



Cayman Islands Update – Q2 2025

Welcome to our Cayman update which will provide you with a quarterly review of a wide range of Cayman Islands related regulatory compliance matters including, news, guidelines and significant updates.

We will also keep you updated on Waystone news and events from across the globe. This edition features regulatory updates and developments for funds:

CIMA Statistics

The Cayman Islands Monetary Authority (“CIMA”) has published the investment fund statistics for Q4 2024. Summarised details are set out in the below table and full statistics can be viewed [here](#). Numbers indicate continued growth in CIMA registered funds with more significant growth observed in the private funds space.

	Q1 2025	2024	2023	2023/2024 YoY Change	2025 Q1 Change
Mutual funds	12,919	12,858	12,802	+56	+61
Private funds	17,376	17,292	16,551	+741	+84
Fund Administrators	69	69	74	-5	0

CIMA’s Corporate Governance Update

On 14 April 2023, CIMA issued the Statement of Guidance on Corporate Governance for Mutual Funds and Private Funds, the Rule on Corporate Governance for Regulated Entities and the Rule and Statement of Guidance of Internal Controls for Regulated Entities (the “Rules and SoGs”).

With 2025 now underway, CIMA’s corporate governance framework continues to shape the regulatory landscape for investment funds. The rules and guidance, which became effective in October 2023, have now been in place for over a year and remain an area of focus that underscores CIMA’s commitment to fostering a sound and stable financial environment by ensuring that entities adhere to high standards of corporate governance. These corporate governance standards aim to promote accountability, transparency and integrity within corporate entities, particularly in the investment funds sector.

Below is a table summarising the primary requirements and the value they add to a regulated entity's governance framework:

Requirement	Description	Why it Enhances Governance
Corporate Governance Framework	Regulated entities must establish and maintain a governance framework tailored to the size, complexity and risk profile of the entity.	Establishing a governance framework helps ensure that the governance structure is aligned with the specific needs and risks of the entity, fostering effective oversight.
Governing Body Responsibilities	The Governing Body is responsible for oversight of the entity's strategies, objectives, compliance and ensuring independence and objectivity.	Clear accountability helps ensure that objectives are met, while maintaining regulatory compliance and ethical conduct.
Risk Management and Internal Controls	Entities must have robust risk management and internal control systems to oversee risk mitigation and ensure proper functioning.	Effective risk management ensures the entity is prepared for potential challenges, improving resilience and stability.
Conflicts of Interest	Directors and management must declare any conflicts of interest and follow a formal policy for addressing and managing these conflicts.	Managing conflicts of interest enhances trust and reduces the risk of decisions being influenced by personal gain.
Compliance and Reporting	The Governing Body must ensure accurate reporting and communication with CIMA, including financial reporting and regulatory compliance.	Maintaining transparency and accountability strengthens regulatory relationships and ensures accurate oversight.
Minimum Annual Review	The Governing Body must conduct a minimum annual review of strategies, risks governance structures and maintain detailed meeting records.	Annual reviews ensure that governance practices are current, effective and adaptable to changes in the business environment.

Independent directors bring a wealth of experience and an unbiased perspective to the board. Their role is crucial in upholding corporate governance standards, offering unbiased perspectives and contributing to decision-making processes that protect the interests of both the fund and its investors. This independence strengthens the integrity and credibility of the board.

Forming advisory committees tailored to provide specialised oversight and counsel can be highly beneficial for the members of the General Partner of limited partnerships. These committees can assist in areas such as investment strategy, risk management or regulatory compliance. Involving independent professionals ensures that these advisory roles are filled with experts who can offer diverse insights, without conflicts of interest, enhancing the fund's overall corporate governance.

The Statement of Guidance requires the fund operators to conduct at least one board meeting per year. Well-organised and efficient board meetings are crucial for effective governance. Consider organizing and facilitating meetings to ensure that directors/members and any relevant stakeholders including key service providers have the necessary materials in advance. Maintaining accurate and thorough records of discussions via minutes helps ensure that the board's fiduciary duties are met in a transparent and compliant manner.

Independent Directors on Funds and General Partner Boards

Waystone has extensive experience in supporting investment advisers and their funds by providing independent oversight through a team of highly-skilled independent directors, board support professionals, AML officers and FATCA & CRS specialists. Our team partners with a diverse range of successful hedge funds, private equity, venture capital and real estate funds.

CIMA Notices: FAR Filing extensions

CIMA has advised of a change to the Audit Extension Applications through the REEFS portal. Effective 6 May 2025, the current Fund Extension application form, **FXT-162-22-02**, has been replaced with a new form, **FXT-162-22-03**. This enhancement is designed to facilitate multiple extension requests (up to three months) per Fund within one application via REEFS.

Funds that qualify for multiple extensions may submit the same using form **FXT-162-22-03**. Existing eligibility criteria remains the same as follows:

- the fund must have no prior outstanding audited financial statements
- the fund must submit the relevant supporting documentation – i.e. letter from the fund's auditor explaining the reason for the delay
- the fund must submit the relevant application fee of KYD \$625 per month.

All new fund extension applications from 6 May 2025 onwards must be submitted using the form **FXT-162-22-03** via the REEFs portal.

Applications that are In-Progress as of 6 May 2025 can still be submitted using the existing **FXT-162-22-02** form but must be submitted before 5:00pm on 11 May 2025, after which the application must be resubmitted using **FXT-162-22-03**. Any application that is In-Progress as of 12 May 2025 will be considered as invalid and no longer available.

CIMA Circular: Key Findings from Onsite Inspections of Registered Persons

CIMA issued a Supervisory Information Circular dated 8 May 2025, outlining key findings from onsite inspections of Registered Persons. Registered Persons ("RPs") are defined under Schedule 4 and Section 5(4) of the Securities Investment Business Act ("SIBA"). RPs carry out securities investment business in or from the Cayman Islands, including dealing in securities, arranging deals, investment management, and providing investment advice. The SIBA provides for the regulation of the RPs engaged in these activities in or from the Cayman Islands, including market makers, broker-dealers, securities arrangers, securities advisors, and securities managers.

The report outlines key findings as detailed [here](#).

The report states that CIMA has observed an improvement in compliance by RPs since January 2022 and acknowledges the progress that RPs have made in implementing their AML/CFT policies, procedures, systems, and controls. CIMA notes the following areas of improvement: employee training and awareness programmes; oversight of AML/CFT compliance function; outsourced AML/CFT compliance functions; assessing risks and application of a Risk-Based Approach ("RBA"); record keeping; and internal reporting around maintaining logs regarding the reporting of suspicion and declined business. CIMA highlights some areas that remain to see some improvements, such as: Customer Due Diligence ("CDD") and ongoing monitoring documentation; as well as independent AML/CFT Audit Function.

RPs are reminded that any breach of a law, regulation or rule or non-compliance with a statement of guidance may result in an enforcement action. This may also include, or be in addition to, the imposition of an administrative fine for any breach of the AMLRs.

Waystone's solutions are customised to meet each client's unique needs, ensuring compliance with regulatory obligations while supporting your business goals. Please contact us to find out how we can further assist you.

CIMA AML/CFT Onsite Inspections

CIMA conducted 65 AML/CFT Onsite Inspections ("OSIs") of regulated entities. Per [CIMA's AML/CFT Activity Report 2023](#), CIMA carried out the following actions:

- issued five (5) letters of no findings
- issued 454 requirements, 446 being 'matters requiring immediate attention' ("MRIAs")
- conducted five (5) follow-up inspections, of which four (4) had repeat findings or further deficiencies identified through their follow-up OSI
- cancelled the registration of one (1) Securities Registered Person for breaches of the AMLRs and investigated two (2) licensees for breaches of the AMLRs
- collected and analysed AML Surveys, VASP Travel Rule Returns and Banking Cash Flows Returns, using Strix, a SupTech tool for data collection and processing entity risk assessments.

The below table shows the number of entities identified/categories having AML/CFT deficiencies based on 2023 OSIs:

Category	Number of Regulated Entities with AML/CFT Deficiencies	Percent of Total Deficiencies
AML/CFT Programme	2	1%
CDD/KYC Identification Procedures	29	14.5 %
Internal Controls	38	12 %
Internal Reporting Procedures	7	2 %
Officer Appointment	2	1%
Ongoing Monitoring	25	8.5 %
Policies and Procedures	13	5.5 %
Record Keeping Procedures	15	5.5 %
Risk Based Approach	50	35 %
Sanctions Programme	40	13 %
Training Programme	8	2 %
Totals		100 %

CIMA will continue its oversight of AML/CFT obligations to promote and safeguard the integrity of the Cayman Islands financial services industry. CIMA will also continue its work on tracking deficiencies, requirements and remediation to assess entity compliance with CIMA's findings and ensure prompt and consistent escalation to enforcement where required.

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Cayman Islands Virtual Asset (Service Providers) (“VASPs”)

The Cayman Islands VASP Licensing Regime is now in effect. Per the Virtual Asset (Service Providers) Act (Commencement) Order, 2025 (the Commencement Order), the provisions of the [Virtual Asset \(Service Providers\) \(Amendment\) Act, 2024](#) came into force on 1st April, 2025. The Commencement Order has now activated the requirement for certain virtual asset services, including custody services and the operation of a virtual asset trading platform, to be conducted under a full licence issued by CIMA.

With the Commencement Order now in effect, entities providing custody services or operating a virtual asset trading platform must obtain a licence from CIMA to continue operating lawfully in the Cayman Islands.

Active VASPs previously operating under a registration with CIMA are now classified as licensable, and are required to transition to a full licence. This means that all such businesses must submit applications for licensing and satisfy the relevant requirements under the VASP Act. VASPs are expected to ensure that their policies and procedures align with CIMA's expectations to facilitate a smooth transition from registration to licensing.

The VASP Amendment Act has further clarified various provisions of the VASP regime by:

- updating the definition of ‘Operator’ to better establish who exerts control and should be licensed under the VASP Act
- adding a requirement for a VASP to have at least three directors - one of whom must be independent
- clarifying waiver provisions that allow a supervised person to apply for a waiver from registration or licence where the entity meets the waiver requirements
- introducing a potential audit requirement for entities registered under the VASP Act, depending on the complexity and the size of the virtual asset services provided.

The CIMA Supervisory Information circular can be found [here](#).

Updates on Beneficial Ownership Transparency Framework

Following the Beneficial Ownership Transparency (Access Restriction) Regulations, 2024 (the “AR Regulations”) which came into force on 9 December 2024, the Beneficial Ownership Transparency (Legitimate Interest Access) Regulations, 2024 (the “LIA Regulations”) came into force on 28 February 2025. These LIA Regulations will allow members of the public, who can evidence a legitimate interest, to access certain beneficial ownership information of legal persons where evidence is provided that the legal person is linked to money laundering or terrorist financing.

Access may be given to:

- journalists or academic researchers
- members of civil society groups fighting financial crime
- people with a genuine business relationship or transaction with the company.

To apply, individuals must use the official online portal and prove their identity and credentials as well as explain why the information is needed for anti-money laundering or counter-terrorism purposes. The application fee for one company is US\$37, and US\$122 for multiple companies. Applicants will be notified of the decision within 7 days, along with the information or the reason for refusal.

DITC - Economic Substance Reminders

On 5 December 2024, the Department for International Tax Cooperation (“DITC”) presented at the annual Cayman Islands Directors Association (“CIDA”) Educational Day. Two areas of focus they are seeing in particular are:

- Misclassification of Relevant Activities on Economic Substance Notifications (“ESN”) which often results in failure to submit an Economic Substance Return (“ESR”)
- Management accounts submitted by Relevant Entities along with their ESRs were prepared at consolidated/group level when they should be specific to the Relevant Entities only (i.e. standalone management accounts).

The DITC reminds all Relevant Entities to ensure that their Relevant Activities are classified accurately on the ESNs and that all management accounts submitted as part of their ESRs filings are specific to the Relevant Entities rather than at a consolidated/group level.

ESR Filing Reminder: A Relevant Entity that is carrying on a Relevant Activity shall submit its ESR no later than twelve months after the last day of the end of its financial year. For such Relevant Entities with financial year end date of 30 June 2024, they should file their ESRs to the DITC no later than 30 June 2025.

DITC – FATCA/CRS Reminders

Cayman Islands

For the Cayman Islands, the FATCA and CRS filing deadline for the 2024 reporting period is 31 July 2025. The deadline for the CRS Compliance is 15 September 2025. Late submissions will incur penalties.

BVI

The BVI Financial Account Reporting System (“BVIFARS”) officially announced that payments are going live. Each enrolled entity is required to pay an annual fee of US\$185, and payment must be completed by 1 June each year. After the deadline, late fees and enforcement actions will be applied. Please note that the payment can only be completed by the primary user via credit card.

The FATCA and CRS filing deadline for the 2024 reporting period is 31 May 2025.

Additionally, BVIFARS has launched a new CRS Additional Information Form, which is applicable to financial institutions with obligations under the Common Reporting Standard. The filing deadline is nine months from the end of each financial period, and any late submissions will incur penalties.

Digital Assets

Waystone independent directors attended the 2025 AIMA Digital Assets Conference hosted in New York, which was well attended by the digital asset industry’s top managers, investors, and experts. The conference showcased the significant progress digital assets have made toward mainstream adoption while also highlighting the challenges ahead.

Topics ranged from the tokenisation of private markets to institutional investment, blockchain governance, counterparty risks, and evolving regulation. Overall, there is strong momentum behind tokenisation, Bitcoin ETFs, and DeFi innovation. However, operational risk, liquidity management, and regulatory clarity remain critical areas of focus.

For more information visit the AIMA website and event [here](#).

International Updates

Waystone Hong Kong Compliance Solutions Update

Asset managers in Hong Kong face growing challenges when navigating the complex regulatory environment. With increasing oversight from authorities including the Securities and Futures Commission (“SFC”) and evolving compliance standards, staying ahead of requirements has never been more demanding. Firms often struggle to secure licensing, establish robust risk management frameworks and meet essential reporting requirements – leaving them vulnerable to compliance risks and operational disruptions.

Waystone is a leading global provider of institutional governance, administration, risk and compliance services to the asset management industry. With a team of over 1,700 professionals across more than 20 offices worldwide, Waystone combines deep local expertise with a truly global reach.

Our Compliance Solutions team, comprising over 100 dedicated professionals across Asia, Europe, the Middle East and North America, ensures your operations stay aligned with local, regional and international regulations. In Hong Kong, we provide expert guidance to help you navigate a dynamic regulatory environment, enabling you to focus on your core business priorities. From licensing and registration, to compliance programme integration, we offer comprehensive solutions tailored for hedge funds, private equity, venture capital firms, banks and brokers.

Our Hong Kong Compliance Solutions include:

- licensing
- ongoing compliance support
- mock inspections and internal audits
- drafting of policies and procedures
- compliance training
- regulatory research and advisory
- AML and KYC services.

Waystone solutions are customised to meet each client’s unique needs, ensuring compliance with regulatory obligations while supporting your business goals. When you partner with Waystone, you benefit from:

- increased efficiency
- reduced risk
- tailored support
- expert guidance and oversight.

Hong Kong SFC increased scrutiny on Asset Managers

The Hong Kong SFC plays a pivotal role in regulating and supervising the financial markets. In line with its regulatory duties, the SFC periodically issues circulars to provide licensed entities with key updates and expectations surrounding their conduct and operations.

The recent circular issued by the SFC in October 2024, highlights the main deficiencies identified in its supervision of asset managers of private funds and discretionary accounts (Type 9). It provides guidance and sets out clear expectations for licensed corporations operating within the asset management business. Its purpose is twofold; first, to reinforce the SFC’s existing regulatory framework, and second,

to address new risks and challenges that have emerged as the industry evolves. The main deficiencies highlighted the following key areas:

- conflicts of interests and fiduciary duties
- risk management framework
- disclosures to investors
- valuation methodologies.

To address asset management misconduct, the SFC has expressed its intention to conduct thematic on-site inspections of asset managers to detect material breaches. Disciplinary actions against the licensed asset managers and their senior management, including Managers-In-Charge and Responsible Officers shall be taken for any misconduct and failure to fulfil their supervisory responsibilities.

At Waystone, our team of experienced compliance professionals are specialised in navigating regulatory complexities and can assist you with addressing the challenges highlighted in the SFC's thematic review as follows:

- performing gap analysis and reviewing existing policies and procedures against the circular requirements
- drafting of policies and procedures to ensure that your firm meets the regulatory requirements
- conducting mock inspections to identify any potential gaps in internal processes and controls.

SFC's Guidelines for Market soundings – Immediate actions for Fund Managers

The Hong Kong SFC has published the Hong Kong Market Sounding Guidelines (the “Guidelines”), which took effect on 2 May 2025.

These Guidelines establish regulatory standards for SFC-licensed and registered intermediaries conducting market soundings. To ensure compliance, intermediaries must review and update their internal policies, procedures and systems before the effective date.

The SFC has also published a set of Frequently Asked Questions (“FAQs”) to provide practical guidance and examples. These Guidelines apply to all SFC-licensed and registered intermediaries engaged in disclosing or receiving confidential information in relation to possible transactions.

As per the Guidelines, market sounding intermediaries must adhere to four core principles: confidentiality, i.e safeguarding sensitive information and preventing misuse or leakage; governance i.e robust oversight by senior management; policies and procedures i.e documented processes, staff trainings and compliance measures; and review and monitoring i.e controls to detect and address suspicious or non-compliant activities.

To ensure ongoing compliance, Waystone can assist asset managers with taking the following steps:

- updating internal policies and procedures to reflect the latest regulatory guidelines
- enhancing existing MNPI controls and insider trading safeguards
- conducting training for employees
- aligning the compliance framework with evolving global regulatory standards.

FinCen final rule regarding AML requirements for US investment advisers

On 28 August 2024, the Financial Crimes Enforcement Network (“FinCEN”) issued a final rule expanding the definition of “financial institution” under the Bank Secrecy Act (“BSA”) to include certain investment advisers. Effective 1 January 2026, investment advisers registered with the Securities and Exchange Commission and exempt reporting advisers will become subject to the BSA for the first time.

This marks a significant shift in the anti-money laundering (“AML”) regulatory landscape, requiring advisers to implement formal AML and counter-financing of terrorism (“CFT”) programmes that will be subject to SEC (Securities and Exchange Commission) oversight.

RIAs and ERAs will be required to establish and maintain a written, risk-based AML/CFT programme that includes elements outside of current industry practices as follows:

Risk-based programme design

Advisers must adopt an AML/CFT programme tailored to the specific risks associated with a firm’s clients, strategies, products, services and geographic exposure.

Designation of a Compliance Officer

Advisers must appoint a qualified individual to oversee day-to-day AML/CFT compliance.

Employee AML/CFT training

A training programme must be created and specifically tailored to highlight employee responsibilities under the new AML/CFT programme.

Independent testing

Advisers must conduct periodic testing of the AML programme by an independent party (internal audit or external consultant).

Suspicious Activity Reporting (“SARs”) filing obligations

Advisers will be required to file SARs when appropriate, in accordance with the Financial Crimes Enforcement Network (“FinCEN”) requirements.

Compliance with the Travel Rule and information sharing obligations.

Advisers must implement controls to ensure compliance with the Travel Rule and the USA PATRIOT Act’s Section 314 information-sharing provisions.

Meeting the Rule’s new requirements will require careful planning and execution. Advisers should begin developing their AML/CFT programmes no later than summer 2025 to allow sufficient time for:

- conducting a risk assessment, which is expected to be a central focus during SEC examinations
- designing and documenting policies and procedures
- developing training materials
- vetting independent testing vendors or internal resources
- implementing tracking mechanisms for SARs and Travel Rule compliance.

At Waystone, we recognise that there is no ‘one-size-fits-all’ approach to compliance. Different investment advisers have varying requirements, fund structures, and areas of focus. Our dedicated team of compliance specialists has extensive experience assisting firms in meeting their FinCEN obligations and implementing tailored AML programmes. Waystone offers a range of AML solutions designed to support investment advisers, regulated funds, and unregulated funds in fulfilling their regulatory obligations, including:

- initial AML risk assessment/gap analysis
- staff training
- assistance with implementation of AML programme and related policies
- AML audit programme - an independent party that is not the AML Compliance Officer must regularly check that the AML programme is effective
- AML delegate service - this will be particularly relevant for firms that are self-administered.

For implementation guidance or assistance with developing your AML programme, please reach out to your usual Waystone representative.

New Restrictions on Investments into Chinese Entities: Considerations for Advisers, Private Funds, and Investors

On 2 January 2025, the Treasury Department issued a final rule (the “Final Rule”) that broadly limits investments into Chinese-located or -controlled companies engaged in the semiconductor and microelectronic, quantum information technology, and artificial intelligence sectors. The Final Rule implements the directives of Executive Order 14105, issued by then-President Biden on 9 August 2023, and is intended to prevent US investments from accelerating or enhancing the military, intelligence, surveillance, or cyber-enabled capabilities of China. The Final Rule imposes investment restrictions on US citizens (wherever residing), US lawful permanent residents, persons located in the US, US-organised or -domiciled entities, and “controlled foreign entities” of which any of the foregoing is a “parent.”

Currently, the three industries into which investment is restricted under the Final Rule are:

- semiconductors and microelectronics, including supercomputers, certain software and equipment, and the design or fabrication of certain integrated circuits
- quantum information technologies, such as quantum computer technology
- AI systems designed for or intended to be used for military, government intelligence, or mass-surveillance end uses or that is trained using a specified quantity of computing power.

The Final Rule applies to “Covered Transactions,” which includes:

- acquiring equity interests, options, warrants, convertible debt or debt providing equity-like rights
- entering a joint venture
- acquiring a “limited partner or equivalent” interest in a non-US investment vehicle if the investor knows at the time of the investment that the vehicle “likely will invest in” a Chinese entity in a restricted industry.

The Final Rule also restricts the investment of a US person limited partner (or equivalent) into a US or non-US private fund that invests in a Chinese or Chinese-controlled entity active in one of the specified industries if the limited partner knows at the time of the investment that the fund will “likely” make such an investment.

The Treasury Department will assess such limited partner’s knowledge by evaluating whether the limited partner undertook a reasonable and diligent inquiry before making any investment. The Final Rule provides two safe harbors for limited partners:

- the limited partner can limit its total investment in a fund to \$2 million
- the limited partner can enter into a binding contractual commitment with the fund that the limited partner’s capital will not be used in the problematic investments.

In addition to the two safe harbors, investments made prior to the Final Rule’s effective date or satisfying a binding capital commitment entered into prior to the effective date are exempt.

Stay informed with our Cayman Update

Our team helps you stay ahead in the ever-evolving regulatory landscape with expert insights on key [Cayman Islands compliance matters](#). This quarterly update covers essential news, guidelines, and significant developments to keep you informed. If you’d like to discuss any of the topics covered, please reach out to your usual Waystone representative or contact us below.

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