

Guidance Note

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Cayman Islands AEOI Framework

FATCA, CRS AND CARF IN A UNIFIED GLOBAL TRANSPARENCY REGIME

Overview

The Cayman Islands operates a comprehensive automatic exchange of information (“AEOI”) regime aligned with global tax transparency standards developed by both the United States under the Foreign Account Tax Compliance Act, administered by the Internal Revenue Service (“IRS”), and the Organisation for Economic Co-operation and Development (the “OECD”), as implemented through domestic Cayman Islands legislation administered by the Tax Information Authority (“TIA”) and the Department for International Tax Cooperation (“DITC”).

The framework has evolved significantly beyond traditional financial account reporting. It now encompasses three integrated but legally distinct regimes:

- United States Foreign Account Tax Compliance Act (“FATCA”);
- OECD Common Reporting Standard (“CRS”), as updated through CRS 2.0 amendments; and
- OECD Crypto-Asset Reporting Framework (“CARF”), now implemented into Cayman Islands law.

These regimes collectively establish a multi-layered compliance framework covering traditional financial services, investment structures, electronic money products, and crypto-asset ecosystems. While each regime operates independently, they are increasingly aligned in scope, data standards, and due diligence expectations, reflecting a global convergence of tax transparency rules.

FATCA – United States Tax Reporting Regime

FATCA was introduced in 2010 to combat offshore tax evasion by US taxpayers holding financial assets outside the United States. The Cayman Islands implemented FATCA through a Model 1B intergovernmental agreement with the United States entered into on 29 November 2013.

Under this regime, Cayman Islands Financial Institutions (“FIs”) are required to identify and report information relating to financial accounts held directly or indirectly by US Persons. Rather than reporting to the United States IRS directly, Cayman FIs report to the TIA in the Cayman Islands, which then exchanges the relevant information with the IRS. FATCA also permits group registration and sponsoring arrangements, pursuant to which a sponsoring entity may undertake registration and reporting obligations on behalf of sponsored entities, subject to applicable IRS guidance and conditions.

FATCA continues to apply across a broad range of Cayman Islands entities, including investment funds, banks, custodians, insurers, and other regulated financial service providers.



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CRS – Global Financial Account Reporting Standard

The CRS was developed by the OECD to facilitate the automatic exchange of financial account information between participating jurisdictions on a global basis. The Cayman Islands implemented CRS in 2015, establishing reporting obligations for Cayman Islands Financial Institutions (“FIs”) in respect of account holders who are tax residents in other participating jurisdictions.

CRS applies broadly across the financial services industry, particularly to investment funds, custodians, banks, and insurance companies. It requires FIs to identify reportable accounts, collect tax residency information, and report prescribed financial data annually to the TIA for onward exchange with relevant foreign tax authorities.

Over time, CRS has become a foundational pillar of international tax compliance. However, in response to financial innovation and the digitalisation of financial markets, the OECD introduced significant enhancements to the regime commonly referred to as “CRS 2.0”, which have been implemented in the Cayman Islands through the 2025 CRS Amendment Regulations, effective from 1 January 2026.

CRS 2.0 – Expanded Scope, Higher Standards and Digital Integration

The Cayman Islands has implemented CRS 2.0 through the Tax Information Authority (International Tax Compliance) (Common Reporting Standard) (Amendment) Regulations, 2025. These amendments take effect from 1 January 2026, with the first reporting under the revised regime due in 2027 (for the 2026 reporting period).

CRS 2.0 reflects the next phase in the evolution of international tax transparency standards, with a focus on adapting the existing framework to developments in financial technology, digital assets and evolving market practices. The amendments are intended to enhance consistency, improve data quality and align the CRS more closely with parallel regimes, including the Crypto-Asset Reporting Framework.

From a governance perspective, CRS 2.0 builds on existing requirements by clarifying and strengthening expectations around the implementation of due diligence procedures. Cayman FIs were already required to maintain written policies and procedures; however, the updated regime places greater emphasis on the effective operation, documentation and evidencing of those frameworks in practice. In particular, FIs must ensure that valid self-certifications are obtained at or before account opening, subject only to limited exceptions, and must apply appropriate validation checks to confirm the reasonableness of the information collected. The focus on data accuracy, completeness and ongoing monitoring has been reinforced in response to findings from earlier CRS reporting cycles.

The amendments also introduce refined registration and ongoing compliance requirements. FIs are now required to register by 31 January following the year in which they become an FI, with transitional arrangements applying in respect of entities that were already in scope prior to the new rules taking effect. In addition, each FI must appoint a Principal Point of Contact (“PPOC”) located in the Cayman Islands. Existing entities have been granted a transitional period to update their PPOC arrangements in line with this requirement.

CRS 2.0 further updates the reporting cycle and filing process. For the 2026 reporting period onwards, returns must be submitted by 30 June of the following year, together with a



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declaration confirming that the information reported is accurate and complete. This represents a tightening of the reporting timetable and reinforces the importance of timely data collection and validation.

In terms of scope, CRS 2.0 expands the categories of financial products captured by the regime to include certain electronic money products and may extend to certain central bank digital currencies, as well as indirect exposures to crypto-assets held through financial instruments or investment structures. These changes are designed to reduce gaps in the reporting framework and ensure greater alignment with the treatment of digital assets under parallel international standards.

Overall, CRS 2.0 should be viewed as an evolution of the existing regime rather than a wholesale redesign, with a clear emphasis on improving the quality, consistency and scope of information reported. Cayman FIs should ensure that their existing compliance frameworks are reviewed and, where necessary, enhanced to meet the updated operational and reporting expectations.

CARF – Global Crypto-Asset Reporting Framework

CARF has now been formally implemented into Cayman Islands law through the Tax Information Authority (International Tax Compliance) (Crypto-Asset Reporting Framework) Regulations, 2025 effective from 1 January 2026.

CARF represents a standalone but fully integrated pillar of the Cayman Islands AEOI architecture and marks the first comprehensive global tax reporting regime specifically targeting crypto-asset activity. Its introduction reflects international regulatory recognition that crypto-assets are increasingly used as investment and payment instruments outside traditional financial reporting frameworks.

CARF applies to Reporting Crypto-Asset Service Providers (“RCASPs”), which include exchanges, brokers, dealers, custodians, trading platforms, intermediaries, and operators of crypto-asset ATMs. The scope is intentionally broad and captures both centralised and intermediary-based crypto-asset transactions.

Under CARF, in-scope entities are required to perform due diligence on users and controlling persons, obtain valid self-certifications of tax residency, and maintain systems capable of identifying and reporting reportable crypto-asset transactions. Reportable transactions include exchanges between crypto-assets and fiat currency, exchanges between different crypto-assets, and transfers of reportable crypto-assets, including certain off-platform transfers where intermediated by an RCASP.

In addition, RCASPs are required to comply with registration and ongoing reporting obligations via the DITC, including the appointment of a PPOC located in the Cayman Islands. This reflects a broader shift across the Cayman AEOI framework towards enhanced local accountability and regulatory oversight. Entities that are already subject to CRS may align this role across regimes, although CARF-only entities must also ensure that an appropriately authorised Cayman-based PPOC is in place. Where an entity is also subject to CRS or FATCA, the same individual may, subject to operational appropriateness, be appointed across regimes to ensure governance consistency and streamline regulatory engagement.



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Annual reporting under CARF includes detailed user identification data, jurisdiction of tax residence, transaction values, and crypto-asset identifiers. The information is then exchanged with relevant partner jurisdictions under international agreements.

Industry commentary consistently highlights that CARF introduces a new and operationally intensive compliance framework for digital asset businesses in the Cayman Islands, particularly in relation to data capture, wallet-level identification, transaction traceability, and onboarding documentation standards. Entities operating in this space should assess early whether they fall within scope and ensure that systems, governance arrangements and service providers are capable of meeting the new requirements.

Cayman Islands AEOI Legislative Architecture

The Cayman Islands AEOI regime is governed by three core legislative instruments: the FATCA Regulations, the CRS Regulations (as amended by CRS 2.0), and the CARF Regulations.

The AEOI regimes impose four core obligations on Reporting FIs and in-scope RCASPs: (i) registration with the relevant authorities (including the IRS for FATCA purposes and the DITC for all regimes); (ii) notification of reporting status via the DITC online portal system (the “DITC Portal”); (iii) implementation of due diligence procedures to identify reportable accounts or transactions; and (iv) annual reporting of prescribed information within statutory deadlines.

All registration, notification and reporting obligations are administered through the DITC Portal, which functions as the centralised platform for compliance across all AEOI regimes and forms the operational backbone of the Cayman Islands’ consolidated reporting infrastructure.

While each regime operates independently, they are increasingly converging in terms of data standards, onboarding expectations, and compliance governance requirements.

Entity Classification and Scope of Application

A key threshold determination under the Cayman Islands AEOI regimes is whether, and how, an entity falls within scope of the relevant framework. The applicable classification will determine the nature and extent of its compliance obligations.

Under the FATCA and CRS regimes, the primary distinction is whether an entity is classified as an FI or a Non-Financial Entity (“NFE”). FIs include custodial institutions, depository institutions, specified insurance companies and investment entities. In practice, most Cayman Islands investment fund structures will fall within the investment entity category due to their investment or asset management activities.

Entities that do not meet the definition of an FI are classified as NFEs and are further categorised as either ‘active’ or ‘passive’. Passive NFEs are generally subject to “look-through” requirements, whereby FIs must identify and report on their controlling persons in certain circumstances. Certain entities may qualify as Non-Reporting FIs under FATCA or CRS and are therefore subject to reduced or nil reporting obligations. However, classification must be carefully assessed on a regime-by-regime basis, as exemptions are not uniform across FATCA, CRS and CARF, and reliance on FATCA classifications is not determinative for CRS purposes.

By contrast, CARF adopts a distinct approach to classification. Rather than focusing on FI status, CARF applies to entities that qualify as RCASPs, being those that, as a business,



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facilitate or provide services enabling crypto-asset transactions for or on behalf of users. This includes exchanges, brokers, dealers, custodians, intermediaries and certain platform operators.

Under CARF, the focus is therefore on the nature of the activities performed, rather than the broader institutional classification of the entity. In-scope entities are required to conduct due diligence on their users and, where applicable, identify controlling persons, in order to determine whether reportable transactions arise.

Registration, PPOC and Governance Requirements

Reporting FIs must comply with registration and notification obligations under the relevant regime(s) via the DITC Portal. The DITC Portal operates as the centralised system for registration, notification, reporting and ongoing compliance monitoring across all AEOI regimes, replacing legacy reporting channels and forming a key part of the Cayman Islands' consolidated regulatory infrastructure. FATCA also requires registration with the IRS to obtain a Global Intermediary Identification Number ("GIIN").

A key development under CRS 2.0 and CARF is the requirement for each FI and RCASP to appoint a PPOC located in the Cayman Islands and to maintain this registration on the DITC Portal. This reflects a move towards enhanced local accountability and more direct regulatory engagement.

Under CRS 2.0, this requirement applies on a transitional basis for existing FIs, with full compliance expected by 31 January 2027 for entities already registered prior to the updated framework. CARF follows a similar approach, with RCASPs required to appoint a Cayman Islands-based PPOC and complete their registration on the DITC Portal prior to the commencement of their first reporting obligations by 31 January 2027. This ensures that the DITC has an appropriately designated local contact responsible for ongoing compliance, notifications and regulatory correspondence from the outset of the CARF reporting framework.

The PPOC acts as the primary liaison with the DITC and is responsible for coordinating notifications, maintaining registration details, and overseeing ongoing compliance with all applicable AEOI obligations, including reporting submissions and regulatory correspondence.

Due Diligence, Data Quality and Systems Expectations

Across the Cayman Islands AEOI regimes, including FATCA, CRS and CARF, in-scope entities are required to implement robust due diligence procedures designed to identify reportable accounts and transactions. For FIs under FATCA and CRS, and RCASPs under CARF, these obligations form a central component of ongoing compliance.

Under CRS 2.0, due diligence requirements have been further refined, with increased emphasis on the timely collection and validation of self-certifications, enhanced onboarding controls and clearer expectations regarding the operation and documentation of policies and procedures. Similarly, CARF introduces detailed due diligence requirements focused on the identification of users, the classification of crypto-asset transactions and, where applicable, the determination of controlling persons.



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In practice, in-scope entities are expected to maintain systems capable of capturing jurisdictional tax residency information, transaction data (including, in the case of CARF, crypto-asset transfers and exchanges), and changes in circumstances, and to ensure the ongoing accuracy and completeness of reported information.

Record-keeping requirements generally extend to at least six years, and entities must be able to demonstrate, upon request, that appropriate procedures have been implemented and consistently applied. Increasingly, regulatory expectations are focused not only on the existence of policies and systems, but on their effective operation and the quality of the data produced.

Reporting Obligations and Timelines

Annual reporting is submitted electronically to the TIA via the DITC Portal.

For the 2025 reporting year (filed in 2026), existing timelines continue to apply:

- CRS and FATCA returns: 31 July 2026; and
- CRS Compliance Form: 15 September 2026.

From the 2026 reporting year onwards (filed in 2027):

- CRS Returns and Compliance Forms: 30 June of the following year, accompanied by a compliance declaration;
- FATCA: continues on its existing cycle (31 July); and
- CARF: first reporting cycle commences for the 2026 calendar year, with first filings due in 2027 (subject to DITC guidance).

Following submission, the TIA exchanges relevant information with partner jurisdictions in accordance with international agreements, generally by 30 September each year.

Reports must include detailed account holder or user information, tax residency data, and relevant financial or transaction information, depending on the applicable regime. This may include account balances, income (such as interest and dividends), or, in the case of CARF, reportable crypto-asset transactions and associated values.

Enforcement and Penalties

The Cayman Islands maintains a robust and increasingly data-driven enforcement framework across all AEOI regimes, including FATCA, CRS, and CARF. Enforcement is administered by the TIA, supported by the DITC, and is focused not only on reporting outcomes but also on the adequacy and effectiveness of underlying compliance systems.

Under CRS 2.0, enforcement expectations have been refined to reflect heightened standards of regulatory oversight, particularly in relation to the accuracy, completeness and timeliness of reporting. Cayman FIs are expected to maintain demonstrable governance frameworks, including documented due diligence procedures, audit trails for self-certifications, and



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evidence of ongoing monitoring. The penalty framework includes administrative penalties for non-compliance, with updated aggregate caps and the ability for the TIA to impose continuing penalties where breaches are not remedied.

CARF introduces a parallel and equally robust enforcement regime applicable to RCASPs. In addition to penalties for late filing or inaccurate reporting, CARF specifically contemplates enforcement action where an RCASP fails to implement the required systems and controls to identify users, capture reportable transactions, or maintain adequate records. This reflects the operational nature of CARF compliance, where system capability and data integrity are treated as core regulatory obligations.

Across all AEOI regimes, enforcement is not limited to entity-level liability. Directors, managers, general partners, trustees and other persons exercising control functions may be held personally liable where non-compliance arises from failure to comply with applicable obligations or to maintain adequate governance and oversight arrangements. In addition, the TIA has broad information-gathering and inspection powers, and may require the production of records to verify compliance with applicable AEOI obligations. In limited circumstances, the legislation provides for a “reasonable excuse” defence in respect of certain breaches; however, reliance on third parties or administrative oversight is not generally sufficient to displace compliance responsibility.

Enforcement under CRS 2.0 and CARF increasingly emphasises substance over form, focusing on whether systems, controls and governance arrangements are genuinely effective in practice, rather than whether reporting obligations have merely been technically completed.

Practical Impact and Implementation Considerations

The combined implementation of CRS 2.0 and CARF represents a material increase in compliance obligations for Cayman Islands entities. FIs and RCASPs are now expected to maintain significantly enhanced onboarding systems, stronger data validation processes, and more sophisticated reporting infrastructure.

Entities should anticipate increased regulatory scrutiny in relation to self-certification reliability, data completeness, and governance oversight. Early implementation planning is strongly recommended, particularly ahead of the 2026 CRS 2.0 implementation and 2027 CARF reporting cycle.

Conclusion

The Cayman Islands AEOI regime has evolved into a fully integrated, multi-dimensional transparency framework encompassing traditional financial reporting, enhanced global standards under CRS 2.0, and a comprehensive new regime for digital assets under CARF.

These developments reflect the Cayman Islands’ continued alignment with global tax transparency initiatives and underscore the increasing importance of robust compliance infrastructure for all Cayman Islands FIs and RCASPs.



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How can Stuarts Help?

The Stuarts Regulatory Group advises on all aspects of AEOI compliance. Together with our affiliates, we provide a full suite of services to assist clients in meeting their regulatory obligations in the Cayman Islands across FATCA, CRS and CARF.

Our services include:

- Provision of Cayman Islands legal advice on the application of FATCA, CRS and CARF to relevant entities;
- Analysis and determination of entity classification under each regime, including any available exemptions or exclusions;
- Advising on self-certification requirements and due diligence obligations;
- Drafting and reviewing self-certification forms, sponsored entity arrangements, delegation agreements and outsourcing arrangements;
- Drafting and assisting with AEOI policies, procedures and compliance frameworks;
- Assisting with registration with the United States Internal Revenue Service and obtaining a Global Intermediary Identification Number (GIIN);
- Assisting with registration with the Cayman Islands Tax Information Authority and obtaining a Financial Institution (FI) number (where applicable), and CARF registration for Reporting Crypto-Asset Service Providers (RCASPs) via the DITC Portal;
- Advising on the roles and requirements of the Principal Point of Contact (PPOC), Authorised Person (AP) and Responsible Officer (RO), and providing PPOC and AP services where required; and
- Conducting AEOI compliance reviews and assisting with regulatory reporting submissions.



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Guidance

This publication is for general guidance and is not intended to be a substitute for specific legal advice. Specialist advice should be sought about specific circumstances. If you would like further information, please contact:

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Our proven track record in advising leading international Law Firms, Investment Managers, Investment Companies and High-Net-Worth individuals is a result of the deep understanding of our markets.

At Stuarts, we build and maintain enduring relationships with our clients through the combined legal expertise and business acumen of our practice groups and by providing outstanding service.



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