

Statement of Guidance

Corporate Governance

1. Statement of Objectives

- 1.1 The Authority expects the management and direction of regulated entities to be conducted in a fit and proper manner. The purpose of the Statement of Guidance Corporate Governance (“the Guidance”) is to provide Boards (‘Board’) of Cayman Islands Monetary Authority (‘the Authority’)-regulated entities (‘Regulated Entity’) and the directors of these entities (‘Director’) with a framework for sound and prudent governance to assist them in fulfilling their duties efficiently and effectively.
- 1.2 A reference to the term “Director” includes a person who fulfils the functions of a Director, by whatever name called.
- 1.3 The Guidance sets out the key corporate governance principles pertaining to Regulated Entities, their Boards and Directors. This Guidance is not intended as a prescriptive guide to the Authority’s governance expectations.
- 1.4 The governance structure of a Regulated Entity is determined by the legal and operational structure of that entity with its size, nature and complexity being fundamental factors in the adequacy and suitability of the governance framework.
- 1.5 The Guidance does not codify or amend any existing law. Where the Guidance is incompatible with existing law, the law takes precedence and prevails.

2. Application

This Guidance applies to all Boards and Directors of licensees and registrants regulated by the Authority. Adherence to this Guidance will serve as evidence where the Authority seeks to ascertain under:

section 18(1)(e) of the Bank and Trust Companies Law (2009 revision)
section 18(1)(e) of the Companies Management Law (2003 revision)
section 24(1)(f) of the Insurance Law (2010 revision)
section 30(1)(d) of the Mutual Funds Law (2009 revision)
section 17(2)(e) of the Securities Investment Business Law (2011 revision)

whether the governance of a Regulated Entity has been conducted in a fit and proper manner.

3. The Board

3.1. The Board is the directing will and mind of the Regulated Entity and has ultimate responsibility for effectively managing the affairs of the Regulated Entity.

3.2. The Board is responsible for:

- 3.2.1 the effective, prudent and ethical oversight of the Regulated Entity;
- 3.2.2 the setting the strategy and risk appetite of the Regulated Entity; and
- 3.2.3 ensuring the Regulated Entity conducts its affairs in accordance with the laws, regulations, rules and standards of the Cayman Islands and the Authority.

3.3. The Board and its Directors should monitor compliance with the laws, regulations, rules and standards of the Cayman Islands and the Authority, requesting appropriate information and initiating appropriate control and supervision to rectify non-compliance.

3.4. The role and responsibilities of the Board should be clearly documented.

3.5. The Board should enquire into the affairs of the Regulated Entity requesting information from service providers for, or their presence at, board meetings where necessary.

- 3.6. The Board should require regular reporting from management and service providers to enable it to make informed decisions.
- 3.7. The Board should ensure that all responsibilities and duties are fully and clearly apportioned with the apportionment and oversight being clearly documented.
- 3.8. Directors should hold regular board meetings. Board meetings should be held sufficiently frequently so that the Board is able to carry out its role effectively.

4. Directors Duties

- 4.1. The Director must operate with due skill, care and diligence.
 - 4.1.1 The Director must make enquires where issues are raised, satisfying themselves that appropriate and timely course of action is being taken.
- 4.2. The Director must act openly, honestly and in good faith at all times.
- 4.3. The Director must ensure s/he has sufficient time to apply his/her mind to the function of overseeing a Regulated Entity and carrying out his/her responsibilities as Director.
- 4.4. The Director must exercise independent judgement always acting in the best interests of the Regulated Entity and its shareholders or investors.
- 4.5. The Director should always verify that the Regulated Entity, its Board, Directors, its service providers and advisors are acting in accordance with the Regulated Entity's constitutional documents and any other documents directing the management and operation of the Regulated Entity and/or its advisors or service providers.
- 4.6. The Director must ensure that all potential or actual conflicts are managed and controlled.
 - 4.6.1 The Board and Directors are responsible for ensuring that the Regulated Entity's Conflict of Interests' policy is documented and adhered to.

4.7. The Director retains responsibility for delegated functions and should appropriately monitor and supervise the delegated functions.

4.8. A Director must have sufficient and relevant knowledge and experience to carry out his duties as a Director.

4.8.1 A Director must exercise care, skill and diligence that would be exercised by a reasonably diligent person with:

- a) the general knowledge, skill and experience that may reasonably be expected of a person carrying out the functions carried out by the Director in relation to the company; and
- b) the general knowledge, skill and experience that the Director has.

5. Documentation

5.1. The Board and Directors must fully, accurately and clearly record the Board meetings and any material decisions and/or considerations.

5.2. The records should include:

5.2.1 The agenda items and circulated documents;

5.2.2 The matters considered and decisions made; and

5.2.3 The information requested from, and provided by, advisors and service providers.

6. Relations with the Authority

6.1. The Board and its Directors should conduct its affairs with the Authority in a transparent, open and honest manner always disclosing to the Authority anything that the Authority would reasonably expect notice of.

6.2. Where the Board or Director is uncertain whether to communicate information to the authority it should be prudent and diligent and communicate the information.

7. Risk Management and Strategic Objectives

- 7.1. The Board should provide suitable oversight of risk management and maintain a sound system of risk measurement and control.
- 7.2. The Board should determine the Regulated Entity's risk appetite and develop policies, procedures and controls for identifying, assessing and managing all significant risks faced by the company.
- 7.3. The Board should:
 - 7.3.1 Clearly set out its strategic objectives.
 - 7.3.2 Set out the means of attaining those objectives and procedures for monitoring and evaluating its progress toward those objectives.
 - 7.3.3 Clearly set out the nomination and appointment procedures, structure, functions, re-elections and balance between executive and non-executive directors of the board in a transparent manner.
 - 7.3.4 Where applicable, clearly distinguish between the responsibilities, accountabilities, decision-making, interaction and cooperation of the board of directors, chairman, chief executive and senior management.
 - 7.3.5 Require a clear division of responsibilities to ensure a balance of power and authority, so that no one individual has unfettered powers of decision. Where the posts of chairman and chief executive are combined in one person, evidence that appropriate controls are in place to ensure that management is sufficiently accountable to the board or directors should be provided.
- 7.4. The Board should:
 - 7.4.1 Have in place systems to monitor independent risk functions and report deviations to an appropriate level of management. Where appropriate a risk management and/or an asset liability committee should be established to ensure adequate risk control techniques and procedures are applied and/or adequate investment policies are implemented.

- 7.4.2 Have adequate procedures to promote customer awareness of products and services and have in place clear complaints procedures that are communicated properly to their customers.
- 7.4.3 Have in place an appropriate compliance committee or person who should report directly and regularly to the Board on all compliance matters.
- 7.4.4 Have in place a proper remuneration policy for Directors and senior management. To review that policy periodically ensuring that it is compatible with the entity's strategy and values.

8. Sub-committees

- 8.1. The Board should appoint sub-committees where necessary to adequately manage the Regulated Entities risks.
- 8.2. Where sub-committees are appointed, the Board should ensure a clear division of roles and responsibilities, and maintain oversight over the delegated functions.