

CAYMAN ISLANDS



Supplement No.18 published with Gazette No.15
dated 28 July, 2003.

THE SECURITIES INVESTMENT BUSINESS LAW (2003 REVISION)

THE SECURITIES INVESTMENT BUSINESS (LICENCE APPLICATIONS AND FEES) REGULATIONS, 2003

ARRANGEMENT OF REGULATIONS

1. Citation and commencement.
2. Definitions.
3. Application for licence.
4. Fees.
5. Conditions of licence.

CAYMAN ISLANDS

**THE SECURITIES INVESTMENT BUSINESS LAW
(2003 REVISION)**

**THE SECURITIES INVESTMENT BUSINESS (LICENCE
APPLICATIONS AND FEES) REGULATIONS, 2003**

The Governor in Cabinet, in exercise of the powers conferred by section 11 of the Securities Investment Business Law (2003 Revision) makes the following regulations -

1. (1) These regulations may be cited as the Securities Investment Business (Licence Applications and Fees) Regulations 2003. Citation and commencement

(2) These regulations come into force on 29 July, 2003.

2. In these regulations, unless the context otherwise requires – Definitions

“broker-dealer” means a person engaged in one or more of the activities specified in Schedule 2(1)(a) of the Law;

“broker member” has the meaning assigned by section 2;

“Law” means the Securities Investment Business Law (2003 Revision);

“market maker” has the meaning assigned by section 2;

“restricted securities investment business licence” means a securities investment business licence that contains a restriction referred to in section 6(10) and prescribed in regulation 5;

“section” means a section of the Law;

“securities advisor” means a person engaged in activities specified in Schedule 2(4) of the Law;

“securities arranger” means a person engaged in one or more of the activities specified in Schedule 2(2) of the Law; and

“securities manager” means a person engaged in activities specified in Schedule 2 (3) of the Law.

Application for licence

3. (1) The particulars to be contained in an application for a securities investment business licence under the Law, and the information to accompany the application, are set out in the First Schedule of these Regulations.

(2) The Authority may require an applicant to provide supplementary information on, or clarification of, the information initially provided in an application.

(3) The Authority may, by notice published in the Gazette, amend the application form in the First Schedule for clarification purposes only and may also amend the format of the form.

Fees

4. The fees payable on the first grant of a licence under section 7(1) and the renewal fee for a licence under section 7(2) are set out in the Second Schedule of these Regulations.

Conditions of licence

5. (1) The maximum number of clients to whom a person holding a restricted securities investment business licence may provide services is twenty.

(2) Subject to the maximum in sub-regulation (1), a person who is not in the first instance listed as a client under the relevant section of the application form in the First Schedule shall not be provided services until the particulars required under the First Schedule have been provided in writing to the Authority.

(3) It shall be a condition of any restricted securities investment business licence that services may only be provided to the clients identified to the Authority in the application form or as provided under sub-regulation (2).

(4) A restricted securities investment business licence shall be available for all categories of securities investment business except the following-

- (a) market maker; and
- (b) securities arranger.

FIRST SCHEDULE

(Regulation 3)

PARTICULARS TO BE CONTAINED IN, AND INFORMATION TO ACCOMPANY, AN APPLICATION FOR THE GRANT OF A SECURITIES INVESTMENT BUSINESS LICENCE

SECTION A: GENERAL INFORMATION

This section to be supported by applicant's completion of the statement in annex 1 and submission of the supplementary documentation indicated in the footnote(s)

1. Name of applicant
2. Web site address (where applicable)
3. Proposed date of commencement of business
4. Legal status of the applicant
5. Date and place of incorporation/formation¹
6. Financial year-end date

¹ Applicant to provide a copy of the memorandum and articles of association, Law, statute, charter, partnership agreement or other instrument constituting and defining the constitution of the applicant, verified by a statutory declaration made by one of its directors or partners or by its secretary and-

- (a) in the case of an applicant which is a company incorporated in the Islands, certified under section 27 of the Companies Law (2002 Revision); and
- (b) in the case of an applicant incorporated otherwise, certified and authenticated under the public seal of the country, city or place under the law of which it is incorporated.

7. Previous trade or corporate names

8. Current regulatory licence(s) Date of issuance Name & address of regulator

9. Is the applicant a broker member of the Cayman Islands Stock Exchange?

Yes No

9(a) Are shares of the applicant or its parent traded on a securities exchange?

Yes No

If yes, name and address of exchange(s)

10. Applicant's Principal Contact in the Islands

Name

Job Title

Address

Phone No.

Fax no.

E-mail address

Relationship of the principal contact to the applicant:

11. Registered and Principal Office (if the two are not the same, provide the details on each)

Address

Phone No.

Fax No.

E-mail address

12. Proposed securities investment business activity for which a licence is sought (tick as appropriate)

Type of Licence	Full	Restricted
Broker-dealer	<input type="checkbox"/>	<input type="checkbox"/>
Market maker		
Securities arranger		
Securities manager	<input type="checkbox"/>	<input type="checkbox"/>
Securities advisor	<input type="checkbox"/>	<input type="checkbox"/>

13. Is the applicant part of a group? Yes No

If yes, name of the group's holding company:

14. If the applicant or its parent company (where applicable) is not currently subject to regulation in the Islands or in any other country, details as to whether -

- (a) the applicant or its parent company has ever been refused or had any authorisation to carry on securities investment, banking or other financial business revoked in any country;
- (b) the applicant, its parent company or senior officers have ever, in respect of membership of any securities organisation or of any stock exchange-
 - (i) been refused membership or had membership revoked; or
 - (ii) been the subject of disciplinary proceedings or sanctions;
- (c) the applicant or its parent company has, at any time during the ten years prior to the date of the application-
 - (i) had a receiver, administrative receiver or administrator appointed, or
 - (ii) failed to satisfy a debt adjudged due or a debt in respect of which a decree has been passed against it, or

- (iii) entered into a scheme of arrangement or composition of its debts with its creditors;
- (d) a petition for the compulsory winding up of the applicant or its parent company has been served at any time during the ten years prior to the date of the application;
- (e) the applicant or its parent company has ever been convicted of any offence involving fraud or other dishonesty or of an offence under any law relating to financial services, insolvency, consumer credit or consumer protection;
- (f) the applicant or its parent company has ever been the subject of regulatory, administrative or other civil or criminal proceedings or investigation under the law of any country;
- (g) the applicant, its parent company or senior officers have ever entered into any settlements to avoid legal action or adverse publicity; or
- (h) the applicant, its parent company or senior officers have ever been the subject of material complaints from clients or former clients in relation to securities investment business or any other financial services activity.

SECTION B: RESTRICTED LICENSE

15. If the applicant is seeking a restricted licence under section 6(10) of the Law, provide the names and addresses of the clients to whom the applicant wishes to provide services:

SECTION C: APPLICANT'S SERVICE PROVIDERS

This section is to be completed by the submission of the supplementary documentation indicated in the footnote(s)

16. Name of legal adviser firm

Name and position of specific lawyer assigned

Address of firm

Phone No.

Fax No.

E-mail address

Have the legal advisers of the applicant or its parent company changed during the three years prior to the date of application? If so, provide details of the change, including the reason for it.

17. Name of Auditors²

Address of Firm

Phone No.

Fax No.

E-mail address

Date of appointment

Name of partner contact

Have the auditors of the applicant or its parent company changed during the three years prior to the date of application? If so, provide details of the change, including the reason for it.

18. Name of bankers

Address

Phone

Fax

E-mail

² The auditors' letter of consent is to be provided, and such letter is to indicate the acceptance of appointment, the name of the entity to which the acceptance relates, the date of the financial year end and the accounting principles to be used.

Have the bankers of the applicant or its parent company changed during the three years prior to the date of application? If so, provide details of the change, including the reason for it.

SECTION D: OWNERSHIP AND MANAGEMENT INFORMATION

This section is to be completed by the submission of personal questionnaires in a form approved by the Authority on all natural persons listed in paragraphs 19-21 below

19. Directors and other senior officers

Title	First Name	Last Name	Address	Nationality
-------	------------	-----------	---------	-------------

20. Managers (to include the compliance officer)

Title	First Name	Last Name	Address	Nationality
-------	------------	-----------	---------	-------------

21. Shareholders

List all shareholders, including corporate shareholders³, with 10% or greater of issued share capital or total voting rights.

(a) Natural persons

Title	First Name	Last Name	Address	# of shares	Nationality
-------	------------	-----------	---------	-------------	-------------

(b) Corporate persons

Name	Address	# of shares	Country of incorporation
------	---------	-------------	--------------------------

³ In the case of any corporate shareholders, the personal questionnaire is to be completed in respect of the beneficial owner(s) thereof, unless the company is traded on a recognised exchange, in which case only evidence of that it is so traded is required to be submitted.

SECTION E: REFERENCES

The following references are required to be submitted:

22. In respect of each person listed in D19, D20 and D21(a):
- (a) 2 character references;
 - (b) 1 reference verifying good financial standing; and
 - (c) a police or other certificate satisfactory to the Authority certifying that the person has not been convicted of a serious crime or any offence involving dishonesty.

23. Financial Resources

Current liquid capital

Shareholders' equity

Issued and paid-up share capital US\$

Amount and nature of loan capital US\$

Total assets US\$

Where applicable, state how much of the capital of each subsidiary of the applicant constitutes an asset of the applicant.

24. Audited Accounts

The following is required to be submitted:

- (1) in respect of the applicant-
- (a) where the applicant has been established within 6 months of the date of application and has not commenced operations:
 - (i) a statement from a senior officer of the applicant confirming that the applicant has not commenced trading since the date of establishment and that no accounts have been produced or dividends declared; and
 - (ii) an audited balance sheet, including the minimum financial resources required under regulation 9 of the Securities Investment Business (Financial Requirements and

**SECTION F:
FINANCIAL
INFORMATIO
N AND
INSURANCE**

Standards) Regulations 2003, as at a date not more than 31 days prior to the date of the application.

- (2) For all other applicants:
- (a) audited accounts⁴ for the 2 financial years immediately preceding the date of application or, if shorter, since the date of establishment; and
 - (b) the auditor's reports accompanying the audited accounts.

If the audited accounts are for a period of less than 2 years, the applicant must submit any interim financial statements produced subsequently, indicating whether or not such statements have been audited.

In respect of any corporate shareholders listed in D21(b) and the corporate shareholder's parent company, if any, annual accounts for the 2 years immediately preceding the year of application.

25. Indicate below whether the applicant has cover or arrangements for cover in respect of the following:

	Limit	Insurer
Professional indemnity:	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Directors and Officers:	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Business interruption:	Yes <input type="checkbox"/> No <input type="checkbox"/>	
Other (please provide details):	Yes <input type="checkbox"/> No <input type="checkbox"/>	

SECTION G: COMPLIANCE & ANTI-MONEY LAUNDERING PERSONNEL
--

26. Name and position of Money Laundering Reporting Officer:

27. Name and qualifications of the chief internal auditor, if applicable:

⁴ Where the applicant has subsidiaries, the accounts of the applicant and its subsidiaries must be in consolidated form, unless otherwise agreed by the Authority.

**SECTION H:
DECLARATI
ON**

To be signed and submitted by two senior officers of the applicant

I (full name and address)

and

I (full name and address and position)

Declare that we are duly authorised to make this application.

We confirm that we have read and understood the provisions of the Securities Investment Business Law, 2001 and the Regulations made under it and the Money Laundering Regulations 2000 and we declare that the business in respect of which this application is made will be conducted in accordance with the provisions of the Law and the Regulations.

We declare the particulars provided in the application to be accurate in all material respects to the best of our knowledge and belief.

Signatures

Date.

ANNEX 1

DETAILS TO BE INCLUDED IN SECTION A STATEMENT

A. Background

(1) A brief resumé of the applicant's history and reasons for seeking a securities investment business licence.

(2) Where applicable, a structure chart showing all group, holding company, subsidiary and affiliate relationships, including details of the jurisdictions in which such entities are domiciled and operate. Indicate also any regulatory authorities to which any of the entities report.

(3) Where applicable, a brief outline of the major sources of income for the group.

B. The business objectives of the applicant-

- (1) A description of the types of services/products to be offered;
- (2) Outline of marketing strategy and methods, including the market to which services and products are to be directed;
- (3) Any other relevant information

C. A list of companies with whom the applicant has or intends to have agency agreements.

D. Details of any sub-contracting arrangements for services or advice to be bought in from third parties or other group companies.

E. Outline of management and staff structure of the applicant, showing total number of staff and senior officers and managers and their responsibilities. For senior employees who will be dealing directly with clients other than in a purely administrative or clerical capacity (e.g. brokers, investment advisors, investment managers), include their curricula vitae.

F. Systems and Controls

Provide an outline of

- (1) how compliance and quality control is secured and separation of functions achieved;
- (2) any major computer applications that will be used;
- (3) internal audit functions;
- (4) systems and procedures to secure compliance with the Money Laundering Regulations; and
- (5) governance structure and controls at board level.

G. In the case of applicants with less than 10 staff members, information regarding the arrangements made to ensure that the interests of clients will be safeguarded in the event of death, incapacity, holidays and illness.

SECOND SCHEDULE

(Regulation 4)

**FEES PAYABLE IN RESPECT OF A SECURITIES INVESTMENT
BUSINESS LICENCE**

Regulated activity	Application fee	Fee payable on first grant	Annual renewal fee
(a) (i) Broker dealer	500	8000	8000
(ii) if broker member	250	2000	2000
(b) Securities arranger	250	4000	4000
(c) Securities manager	500	8000	8000
(d) Securities advisor	500	8000	8000
(e) market maker	500	8000	8000
(f) any additional licence after the first, of (a) and (c) to (e) above, for each licence	500	4000	4000
(g) Restricted licence (all categories)	500	4000	4000
(h) any one licence of (a) (i) and (c) to (e) above in combination with a licence held by the applicant or the parent of the applicant under any other of the regulatory	150	4500	4500

laws

Made in Cabinet the 22nd day of July, 2003

Carmena Watler

Clerk of Cabinet