



# The Navigator

APRIL 2011

## New Banknotes Introduced



The Cayman Islands Monetary Authority is introducing a new series of banknotes, the D series, the first complete redesign of Cayman Islands banknotes since local currency was introduced in 1972. The series incorporates innovative features to significantly increase protection against counterfeiting and to make the notes more durable.

All six denominations – the \$1, \$5, \$10, \$25, \$50, and \$100 banknotes – have been redesigned, carrying new images, patterns and, in the case of one denomination, a new colour. At the same time, many of the familiar elements of the previous notes have been kept for continuity.

Visually, the D series places heavy emphasis on the Cayman Islands' environmental heritage, with most of the notes featuring indigenous fauna and flora from the three Islands. The jurisdiction's expansion from its sea-faring tradition into a modern financial services centre is also depicted. Each note bears an updated portrait of Her Majesty Queen Elizabeth II, along with the Cayman Islands crest, and all the notes now carry an outline of Grand Cayman, Cayman Brac and Little Cayman. (Formerly, only the \$25 had an image of the Islands.)

In keeping with the change brought about by the 2009 Constitution, the signature of the Minister of Finance now appears on each note, rather than that of the Financial Secretary as was the case with the C series of banknotes previous. The signature of CIMA's Managing Director also appears on each

## In This Issue

[New Banknotes Introduced](#)

[D Series Captures State-of-the-art Security](#)

[Restrictive Measures and Other Overseas Territories Orders](#)

[Licence/Registration Numbers and Currency in Circulation](#)

[Caribbean Insurance Regulators to Meet Here](#)

[Regional Regulators Thrash Out Basel III](#)

[Dormant Accounts Law – CIMA's role](#)

[CIMA Extends International Cooperation Agreements](#)

[Red-y for Heart Health](#)

[Banking Staff Boost Team Effectiveness](#)

[HR Developments](#)

## New Banknotes Introduced: Cont.

note. The predominant colours of the C series have been kept, except for the \$50, which is now predominantly purple.

The new family of notes has been in development since 2007. CIMA's Chairman, Mr. George McCarthy, OBE, JP, said: "The Board felt that it was timely to carry out a complete update of the banknotes, first, to modernise a design that had not changed substantially since the initial 1972 design, and, second, to take advantage of the latest security features available. Both the previous and current Cabinet agreed to this initiative. The length of the process, from conception to issuing, reflects how extensive the redesign has been and the many components of such a project."

Premier and Minister of Finance, Hon. McKeeva Bush, OBE, JP, has welcomed the new issue: "I am pleased with the design of these new banknotes, which are a stunning reminder of our Islands' natural treasures. I am happy too that the new series is being issued under the auspices of the Ministry of Finance. This serves as a marker of our recently updated constitution while the Queen's portrait acknowledges our continued British Overseas Territory status."

As with all CI currency, CIMA is issuing the new D series through the local retail banks, on a phased basis. Managing Director, Mrs. Cindy Scotland, explained: "The public can expect to see the \$5 and \$25 notes first. The other denominations will follow as the notes that are now in circulation are gradually withdrawn from circulation. All previously-issued banknotes continue to be legal tender."

Mrs. Scotland also noted the importance of the new security features: "Much thought and work went into enhancing the security elements and increasing the number of different features on each denomination. While counterfeiters will always try, the new notes will be significantly harder to forge, especially if people know what to look for and are vigilant. I urge everyone to take time to get really familiar with the notes so they can better identify attempted counterfeiters."

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## D Series Captures State-of-the-art Security

Some of the aesthetic modifications in the new series enhance the banknotes' protection from counterfeiters. These and the other visible security features, when taken together, make it relatively easy for most people to tell the difference between Cayman Islands legal tender and counterfeit banknotes, if they look closely.

## The readily-visible security features include:

- **The serial number** – This is different for each banknote.
  - **Metallic window security thread** – This is a silver band, imprinted with the acronym 'CIMA', weaving in and out from top to bottom on the front of the \$1, \$5 and \$10 banknote.
  - **Holographic stripe** – This is a feature on the front of the higher denominations (\$25, \$50, \$100). It appears as a shimmery band running from the top of the note to the bottom. The band is imprinted with images including the Cayman Islands crest and the number 25, 50 or 100, depending on the denomination. When the note is tilted, one image appears to move in the background.
- Other features become clearly visible when the banknotes are held up to the light or are tilted. These include:
- **The turtle watermark** – the outline of a turtle is visible on each denomination when the note is held up.
  - **The 'CIMA' Electrotone** – similar to the watermark, the acronym 'CIMA' becomes visible when the note is held to the light. On the lower three denominations (\$1, \$5, and \$10), 'CIMA' appears horizontally, above the turtle, while on the top three denominations (\$25, \$50, and \$100) 'CIMA' appears vertically, in front of the turtle.
  - **Embedded thread** – This thread appears on the upper three denominations as a solid line when the note is held up to the light.
  - **See-through images** – On both the front and back of each note is an outline of an image that is partially filled-in. When the note is held up, the complete image becomes visible. Each denomination has its own see-through image.
  - **Iridescent band** – This band runs from top to bottom on the front of the lower three denominations only. It becomes visible when the note is tilted.
  - **Latent image, and mask** – A dark horizontal band is present in the lower right section of each note, above the serial number. The denomination appears within this band when the note is viewed at a shallow angle in the light. For example, '\$25' would appear on the \$25 note. Similarly, the denomination appears within the dark, lace-patterned circle when the banknote is held up to the light.
  - **'Gemini'** - An ultraviolet-reactive image, unique to each denomination. In the natural light, the Gemini is seen as an outline of an object on the back of each note, near the top left-hand corner. However, when the note is placed under ultraviolet light a second colour appears.





Denominations of the new D series banknotes

## Restrictive Measures and Other Overseas Territories Orders

From time to time, persons and companies in the Cayman Islands, including financial services entities, may be subject to orders from the United Kingdom, which may be disseminated by the Governor, requiring them to freeze the assets of certain individuals against which the international community, such as the United Nations and the European Union, has issued sanctions. Financial services entities in the Cayman Islands are advised to keep up to date on such orders and implement procedures to monitor the assets of the designated individuals, as breaches of the orders can result in prosecution. The powers to give directions and to list persons against whom restrictive measures will be taken under these orders lie with the Governor. However, the Governor may delegate or authorise the delegation of any of his powers to any person or class of persons, such as CIMA, as he sees fit.

The United Kingdom has issued many orders that extend to Overseas Territories (OTs) that require British and OTs citizens, including companies, to freeze the assets of

designated individuals in certain countries. The names of the designated individuals or entities are published in the Cayman Islands Gazette from time to time.

The countries affected include:

- Afghanistan [The Afghanistan (United Nations Sanctions) (Overseas Territories) Order 2001]
- Belarus [The Belarus (Restrictive Measures) (Overseas Territories) Order 2006] Burma [The Burma (Restrictive Measures) (Overseas Territories) Order 2009]
- The Democratic Republic of the Congo [The Democratic Republic of the Congo (United Nations Sanctions) (Overseas Territories) Order 2005]
- Iran [The Iran (United Nations Measures) (Overseas Territories) Order 2007]
- Ivory Coast [The Ivory Coast (Restrictive Measures) (Overseas Territories) Order 2005]
- Lebanon and Syria [The Lebanon and Syria (United Nations Measures) (Overseas Territories) Order 2006]
- Liberia [The Liberia (Restrictive Measures) (Overseas Territories) Order 2004]
- North Korea [North Korea (United Nations Measures) (Overseas Territories) Order 2006]
- Sudan [The Sudan (United Nations Measures) (Overseas Territories) Order 2005]
- Lebanon and Syria [The Lebanon and Syria (United Nations Measures) (Overseas Territories) Order 2006]
- Tunisia [The Tunisia (Restrictive Measures) (Overseas Territories) Order 2011]
- Zimbabwe [The Overseas Territories (Zimbabwe) (Restrictive Measures) (Amendment) Order 2002]

A list of such orders can be found in the Consolidated Index of Laws and Subsidiary Legislation (last updated on 31 July 2010) at the following link:

<http://www.gazettes.gov.ky/sites/default/files/gazette-sidebar-links/consolidated-index-2010.pdf>

Most recently, the Government of the United Kingdom issued a freezing order against the assets of certain persons in Libya. This measure was extended to the Overseas Territories, including the Cayman Islands, by way of an Order in Council [Libya (Restrictive Measures) (Overseas Territories) Order 2011]. This order was published in the Cayman Islands Gazette on 26 April 2011 and is thus now in force in the Cayman Islands. The Gazette notice can be viewed at: [www.gazettes.gov.ky](http://www.gazettes.gov.ky).

# Caribbean Insurance Regulators to Meet Here

CIMA will host regional insurance regulators at a training workshop, conference and meeting, 13 – 17 June this year.

First, the Caribbean Association of Insurance Regulators (CAIR) and the Caribbean Regional Technical Assistance Centre (CARTAC) stage the CAIR/CARTAC Insurance Supervision Workshop from 13-15 June. The workshop is geared towards insurance supervisors from regulatory agencies that are members of CAIR or from CARTAC member countries. Training will cover actuarial skills in order to orient participants to the roles of actuaries in insurance and expose them to basic actuarial concepts and tools.

Following the workshop, CARTAC will then sponsor the CAIR Conference and Annual General Meeting from 16-17 June. The conference will cover a range of current topics relevant to the supervision of insurance companies. Both events will be held at the Grand Cayman Marriott Beach Resort.

## Regional Regulators Thrash out Basel III

Regulators and institutional supervisors operating throughout the Caribbean traveled to Grand Cayman to attend this year's Regional Seminar on Global Bank reforms from 22 to 24 February. The event was hosted by CIMA on behalf of the Financial Stability Institute (FSI) and the Caribbean Group of Banking Supervisors and took place at the Marriot Resort. Designed to update attendees on best practices, regarding the implementation of Basel II and III, the programme included presentations peppered with group discussions and practical case study exercises.

The facilitators for the activities were financial sector specialists Messrs. Amarendra Mohan and Jean-Phillippe Svoronos, representing the FSI, and Graham K Taylor, Director of the Office of the Superintendent of Financial Services Canada. Although facilitators led the discourse, participants were encouraged to use group discussion to dissect complex issues raised during the presentations.

The topics covered by the facilitators were as follows:

- Implementing Pillar II: OSFI Approach;
- Assessing Adequacy of Capital in the Post-Crisis Era;

| CIMA Licence/Registration Numbers                            |                         |                         |
|--|-------------------------|-------------------------|
| Banking and Trust  | 31 Dec. 2010            | 31 March 2011           |
| <b>Banks</b>   | <b>245</b>              | <b>246</b>              |
| Class A  | 17                      | 16                      |
| Class B  | 228                     | 230                     |
| Class B Restricted   | 1                       | 1                       |
| <b>Nominee Trusts</b>  | <b>44</b>               | <b>42</b>               |
| <b>Money Services Providers</b>                              | <b>8</b>                | <b>8</b>                |
| <b>Fiduciary Services</b>                                    |                         |                         |
| <b>Trust Companies</b>                                       | <b>150</b>              | 148                     |
| Unrestricted Trusts  | 51                      | 53                      |
| Restricted Trusts  | 76                      | 72                      |
| Nominee Trusts   | 23                      | 23                      |
| <b>Registered Private Trust Companies</b>                    | <b>44</b>               | 50                      |
| <b>Registered Controlled Subsidiaries of Trust Companies</b> | <b>20</b>               | 21                      |
| <b>Companies Management</b>                                  | <b>80</b>               | 81                      |
| <b>Corporate Services</b>                                    | <b>9</b>                | 9                       |
| <b>Insurance</b>   |                         |                         |
| <b>Insurance Companies</b>                                   | <b>768</b>              | <b>749</b>              |
| Class A  | 30                      | 29                      |
| Class B  | 738                     | 720                     |
| <b>Insurance Managers</b>                                    | <b>33</b>               | <b>30</b>               |
| Insurance Brokers  | <b>34</b>               | <b>34</b>               |
| Insurance Agents   | <b>108</b>              | <b>75</b>               |
| <b>Investments and Securities</b>                            |                         |                         |
| <b>Mutual Funds</b>  | <b>9,438</b>            | <b>9,261</b>            |
| Registered   | 8,870                   | 8,707                   |
| Administered   | 435                     | 426                     |
| Licensed   | 133                     | 128                     |
| <b>Mutual Fund Administrators</b>                            | <b>134</b>              | <b>134</b>              |
| Full   | 94                      | 94                      |
| Restricted   | 38                      | 38                      |
| Exempted   | 2                       | 2                       |
| <b>Securities Investment Business Law (SIBL) Licensees</b>   | <b>28</b>               | <b>29</b>               |
| <b>Excluded Persons Under SIBL</b>                           | <b>2,394</b>            | <b>2,442</b>            |
| <b>Currency in Circulation</b>                               |                         |                         |
|  | <b>31 Dec. 2010</b>     | <b>31 March 2011</b>    |
| <b>Total Currency</b>  | <b>CI\$85.2 million</b> | <b>CI\$85.6 million</b> |
| Notes  | CI\$76.1 million        | CI\$76.4 million        |
| Coins  | CI\$9.1 million         | CI\$9.2 million         |



# The Dormant Accounts Law – CIMA’s Role

The Cayman Islands Government enacted the Dormant Accounts Law, regulations and subsequent amendments (collectively referred to as the “Law”) last year to allow for the transfer of monies in dormant accounts that are held by certain financial institutions (referred to as ‘account providers’) to the Government after seven years of account inactivity.

The Law relates only to dormant accounts held by class A life insurers, banks, trust companies, credit unions and building societies – although the Governor in Cabinet can declare any other type of financial institution to be an account provider if he deems that to be in the national interest. Once monies are transferred in accordance with this law, they vest in the Government, releasing the account provider from any obligations and rights with respect to those monies.

The dormant account holder, however, will have the right to repayment of monies, from the Government, that the holder would have had against the account provider.

The legislation sets out the circumstances under which accounts will be considered dormant for the purposes of the Law; the procedures that account providers must follow to ensure account holders are notified and given opportunity to re-activate their accounts within the time specified in the Law; the time frame within which account providers must transfer, to the Government, monies in dormant accounts that meet the criteria for transfer, and the procedures and format for reporting.

## CIMA’s duties and powers

Since account providers are among the financial institutions that CIMA has ongoing responsibility for supervising, the Law gives CIMA certain duties and powers with respect to them. This authority, summarised below, is to ensure that account providers comply with the requirements of the Law.

## Receive account providers’ reports and certificates of compliance

An account provider that transfers monies from a dormant account to the Government must submit a report to the Minister responsible for finance and to CIMA at the time of transfer. This should be no later than 31 March each year. The format of this report and information to be included are set out in Form 2 of the Dormant Accounts (Forms) Regulations, as amended.

- Capital Buffers under Basel III;
- Issues in Implementing Basel II and Moving to Basel III: A Supervisory Perspective from the Region;
- Managing and Supervising Systemic Risk and SIFIs, and
- Issues in Implementing Basel II: A Banker’s Perspective from the Region.

In addition, participants carried out group presentations on: Regulatory Capital and Leverage Ratio, and the Macroprudential Framework.

The event attracted supervisors from the Central Bank of Bahamas, Bermuda Monetary Authority, British Virgin Islands Financial Services Commission, Turks and Caicos Islands Financial Services Commission, Central Bank of Barbados, Bank of Jamaica, Central Banks of Trinidad and Tobago, and the Eastern Caribbean Central Bank.

When asked how the conference impacted her, Ms. Kieva Cadogan from the Central Bank of Barbados said, “It’s a big document; this conference brought together the basics for better understanding how we can implement Basel II and III. I was able to ask questions like how to assess bank risks and how to implement Basel II, rather than just having to implement it without guidance. The practical activities helped me realise what I know. This has been a delightful opportunity to learn from other regulators in the region, whilst making contacts for sustained cooperation.”

The Basel III framework originates from the Basel Committee’s mission to promote sound supervisory standards worldwide. The framework makes recommendations for strengthening regulation, supervision and risk management of the banking sector.



Central Bank of Barbados representative, Kieva Cadogan (standing) partakes in round table discussions with Senior Financial Sector Specialist, Jean-Philippe (left), Bermuda Monetary Authority representative, Stephan Duberger (adjacent), and CIMA staff (right).

If there are no dormant accounts, the account provider must still report this in writing to the Minister and CIMA by 31 March.

In addition to these reports, the account provider must submit a certificate of compliance (as set out in Form 3 of the Dormant Accounts (Forms) Regulations, as amended), attesting that the provider has complied with the requirements under the Law.

### **Approve variation of interest payments and account charges**

Unless it has CIMA's approval, an account provider is not allowed to reduce the interest or dividends payable on a dormant account, or to make charges in excess of those applied to comparable active accounts, during the period of dormancy or at the time a payment or transfer of monies is required.

### **Authorise inspections and issue directions to account providers**

CIMA has the power to authorise an inspector to carry out inspections to ensure that account providers are complying with the Law and that they have adequate systems, procedures and practices in place and are applying them adequately. Based on the findings of such inspections, CIMA is also authorised to give directions to the account provider, aimed at ensuring compliance with the Law or to rectify any defect observed.

The forms that account providers are required to submit to CIMA should be forwarded to the attention of: Dormant Accounts Officer – CIMA. To facilitate account providers, the forms can be submitted by email to [dormantaccount@cimoney.com.ky](mailto:dormantaccount@cimoney.com.ky) with the hard copy to follow.

## **CIMA Extends International Cooperation Agreements**

The first quarter of 2011 saw an increase in the number of memoranda of understandings (MOUs) executed with other regulatory bodies, further reinforcing the Cayman Islands Monetary Authority's commitment to international cooperation. The signing of two additional MOUs with Turks and Caicos Islands and Dubai brings the total to 21.

"These MOUs are important for regulator-to-regulator cooperation and solidify channels for giving and receiving information," explains Managing Director, Mrs. Cindy Scotland. "Even though we have ongoing relationships with regulators around the globe, by having these MOUs in place, there is guidance and transparency in our methodologies and interactions."

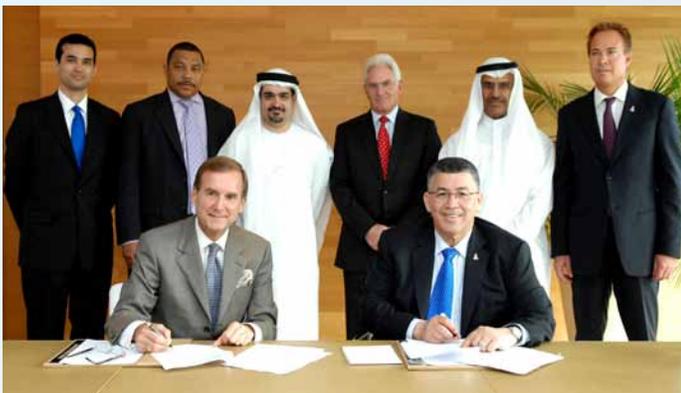
The MOUs outline the ways in which regulators can cooperate and share information with each other, such as:

- providing, confirming or verifying information;
- obtaining specified information and documents from other parties;
- discussing issues of mutual interest;
- arranging and/or conducting inspections of financial services providers, and
- permitting representatives of the requesting authority to participate in enquiries by or on behalf of the requested authority.

Also specified is the procedure each regulator will use for making requests and how requests will be assessed to determine if the required assistance can be given.

CIMA is currently in negotiations with a number of other regulators. An MOU with Mexico is due to be ratified shortly.

In addition to the two recently-signed memoranda, CIMA has MOUs and other information-exchange agreements with financial regulators in Argentina, Bermuda, Brazil, Canada, the Isle of Man, Jamaica, Jersey, Malta, Panama, the U.K. and several within the U.S.A., as well as with the International Organization of Securities Commissions (IOSCO). There is also a multi-lateral MOU with eight Caribbean regulators.



(L-R, standing) Chief Officer for the Ministry of Finance Dax Basdeo; MLA Cline Glidden Jr, Managing Director, DIFC Authority, Abdulla Mohammed Al Awar; Chief Economist, DIFC, Dr. Nasser Al Saidi; Governor of DIFC, HE Ahmed Humaid Al Tayar; Cayman Islands representative in Department of Commerce and Investment's office in Dubai, John Papesh (L-R, seated) DFSA's Chief Executive Officer, Paul Koster; and Premier of the Cayman Islands the Hon McKeeva Bush



## Banking Staff Boost Team Effectiveness

The Banking Division utilised an unconventional approach to on-the-job training when the division's staff participated in a team building retreat on 18 February.

The event involved expert presentations, group activities and discussion. The focus was on building trust, enhancing communication and cooperation, managing workplace stress, and other factors that contribute to team effectiveness.

The retreat was the first of its kind organised by the Human Resources Division and had as its facilitators Psychologist/Marriage and Family Specialist, Dr. Tasha Ebanks Garcia, PsyD, and Registered Mental Health Counsellor, Ms. Taylor Burrowes. Also actively involved were Head of Banking, Mrs. Reina Ebanks, and Deputy Managing Director, Supervision, Mr. Howard Blacker.

An unusual part of the programme was what the facilitators termed 'outdoor extreme group activities'. These were physical exercises that required staff to work together in groups to achieve set objectives. Each activity involved a physical challenge that forced participants to depend on other members of the team and apply problem solving skills in order for the group to accomplish the task.

Participants were then asked to reflect on the challenges they overcame. They were able to identify the strategies for stress management, problem-solving and teamwork which they had used to complete the activities and discuss how they could apply these approaches in meeting the demands of their job as regulators.

Head of Banking, Mrs. Reina Ebanks, said one of the main benefits of the retreat was that "it provided an opportunity for participants to assess themselves and the role they play in the division and to pinpoint areas in which they can enhance the division's ability to meet its goals and objectives and, by extension, CIMA's goals and objectives."



This group from the Banking Division experience the challenges and benefits of teamwork as they attempt to carry a soccer ball to a cup nestled ten feet away



CIMA's Managing Director, Mrs. Cindy Scotland, and TCI FSC's Managing Director, Mr. Kevin Higgins (seated), signed the MOU in the presence of CIMA's Deputy Managing Director - General Counsel, Mr. Langston Sibbles, QC, and Legal Counsel, Mrs. Sandra Edun-Watler



## Red-y for Heart Health

Staff took part in the Cayman Heart Fund's 'Red' dress down day on Friday, 4 March 2011, to promote heart health awareness. Those who opted to don the colour gave donations to the fund. The Cayman Heart Fund is a non-profit, non-government organisation dedicated to the reduction of heart and circulatory disease in the Cayman Islands.



# HR Developments

## New Appointments

### Qualifications Gained

#### Jeremy Williams

Mr. Jeremy Williams, an analyst in the Investments and Securities Division successfully passed the Advanced Certificate in Hedge Fund Administration Course (with distinction) from CLT International and offered locally by the Cayman Islands Fund Administrators Association (CIFFA). The certificate programme is accredited by the UK-based University of Manchester Business School and is a prerequisite to the diploma in fund administration. This was the second scholarship to be awarded by CIFA and Mr. Williams was the second CIMA recipient.



2010 recipient of the CIFFA annual scholarship, Jeremy Williams (right) with Greg Bennett, Treasurer of CIFFA and Angela Mele, Secretary of CIFFA.



#### Sharon Braithwaite

Chief Analyst, Banking Supervision Division



#### Sebastian Goerlich

Chief Statistician, Policy & Development Division



#### Marcus Kasumba

Systems Programmer Analyst, Information Systems Division



#### Jaron Leslie

Analyst, Fiduciary Services Division



#### Justin Rankin

Analyst, Investments & Securities Division

### Other Accomplishments



#### Kara Ebanks

Analyst, Insurance Supervision Division, commenced CIMA's first secondment within the Compliance Division.

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