



March 2010

Regulatory Policy

Approved Stock Exchanges

1. Statement of Objectives

For purposes of transparency and consistency, to set out an established criterion to determine which exchanges should receive “approved” status for the purposes of the Mutual Funds Law (MFL), the Banks and Trust Companies Law (BTCL), the Securities Investment Business Law (SIBL), the Insurance Law (IL) and the Companies Management Law (CML).

2. Scope

This policy applies to the following Regulatory Laws, which contemplate that the Authority will approve one or more stock exchanges for various purposes:

2.1. Mutual Funds Law

Sections 4(3) and 4(4) of the MFL exempt a mutual fund from the licensing requirement in section 4(1) of the MFL if, amongst other criteria, its equity interests are listed on a stock exchange specified by the Authority.

Section 13(2) of the MFL authorizes the Authority to exempt a licensed mutual fund administrator from the requirement to seek approval for the transfer of the licensee’s shares if the licensee’s shares are publicly traded on a recognised securities exchange

2.2. Securities Investment Business Law

Three provisions in the SIBL refer to a stock exchange recognised by the Authority:

- a. Section 6(7) of the SIBL enables the Authority to impose conditions upon a licensee, including one that the licensee or the senior officers or managers of the licensee must acquire and maintain membership of a recognised securities exchange,



March 2010

- b. Section 8(2) authorizes the Authority to exempt a licensee from the requirement to seek approval for the transfer of the licensee's shares if the licensee's shares are publicly traded on a recognised securities exchange, and
- c. The definition of sophisticated person in Section 2 of the law includes persons whose securities are listed on a recognised securities exchange.

2.3. Banks and Trust Companies Law

Section 7(1) of the BTCL prohibits the transfer or disposal of shares in a licensee without the prior approval of the Authority. Section 7(2) authorizes the Authority to exempt a licensee from this restriction if the licensee's shares are publicly traded on a stock exchange recognised by the Authority.

2.4. Insurance Law

Section 8(1) of the IL prohibits the transfer or disposal of more than 5% of the shares in a licensee without the prior approval of the Authority. Section 8(2) authorizes the Authority to exempt a licensee from this requirement if the licensee's shares are publicly traded on a stock exchange recognised by the Authority.

2.5. Companies Management Law

Section 3 of the CML defines the business of company management as the provision of certain services specified therein. Section 3(4)(c) exempts from this definition the provision of such services to a company listed on a stock exchange recognised by the Authority by a person who does not provide services to any other company.

Section 9(2) of the CML authorizes the Authority to exempt a licensee from the requirement to seek approval for the transfer of the licensee's shares if the licensee's shares are publicly traded on an approved securities exchange.

3. Criteria for Approval

Subject to section 5 below, in order for a stock exchange to be approved by the Authority for purposes of the Regulatory Laws, the stock exchange must be one



March 2010

that is either:

- a. A US licensed exchange¹; or
- b. An EU regulated exchange²; or
- c. A Canadian licensed exchange³; or
- d. A full member of the World Federation of Exchanges⁴; or
- e. The Cayman Islands Stock Exchange; or
- f. Any other stock exchange approved by the Authority under section 4 of this Policy.

4. Approval of Other Stock Exchanges

Upon request by an interested party and subject to section 5 below, the Authority may approve a stock exchange that does not meet the criteria outlined in section 3a–e above. The requestor should demonstrate that:

- a. The stock exchange either:
 - (i) complies with the market principles issued by the World Federation of Exchanges; or
 - (ii) is located in a country that is an ordinary member of IOSCO and the exchange and issuers are subject to enforceable obligations consistent with the IOSCO Supervisory Framework for Markets dated May 1999;
- b. The stock exchange is significant within its country of origin; and
- c. A sufficient amount of business exists between the Cayman Islands or regulated entities and the stock exchange so that its exclusion from the list of

¹ A US licensed exchange is a securities exchange that has registered with the Securities and Exchange Commission under Section 6 of the Securities Exchange Act of 1934.

² An EU licensed exchange is a regulated market that has been recognised by a member state pursuant to Directive 93/22.

³ A Canadian licensed exchange is a securities exchange located in Canada that is recognised by one or more provincial securities commissions.

⁴ The World Federation of Exchanges is the trade organisation for regulated securities and derivative markets, settlement institutions and related clearing houses and their diverse services to capital markets. The Federation is highly regarded and membership of the WFE is a criterion for many national regulators and asset management institutions to allow privileged access for investment. Membership identifies an exchange as having assumed the commitment to business standards. The WFE Market Principles serve as a checklist for those securities markets wishing to become a member of the WFE. The Business Conduct criteria of the Market Principles elaborate upon the IOSCO Principles and offer a benchmark of best practice for members.



March 2010

approved stock exchanges would result in significant cost implications for regulated entities.

After it has received all supporting documentation, the Authority will assess the application and, if necessary, consult with the Cayman Islands Stock Exchange. The Authority will submit its recommendation for approval of the stock exchange to the Authority's Management Committee. Upon decision of the Management Committee, the Authority will inform the applicant of the decision and, if applicable, will publish the name of the newly approved stock exchange on its website.

5. Refusal to Approve

The Authority may refuse to approve a particular stock exchange, or indicate that a stock exchange is no longer approved, if the approval of the stock exchange is not in the public interest. This could be the case if, for example, a stock exchange is located in a country that is subject to international sanctions. The Authority will publish the names of the stock exchanges affected by this section on its website.