

**MEMORANDUM**

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**From:** Clare Guile, Head of CARA

**Date:** 14 December 2021

**To:** Tiffany Ebanks, Chief Financial Officer

**Cc'd:** J. Lemuel Hurlston, Chair of CARA Board

**RE:** Purchase Agreement between CIG and CILPA dated 8 November 2020

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1. Under the terms of the Purchase Agreement dated 8 November 2020, the outputs purchased by Cabinet and to be delivered by CILPA (delegated to its sub-committee, CARA) during the financial year 2021 were as follows -
  - 1.1. **1 Jan – 31 Dec 2021: 40-60 on-site<sup>1</sup> and off-site<sup>2</sup> inspections of firms of attorneys-at-law<sup>3</sup> and enforcement<sup>4</sup>.**
2. In 2021, the minimum deliverable output for the year was 40 which equated to a projected average of 10 per quarter.
3. It is to be noted the Purchase Agreement outputs did not capture or measure other supervisory duties required to be carried out by CARA, for example outreach and guidance to the legal sector, internal staff training, registering new firms, de-registering firms, policing the perimeter and intelligence and information sharing.
4. Additionally, in Q1 and Q2 resources were focused primarily on (i) work in connection with the FATF Joint Group assessment; (ii) designing and implementing a new AML Annual Return process. The AML Return exercise was key piece of analysis underpinning CARA's risk-based approach and the data was also used to assist the Cayman Islands Government National Risk Assessment 2021 project; and (iii) closing open inspections carried over from 2020, issuing final inspection reports and implementing a follow up inspection process.

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<sup>1</sup> On-site is defined as inspections physically carried out at the firm's premises.

<sup>2</sup> Off-site is defined as 'Desk Based Reviews' and 'Follow Up inspections' of firms carried out by CARA remotely.

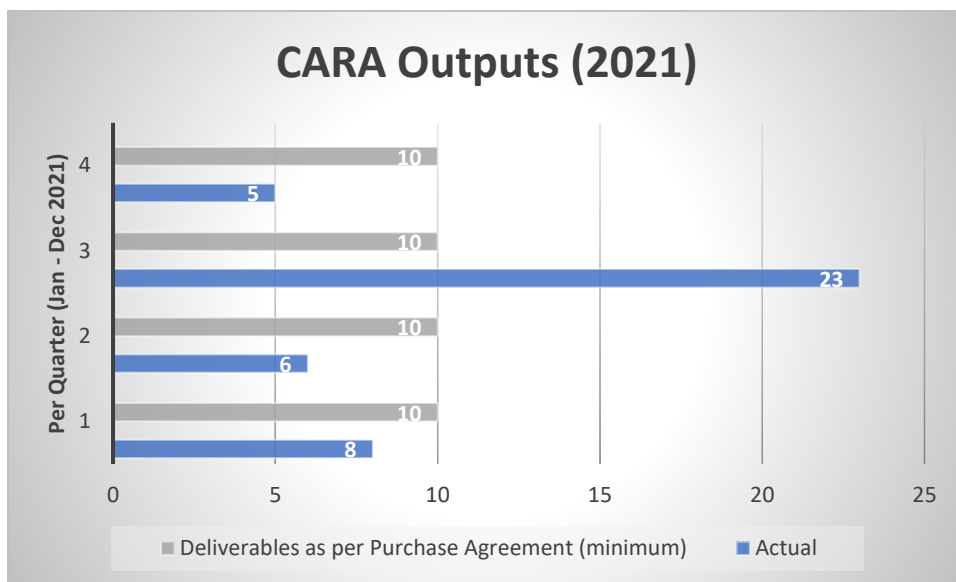
<sup>3</sup> Conducting 'relevant financial business'

<sup>4</sup> Enforcement is defined as any and all enforcement actions carried out by CARA in accordance with its supervisory powers detailed in the AML Regulations (2020 Revision)

5. The table below shows outputs delivered by CARA in the period 1 January to 31 December 2021.

<b>Measures</b>	<b>Q1 (Jan – Mar 2021)</b>	<b>Q2 (Apr – Jun 2021)</b>	<b>Q3 (Jul – Sept 2021)</b>	<b>Q4 (Oct – Dec 2021)</b>
No. of On-site inspections	4	0	0	1
No. of Off-site inspections	1	5	21	3
No. of Enforcement actions	3	1	2	1
<b>Cumulative Total</b>	<b>8</b>	<b>14</b>	<b>37</b>	<b>42</b>

6. The chart below shows outputs/deliverables budgeted per the Purchase Agreement compared to actual deliverables to year end.
7. The cumulative total of 42 shows CARA exceeded the minimum deliverable of 40. All outputs budgeted have therefore been met.



8. Throughout 2021, CARA has operated with reduced staff. Whilst this has adversely impacted the number of new on-site inspections and desk-based reviews which were commenced, CARA has been able to maintain proactive supervisory engagement by way of off-site inspections. These follow up inspections relate to firms subject to remediation. Follow up inspections take place monthly until a firm has completed its remedial action plan in full to the required standard set by CARA. For the majority of firms their remedial action plans commenced in June and July 2021 hence the high figure in Q3.
1. In Q4, CARA commenced a thematic review (this is not captured by the current measurables and is another supervisory tool) of Business Risk Assessments ('BRA'). The supervision team are currently assessing fifty-three firms' BRAs and ensuring they meet the requirements of the AMLRs in this area. Where serious deficiencies have been identified, CARA is engaging with the relevant firm(s) directly. CARA intends to publish a report early next year detailing its thematic review findings and will provide its supervised population with further outreach and guidance on applying a risk-based approach.

ENDS.