



7 April 2026

NOTICE TO SUPERVISED FIRMS

Anti-Money Laundering, Countering Terrorist Financing and Countering Proliferation Financing Obligations

This Notice is issued to all firms supervised by the Legal Services Supervisory Authority (“LSSA”) to remind them of their obligations under the Anti-Money Laundering Regulations (2025 Revision) (the “AMLRs”). This Notice is not intended to be exhaustive and does not set out all obligations under the AMLRs.

Firms of attorneys-at-law (including sole practitioners) are required to assess whether they are conducting relevant financial business (“RFB”) as defined under Schedule 6 of the Proceeds of Crime Act (2024 Revision). A firm or sole practitioner conducting RFB is in scope of the AMLRs and must comply with all applicable obligations. Such firms are considered “Supervised Firms” for the purposes of this Notice.

Compliance Programme

Pursuant to Part 2 of the AMLRs, every person carrying out RFB is required to establish and maintain a compliance programme comprising appropriate systems, policies, procedures and controls designed to prevent, detect and report money laundering (“ML”), terrorist financing (“TF”) and proliferation financing (“PF”). This includes ensuring that employees are trained in the application of those systems and controls.

Supervised Firms must ensure that their AML/CFT/CPF systems are proportionate to the nature, scale and complexity of their business and commensurate with their risk exposure. Policies and procedures must be clearly documented, approved by senior management, effectively implemented in practice and kept up to date to reflect changes in legislation, regulatory guidance, business activities or the firm’s risk profile.

Appointment of an Anti-Money Laundering Compliance Officer

In accordance with Regulation 3 of the AMLRs, Supervised Firms are required to designate an Anti-Money Laundering Compliance Officer (“AMLCO”) who must be a person at the managerial level. The AMLCO is responsible for ensuring that the Supervised Firm’s AML/CFT/CPF systems are effectively implemented and maintained and for monitoring ongoing compliance with the AMLRs.

Legal Services Supervisory Authority

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The AMLCO is the primary point of contact with the LSSA in respect of AML/CFT/CPF matters. Accordingly, the AMLCO must have sufficient seniority, authority, independence and access to information to enable the effective discharge of their responsibilities.

Supervised Firms must notify the LSSA of the appointment of an AMLCO, and of any subsequent change to that appointment, within thirty (30) days.

Risk-Based Approach

Supervised Firms are required to adopt and document a risk-based approach in accordance with Part 3 of the AMLRs. Firms must identify, assess and understand their exposure to ML/TF/PF risks and ensure that their systems and controls are calibrated to those risks.

This includes maintaining a documented business risk assessment that considers the risks faced by the practice as a whole and informs the design and implementation of policies, procedures and internal controls. The business risk assessment must be kept up to date and reviewed on a regular basis, as well as at trigger points, including where there are material changes to the firm's services, delivery channels, geographic exposure or the introduction or use of new or developing technologies.

Supervised Firms must also conduct and document client risk assessments for each client for whom they carry out RFB, and, where appropriate, matter-level risk assessments. These assessments should inform the level of client due diligence to be undertaken and the extent of ongoing monitoring, where appropriate.

Decisions taken under the risk-based approach must be appropriately documented and capable of being justified to the LSSA upon request.

Client Due Diligence

Supervised Firms must undertake appropriate client due diligence measures when establishing business relationships or carrying out relevant transactions. This includes identifying and verifying clients and beneficial owners, understanding the nature and purpose of the business relationship, and conducting ongoing monitoring on a risk-sensitive basis.

Enhanced due diligence must be applied where higher risks are identified, in accordance with Regulation 27 of the AMLRs. This includes, for example, situations where higher ML/TF/PF risks are identified by the firm or through supervisory guidance, where the client is a politically exposed person, or where the relevant jurisdiction presents a higher risk.

Supervised Firms must not proceed with business relationships or transactions where client due diligence requirements cannot be satisfied.

Ongoing Monitoring

Regulation 12(1)(e) of the AMLRs requires Supervised Firms to conduct ongoing monitoring of business relationships. This must be applied in a proportionate and risk-based manner and includes scrutinising transactions to ensure consistency with the firm’s knowledge of the client, the client’s business and the assessed risk profile. It also requires periodic review of records to ensure that client due diligence information remains current, accurate and adequate.

Screening Against Applicable Sanctions Lists

In accordance with Regulation 5 of the AMLRs, Supervised Firms must maintain adequate systems to identify ML/TF/PF risks, including conducting checks against all applicable sanctions lists.

Supervised Firms are expected to remain up to date with all applicable sanctions regimes and to ensure that new and existing clients are appropriately screened. Screening should be conducted at onboarding, on an ongoing basis (including transaction screening where appropriate), and periodically, as well as when sanctions lists are updated.

Firms are strongly encouraged to subscribe to sanctions alerts issued by the Financial Reporting Authority (“FRA”) to ensure timely awareness of updates and to support compliance with targeted financial sanctions obligations.

Further information on targeted financial sanctions is available on the FRA website at <https://fra.gov.ky/all-sanctions/>

Internal Reporting Obligations

Supervised Firms are required to establish internal reporting procedures for the assessment of internal disclosures and for determining whether suspicious activity reports should be submitted to the FRA.

To facilitate this, Supervised Firms must appoint a Money Laundering Reporting Officer (“MLRO”) in accordance with Regulation 33 of the AMLRs and should appoint a Deputy MLRO to ensure continuity. The MLRO must have sufficient autonomy, authority and access to information to discharge their responsibilities effectively.

A Deputy MLRO is not required in the case of sole practitioners.

Record-Keeping Obligations

In accordance with Regulation 31 of the AMLRs, Supervised Firms must maintain records of client due diligence, transactions and related documentation for a minimum period of five years. Such records must be readily accessible and capable of being provided without delay to competent authorities upon request.

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Training Obligations

Supervised Firms are required to take appropriate measures to ensure that their employees are made aware of AML/CFT/CPF procedures maintained by the firm and of the legal and regulatory obligations applicable to their roles. Training should be provided on an ongoing basis and should be tailored to the firm's activities, services and risk profile, as well as to the employee's role and AML/CFT/CPF responsibilities.

Supervised Firms must also ensure that such training is appropriately documented and that records are maintained to evidence compliance and can be provided to the LSSA upon request.

Outsourcing and Reliance on Third Parties

Where a Supervised Firm outsources or delegates elements of its AML/CFT/CPF framework, it must ensure that such arrangements are subject to appropriate oversight and control. Outsourcing does not relieve the Supervised Firm of its obligations under the AMLRs. Responsibility for compliance remains at all times with the Supervised Firm, notwithstanding any delegation, outsourcing or reliance on third parties.

Supervisory Expectations

The LSSA expects all Supervised Firms to maintain effective, risk-based AML/CFT/CPF frameworks that are implemented in practice and not merely documented. Firms must ensure that roles and responsibilities are clearly defined, escalation pathways are effective and systems and controls are subject to regular review. Supervised Firms are also to maintain appropriate records, evidencing compliance and to make such records available to the LSSA upon request.

The LSSA will be issuing further guidance on the obligations of Supervised Firms. Notwithstanding this, all Supervised Firms are expected to take immediate steps to ensure full compliance with the AMLRs and to review the adequacy and effectiveness of their AML/CFT/CPF frameworks.

Failure to comply with the AMLRs may result in supervisory or enforcement action, including the imposition of administrative fines and other measures available under applicable legislation.

The LSSA appreciates your prompt attention to this Notice and your continued cooperation in upholding the standards of the Cayman Islands legal profession.

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