

Cayman Islands bank regulatory update - July 2020

Insights - 10/07/2020

The Monetary Authority (Administrative Fines) (Amendment) Regulations, 2020 (the **Amendment**) came into force in the Cayman Islands on 26 June 2020.

The Amendment amends Schedule 1 of the Monetary Authority (Administrative Fines) Regulations (the **Regulations**) to extend the administrative fines regime beyond breaches of the Anti-Money Laundering Regulations to a much broader spectrum of breaches under various Cayman regulatory laws, including the Banks and Trust Companies Law (collectively, the **Regulatory Laws**).

The Amendment grants power to the Cayman Islands Monetary Authority (**CIMA**) under the Regulations to issue administrative fines for breaches of various provisions of the Regulatory Laws and also specifies which breaches CIMA will consider as minor, serious or very serious in nature.

Of particular interest to Cayman bank licensees will be how breaches of the Banks and Trust Companies Law will be treated under the Regulations. By way of example and without being exhaustive, any breach:

- of the restriction on class B banks not to take deposits from any person resident in the Cayman Islands or invest in any asset which represents a claim on any person resident in the Cayman Islands (other than within certain limited exceptions) will be considered as a "very serious" breach by CIMA;
- of the requirement to obtain prior approval from CIMA in connection with the issuance, transfer or disposal of shares in a bank licensee (or its parent entity) will be considered as a "serious" breach by CIMA;
- of the requirement to obtain prior approval from CIMA (unless it is exempt from such requirement) in connection with the appointment of a director or other senior officer of a bank licensee will be considered as a "serious" breach by CIMA; and

- of the requirement by a bank licensee to comply with a condition of its bank licence will be considered as a "serious" breach by CIMA.

Under the Monetary Authority Law CIMA has the ability to issue administrative fines as follows:

- a. for breaches prescribed as **minor** a fine of CI\$ 5,000 (approximately US\$ 6,100);
- b. for breaches prescribed as **serious** a fine of up to CI\$ 50,000 (approximately US\$ 61,000) for an individual and CI\$ 100,000 (approximately US\$ 122,000) for a body corporate; and
- c. for breaches prescribed as **very serious** a fine of up to CI\$ 100,000 (approximately US\$ 122,000) for an individual and CI\$ 1,000,000 (approximately US\$ 1,220,000) for a body corporate.

Cayman bank licensees would be well advised to ensure that they are aware of their ongoing obligations under the Regulatory Laws to avoid any inadvertent breaches and any potential penalties under the Regulations.

If you have any questions or would like more information please get in touch with one of our team or your usual Ogier contact.

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