



# Enforcement Manual

Regulatory Handbook  
Volume 2 | March 2026

[www.cima.ky](http://www.cima.ky)

## Table of Contents

General	4
Statutory Authority	4
Scope of Application	5
List of Acronyms and Definitions	6
PART I – The Policies and Procedures for Enforcement Actions	16
Statement of Objectives	16
Approach to Enforcement	16
Enforcement Criteria	17
Information Gathering and Investigation Powers	18
Decision Making Committees	19
Supervisory Letters	23
Enforcement Actions	24
Suspension of Licence or Registration	25
Revocation of Licence or Cancellation of Registration	26
Substitution of a Director, Officer, General Partner, Insurance Manager, Promoter shareholder (or other Control Function) as a result of finding him/her not Fit and Proper	27
Appointment of a Controller	28
Appointment of an Advisor	29
Winding Up, Dissolution or Receivership Applicants	30
Referral to Prosecutorial Authorities	32
Appendix I - Warning Notice Template	33
Appendix II – Decision Notice template	34
PART II – The Procedure for Imposing Administrative Fines	35
Statement of Objectives	35
Module A – Investigation and Imposition of an Administrative Fine	35
Actions the Authority may take upon discovery of a Breach of a Prescribed Provision	35

How to impose an Administrative Fine for Minor Breaches (Non-Discretionary Fines)	35
How the Authority imposes an Administrative Fine for Serious and Very Serious Breaches (Discretionary Fines)	36
Investigating a Breach	37
The Determination Process	38
Early Settlement of Discretionary Administrative Fines	39
The Fine Notice	39
Method by which a Person may receive a Notice	40
Module B – Calculating the Administrative Fine	40
Determining the Appropriate Level of an Administrative Fine	40
The Five Step Process	41
Serious Financial Hardship	43
Module C – Early Settlement and Discount Agreements	44
Early Settlement and Discount Agreements for Discretionary Fines	44
Appendix I – Breach Notice Template	49
Appendix II – Fine Notice Template	51
PART III – Discretionary Publication	54
Statement of Objectives	54
Introduction	54
Criteria Applied to Determine Discretionary Publication	55
What May Be Published	55
When Publication May Occur	56
Place of Publication	56
Approval Process to Publish Relevant Action	56
Appendix I – Mandatory Statutory Publication Requirements	57
PART IV – The Procedures for Lost Contact	58
Statement of Objectives	58
Application	58
Posting Notices on the Authority’s Website	58

## GENERAL

### 1. Statutory Authority

1) The Cayman Islands Monetary Authority ("CIMA" or "the Authority"), as the financial services regulator in the Cayman Islands, is responsible for exercising its enforcement powers granted by the Monetary Authority Act (the "MAA"), the Regulatory Acts and any other legal instrument enacted by the Cayman Islands Government (the "Government" or "CIG") from time to time.

2) One of the Authority's principal functions is a regulatory function, in accordance with Section 6(1) (b) of the MAA, which includes:

*"i) to regulate and supervise financial services business carried on in or from within the Islands in accordance with this Law and the regulatory acts;*

*ii) to monitor compliance with the anti-money laundering regulations; and*

*iii) to perform any other regulatory or supervisory duties that may be imposed on the Authority by any other law;"*

3) The Enforcement Manual (the "Manual") is issued in accordance with the Authority's statutory functions pursuant to section 6 of the MAA and section 48(1) of the MAA, which provides the Board of the Authority with the statutory power to issue or amend the Regulatory Handbook. In accordance with section 48(3)(a)-(c) of the MAA:

*"The regulatory handbook shall include policies and procedures for –*

*a) giving warning notices to Persons affected adversely by proposed actions of the Authority;*

*b) Giving reasons for the Authority's decisions; and*

*c) Receiving and dealing with complaints against the Authority's actions and decisions."*

4) The Manual represents Volume 2 of the Regulatory Handbook, in accordance with section 48 of the MAA.

- 5) The Manual comprises of four (4) parts that should be read in conjunction with each other:
  - (a) Part I: The Policies and Procedures for Enforcement Actions;
  - (b) Part II: The Procedure for Administering Administrative Fines (Module A to C);
  - (c) Part III: Discretionary Publication; and
  - (d) Part IV: The Procedure for Lost Contact.
- 6) This Manual does not have the effect of creating any rule or statement of principle or guidance which directly or indirectly presents a new obligation or requirement concerning the conduct of Authorised Persons. Notwithstanding, this Manual serves as a reference for the Authority and a guide to Authorised Persons. In order to obtain a holistic appreciation of the relationship between their legal and regulatory obligations and the policies and procedures carried out by the Authority, Authorised Persons should read this Manual in conjunction with the applicable Regulatory Acts, and Regulatory Measures issued pursuant to the MAA.
- 7) References to any Regulatory Act and/or Regulatory Measure include any new revisions unless otherwise stated.

## **2. Scope of Application**

- 1) This Manual applies to all parties subject to the Authority's powers to impose Enforcement Actions and administrative fines.

### 3. List of Acronyms and Definitions

1) For the purpose of this Manual, the following acronyms are provided:

Acronyms	Meaning
AML/CFT/CPF/TS	Anti-Money Laundering/Counter Financing of Terrorism/Combating Proliferation Financing/Targeted Sanctions
CIMA	Cayman Islands Monetary Authority (the "Authority")
DHOD	Deputy Head of Division
DPP	Director of Public Prosecutions
HOD	Head of Division
MAA	Monetary Authority Act
MA (Admin Fines) Regs	Monetary Authority (Administrative Fines) Regulations
OIU	Onsite Inspection Unit

2) For the purpose of this Manual, the following definitions are provided:

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Advisor:</b>	means a Person appointed to advise on the proper conduct of the affairs of an Authorised Person.
<b>AML/CFT Division:</b>	means the division of the Authority responsible for developing and implementing the Authority's anti-money laundering/counter financing of terrorism/proliferation financing supervisory and regulatory strategy, while ensuring an efficient and effective operation that meets or exceeds international standards.
<b>AMLRs:</b>	means the Anti-Money Laundering Regulations issued pursuant to the Proceeds of Crime Act and includes any guidance issued in relation thereto.
<b>Authority:</b>	means the Cayman Islands Monetary Authority or "CIMA" established under the MAA.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Authorisation:</b>	means any approval or approval with conditions, clearance, certificate, registration, licence, permit, or exemption that has been issued by the Authority to any individual or entity to conduct regulated financial services business, operation or activity in or from within the Cayman Islands
<b>Authorised Person(s)<sup>1</sup>:</b>	means any natural or legal Person or arrangement that has been given authorisation by the Authority, pursuant to the Regulatory Acts, also known as Regulated Person(s) or Regulated Entity(ies).
<b>Behaviour:</b>	means any kind of conduct, including action or inaction.
<b>Breach:</b>	means a contravention of a Regulatory Act, or a Regulatory Measure, which includes an act or omission. Breaches are classified as either Minor, Serious or Very Serious under the section 42A (2) of the MAA as outlined in the MA (Admin Fines) Regs.
<b>Breach Notice:</b>	means a warning notice sent to a Person informing them of the Authority's intention to impose a fine, in accordance with Regulation 11 of the MA (Admin Fines) Regs. This Notice will state the Authority's intention to impose a fine on the party for a specified Breach of a prescribed provision that it believes the party committed, the nature of the specified Breach and a summary of the facts and circumstances that the Authority believes constituted the Breach, the amount of the proposed fine and the reply period.
<b>Board of the Authority:</b>	means a board of directors established in accordance with section 11 of the MAA.

<sup>1</sup> the definition of Authorised Person(s) includes Registered Person(s), Registrant(s), Licencee(s), Licence-holder(s), and Supervised Person(s) under the Regulatory Acts

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Chief Executive Officer:</b>	means the Chief Executive Officer (the "CEO") pursuant to section 24 of the Public Authority Act, appointed in accordance with section 13 of the MAA. Also known as the Managing Director pursuant to section 11(2) (a) of the MAA.
<b>Company:</b>	means any corporate body formed or registered under the Companies Act, the Limited Liability Companies Act or the Limited Liability Partnerships Act of the Cayman Islands and includes foreign companies.
<b>Controller:</b>	means a Person appointed by the Authority pursuant to the Regulatory Acts to take control of the affairs of a company as defined in the Companies Act.
<b>Controlled Function:</b>	means properly authorised functions, whether conducted by a Person, unit or department, serving a control or checks and balances function from a governance standpoint and that carry out specific activities including strategy setting, risk management, compliance, actuarial matters, internal audit, and similar functions.
<b>Controllership:</b>	means an Authorised Person over which a Controller has been appointed.
<b>Decision Notice</b>	means a notice that is sent to a Person informing them that the Authority has taken Enforcement Action against them for a Breach of the Regulatory Acts or concerns regarding fitness and propriety. The Decision Notice will outline the action and the Authority's reasons.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Designated Person</b>	means a Person that has been listed as a Designated Person by the Office of Financial Sanctions Implementation, HM Treasury (“OFSI”) as extended by order in council to British Overseas Territories.
<b>Deterrence Principle:</b>	means the need to deter Authorised Persons and others from breaching prescribed provisions, in accordance with section 42F (5) of the MAA.
<b>Disciplinary Principle:</b>	means the principle applied to punish intentional, reckless or negligent Breaches of prescribed provisions, in accordance with section 42F (5) of the MAA.
<b>Discretionary Fine:</b>	is a fine where the Authority has a discretion in deciding whether or not to impose any fine and the amount of the fine for Serious Breaches or Very Serious Breaches under section 42(B)(5) of the MAA and regulations 4 to 6 of the MA (Admin Fines) Regs.
<b>Disgorgement Principle:</b>	means the principle of ensuring that licensees and those connected with them (as defined in section 34(16)(d) of the MAA) do not gain, including by avoiding losses, from breaching prescribed provisions and all such are disgorged of these gains, in accordance with section 42F (5) of the MAA.
<b>Enforcement Action</b>	is action taken by the Authority against an entity or a person as a result of a failure to comply with a Regulatory Act or a direction issued in accordance with the MAA. Enforcement Action ranges across a spectrum of seriousness up to and including cancellation of a licence or registration.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Financial Crime:</b>	means any kind of criminal conduct relating to money (whether virtual or fiat) or to financial services or markets and includes money laundering, terrorism financing, or proliferation financing.
<b>Fixed Fine:</b>	means a non-discretionary fine referred to in section 42(B)(1) of the MAA for a Breach prescribed as Minor. The statutory amount shall be CI\$5,000. Also known as a Minor Fine.
<b>Fixed Fine (Continuing):</b>	means a non-discretionary fine referred to in section 42(B)(2) of the MAA which states that for a Minor Breach that has not been remedied, the Authority also has the power to impose one or more continuing fines of CI\$5,000 each for a fine already imposed for the initial Breach (the "initial fine") at intervals it decides, up to the statutory maximum total amount of CI\$20,000. Also known as a Minor Fine (Continuing).
<b>Fine Notice:</b>	means the notice complying with regulation 15 of the MA (Admin Fines) Regs issued by the Authority to a Party that has breached a prescribed provision of the fine informing them of the Authority's decision to impose a fine.
<b>Investigation Letters:</b>	are the letters that the Authority may use to contact the relevant parties in writing during an investigation to collect additional information.
<b>Investigation Team:</b>	means a team of individuals who have been assigned from relevant divisions of the Authority or elsewhere who will conduct an investigation.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Licensee:</b>	means a Person holding a licence under the Regulatory Acts, as defined in the MAA, and does not include a person holding a registration (see Registered Person).
<b>Management Committee:</b>	means a statutory committee, under section 16(1) of the MAA. The Board has delegated decision-making powers so that the MC can perform operational decision-making for the Authority and consider issues that impact the Authority.
<b>MA (Administration Fines) Regs:</b>	means the Monetary Authority Act (Administrative Fines) Regulations.
<b>Minor Breach:</b>	means a Breach of a prescribed provision categorised as minor in accordance with section 42(A) of the MAA and classified in Schedule 1 of the MA (Admin Fines) Regs.
<b>Money Laundering:</b>	means doing any act which constitutes an offence under sections 19 to 22 of the Terrorism Act or section 144 (10) of the Proceeds of Crime Act or, in the case of an act done otherwise than in the Islands, would constitute such an offence if done in the Islands.
<b>Officer:</b>	means a Person in a position of control over an entity, however so described, which includes a director, partner, management committee member, chief executive, manager, secretary, operator or other similar officer, or a Person purporting to act in that capacity.
<b>Official Liquidator:</b>	means the liquidator of a company which is being wound up by order of the Court or under the supervision of the Court and includes a provisional liquidator.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>On-site Inspection:</b>	means to inspect the affairs of Authorised Persons in order to determine whether they are complying with the Regulatory Acts and policies and thus operating in a sound and prudent manner.
<b>Oversight Committee:</b>	means a committee constituted in accordance with section 17 of the MAA and convened when required by the Chief Executive Officer for the purpose of considering the imposition of a Discretionary Fine or any other Enforcement Action.
<b>Party:</b>	means an Authorised Person, whether a licensee or a registrant, subject to the Authority's regulatory functions under the Regulatory Acts or monitored by the Authority under the AMLRs.
<b>Person:</b>	includes natural Persons, corporate bodies and any individual or entity acting in a position of control or ownership over assets or rights in accordance with a legal arrangement.
<b>Prescribed Provision:</b>	means a provision for which the Authority may impose an administrative fine under section 42A (1) of the MAA.
<b>Principles:</b>	mean the principles as outlined in section 42F(1)(b) of the MAA to be considered by the Authority when making a fine decision, which prevail over other criteria considered.
<b>Promoter:</b>	means in respect of a mutual fund or proposed mutual fund, any Person whether within or without the Cayman Islands who causes the preparation or distribution of an offering document in respect of the mutual fund or proposed mutual fund but does not include a professional advisor acting for or on behalf of such a Person.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Rectification Notice:</b>	means a notice to the Authority by a party that has breached a Prescribed Provision that the Breach was rectified within thirty days after the Party received the Breach Notice.
<b>Registrant:</b>	means a Person registered under the Regulatory Acts, also known as a Registered Person.
<b>Regulatory Functions:</b>	means the statutory functions of the Authority specified in section 6 of the MAA.
<b>Regulatory Acts:</b>	means any one or more of the Acts as prescribed in section 2 of the MAA and Regulations made under them or the Proceeds of Crime Act, and any other Act that may be prescribed by the Cabinet by regulations made under Section 46 of the MAA.
<b>Regulatory Measures:</b>	means any rules, statements of principle, or guidance, or policies and procedures issued by the Authority in accordance with the MAA.
<b>Receiver:</b>	means a Person specified in a receivership order for the purposes specified in section 224(3) of the Companies Act namely to manage the assets attributable to a particular segregated portfolio or of a segregated portfolio company for the purposes of the orderly closing down of the business of or attributable to the segregated portfolio or the distribution of the segregated portfolio assets to those entitled to have recourse thereto.

Word / Term	Definition / Meaning for the Purpose of this Manual
<b>Serious Breach:</b>	<p>means a Breach classified as serious in accordance with the MAA and MA (Admin Fines) Regs for which the maximum fine in accordance with section 42B of the MAA is a single Discretionary Fine not exceeding:</p> <p style="text-align: center;">CI\$50,000 for an individual; or CI\$100,000 for a body corporate.</p>
<b>Stakeholder:</b>	<p>means a depositor, investor, policyholder, client, customer, creditor, member of, an entity managed or administered by or any other third party with an interest in an Authorised Person.</p>
<b>Starting Fine Amount:</b>	<p>means the amount that the Authority determines as the amount from which the Final Fine Amount should be calculated.</p>
<b>Supervisory Division:</b>	<p>means one of the following divisions within the Authority: Anti-Money Laundering Division, Banking Supervision Division, Fiduciary Services Division, Investments Supervision Division, Insurance Supervision Division, Securities Supervision Division or the Virtual Asset Service Providers and Fintech Innovation Unit.</p>
<b>Supervisory Letter:</b>	<p>means a letter issued by the Authority expressing its concerns about the conduct and/or procedures of a Person, a Licensee or a Registered Person.</p>
<b>Very Serious Breach:</b>	<p>means a Breach classified as very serious in accordance with the MAA and MA (Admin Fines) Regs for which the maximum fine in accordance with section 42B of the MAA is a single Discretionary Fine not exceeding:</p> <p style="text-align: center;">CI\$100,000 for an individual; or CI\$1,000,000 for a body corporate.</p>

<b>Word / Term</b>	<b>Definition / Meaning for the Purpose of this Manual</b>
<b>Warning Notice</b>	means a notice that is sent to a Person informing them that the Authority is contemplating taking Enforcement Action against them for a suspected Breach of the Regulatory Acts or concerns regarding fitness and propriety. The Warning Notice will outline the Authority's concerns, the proposed action and the period for representations.
<b>Weighted Fine Amount:</b>	means the amount that is arrived at after the Starting Fine Amount that has been weighted in accordance with the criteria prescribed under the MA (Admin Fines) Regs.

## **PART I - The Policies and Procedures for Enforcement Actions**

### **1. Statement of Objectives**

- 1) Part I of this Manual describes the policies and procedures for the exercise of the Enforcement Actions available to the Authority in the event of non-compliance by Authorised Persons with the Regulatory Acts (and, in particular, the AMLRs).
- 2) Part I of the Manual establishes the procedures the Authority will utilise in the process of undertaking Enforcement Action against Authorised Persons for non-compliance with relevant legislative and regulatory instruments. Where the Authority is establishing requirements for remedial action to be taken by Authorised Persons, outside of the enforcement regime, the Authority may utilise the procedures herein if they are deemed suitable in such cases. The Authority may utilise other means of executing this function, as deemed appropriate.
- 3) Part I of the Manual should be read in conjunction with the revised Procedure for Appointing Controllers and Advisors; and Auditors for Anti-Money Laundering Audits and Assessing Costs.

### **2. Approach to Enforcement**

- 1) The Authority's effective and proportionate use of its powers to enforce the requirements of the Regulatory Acts and other relevant legislation (such as the AMLRs) plays an important role in the pursuit of its regulatory objectives.
- 2) The Authority has a range of powers and tools to help it meet its regulatory objectives.
- 3) There are several principles underlying the Authority's approach in exercising its enforcement powers:
  - a) the effectiveness of the regulatory regime depends to a significant extent on the maintenance of an open and co-operative relationship between the Authority and those it regulates;
  - b) the Authority uses a risk-based supervisory approach, and its Enforcement Actions and procedures are aligned with this approach;
  - c) the Authority will exercise its enforcement powers in a manner that is transparent, lawful, rational, proportionate, and consistent with its publicly stated policies and guidelines;
  - d) the Authority will pursue Enforcement Action that is timely and effective in dissuading Authorised Persons from future contraventions of the acts and regulations of the Cayman Islands; and
  - e) the Authority will exercise its enforcement powers in a procedurally fair manner.

- 4) The Authority considers the enforcement of the Regulatory Acts or the AMLRs to be a matter of substantial public importance. On that basis, details of the following instances will usually be published, including (where applicable) the name of the entity and its directors and operators, the Enforcement Action imposed, and a description of the conduct relating to the action taken:
  - a) findings that a Person is not fit and proper;
  - b) Warning Notices in cases of lost contact;
  - c) administrative fines; and
  - d) Enforcement Actions.
- 5) The Authority will not normally disclose details of the information received or the findings or requirements made during an investigation that do not give rise to Enforcement Action. However, having regard to all facts, where a Supervisory Letter is issued to Persons in the context of a wider enforcement matter (such as where an Officer(s) is issued a Supervisory Letter where an entity is subject to Enforcement Action), the Authority may publish the existence of the Supervisory Letter.

### **3. Enforcement Criteria**

- 1) The Authority's purpose is to ensure that Parties comply with all relevant aspects of the Regulatory Acts and the AMLRs, using a clear procedure for enforcement action when necessary.
- 2) Parties must demonstrate compliance with the Regulatory Acts and the AMLRs. Parties that fail to comply run the risk of Enforcement Action from the Authority.
- 3) Areas of concern as well as contraventions that may result in the Authority taking Enforcement Action include, when a Party:
  - a) is unable to, or appears to become unable to meet its obligations as they fall due;
  - b) is carrying on business that is, or is likely to be, detrimental to the public interest, the interests of stakeholders, or any other third party, including increasing risk exposures without the required enhancements to its risk management framework;
  - c) fails to comply with a condition of its licence or registration;
  - d) breaches a rule; or
  - e) is not fit and proper to be involved in financial services.
- 4) When an area of concern arises and, in deciding whether Enforcement Action is appropriate, the Authority will consider the following, inter alia:
  - (a) the impact on stakeholders' interests, third parties and market confidence;
  - (b) the nature and extent of any contravention;

- c) the extent of the risk posed by any contravention to the viability of the Authorised Person;
  - d) the extent of the risk posed by any contravention to the overall stability of the financial system within the Islands;
  - e) the ability and extent to which remedial action will rectify the contravention;
  - f) the willingness and ability of the Party to cooperate with and assist the Authority with its investigations and implement its requirements;
  - g) whether the Party brought the contravention to the attention of the Authority;
  - h) any remedial actions that the Party has already taken or intends to take;
  - i) the regulatory compliance history of the Party, including action taken by the Authority or other regulatory authorities in similar previous cases;
  - j) any loss incurred or benefit gained because of a contravention;
  - k) whether any crime has been facilitated, occasioned or otherwise is attributable to a contravention, including the nature and extent of same;
  - l) whether there has been, or there are expected to be, any court proceedings commenced, whether criminal or civil in nature against the Party and/or any of its directors and/or shareholders and/or Persons performing Controlled Functions, including consideration of the nature and extent of same;
  - m) the extent to which the shareholders, directors and Persons performing Controlled Functions have acted in a fit and proper manner; and
  - n) compliance with any applicable Rules or guidance.
- 5) If the Authority deems that Enforcement Action is appropriate, it will follow the procedures set out in this Enforcement Manual.

#### **4. Information Gathering and Investigation Powers**

- 1) The Regulatory Acts empower the Authority to examine the affairs or business of any Party.
- 2) In addition, many of the Regulatory Acts give the Authority or a police officer of the rank of Inspector or above the power to apply to a magistrate to issue a warrant authorising the Authority or a police officer and any such other Persons to search, inspect and take possession of records.
- 3) Further, under Section 34(8) of the MAA, the Authority may, as it may reasonably require, in connection with the exercise of functions conferred on it or under the MAA, or the Regulatory Acts, at all reasonable times by notice, in writing, require:
  - a) a Person regulated under the Regulatory Acts;
  - b) a connected Person; or
  - c) a Person reasonably believed to have information relevant to an enquiry by the Authority, to provide the following, inter alia:

- i. specified information or information of a specified description; or
  - ii. specified documents or documents of a specified description.
- 4) Where documents are produced pursuant to these powers, the Authority may take copies of them or extracts from them.
- 5) Furthermore, in accordance with section 34(11) of the MAA, the Authority may also apply to the court to have a Person examined under oath and have the results of that examination sent to the Authority to further the Authority's investigation.
- 6) The matters that must be satisfied prior to the Authority exercising its powers are set out in the MAA.

## 5. Decision Making

### Committees

- 1) The Authority's decision-making powers and duties in relation to Enforcement Actions rests with the Board of Directors.
- 2) Pursuant to section 15(5) of the MAA, the Board shall have the power to delegate any duties and powers from time to time. Presently, the Board has delegated the duties and powers for enforcement decisions as follows:
  - (a) *Management Committee ("MC")*: The MC is a statutory committee that has been delegated powers by the Board for licensing, supervisory and other decisions pursuant to section 16(1) of the MAA. A primary responsibility of the MC is to manage matters relating to licensing, supervision, Enforcement Actions, and any other matters so delegated by the Board.
  - (b) *Oversight Committee ("OC")*: The OC manages the Authority's Administrative Fine regime. The OC comprises the CEO and members of senior management at the Authority. The Board-delegated duties of the OC include, inter alia:
- 3) Further, under Section 34(8) of the MAA, the Authority may, as it may reasonably require, in connection with the exercise of functions conferred on it or under the MAA, or the Regulatory Acts, at all reasonable times by notice, in writing, require:
  - i. to review the evidence gathered during the investigation stage to determine whether it is sufficient to prove (on the balance of probabilities) that a Breach occurred;
  - ii. to request further information or evidence, prior to making its recommendation;
  - iii. to recommend the initial amount of an administrative fine, based on the relevant principles, fine criteria, any weight given to the mitigating or aggravating factors and, if relevant, any agreed discount agreements;
  - iv. to consider any representations made by the party during the representation period or earlier;
  - v. to conduct the discount negotiation process and settle the terms of the discount agreement, where the party chooses to negotiate;

- i. to recommend whether there has been a Breach and the final fine amount to the MC/EC, as the case may be; and
  - ii. to do such matters and examine such parties as may be required.
- 3) The Authority relies on these Committees to evaluate and make decisions with respect to regulatory Enforcement Actions depending on several factors, including the nature and severity of the contravention.
- 4) Pursuant to section 15(5) of the MAA, any decision of the MC or any Board appointed committee shall be deemed to be a decision of the Board.

### **Categories of Enforcement Action**

- 5) The Authority's powers to take regulatory Enforcement Action can be categorised into two typical types:
  - a) those that the Authority may exercise by the Warning Notice and Decision Notice procedure; and
  - b) those that the Authority may exercise actions without the Warning Notice procedure (as outlined in Exceptional Circumstances below).

### **Warning Notices**

- 6) The purpose of issuing Warning Notices is to give a reasonable opportunity for parties affected by enforcement decisions of the Authority, to make representations to the Authority prior to those decisions being implemented.
- 7) This procedure is relevant to the following regulatory decisions:
  - a) suspension of a licence;
  - b) suspension of a certificate of registration;
  - c) revocation of a licence or cancellation of registration;
  - d) imposition or amendment of conditions or imposition of further conditions on a licence or registration;
  - e) requiring the substitution of a director, general partner, Promoter, manager or shareholder or any other Officer of a licensee or registrant (as applicable); or
  - f) requiring Authorised Persons to take such action as the Authority reasonably believes necessary.
- 8) Subject to the Warning and Decision Procedure in Exceptional Circumstances set out below, if the Authority is of the opinion that a Breach of a Regulatory Act or any of the matters mentioned above has occurred, and it intends to implement one of the regulatory decisions highlighted above, it may consider the issuance of a Warning Notice.

- 9) A Warning Notice will be in the following form:
  - a) in writing;
  - b) state the action that the Authority proposes to take; and
  - c) document the Authority's reason(s) for the proposed action.
- 10) A Warning Notice will contain a statement that the affected party may make written representations to the Authority during a certain period of time ("Representation Period"). Once a Warning Notice has been issued to the Person, any written representations to the Authority must be submitted to the Authority within the period specified in the Warning Notice. The Warning Notice will also contain details of the contact to whom representations must be made.
- 11) A Warning Notice will be in the form prescribed at Appendix 1 to Part I: Policies and Procedures for Enforcement Action.
- 12) Following receipt of a Warning Notice, a Party may request an extension, which may be granted at the discretion of the Authority.
- 13) If the Authority receives no response or representations within the Representation Period, the Authority may treat the allegations or matters detailed in the Warning Notice as undisputed and issue a Decision Notice.
- 14) Upon receipt of written representations:
  - a) if the Authority is of the view that it should take the action presented in the Warning Notice (or any lesser alternative action warranted), it will issue a Decision Notice.
  - b) if the Authority decides not to take any action, it will notify all relevant parties of its decision not to proceed in writing.

### **Decision Notice**

- 15) Any Decision Notice will:
  - a) be in writing;
  - b) state the decision taken by the Authority;
  - c) state the Authority's reasons for taking the action to which the Decision Notice relates; and
  - d) state the effective date of the Authority's decision.

### **Exceptional Circumstances**

- 16) There may be exceptional circumstances in which the Authority is unable to, or determines that it is inappropriate to, disclose the reasons for the decision. Such situations include:

- a) circumstances when the decision would require disclosure of:
    - i. information between the Authority and its professional legal advisor;
    - ii. information which a court has directed is not to be disclosed;
    - iii. information indicating knowledge or suspicion that a Person is engaged in money laundering or terrorist financing activity;
    - iv. information received from a regulatory or law enforcement authority; and
    - v. information received on a confidential basis;
  - b) where the disclosure of information could adversely affect the national interest, including the national security, of the Cayman Islands; or
  - c) where it is not in the public interest to disclose the information.
- 17) Any such decision will be subject to Board approval.
- 18) The Decision Notice is final, subject to any judicial review or statutory right to apply for reconsideration or appeal.
- 19) A Decision Notice will be in the form prescribed at Appendix 2 to Part I: Policies and Procedures for Enforcement Action.
- 20) There may be exceptional circumstances which may warrant a departure from the standard procedure which includes dispensing with the Warning Notice or shortening the timeframe for representations.
- 21) It is not possible to provide an exhaustive list of the circumstances that the Authority will consider exceptional; however, they are likely to include one or more of the following characteristics:
- a) information indicating a significant loss, risk of loss, or other adverse effects for stakeholders, where action is necessary to protect their interests;
  - b) information indicating that a party's conduct has put it at risk of being used for the purposes of Financial Crime, or of being involved in such crime;
  - c) evidence that the party has submitted to the Authority inaccurate or misleading information so that the Authority becomes seriously concerned about a party's viability or ability to meet its regulatory obligations;
  - d) circumstances suggesting a serious problem within a party's structure or with a party's management that calls into question the party's ability to continue as a going concern or to meet the regulatory requirements, where that party is a trust, partnership or company;
  - e) evidence that the party is exposed to heightened risk exposure as a result of the lack of fitness and propriety of a director, general partner, Promotor, shareholder, or any other Officer; information that the direction and management of an Authorised Person's business is not conducted in a fit and proper manner and therefore poses significant risk to the entity; and
  - f) information that an Authorised Person or Person has been listed as a Designated Person by the Office of Financial Sanctions Implementation, HM Treasury ("OFSI") as extended by order in council to British Overseas Territories.

- 22) Any departure from the Authority's standard procedure will be approved by the Board of the Authority and/or Management Committee, who will consider each matter on its own merits, having regard to all applicable circumstances including:
- a) the seriousness of any suspected contravention of the Regulatory Acts and AMLRs, and the steps required to be taken to correct the contravention;
  - b) the risk that the party's conduct or business presents to other financial system participants, the financial system and confidence in the financial system, including the potential for contagion;
  - c) public interest concerns, including those relating to applicable sanctions regimes;
  - d) the nature and extent of any false or inaccurate information provided by the party; and
  - e) the impact that the use of the Authority's powers will have on the party and stakeholders.

## **6. Supervisory Letters**

- 1) In certain cases, the Authority may decide that it is not appropriate, having regard to all the circumstances of the case, to take Enforcement Action. In such cases, the Authority may issue a Supervisory Letter to a Party warning it that although the Authority will not be taking formal Enforcement Action at that stage, the Authority will be monitoring the Party's conduct more closely in the future.
- 2) Supervisory Letters provide an explanation for the Authority's concerns and are a more serious form of reprimand than typical ongoing supervisory correspondence. A Supervisory Letter is not intended to be a final indication by the Authority as to whether a Party has engaged in any contraventions. However, Supervisory Letters, together with any comments received in response, will form part of the Party's compliance history.
- 3) The Authority will consider previously issued Supervisory Letters, if a recipient Party later comes under scrutiny for suspected subsequent contraventions, including considering whether Enforcement Action is appropriate. In such circumstances, the age of a Supervisory Letter will be taken into consideration. However, a long-standing Supervisory Letter may still be relevant.
- 4) When Enforcement Action commences for suspected subsequent contraventions, the Authority will not rely on earlier Supervisory Letters when determining if a suspected contravention has taken place. However, if the Authority has previously informed a Party of concerns in relation to an issue, either by issuing a Supervisory Letter or otherwise, this may be considered an aggravating factor when considering the suitability and level of Enforcement Action to be imposed.
- 5) Supervisory Letters may be considered cumulatively even when they have been issued in relation to separate areas of a Party's business, particularly when the concerns are indicative of a deficient compliance culture. Similarly, if Supervisory Letters have been issued to different subsidiaries of a parent company, these may be considered cumulatively if they are indicative of concerns relating to a common management team.

## 7. Enforcement Actions

- 1) The Authority has a wide range of enforcement powers derived from the MAA and the Regulatory Acts. The Authority will determine the appropriate Enforcement Action(s) in each individual circumstance, having regard to what is fair, reasonable and proportionate.
- 2) The Enforcement Actions that the Authority may take include:
  - a) imposing administrative fines;
  - b) suspension of a licence;
  - c) suspension of a certificate of registration;
  - d) revocation of a licence or cancellation of registration;
  - e) imposition or amendment of conditions or further conditions on a licence or registration;
  - f) requiring the substitution of a director, general partner, Promoter, insurance manager, shareholder, or any other Officer (or other control function) of an Authorised Person or;
  - g) a finding that an applicant or a director, general partner, insurance manager, Promoter, shareholder, or any other Officer (or other control function) is not a fit and proper Person;
  - h) appointing a Person to assume control of the affairs of an Authorised Person;
  - i) appointing a Person to advise an Authorised Person on the proper conduct of its affairs;
  - j) requiring an Authorised Person, or other entity to obtain an auditor's report on its anti-money laundering systems and procedures for compliance with the AMLRs; or
  - k) applying to the Grand Court of the Cayman Islands for an order directing that:
    - i. the company be wound up in accordance with the Companies Act or a limited liability company be wound up in accordance with the Limited Liability Companies Act;
    - ii. the trustee wind up the trust;
    - iii. the partnership be dissolved;
    - iv. requiring Authorised Persons to take such action as the Authority reasonably believes necessary; and/or
    - v. referring contraventions that result in offences and criminal penalties to the appropriate authorities.

- 3) The Authority has discretionary power that it may utilise to rectify behaviour and/or prevent behaviour by issuing a Person with a notification to cease and desist and perform such actions that are in the opinion of the Authority, necessary to remedy or ameliorate the situation when the Authority is concerned that the Person is or is about to:
  - a) commit an act that is unsafe or unsound; or
  - b) pursue a course of conduct that is unsafe or unsound.

## **8. Suspension of Licence or Registration**

### **Purpose**

- 1) The Authority may suspend a licence or registration of a Party in accordance with its regulatory oversight. The suspension of a licence or registration should only be taken when any issue identified is expected to exist in the short term.
- 2) Suspension may be appropriate when it is necessary to reduce the opportunity for a Party to continue a course of action or potential course of action.
- 3) In relation to an Authorised Person, such action is taken in circumstances where the Authority considers it necessary for its operations to be suspended for a limited period, to allow the Authorised Person to restructure its business or management to comply with the relevant Regulatory Acts or the AMLRs.
- 4) The Authority may suspend a natural Person's licence or cancel their registration for a limited period when a Person's ability to carry out their business effectively is under review by the Authority.
- 5) The Authority will suspend a Person's licence or cancel their registration when a Person has been identified as a Designated Person.

### **Criteria**

- 6) The Authority will consider the relevant circumstances of each case when deciding whether to suspend a licence or registration. Suspension will only be considered in circumstances where an issue identified is expected to be capable of resolution in the short term.
- 7) Factors that the Authority will consider before deciding to exercise this enforcement power may include, but are not limited to, the following:
  - a) The seriousness of any suspected Breach of the Regulatory Acts or the AMLRs;

- a) The steps and timeframe required to correct the Breach;
- b) The extent of any loss, or risk of loss or other adverse effects on stakeholders;
- c) The availability of possible solutions to rectify any issue identified within a short, discrete timeframe;
- d) The financial resources of the Authorised Person to fund rectification;
- e) The capacity of the Authorised Person to implement adequate risk management techniques to mitigate the potential loss from exposures;
- f) The present and historical attitude of the Party towards resolving any issues identified and whether an open and cooperative attitude has been displayed; and
- g) The availability of possible solutions to rectify any issues identified in an expeditious timeframe.

## **9. Revocation of Licence or Cancellation of Registration**

### **Purpose**

- 1) The revocation of a licence or cancellation of a registration may be triggered when an Authorised Person is in contravention of the Regulatory Acts or the AMLRs.

### **Criteria**

- 2) The criteria that the Authority will consider before deciding to exercise an enforcement power may include, but are not limited to:
  - a) the seriousness of any suspected Breach of the Regulatory Acts or the AMLRs, the steps required to be taken to correct the Breach and the public interest.
  - b) the extent of any loss, or risk of loss or other adverse effect on stakeholders.
  - c) the extent to which the stakeholders' assets appear to be at risk.
  - d) the financial resources of the Party.
  - e) the extent to which the contravention could pose contagion risks.
  - f) the Party's financial position, specifically as it relates to its solvency position and the potential for continuing operations as a going concern.
  - g) the availability of alternative solutions.

### **Implementation**

- 3) This section sets out the procedures that should be followed when the Authority is proposing to revoke a licence or cancel a registration.
- 4) The Authority will take the following steps to implement a revocation or cancellation:
  - a) communicate the revocation or cancellation to the Persons or Entities responsible for managing the Authorised Person; and
  - b) notify the public of the revocation or cancellation by publications on the website and in the Cayman Islands Gazette, if required under the relevant Regulatory Acts.

## **10. Substitution of a Director, Officer, General Partner, Insurance Manager, Promoter, Shareholder (or other Control Function) as a result of finding him/her not Fit and Proper**

### **Purpose**

- 1) It is a requirement under the Regulatory Acts that Persons carrying out certain functions in an Authorised Person be fit and proper.
- 2) Persons approved by the Authority are expected to remain fit and proper.

### **Criteria**

- 3) The Regulatory Acts list the following criteria for assessment as to whether a Person is fit and proper:
  - a) Honesty, integrity and reputation;
  - b) Competence and capability; and
  - c) Financial soundness.

### **Implementation**

- 4) The *Regulatory Policy - Assessing Fitness and Propriety* sets out the criteria that the Authority will apply and the *Regulatory Procedure - Assessing Fitness and Propriety* establishes the procedures that the Authority will follow in order to assess the fitness and propriety of Persons who are directors, general partners, Promoters, insurance managers, shareholders or any other Officer of Regulated Entities.

### **Persons currently appointed to Controlled Functions**

- 5) Once the Authority has conducted a fitness and propriety assessment, and has concluded that a Person is no longer fit and proper, the Authority will take the following steps:
  - a) issue the Authorised Person or Person in the Controlled Function a notice of the Authority's assessment in accordance with paragraph 10.4 above and provide them with the opportunity to make representations to the Authority within an appropriate timeframe.
  - b) the Authority will consider those representations.
  - c) if the Authority maintains its assessment that the Person is not fit and proper, the Authority will request that the Authorised Person remove and replace the Person within a reasonable timeframe.

## **11. Appointment of a Controller**

### **Purpose**

- 1) The Authority may appoint a Controller in well-defined circumstances set out in the Regulatory Acts.
- 2) Pursuant to the Regulatory Acts, a Controller is appointed at the expense of the Authorised Person.

### **Criteria**

- 3) The Authority will consider the following criteria before appointing a Controller:
  - a) the seriousness of any suspected Breach of the Regulatory Acts or the AMLRs and the steps required to be taken to correct the Breach.
  - b) the extent of any loss, risk of loss or other adverse effect on stakeholders.
  - c) the extent to which the stakeholder's assets appear to be at risk.
  - d) the financial resources of the Authorised Person.
  - e) management's present and historical attitude to resolving problems.
  - f) the extent to which the contravention could pose contagion risks.
  - g) the Authorised Person's financial position.
  - h) the availability and effectiveness of alternative solutions.

## **Implementation**

- 4) The Authority will take the following steps to appoint a Controller:
  - a) the terms and conditions of appointment are agreed with the Controller.
  - b) where applicable, the Controller is advised of the requirement to apply to the Grand Court of the Cayman Islands to obtain directions under Section 18 of the Bankruptcy Act.
- 5) The *Procedure for Appointing Controllers and Advisors; and Auditors for Anti-Money Laundering Audits and Assessing Costs* establishes the procedures for appointing Controllers, Controllers' reports and meetings, and assessing Controller costs.

## **12. Appointment of an Advisor**

### **Purpose**

- 1) The appointment of an Advisor may be required by the Authority in circumstances where it is of the opinion that the business of the Authorised Person is fundamentally sound but has been mismanaged, where the internal controls or risk management systems of the Authorised Person are weak, or where insufficient anti-money laundering policies are in place.
- 2) Pursuant to the Regulatory Acts, the Advisor is appointed at the expense of the Authorised Person.

### **Criteria**

- 3) The Authority will consider the following criteria before appointing an Advisor:
  - a) the seriousness of any suspected Breach of the Regulatory Acts or the AMLRs and the steps required to be taken to correct the Breach.
  - b) the extent of any loss, risk of loss or other adverse effect on stakeholders.
  - c) the extent to which the stakeholders' assets appear to be at risk.
  - d) the financial resources of the Authorised Person.
  - e) management's capacity to undertake remedial action towards resolving the breaches and to implement systems to avoid future contraventions.
  - f) management's present and historical attitude to resolving problems.
  - g) the availability and effectiveness of alternative solutions.

## **Implementation**

- 4) The Authority will take the following steps to appoint an Advisor:
  - a) communicate the appointment to the Persons responsible for managing or operating the Authorised Person;
  - b) agree the terms of the appointment with the Advisor or allow the Authorised Person to appoint their own Advisor, subject to the approval of the Authority;
  - c) communicate the deadline for an interim report and recommendations;
  - d) the Advisor will provide advice to the Authorised Person on the steps required or systems to be implemented to put the Authorised Person in compliance. The Authority must give prior approval to any proposals on the restructuring or re-organisation of the licensee or registrant; and
  - e) the Authority must receive a copy of the Advisor's recommendations and must approve the recommendations before the Authorised Person can proceed with the implementation. The Authority must receive all reports, interim or final, at the time that they are issued to the Authorised Person.
  
- 5) The *Procedure for Appointing Controllers and Advisors; and Auditors for Anti-Money Laundering Audits and Assessing Costs* establishes the procedures for appointing advisors, advisors' reports and meetings, and assessing advisor costs. The Authority also applies these procedures for conducting an AML/CFT/CPF/TS audit.

## **13. Winding Up, Dissolution or Receivership Applications**

### **Purpose**

- 1) The winding up, dissolution, or appointment of a Receiver or Liquidator over an Authorised Person may be considered once a Person has been appointed a Controller or Advisor to an Authorised Person.
  
- 2) Upon receipt of a report from a Controller or Advisor, the Authority may:
  - a) if the Authorised Person is a company, apply to the Grand Court of the Cayman Islands for a winding up order and appointment of liquidators;
  - b) if the Authorised Person is a segregated portfolio company, apply to the Grand Court of the Cayman Islands for the appointment of a Receiver over one or more of the segregated portfolios of the segregated portfolio company;
  - c) if the Authorised Person is a trust governed by the Acts of the Cayman Islands, apply to the Grand Court of the Cayman Islands for an order directing the trustee to wind up the trust; or
  - d) if the Authorised Person is a partnership governed by the Acts of the Cayman Islands, apply to the Grand Court for an order to dissolve the partnership.

## **Criteria**

- 3) The Authority will consider the following criteria before applying for an order for winding up, dissolution, or appointment of a Receiver:
  - a) Whether the Authorised Person has taken or is taking steps to deal with its insolvency, including:
    - i. petitioning for its own compulsory winding up, dissolution or appointment of a receiver over a segregated portfolio;
    - ii. placing itself into voluntary liquidation, dissolution or appointment of a receiver over a segregated portfolio;
    - iii. proposing to enter into a voluntary arrangement; and
    - iv. the effectiveness of these steps;
  - b) whether any stakeholder or other creditor of the licensee or registrant has taken steps to petition the Authorised Person into liquidation, dissolution, or the appointment of a receiver over a segregated portfolio;
  - c) the effect on the Authorised Person and on the creditors if the Authorised Person is wound up, dissolved, or a Receiver is appointed over a segregated portfolio;
  - d) whether the use of other powers available to the Authority will achieve the same or a more advantageous result in terms of protection of consumers, and of market confidence and the restraint and remedy of unlawful activity;
  - e) the nature and extent of the Authorised Person's assets and liabilities;
  - f) the extent of any cross-border issues; and/or
  - g) whether there is an advantage to seeking a moratorium in relation to proceeding against the Authorised Person.
  
- 4) When deciding whether to petition on the grounds that it is just and equitable for the Authorised Person to be wound up, dissolved, or for a Receiver to be appointed over a segregated portfolio, regardless of whether the Authorised Person can pay its debts, the Authority will consider the relevant facts, including:
  - a) whether the interests of the stakeholders and the public interest require the Authorised Person to cease to operate;
  - b) the need to protect stakeholders' claims and stakeholder assets;
  - c) whether the interests of stakeholders and the public interest can be met instead by the use of other powers available to the Authority; and
  - d) whether the Authorised Person appears to have been or has been involved in Financial Crime.

## 14. Referral to Prosecutorial Authorities

### **Purpose**

- 1) The Authority may refer offences for prosecution to achieve its regulatory objectives. This ensures that any suspected criminal activities identified during regulatory oversight are addressed by the appropriate law enforcement agencies.
- 2) The Regulatory Acts and the AMLRs specify the contraventions that result in a party being guilty of an offence and, if convicted, the applicable sentence.

### **Implementation**

- 3) Once the Authority has decided that a referral is appropriate, it will be necessary for the Authority to make a recommendation to the relevant investigative or law enforcement agency to commence an investigation or to the Director of Public Prosecutions (the "DPP") to commence proceedings against the Party. The relevant investigative or law enforcement agency or the DPP would thereupon be responsible for investigating or prosecuting the offence and taking the matter forward.

## Appendix I - Warning Notice Template

Date:

To: [Firm or other Person]

Of:[Address]

---

---

WARNING NOTICE

---

---

TAKE NOTICE: The Cayman Islands Monetary Authority of 171 Elgin Avenue, Cricket Square, P.O. Box 10052, Grand Cayman, Cayman Islands KY1-1001 (the "Authority") proposes to take the following action.

PROPOSED ACTION

[Details of proposed action]

REASONS

[Reasons for proposed action]

NOTICE OF REPRESENTATION

You may make written representations to the Authority. If you wish to make such representations, you must do so within *[xx days]* of receiving this Warning Notice or longer period as requested of and approved by the Authority. Where an extension to this time is required, a request for extension must be submitted within *[xx days]* of receiving the Notice. Written representations should be made to the Chief Executive Officer of the Authority, at the above address.

Please contact *[details]* at the Authority for more information.

**Appendix II - Decision Notice Template**

Date:

To: [Firm or other Person]

Of: [Address]

---

---

DECISION NOTICE

---

---

TAKE NOTICE: The Cayman Islands Monetary Authority of 171 Elgin Avenue, Cricket Square, P.O. Box 10052, Grand Cayman, Cayman Islands KY1-1001 (the "Authority") has decided to take the following action.

ACTION

[Details of action]

REASONS

[Reasons for the Authority's decision to take the action]

EFFECTIVE DATE OF DECISION

The Authority's decision regarding the above action is effective [date].

---

## **PART II - The Procedure for Imposing Administrative Fines**

### **1. Statement of Objectives**

- 1) This Procedure details the policies and procedures that the Authority will follow in relation to the imposition of an administrative fine. In addition, the Procedure provides the process for calculating the amount of any administrative fine when a Person breaches a Prescribed Provision of the MAA, a Regulatory Act (or in particular, the AMLRs).

### **Module A - Investigation and Imposition of an Administrative Fine**

### **2. Actions the Authority may take upon discovery of a Breach of a Prescribed Provision**

- 1) The Authority may impose administrative fines and take any Enforcement Action for Breaches of Prescribed Provisions.
- 2) The MAA and MA (Admin Fines) Regs establish three categories of Breaches for which administrative fines may be imposed: Minor, Serious, and Very Serious. The following is a summary of the administrative fine framework set out in the MAA:
  - a) Minor:** These are Breaches for which a non-discretionary fine is issued by the Authority. A fine will be issued for a Breach categorised as a Minor Breach of a Regulatory Act, regulation, rule, or the AMLRs. Once the conditions in the MA (Admin Fines) Regs are met, the Authority will apply a fine for those Breaches. A fine for a Minor Breach is fixed at CI\$5,000.
  - b) Serious and Very Serious:** For these Breaches, the Authority has the discretion to determine whether or not to issue a fine and the amount of such fine. Discretionary fines are issued by the Authority for Breaches that are categorised as Serious and Very Serious as defined in section 42(B) of the MAA. For Serious Breaches, the statutory maximum fine amount is CI\$50,000 for an individual and CI\$100,000 for a body corporate. For Very Serious Breaches, the statutory maximum fine amount is CI\$100,000 for an individual and CI\$1,000,000 for a body corporate.

### **3. How to impose an Administrative Fine for Minor Breaches (Non-Discretionary Fines)**

- 1) Upon the suspicion or discovery of a Breach, the Authority will take the following steps:
  - a) investigate the Breach;
  - b) upon conclusion of the investigation, produce an investigation report for consideration by the relevant HOD;

- c) the HOD, having considered all of the facts, evidence and relevant information will make a determination as to whether there is sufficient evidence for the Authority to issue a Breach Notice;
- d) once the Breach Notice has been issued to the Person, the Person may make written representations to the Authority or provide the Authority with a Rectification Notice in accordance with the MA (Admin Fines) Regs;
- e) if written representations or a Rectification Notice are received, the relevant Division must reconsider the matter considering the written representations or Rectification Notice. If the relevant Division still holds the belief stated in the Breach Notice, the Authority will issue a Fine Notice detailing the Final Fine Amount and terms of payment for the Non-Discretionary Fine;
- f) if the Authority does not receive a reply to the Breach Notice within the 30-day period and the Authority still holds the belief stated in the Breach Notice, the Authority will issue a Fine Notice detailing the Final Fine Amount and terms of payment for the Non-Discretionary Fine; and/or
- g) if the Authority decides that an administrative fine is not appropriate, this decision will be communicated to the Person. Once a decision in relation to a fine for a Minor Breach has been made, no further action will be taken unless it is decided that Enforcement Action is required, or additional evidence becomes available to the Authority.

#### **4. How the Authority imposes an Administrative Fine for Serious and Very Serious Breaches (Discretionary Fines)**

- 1) Upon the suspicion or discovery of a Breach, the Authority will take the following steps:
  - a) appoint an Investigation Team and investigate the Breach;
  - b) upon conclusion of the investigation, produce an investigation report for the Chief Executive Officer who may convene an Oversight Committee to consider the matter;
  - c) if appointed, the Oversight Committee, having considered all the facts, evidence and relevant information will make a determination as to whether there is sufficient evidence for the Authority to issue a Breach Notice. The Oversight Committee will consider the following issues:
    - i. whether there was a breach;
    - ii. whether a Fine and/or any other Enforcement Action would be appropriate; and
    - iii. if relevant, the amount of the Fine;

- d) once a Breach Notice has been issued to the Person, any written representations to the Authority must be submitted to the Authority within the period specified in the Breach Notice;
  - e) if written representations are received within the above period the Oversight Committee must reconsider the matter considering the written representations. If the Oversight Committee still holds the belief stated in the Breach Notice, it will then make a joint recommendation, in conjunction with the Enforcement Division, to the Management Committee for further administrative action and, if appropriate, further Enforcement Action. The recommendation will contain the Oversight Committee's findings regarding the breach and the recommended fine amount;
  - f) if the Authority does not receive a reply to the Breach Notice within the representation period and the Oversight Committee still holds the belief stated in the Breach Notice, it will make a joint recommendation for further administrative action and, if appropriate, further Enforcement Action. This joint recommendation will be made to the Management Committee in conjunction with the Enforcement Division;
  - g) if the Oversight Committee concludes that an administrative fine is not appropriate, this decision will be communicated to the Person. Once this decision has been made, no further action will be taken unless it is decided that Enforcement Action is required, or additional evidence becomes available to the Authority;
  - h) upon receipt of a recommendation from the Oversight Committee, the Management Committee will decide on whether there has been a Breach and the final fine amount:
    - i. For fines of CI\$500,000 or below, the Management Committee will make a final determination as to whether the fine should be imposed; or
    - ii. For fines greater than CI\$500,000, the Management Committee will make a recommendation to the Board for a final determination of the matter.; and
  - i) once the Management Committee or the Board has made a final determination, the Authority will issue the Fine Notice detailing the Final Fine Amount and terms of payment for the Discretionary Fine.
- 2) The prescribed forms for the Breach Notice and Fine Notice are attached in Appendix 1 to Part II below.

## **5. Investigating a Breach**

- 1) The Authority has, through the Regulatory Acts and the MAA, a wide range of statutory powers that enable it to conduct investigations. In addition to investigations for enforcement matters, the Authority regularly invokes its statutory powers for ongoing supervisory purposes that may be unrelated to a Breach.

- 2) Where a Minor Breach is suspected, the relevant Division will conduct an investigation into the matter.
- 3) Where a Serious or Very Serious Breach is suspected, or a combination of Minor, Serious and Very Serious Breaches are suspected, the Authority may appoint an Investigation Team and will conduct an investigation into the matter. During its investigation, the Authority may contact the relevant parties in writing requesting any additional information.
- 4) Failure to respond to written requests for information in a timely manner may be considered an aggravating factor in determining the administrative fine or may give rise to Enforcement Action or an additional administrative fine.

## **6. The Determination Process**

- 1) The following section explains the Authority's determination process, and the delegated authorities involved in same.
- 2) The Board has granted authority to the Chief Executive Officer to decide when to convene an Oversight Committee. The Oversight Committee has the following responsibilities relating to Serious and Very Serious Breaches:
  - a) to review the evidence gathered during the investigation stage so that they may determine whether that evidence is sufficient to prove that the alleged Breach occurred;
  - b) to request further information or evidence, prior to making its recommendation;
  - c) to recommend the initial amount of the administrative fine, based on the relevant fine criteria, any weight given to the mitigating or aggravating factors and if relevant any agreed Discount Agreements (in accordance with recommendations on the decision on whether there has been a Breach and the final fine amount as outlined above);
  - d) to consider any representations made by the Person during the representation period or earlier in accordance with the requirements set out in the MA (Admin Fines) Regs;
  - e) if the Person proposes to negotiate, conduct the discount negotiations and settle the terms of the Discount Agreement;
  - f) to recommend whether, on the balance of probabilities, there has been a Breach and the final Fine Amount to the Management Committee; and
  - g) to do such matters and examine such parties as may be required to give effect to paragraphs 6.2 (a) – (f) above.

- 3) The Head of the Division(s) that has conducted the investigation into the Person may not be a member of the Oversight Committee and may only make representations as requested but not take any part in the decision-making process in relation to the determination of a Breach or issue of a fine.
- 4) When appropriate, the Chief Executive Officer may substitute any member of the Committee with an alternate. This may be necessary, for example, where a Person holds multiple licences, or it is difficult to constitute a quorum.
- 5) The Oversight Committee is quorate when 4 of 6 members are in attendance.
- 6) A Person designated by the Chief Executive Officer shall be the secretary to the Oversight Committee. The secretary will not be a member of the Oversight Committee.
- 7) Once the Management Committee or the Board has made a final determination regarding whether there is sufficient evidence to impose an Administrative Fine, the Enforcement Division will then issue the Fine Notice, if required.
- 8) The Enforcement Division will issue a Fine Notice to the Person detailing the Final Fine Amount and terms of payment of the Discretionary Fine.

## **7. Early Settlement of Discretionary Administrative Fines**

- 1) A Person who is under investigation or has received a Breach Notice for a Serious or Very Serious Breach may wish to voluntarily settle at an earlier stage and enter into a Discount Agreement. This process is outlined in Part III of this Procedure.

## **8. The Fine Notice**

- 1) Once the Management Committee or Board has approved the final administrative fine, the Authority will then issue the Fine Notice.
- 2) The Fine Notice will contain details of the Breach, the Final Fine Amount and the terms of payment. A Fine Notice is final, subject only to a Person's statutory right of appeal.
- 3) In exceptional circumstances, the Authority may be unable to fully disclose the details of an administrative fine. In such circumstances, such course of action must be approved by the Board, for example, where there is a risk to (a) national security; (b) critical ongoing investigations; or (c) the Islands' financial stability.

## **9. Method by which a Person may receive a Notice**

- 1) The Authority may give a Person notice, including the sending of either a Breach Notice, Fine Notice, Warning or Decision Notice, by sending it to an e-mail address that the Person had last given to the Authority. This provision allows for notices to be sent to:
  - (a) Individual: the Person's e-mail address;
  - (b) Body corporate: the e-mail addresses of the directors, members, or registered office providers; and/or
  - (c) Partnership: the e-mail addresses of any of the partners or the registered office provider, if applicable.
- 2) It is the responsibility of all Persons who are subject to the Authority's regulatory or supervisory oversight to ensure that their contact information (including e-mail address) is accurate and up to date.
- 3) If the Authority does not receive a reply to a Breach Notice, the Authority may utilise the Procedure for Lost Contact to provide notice to the Person. However, if the Authority determines that the Procedure for Lost Contact is not required, the Authority may proceed directly to issuing a Fine Notice. The Authority may also utilise the Procedure for Lost Contact to issue a Fine Notice.

## **Module B - Calculating the Administrative Fine**

### **10. Determining the Appropriate Level of an Administrative Fine**

- 1) In determining the appropriate level of administrative fine, the Authority will apply the general criteria stipulated in section 5 of the MA (Admin Fines) Regs and Guiding Principles specified in section 42F(1)(b) of the MAA:
  - (a) The need to promote and maintain a sound financial system in the Islands;
  - (b) Disgorgement - a Person should not benefit from any Breach;
  - (c) Discipline - a Person should be penalised for wrongdoing; and
  - (d) Deterrence - any penalty imposed should deter the Person who committed the Breach, and others, from committing further or similar Breaches.

- 2) The total amount payable by a Person subject to a discretionary administrative fine may be made up of two elements: (i) disgorgement of the benefit received as a result of the Breach; and (ii) a financial penalty reflecting the general criteria prescribed by section 5 of the MA (Admin Fines) Regs. The Authority applies these criteria in the following five-step process:
  - a) Step 1:** the removal of any financial benefit or avoidance of loss derived directly from the Breach (“disgorgement”);
  - b) Step 2:** the determination of a Starting Fine Amount;
  - c) Step 3:** an adjustment made to the Step 2 figure to take account of additional criteria prescribed by section 5 of the MA (Admin Fines) Regs, including aggravating and mitigating factors;
  - d) Step 4:** an adjustment made to the amount arrived at after Steps 2 and 3, where appropriate, to ensure that the penalty is consistent with the Guiding Principles<sup>2</sup> and prescribed statutory maximum fine amounts<sup>3</sup>; and
  - e) Step 5:** if applicable, a settlement discount will be applied. This discount does not apply to the disgorgement of any financial benefit derived directly from the breach.
- 3) These steps will apply to each alleged Breach.
- 4) Where a Breach committed by a body corporate is shown to have been committed with the consent, connivance, knowledge, or neglect of any relevant individual, that individual may also be subject to an administrative fine as well as the body corporate.

## 11. The Five Step Process

### **Step 1 – Disgorgement**

- 1) The Authority will seek to deprive a Person (or individual) of the financial benefit derived directly from a Breach (which may include the profit made or loss avoided), where it is practicable to quantify this.

### **Step 2 – Determination of Starting Fine Amount**

- 2) In order to determine a Starting Fine Amount, the Authority will consider the maximum amount for each Breach (in relation to both Serious and Very Serious Breaches) prescribed by section 42B of the MAA, the criteria for making a fine decision at section 42F of the MAA, the size of an entity, the risk profile of its business and its turnover.

---

<sup>2</sup>Section 42F(1), (2) and (5), MAA.

<sup>3</sup>Section 42B(3) and (4), MAA.

**Step 3 – Application of criteria prescribed by the MA (Admin Fines) Regs including aggravating and mitigating criteria**

- 3) The Authority will consider aggravating and mitigating factors, as prescribed by regulations 5 and 6 of the MA (Admin Fines) Regs, in addition to any other relevant factors in each matter in order to determine the Starting Fine Amount. In doing so, the Authority may also consider the effect of a Breach on the performance of the Authority's statutory functions, any inconvenience or distress to consumers and/or members of the public, any negative impact on the image of the Cayman Islands as a financial services centre.
- 4) Any such adjustments will be made by way of a percentage adjustment to the figure determined at Step 2 in order to determine a Weighted Fine Amount.

**Step 4 - Adjustment for Guiding Principles**

- 5) The Authority will consider the Weighted Fine Amount against the Guiding Principles prescribed by section 42F of the MAA and any necessary adjustments, in order to ensure this complies with the Principles:
  - (a) The need to promote and maintain a sound financial system in the Islands;
  - (b) Disgorgement - a Person should not benefit from any Breach;
  - (c) Discipline - a Person should be penalised for wrongdoing; and
  - (d) Deterrence - any fine imposed should deter the Person who committed the Breach, and others, from committing further or similar Breaches in the context of an individual's assets or a body corporate's revenue.
- 6) Once the above determination has been made, the Authority will make a final determination of the Proposed Discretionary Fine.

**Step 5 – Discount Agreement**

- 7) The Authority will consider whether a discount is appropriate (not applicable to the disgorgement amount), the relevant circumstances and why, including whether a Discount Agreement has been proposed to the Party or by the Party and if so whether it has been agreed, as well as at what stage in the fine process it has been agreed. The process for agreeing on an early settlement by way of a Discount Agreement is outlined in paragraph 13 below entitled "Early Settlement and the Discount Agreement for Discretionary Fines".

## **12. Serious Financial Hardship**

- 1) The Authority's approach is intended to ensure that fines are proportionate. The Authority recognises that fines may affect firms and individuals differently and that the Authority should consider whether a reduction in a proposed fine is appropriate if the penalty would cause the subject of the Enforcement Action serious financial hardship.
- 2) Where Persons claim that payment of a proposed fine will cause serious financial hardship, the Authority will consider whether to reduce the fine, only if:
  - (a) the Person provides verifiable evidence that payment of the fine will cause them serious financial hardship; and
  - (b) the Person provides full, frank, and timely disclosure of the verifiable evidence, and cooperates fully in answering any questions asked by the Authority about their financial position.
- 3) In determining whether a fine will cause serious financial hardship, the Authority will consider all relevant circumstances and will means test any proposed fine with reference to the current cost of living within the Islands. The onus is on Persons to satisfy the Authority that payment of the administrative fine will cause them serious financial hardship.
- 4) Disgorgement cannot be discounted in accordance with the MA (Admin Fines) Regs. If a Person is unable to pay the disgorgement amount of a Fine due to financial hardship, this will be a factor that the Authority will consider when determining whether an administrative fine is appropriate, as against other Enforcement Action.

### ***Individuals***

- 5) In assessing whether a penalty would cause an individual serious financial hardship, the Authority will consider the individual's ability to pay the penalty over a reasonable period (normally no greater than three years) on a case-by-case basis supported by evidence.
- 6) To consider whether an individual will suffer serious financial hardship, the Authority will consider anything that could provide the individual with a source of income. Where a penalty is reduced it will be reduced to an amount which the individual can pay without experiencing serious financial hardship.

- 7) In circumstances where there is a disgorgement element to the financial penalty, even if an individual has satisfied the Authority that payment of the financial penalty would cause serious financial hardship, the Authority is unable to discount the disgorgement portion of the financial penalty, notwithstanding serious financial hardship.

### ***Corporate Bodies***

- 8) The Authority will consider reducing the amount of an administrative fine if a firm will suffer serious financial hardship because of having to pay it. In deciding whether it is appropriate to reduce the fine, the Authority will take into consideration the firm's financial circumstances, including whether the fine would render the firm insolvent or threaten the firm's solvency. The Authority will also consider its statutory objectives, for example, in situations where consumers would be harmed or market confidence would suffer, the Authority may consider it appropriate to reduce a fine in order to allow a firm to continue in business and/or pay redress.
- 9) There may be cases where, even though the firm has satisfied the Authority that payment of the fine would cause it serious financial hardship, the Authority considers the Breach to be so serious that it is not appropriate for no Enforcement Action to be taken. Therefore, at the Authority's discretion, the Authority may impose an alternative sanction. The Authority will consider all the circumstances of the case in determining whether this course of action is appropriate, including whether:
  - (a) the firm directly derived a financial benefit from the Breach and, if so, the extent of that financial benefit;
  - (b) the firm acted fraudulently or dishonestly in order to benefit financially;
  - (c) previous Authority action in respect of similar Breaches has failed to improve industry standards; or
  - (d) the firm has spent money or dissipated assets in anticipation of any investigation or other action by the Authority, other regulatory authority, or other enforcement agency and/or with a view to frustrating or limiting the impact of action taken by the Authority or other authorities.

## **Module C - Early Settlement and Discount Agreements**

### **1. Early Settlement and Discount Agreements for Discretionary Fines**

- 1) Early settlement is available to Parties to encourage early resolution through voluntary settlement of administrative fines for Serious and Very Serious Breaches only. The Authority and the Person on which an administrative fine is to be imposed may seek to negotiate the amount of the fine, and other terms, as part of an early settlement. A Person may wish to enter an early settlement with the Authority and may do so prior to or after receiving a Breach Notice for proposed discretionary fines. The Authority may, but need not, negotiate with a Person to attempt to reach an early settlement, whether or not the Authority has given a Breach Notice for proposed discretionary fines. Due to the nature of non-discretionary fines, early settlement and discount agreements are not appropriate for fines for Minor Breaches.

- 2) In cases where early settlement is agreed upon, a discount may be applied at the Authority's discretion up to a maximum of 40%. The discount does not apply to the disgorgement of any financial and economic benefits derived by the Person from the Breach (as provided for in the disgorgement principle). Where the Authority and the Person agree terms of an early settlement, the Authority and the Person will enter into a Discount Agreement.
- 3) In accordance with the requirements of the MAA, arriving at an early settlement reflects an efficient use of the Authority's time and resources, and reduces the cost and supervisory burden of a protracted administrative fines process. In recognition of the benefits of such processes, the amount of the fine which might otherwise have been payable, that is, the usual fine, may be reduced to reflect the stage at which the Authority and the Person enter into a binding discount agreement.
- 4) A Person may write to the Chief Executive Officer of the Authority at any time indicating their desire for an early settlement as part of its Breach resolution process. The Authority will consider the request and where it agrees to the negotiation of an early settlement, this in no way indicates the suspension of an investigation. The investigation of a Breach will continue in accordance with the MA (Admin Fines) Regs, this Procedure, and any other relevant procedures.
- 5) The Authority may deviate from the application of these procedures in exceptional circumstances, which will be determined at the sole discretion of the Authority.

### **The Discount Agreement**

- 6) If a Person requests the early settlement of an administrative fine for Serious and Very Serious Breaches, the process is as follows:
  - (a) The Person makes a formal written request to the Authority for an early settlement, addressed to the Chief Executive Officer. The Authority expects that the Person will admit the Breach and/or Breaches in this correspondence and submit any mitigating factors upon which the Person wishes to rely ("Early Settlement Request").
  - (b) The Authority, within 21 days following receipt of the Early Settlement Request, will write to the Person acknowledging receipt and requesting any relevant information in relation to the Breach, with a clear deadline for submission ("Early Settlement Response"). The Authority will provide the Person with a reasonable timeframe to submit the requested information. This timeframe will usually be within 30 days, and extensions will not usually be granted except in exceptional circumstances.
  - (c) The Authority, once satisfied that full and frank information has been provided in response to the Early Settlement Response, will then schedule settlement meetings with the Person as necessary.

- d) The Authority and the Person will exchange all information, in advance of the meeting, which will form the basis for the Discount Agreement. This information will include details of progress on remedial action being taken in the case of the Person and details of the usual fine(s) for the Breach or Breaches being discussed, in the case of the Authority.
  - e) The meeting will be attended by representatives of the Person who is authorised or empowered to agree and sign the terms of the proposed Discount Agreement. It is not anticipated that the Authority will sign the Discount Agreement at this meeting.
  - f) The proposed Discount Agreement containing the amount and terms of the settlement will be submitted to the Oversight Committee and then forwarded to the Management Committee or the Board as the case may be.
  - g) The decision of the Management Committee or the Board including, the settlement amount, discount, response timeframe and any other terms will be communicated to the Person within 21 days following the settlement meeting, via submission of the Discount Agreement.
- 7) The Person will be required to sign the Discount Agreement at the meeting, which will be binding on the Authority and the Person once fully executed.
- 8) The terms of the early settlement will usually be published, save for exceptional circumstances and at the discretion of the Authority. The public release will provide an account of the admitted Breaches and all relevant details including, amongst other things, the name of the Person, the Breaches, the investigations summary, and the fines imposed, including any discount applied.
- 9) At any point during this process, the Authority may, at its discretion, decide to conclude the early settlement discussions. This decision may be as a result of a lack of cooperation by the Person as displayed by, for example, failure to meet specific requests, terms, or timeframes.

### **The Settlement Discount**

- 10) The Authority may apply a discount, up to a prescribed maximum, to a fine that it would otherwise expect to impose on a Person after considering the Breach and other relevant factors. The settlement discount will be applied to the usual fine, which will be determined by reference to the Authority's administrative fine regime.<sup>4</sup> The decision to agree to early settlement and the level of the discount applied must take account of some key factors, including:

---

<sup>4</sup> As presented in Part II of this procedure.

- a) A clear determination of the amount of the fine that the Authority would otherwise have expected to impose on the Person had the administrative fines procedure been taken through to its conclusion;
  - b) The Authority’s satisfaction with the Person’s progress and/or plans at remediating the Breaches; and
  - c) The Person’s level of cooperation with the Authority during the Breach investigation.
- 11) The Authority may reduce the administrative fine by a stipulated percentage subject to the stage at which the early settlement was initiated by the Person by way of writing to the Authority requesting such; and based on the established criteria presented in Table A. Table A presents the four stages of the Authority’s administrative fines process to determine the discount to be applied. For the maximum discount to be applied at any stage of the process, the Authority should be satisfied that following initiation of early settlement discussions by the Person, all requirements set by the Authority were fully met and that the Person made good faith attempts to cooperate and provide full information to the Authority.

**Table A: Discount Criteria**

<b>Stage</b>	<b>Discount</b>	<b>Description</b>
<b>1</b>	Up to 40%	The period preceding the Authority’s discovery of the Breach. This applies to cases where the Authority becomes aware of the Breach solely because the Person advises the Authority of the Breach.
<b>2</b>	Up to 30%	The period from the commencement of the Breach investigation by the Authority until, but not including, the date on which the Breach Notice for a Proposed Discretionary Fine is issued to the Person.
<b>3</b>	Up to 20%	The period from the end of Stage 2 until the expiration of the period (including any extensions granted) allowed to the Person for providing written representations in response to the Breach Notice for a Proposed Discretionary Fine. In cases where these representations are submitted to the Authority before the set deadline, Stage 3 will end on the date on which the Authority receives the written representations.
<b>4</b>	Up to 10%	The period from the end of Stage 3 until, but not including, the date on which the Fine Notice for a Discretionary Fine is issued by the Authority.

- 12) In addition to the discounted fine, or instead of the discounted fine, the Authority may impose an Enforcement Action on the Person. This Enforcement Action may form part of the Discount Agreement and may be considered when determining the discount applied.
- 13) If the Person does not enter into a binding Discount Agreement or fails to pay the agreed fine within the timeframes set by the Authority, the Discount Agreement will be void at the expiration of the period. During Stage 4 or any time prior, a further request to enter into another Discount Agreement negotiation may be submitted by the Person for consideration by the Authority. The Authority will not consider Discount Agreements and/or requests for early settlements on the date of or following the issuance of the Fine Notice for a Discretionary Fine.
- 14) If a Discount Agreement cannot be agreed by all parties, the Breach will be dealt with in accordance with the Manual and this Procedure.
- 15) Where the Person enters into a Discount Agreement, that Person may not appeal against the decision of the Authority to issue the fine or the fine amount, if the fine is no more than the amount agreed to in the Discount Agreement.

## Appendix I - Breach Notice Template

**To:** [Licensee/Authorised Person/Name] ("Party")  
**Of:** [Address]  
**Sent by email to:** [email]  
**Date Notice Sent:** [DD MM YYYY]  
**CIMA Reference:** [URN]

---

### **BREACH NOTICE**

#### **FOR A PROPOSED DISCRETIONARY FINE**

Issued pursuant to Section 42A & Section 42B of the Monetary Authority Act (2020 Revision), Regulation 11 of the Monetary Authority (Administrative Fines) Regulations (2025 Revision) (as amended) and [Anti-Money Laundering Regulations (2025 Revision) (as amended) or Supervisory Act].

---

**TAKE NOTICE:** The Cayman Islands Monetary Authority of Cricket Square, P.O. Box 10052, Grand Cayman KY1-1001, Cayman Islands (the "Authority") has reason to believe that you are in breach of [Section(s) [xx] of the Supervisory Act or Regulation[(s) [xx]] of the Anti-Money Laundering Regulations (2025 Revision) (as amended)].

#### **THE INTENDED FINE**

The Authority intends to impose on the Party a discretionary fine in the sum of CI\$ [total amount in numbers], [which includes a disgorgement figure of [amount]] and the following specific amounts for the subsequent suspected breach(es):

1. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]
2. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]
3. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]

#### **THE FACTS AND CIRCUMSTANCES**

[Breach No.] - [insert provision]

[Facts and circumstances/Reasons for proposed action (include sufficient information for the Party to understand the findings and appendix any relevant documents)]

[if cumulative]

1. [Breach No.] - [insert provision]  
[Facts and circumstances/Reasons for proposed action]
2. [Breach No.] - [insert provision]  
[Facts and circumstances/Reasons for proposed action]
3. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]  
[Facts and circumstances/Reasons for proposed action]

The Authority views the above as evidence that the Party is in breach of the aforementioned provision(s) and therefore, the Authority believes the Party is in breach of the same.

### **RESPONSE PERIOD**

You may make written representations to the Authority regarding the intended action. If you wish to make such representations, you must do so within *[xx days]* of receiving this Breach Notice, or such longer period as requested of, and approved by the Authority. Where an extension to this time is required, a request for extension must be submitted within *[xx days]* of receiving the Notice. Representations received by the Authority after the response period (or after any period of extension granted by the Authority) will not be considered.

Written representations must be made by email to [fines@cima.ky](mailto:fines@cima.ky) include the reference - FIR *[reference]*.

Please contact [fines@cima.ky](mailto:fines@cima.ky) at the Authority for more information.

**Cayman Islands Monetary Authority**

---

## Appendix II - Fine Notice Template

**To:** [Licensee/Authorised Person/Name] (“Party”)  
**Of:** [Address]  
**Sent by email to:** [email]  
**Date Notice Sent:** [DD MM YYYY]  
**CIMA Reference:** [URN]

---

### **FINE NOTICE**

#### **FOR A DISCRETIONARY FINE**

Issued pursuant to Section 42A & Section 42B of the Monetary Authority Act (2020 Revision), Regulations 12, 14 & 15 of the Monetary Authority (Administrative Fines) Regulations (2025 Revision) (as amended) and [Anti-Money Laundering Regulations (2025 Revision) (as amended) or Supervisory Act].

---

**TAKE NOTICE:** The Cayman Islands Monetary Authority of Cricket Square, P.O. Box 10052, Grand Cayman, KY1-1001, Cayman Islands (the “Authority”) has found that you are in breach of [Section(s) [xx] of the Supervisory Act or Regulation[(s) [xx]] of the [Anti-Money Laundering Regulations (2025 Revision) (as amended)] and has decided to take the following action:

#### **THE FINE**

The Authority requires the Party to pay a discretionary fine in the sum of CI\$ [amount in numbers], [which includes a disgorgement figure of [amount]] and the following specific amounts for the subsequent breach(es):

1. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]
2. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]
3. [Breach No.] - [insert provision] – CI\$ [amount of proposed fine]

The Party is required to pay the above fine to the Authority no later than [insert date].

#### **THE BREACHED PROVISIONS**

The Authority has imposed the discretionary fine as a result of the Authority’s findings that the Party has breached the following provision[s]:

[Breach No.] - [insert provision]

[If cumulative]

1. [Breach No.] - [insert provision]
2. [Breach No.] - [insert provision]
3. [Breach No.] - [insert provision]

### **THE AUTHORITY'S REASONS**

[Breach No.] - [insert provision]

[Description of the breach]

[Facts and circumstances/Reasons for the action]

[How the Authority's fine discretions were exercised and why, including aggravating and mitigating features identified and the reasons why the Authority continues to hold the belief stated in the Breach Notice if a reply was given]

[if cumulative]

1. [Breach No.] - [insert provision]

[Description of the breach]

[Facts and circumstances/Reasons for the action]

[How the Authority's fine discretions were exercised and why, including aggravating and mitigating features identified, and the reasons why the Authority continues to hold the belief stated in the Breach Notice if a reply was given]

2. [Breach No.] - [insert provision]

[Description of the breach]

[Facts and circumstances/Reasons for the action]

[How the Authority's fine discretions were exercised and why, including aggravating and mitigating features identified, and the reasons why the Authority continues to hold the belief stated in the Breach Notice if a reply was given]

3. [Breach No.] - [insert provision]

[Description of the breach]

[Facts and circumstances/Reasons for the action]

[How the Authority's fine discretions were exercised and why, including aggravating and mitigating features identified, and the reasons why the Authority continues to hold the belief stated in the Breach Notice if a reply was given]

### **APPEAL**

The Party has a period of thirty days following receipt of this Fine Notice within which to apply to the Grand Court for leave to appeal against the decision to impose the fine, the amount of the fine or both.

### **OUTSTANDING FINES**

The Party must pay this fine no later than [insert date].

Any unpaid fine becomes a debt owing to the Government of the Cayman Islands on the day the fine is required to be paid.

Fines that are unpaid after that day will accrue interest at a rate of 5% per annum, starting on the day immediately after the fine becomes a debt to the Government of the Cayman Islands and ending on the day the fine is paid in full, both days inclusive. Interest accrues daily and as compound interest.

The Government of the Cayman Islands may enforce this fine and interest on it against the party as a debt.

**PAYMENT METHOD**

The Authority will attach the relevant payment method to this notice.

---

**Cayman Islands Monetary Authority**

## **PART III – Discretionary Publication**

- 1) The Authority considers the enforcement of the Regulatory Acts and Regulatory Measures to be a matter of substantial public importance. Publication may occur either because it is required by statute, as set out in Appendix 1 below, or because the Authority, in its discretion, determines it appropriate to publish decisions of enforcement actions taken, including Administrative Fines.
- 2) When publication is discretionary, regard will be had to all circumstances in each matter when deciding whether to publish, and if so, the extent of the information to be published. It may not be appropriate to publish details of enforcement action or Administrative Fines in every case. In all circumstances, the public importance of publishing enforcement action will be weighed against the need for confidentiality. If the requirement to publish is not mandated by statute, the decision to publish will be at the discretion of the Authority.

### **Procedure for Discretionary Publication of Enforcement Actions and Administrative Fines**

#### **1. Statement of Objectives**

- 1) To set out the procedure the Authority will follow when exercising its discretion to publish decisions of enforcement actions taken, including Administrative Fines in circumstances where publication is not required by statute.

#### **2. Introduction**

- 1) The Enforcement Manual applies to all Persons subject to the Authority's powers to impose Enforcement Actions and Administrative Fines (the "Relevant Actions"). Pursuant to the Regulatory Acts and Measures, the Authority is expressly required to publish decisions of the Enforcement Actions set out at Appendix 1. This Procedure does not apply where publication is required by statute.
- 2) In all other circumstances, the Authority has the discretion as to whether to publish decisions of enforcement actions taken, including Administrative Fines. The legal basis underpinning the Authority's exercise of discretion is contained in Sections 50(2)(b) and Sections 6(3)(a) and (b) of the MAA.
- 3) Section 50(2)(b) of the MAA permits the Authority to disclose the affairs of the Authority or of a licensee, for the purpose of assisting the Authority exercise any of its functions conferred on it under any law or regulation, including Section 6(3) of the MAA. In performing its regulatory and co-operative functions, Sections 6(3)(a) and (b) of the MAA require the Authority to endeavour to promote and enhance market confidence, consumer protection, and the reputation of the Cayman Islands as a financial centre and reduce the possibility of financial services business or relevant financial business being used for the purpose of money laundering or other crime.

- 4) Publication of decisions of Relevant Actions may assist the Authority in carrying out its functions in accordance with section 6 of the MAA, particularly where publication is necessary to advise the public that a Person is not carrying on business in accordance with the Regulatory Acts and/or Measures. Publication may also protect the reputation of the Cayman Islands as a financial centre.

### **3. Criteria Applied to Determine Discretionary Publication**

- 1) In exercising its discretion, the Authority will consider the following criteria to determine whether Relevant Actions should be published:
  - a) the extent to which publication may assist the Authority in carrying out its functions;
  - b) the extent to which publication may assist in protecting consumers or other stakeholders;
  - c) the extent to which publication may serve to protect the reputation of the Cayman Islands as a financial centre;
  - d) the extent to which publication may contribute to the promotion and maintenance of a sound financial system;
  - e) the extent to which publication could cause unfair or undue damage to the Person's business and stakeholders;
  - f) the extent to which a Person has cooperated with the Authority;
  - g) the severity of the apparent breach of any Regulatory Act or Measure by the Person;
  - h) the compliance record of the Person with the Authority;
  - i) the severity of the Relevant Action against the Person that has been taken by the Authority;
  - j) whether information relating to the circumstances leading to a Relevant Action has been published elsewhere or is otherwise publicly available; and
  - k) the Authority's approach in any similar cases.

### **4. What May be Published**

- 1) If the Authority exercises its discretion to publish information regarding a Relevant Action, the Authority will also consider what information it is reasonable and proportionate to include within the publication. Publication may include, but is not limited to, the following:
  - a) the name(s) of the Person to which the Relevant Action applies;
  - b) any relevant dates;
  - c) a brief description of the breaches leading to the Relevant Action, as far as required to fulfil the need to disclose in accordance with the public interest;
  - d) a description of what Relevant Action has been taken;
  - e) a contact name and contact particulars to which stakeholders may be referred for additional information; and
  - f) Any other relevant information the Authority deems necessary in accordance with its statutory functions.

## **5. When Publication May Occur**

- 1) If the Authority exercises its discretion to publish a Relevant Action, the Authority will generally do so after a final decision has been made.
- 2) There may also be circumstances in which the Authority may publish a Warning or Breach Notice in relation to a Relevant Action, usually when the Authority has no other means to contact the Person. An example of this circumstance is the Authority's Procedure for Lost Contact is published in [\*The Enforcement Manual - Regulatory Handbook Volume 2\*](#), under Part IV - Procedures for Lost Contact.

## **6. Place of Publication**

- 1) If the Authority exercises its discretion to publish, the Authority will normally publish the necessary particulars on the Authority's website. and, in the Cayman Islands' Gazette, if required by statute.
- 2) The Authority will assess where stakeholders will likely be located and determine the most efficient means to communicate publicly with such stakeholders. As such, the Authority may also publish the necessary particulars in local or other newspapers or publications, local radio or television, and/or by notifying other financial services regulators.

## **7. Approval Process to Publish a Relevant Action**

- 1) Decisions to publish pursuant to this Procedure require the approval of the Management Committee or the Board, as applicable.

## Appendix I – Mandatory Statutory Publication Requirements<sup>1 2</sup>

Act	Section mandating publication in Gazette	Actions that must be published
Banks and Trust Companies Act As amended	18(6)	revocation of a licence under sections 18(1)(i), 18(4)(d) or 18(5)
Companies Management Act As amended	18(6)	revocation of a licence under sections 18(1)(i), 18(4)(d) or 18(5)
Directors Registration and Licensing Act As amended	26	suspension, cancellation or revocation of a licence under section 25
Insurance Act As amended	24(7)	suspension of a licence under section 24(2)(b) or revocation of a licence under sections 24(2)(c), 24(5)(d) or 24(6)
Money Services Act (2024 Revision)	19(6)	revocation of a licence under sections 19(1)(i), 19(4)(d) or 19(5)
Securities Investment Business Act As amended	17(8)	revocation or cancellation of a licence or registration under section 17 or section 9
Virtual Asset (Service Providers) Act (2024 Revision)	25(8)	revocation of a licence or cancellation of a registration under section 25
	27(2)	revocation of a licence under section 27(1)

<sup>1</sup> As at the date of publication of the Enforcement Manual, The Regulatory Handbook Volume 2

<sup>2</sup> For further clarification on the Mandatory Statutory Publication Requirements, please refer to the appropriate laws and regulations <https://www.cima.ky/laws-and-regulations>

## **PART IV - The Procedures for Lost Contact**

### **1. Statement of Objectives**

- 1) This Procedure for Lost Contact sets out and establishes the procedure that the Authority will follow when there are issues of non-compliance, and the Authority has lost contact with an Authorised Person.

### **2. Application**

- 1) Typically, the Authority will use its best efforts to contact an Authorised Person where there are issues of non-compliance. This is usually done by contacting the registered office, principal office, or other office of record provided to the Authority. If the Authority is unable to contact the Authorised Person by this method, steps will be taken to contact the primary service providers of the Authorised Person directly. Lastly, the Authority will make use of public information to ascertain whether contact details for the Authorised Person can be obtained.
- 2) Where the Authority has no contact with the Authorised Person, the Authority will seek to contact the principals or interested parties of the Authorised Person in the public domain.

### **3. Posting Notices on the Authority's Website**

- 1) Where the Authority has made reasonable efforts to locate the Authorised Person and has been unsuccessful in doing so, the Authority will post all Notices on its website. Publication of such Notices, however, will only be implemented as a last resort.
- 2) With respect to the content of such Notices, the Authority will follow Part II of the Enforcement Manual - Procedures for Issuing Administrative Fines - as they relate to issuing Warning Notices, Decision Notices, Breach Notices and Fine Notices, except as set out in paragraphs 3.3 and 3.4 below.
- 3) In addition, when Notices are posted on the Authority's website using this Procedure, there will be an accompanying statement that reflects that:
  - a) the Authority has made reasonable efforts to locate the Authorised Person and has been unsuccessful in doing so. As a result, the Authority is therefore posting this Notice publicly to give notice to the Authorised Person and all interested parties; and
  - b) the Authority gives notice that any lack of communication with the Authority may also be considered when assessing the fitness and propriety of the Authorised Person's current directors or proposed directors, or any other Officers.

- 4) When issuing Notices using this Procedure, the Authority will address the Notices to all interested parties affected by the decision, as follows:
    - a) to the last postal address or last e-mail address given to the Authority via the relevant online portal administered by the Authority; and
    - b) by posting the Notices on the Authority's website.
  - 5) Should the Authorised Person contact the Authority prior to a decision to take Enforcement Action being made and provide alternative contact details, the Notices pertaining to that matter will be removed from the Authority's website. The Authority will then revert to the standard procedures set out in the Manual for issuing Notices.
  - 6) Should the Authorised Person contact the Authority after a decision to take Enforcement Action has been made, and subsequently achieve compliance, either by bringing the entity into compliance or by complying themselves, the Notice will only be removed upon satisfactory resolution of the deficiencies.
-



# Enforcement Manual

Cricket Square  
PO Box 10052  
Grand Cayman KY1-1001  
Cayman Islands

Tel: +1 (345) 949-7089  
[www.cima.ky](http://www.cima.ky)