

## FATF REMOVES CAYMAN ISLANDS FROM GREY LIST: CAYMAN ISLANDS STILL REMAIN ON EU AML BLACK LIST

In connection with an announcement by the Financial Action Task Force (FATF) of the outcomes of its plenary meeting in Paris on 25-27 October 2023, the FATF confirmed that Cayman Islands is no longer included on its grey list.

Whether the Cayman Islands is a permissible jurisdiction for the establishment of securitization special purpose entities (or "**SSPEs**") for purposes of Article 4 of the EU Securitisation Regulation has been of significant interest to US CLOs that are marketed to EU-based investors. In March 2022, the Cayman Islands were added to the so-called EU AML "blacklist"<sup>1</sup> after the FATF had added the Cayman Islands to its list of "jurisdictions under increased monitoring" (the less serious of FATF's two categorizations, known as the grey list). For purposes of Article 4 of the EU Securitisation Regulation, SSPEs may not be established in a country on the EU AML blacklist. This has generally resulted in a migration of US CLOs to using SSPEs domiciled in Jersey and Bermuda over the course of 2022. Discussions about the Cayman Islands inclusion on the various stop lists have been continuing since then, with the Cayman Islands actively seeking to address the reported deficiencies with the relevant regulators and forces, including the FATF.

**Removal from the FATF's grey list represents significant progress for the Cayman Islands but does not guarantee its removal from the EU AML blacklist. The EU has its own independent process of assessment of risks and updates to the EU AML blacklist, and its periodic reviews are not linked to FATF grey list updates. As a result, it is unlikely the Cayman Islands will be removed from the EU AML blacklist before the end of the current calendar year. We will continue to monitor developments related to any potential for a related update of the EU AML blacklist.**

Unlike the EU Securitisation Regulation, the UK Securitization Regulation refers to the FATF's black list (the more serious of FATF's two categorizations), which has not included Cayman Islands. On that basis, UK investors have not been prohibited from investing in securitization transactions that use SSPEs established in the Cayman Islands.

<sup>1</sup> [Commission Delegated Regulation \(EU\) 2022/229](#).

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