by way of an independent audit.

The AML Rule introduces flexibility and proportionality in how this obligation may be satisfied, including through internal audit functions and service provider level audits.

The frequency and scope of audits is to be determined by the governing body with reference to the CIMA registered fund's size, complexity, structure, nature of business and risk profile.

Audits may be performed internally for up to two consecutive cycles, after which an external service provider must undertake every third audit. An audit report must be filed with CIMA.

The AML Rule and CIMA FAQs acknowledge that CIMA registered funds may consider independent audit reports from an outsourced service provider as part of their internal control and oversight frameworks, although this may need to be supplemented with additional evidence regarding the individual fund's compliance programme.

How the Maples Group Can Support

The Maples Group can assist in reviewing and aligning the independent AML audit requirement with your current operating practices.

This includes where a sponsor, administrator or other AML delegate already reviews and tests AML policies on a regular basis.

Where the Maples Group provides fund administration services, investor KYC services or AML officers to a CIMA registered fund, we can still assist with providing independent AML audit services. Maples Group has a stand-alone AML Assurance team.

Risk Assessment

A fund-level risk assessment must be undertaken. It is typically prepared by the AMLCO.

We anticipate that the governing body will undertake an initial fund-level risk assessment at launch and that assessment will then be reviewed, approved and documented thereafter at annual operator meetings or upon a material trigger event, such as where newly imposed sanctions affect counterparties or a CIMA registered fund's investments.

This requirement should be addressed through the AMLCO's periodic reporting process and supported by additional appropriate documentation.

Training

The AML Rule mandates that governing body members, AML officers and other relevant persons undertake AML training at least annually, with compliance documented.

A training plan should also be incorporated into the compliance programme, with the AMLCO providing a template and including training status in periodic reporting to the governing body.

The rule does not prescribe the delivery method. By way of example, training may be delivered online or through in-person sessions.

How the Maples Group Can Support

Maples Group can assist with training, including through our proprietary online AML training programme, which complies with these requirements and generates a completion certificate that can be made available to CIMA upon request.

Sanctions Rule

The Sanctions Rule formalises screening, monitoring and escalation procedures, which should be confirmed by the CIMA registered fund's administrator, AML service provider or AML officers.

Next Steps for CIMA Registered Funds

CIMA registered funds should review their AML compliance programme to ensure it aligns with the new Rules. This should include identifying the manner in which the independent AML audit obligation will be satisfied.

The Maples Group can advise and assist with that review, document compliance and provide outsourced compliance services support.

We anticipate that costs associated with any review and ongoing operational requirements will be allocable as a fund expense, recognising that these are fund-level obligations of a regulatory and compliance nature.

CIMA Regulatory Measures and FAQs

For your reference, the relevant CIMA regulatory measures and FAQs are provided:

- CIMA - Rule on Effective Compliance Programme for the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing for Financial Services Providers
- CIMA - Rule on Compliance with Financial Sanctions and Targeted Financial Sanctions
- CIMA - FAQs - AML and Sanctions Rules

We have a deep bench of experienced compliance professionals and lawyers that can provide a variety of different solutions to satisfy the requirements of the Rules. Please reach out to your usual Maples Group contact if we can be of assistance.

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