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Regulatory Update

Cayman – Q4 2025

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Quick Fire Updates

1. CIMA Notice - Update to VASP Application Form

The Cayman Islands Monetary Authority (CIMA) issued an [Industry Notice](#) on 14 July 2025 advising that the Virtual Asset Service Providers (VASPs) application form has been updated on the REEFS portal. The amendments further streamline the application process for registration, licensing and waivers by incorporating additional questions and clarifying document requirements for all applicants.

All VASP applications submitted on or after 14 July 2025 must be completed using the updated APP 101-84-05 form via the REEFS portal. A [Completion Guide](#) is available to assist with the VASP application process.

2. CIMA Notice - Withdrawal of operator letters in lieu of notarised affidavits

On 18 July 2025, CIMA issued an [Industry Notice](#) providing that it will no longer accept operator letters as a substitute for notarised affidavits. All applications for registration or licensing under the Mutual Funds Act (2025 Revision) and the Private Funds Act (2025 Revision) must be accompanied by duly notarised affidavits.

3. Country-by-Country Reporting on DITC Portal

The Department for International Tax Cooperation (DITC) has issued an [Industry Advisory](#) providing that, with effect from 29 August 2025, functions related to the Cayman Islands Country-by-Country Reporting framework are available on the DITC's portal. All multinational enterprise (MNE) groups with Cayman Islands constituent entities must re-register with the Tax Information Authority via the DITC Portal. To support users through this transition, updated guidelines and resources are available on the [DITC Website](#).

4. New Office for Strategic Action on Illicit Finance

On 12 August 2025, the Cayman Islands Government [announced](#) the establishment of the Office for Strategic Action on Illicit Finance (OSAIF), a new centralised authority which reinforces the jurisdiction's alignment with international standards.

OSAIF is housed within the Ministry of Financial Services and Commerce and will consolidate interagency coordination and operational delivery in anti-money laundering, counter-terrorist financing, and counter-proliferation financing (AML/CFT/CPF). The creation of OSAIF aims to provide demonstrable effectiveness in AML/CFT/CPF which is an essential benchmark under the Financial Action Task Force (FATF) framework. As such, OSAIF will oversee the national coordination team in preparing for the next Caribbean Financial Action Task Force (CFATF) evaluation in December 2027.

5. 2025-26 National Risk Assessment launched

On 21 August 2025, the Cayman Islands Government announced the [launch](#) of the 2025-2026 National Risk Assessment (NRA) in order to strengthen the country's framework against money laundering, terrorist financing, and proliferation financing. The

NRA is being coordinated by OSAIF, with participation from government agencies, regulators and private sector stakeholders.

Completion of the NRA is a key element in preparing for the upcoming 5th Round CFATF Mutual Evaluation (which is scheduled for December 2027) and the results will be used to determine risk-based policies and decide regulatory and supervisory priorities.

A related [NRA Factsheet](#) was published on 15 September 2025, providing an overview of the objectives of the NRA, stakeholder roles and participation, process and timeline, strategic importance, anticipated outcomes and next steps, along with some FAQs.

6. One-time non-compliant directors amnesty scheme

CIMA published an [Industry Notice](#) on 3 September 2025 announcing a one-time non-compliant directors amnesty scheme which provides a limited opportunity for eligible directors to voluntarily settle outstanding annual fees and accrued penalties at a discounted rate.

From 16 September to 15 October 2025, the scheme will be open to registered directors within the 1–19 covered entities category, who as of 31 August 2025, have more than two years of unpaid annual fees. Directors who are currently under investigation or subject to enforcement action by CIMA or another regulatory body are not eligible for the scheme.

Any directors who meet the criteria for the scheme have been contacted directly via email with the relevant participation instructions. Applications under the scheme will only be accepted through the [Directors' Gateway Portal](#).

CIMA strongly encourages directors wishing to return to good regulatory standing to take advantage of this 30-day window. After the scheme ends, full fees and penalties will apply without exception.

7. Regulatory measures - cancellation of VASP licences, registrations or waivers

The following regulatory measures for VASPs were gazetted on 10 September 2025 and came immediately into effect:

- [Rule - Cancellation of Licences, Registrations, or Waivers for VASPs \(the Rule\)](#)
- [Regulatory Procedure - Cancellation of Licences, Registrations, or Waivers for VASPs \(the Regulatory Procedure\)](#).

The Rule applies to all CIMA-regulated VASPs that:

- have chosen to cease providing virtual asset services permanently and/or are winding down operations in the Cayman Islands;
- have been registered, licensed or granted a waiver by CIMA but never initiated virtual asset service business activities or client interactions/transactions;

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- are discontinuing business in the Cayman Islands or relocating operations to another jurisdiction; or
- are voluntarily seeking to cancel their licence, registration or waiver pursuant to the Virtual Assets (Service Providers) Act (as amended, the **VASP Act**).

Involuntary cancellations (including those resulting from regulatory breaches or enforcement actions) are not covered by the Rule or the Regulatory Procedure.

The Rule provides that:

- a VASP intending to cease its virtual asset service operations must notify CIMA in writing within 15 days of the date on which the decision to cease operations is made; and
- a VASP which has not commenced virtual asset service business within one year of the date of the grant of the licence, registration or waiver, must notify CIMA in writing at least 15 days prior to the expiration of the one-year period if it anticipates it will not commence business within that timeframe.

In addition, a VASP must:

- ensure compliance with the VASP Act and other applicable legislation, and provide any information reasonably required by CIMA to evaluate its compliance;
- ensure that all stakeholders are accurately informed of the cancellation in accordance with the Regulatory Procedure;
- take all necessary steps to protect and secure its clients' data and assets in accordance with the relevant Acts and regulatory measures;
- comply with any conditions or restrictions imposed by CIMA to safeguard client interests (including data and assets); and
- notify CIMA within 15 days of the VASP becoming aware of a material change, including those that may impact regulatory good standing during the cancellation process.

The Regulatory Procedure sets out the required documentation and procedural steps for cancellation, including the general conditions, core information and specific requirements based on the reason for cancellation.

8. AML/CFT supervision of VASPs

On 18 September 2025, CIMA issued a **Supervisory Information Circular** in relation to AML/CFT on-site and off-site supervision of virtual asset service providers (**VASPs**).

The Circular provides that CIMA takes a risk-based approach (**RBA**) in determining the frequency and focus of AML/CFT supervision of VASPs, which includes on-site inspections and desk-based reviews. This is supported by the requirement for VASPs to submit annual AML returns (known as the AML Survey) and quarterly Travel Rule Returns.

The Circular notes the key findings and observations from both off-site and on-site AML/CFT compliance monitoring, including as relates to:

- assessing risk and applying an RBA
- reliance on technology solutions for AML/CFT compliance

- customer due diligence and ongoing monitoring programmes
- sanctions compliance
- oversight of the compliance function
- outsourced AML/CFT compliance functions
- independent AML/CFT audit function
- employee training and awareness
- record keeping and travel rule compliance.

Although CIMA noted good compliance levels in many areas following the first round of inspections, there were notable deficiencies particularly as regards customer risk assessment, sanctions screening, due diligence, transaction monitoring and record keeping.

9. CIMA deregistration timeline reminder for funds

As a reminder, a Cayman Islands regulated mutual fund or registered private fund intending to cease to carry on business and deregister with CIMA needs to notify CIMA within 21 days of ceasing, or formally intending to cease, to carry on business as a fund. The deregistering fund must then complete and file its final audit before deregistration documents can be filed.

In general, a fund is considered to cease carrying on business on the date stated within the relevant resolution or decision of the fund's operators or upon the appointment of a liquidator. A fund will be liable for registration fees until it is deregistered by CIMA. Failure to notify CIMA within the 21-day period may result in an administrative fine.

If a fund wants to avoid incurring the annual registration fees for 2026 after deregistration with CIMA, it should therefore start planning early. This includes making arrangements for the fund's final audit to be ready and filed with CIMA by 31 December 2025 (if not earlier) such that it can file the deregistration documents by 31 December 2025 and avoid incurring unnecessary registration fees for 2026.

10. Mourant Guides and Updates

Mourant has uploaded the following Cayman Updates and Guides to our website over the last quarter:

- Taking security over shares in a Cayman Islands exempted company
- Creation of security by a Cayman Islands exempted company
- Enforcing security over shares in a Cayman Islands exempted company
- The director registration and licensing regime in the Cayman Islands.
- Transfer by way of Continuation into the Cayman Islands - Exempted companies
- Transfer by way of Continuation into the Cayman Islands - Limited liability companies
- Re-registration of a foreign partnership as a Cayman Islands exempted limited partnership

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11. Mourant online AML and AEOI compliance training

Mourant offers specialised online [Cayman AML Training](#) and [BVI/Cayman AEOI compliance training](#) programmes for financial institutions, their directors and service providers to assist them in understanding their obligations and demonstrating compliance. Please contact ClientTraining@Mourant.com for further information.

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