

PROTOCOL
BETWEEN
CIMA AND CISPA

MAY 2007

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PROTOCOL

FOR THE IMPLEMENTATION OF THE PUBLIC ACCOUNTANTS LAW (2004)

BETWEEN: THE CAYMAN ISLANDS MONETARY AUTHORITY (CIMA)

AND: CAYMAN ISLANDS SOCIETY OF PROFESSIONAL ACCOUNTANTS (CISPA)

Preamble

WHEREAS, the Cayman Islands Monetary Authority (hereinafter referred to as "CIMA") is a statutory authority established pursuant to the Monetary Authority Law (2004 Revision) (hereinafter referred to as the "MAL") and Cayman Islands Society of Public Accountants (hereinafter referred to as "CISPA") is a body corporate established pursuant to the Public Accountants Law (2004) (hereinafter referred to as the "PAL");

DESIRING to conclude a Protocol to implement and apply the provisions of the PAL in harmony with the MAL

ACKNOWLEDGING that the enactment of the PAL has redefined and enhanced the authority of CISPA with respect to its licensed practitioners

RECALLING that CIMA has established internal policies for the approval and the appointment of auditors of regulated institutions

NOW THEREFORE CIMA and CISPA have AGREED as follows:

PARTIES

Article 1

CIMA is a statutory body responsible for regulating the financial industry in the Cayman Islands in accordance with the MAL and the regulatory laws described therein. CIMA also has responsibility for monitoring compliance with the Money Laundering Regulations (2006 Revision). In addition, CIMA has further responsibility for approving auditors of regulated institutions pursuant to regulatory laws and has determined criteria for approval as prescribed in its Policy-"Approval of an Auditor for a Regulated Institution" (2003)("Auditor Approval Policy"). (Annex 1).

CISPA is a body corporate established pursuant to the PAL with responsibility for regulating and licensing all practitioners engaging in public practice (as the expression "public practice" is defined in the PAL) from or within the Cayman Islands. In addition, CISPA has the authority to discipline its licensed practitioners.

SCOPE AND PURPOSE

Article 2

This Protocol focuses primarily on the working relationship between CISPA and CIMA with respect to the approval of auditors of regulated entities. Its purpose is to create a framework for the harmonious implementation of the statutory obligations of both CIMA and CISPA.

The Protocol:

- sets out the principles which underpin the sharing of information between the parties
- sets out the responsibilities of organizations to implement internal arrangements to meet the requirements of the Protocol
- describes how the Protocol will be implemented, monitored and reviewed

OPERATIONAL PROCEDURES

Article 3

CIMA shall furnish to CISPA a list of the auditors as approved and/or disqualified by CIMA annually or whenever a new auditor has been approved or an existing audit firm has been disqualified.

CISPA shall furnish to CIMA a list of the licensed practitioners and of any licensed practitioners disqualified under the PAL annually or whenever a new practitioner has been licensed or, subject to Article 7, an existing licensed practitioner disqualified.

If a new audit firm wishes to establish itself in the Cayman Islands, prior to approving such audit firm, CIMA shall request that CISPA first approves in principle the licensing of the practitioners within that firm who will be engaging in public practice.

INTERNAL POLICIES AND CONFLICT OF PROVISIONS

Article 4

CIMA in recognition of the self-regulatory status of CISPA will keep under review its Auditor Approval Policy to ensure consistency of approach on common matters as permitted by law.

Article 5

In the event that there is a conflict of provisions regarding the implementation and application of CIMA's Auditor Approval Policy and the PAL and related Regulations the parties shall revert to their respective principal law and related Regulations for the resolution of the dispute.

INVESTIGATION OF COMPLAINTS

Article 6

CIMA recognizes CISPA's authority to conduct investigations into complaints of professional misconduct of its licensed practitioners and will endeavour to cooperate to the fullest extent possible as permitted by law.

DISCIPLINARY ACTION

Article 7

Where CISPA has cause to exercise any of its disciplinary functions in relation to a licensed practitioner or CIMA has cause to disqualify an auditor the party taking action shall as soon as practicable and as far as permitted by law notify the other party of the action taken and the reasons and circumstances pursuant to which it was taken but, for the avoidance of doubt, CISPA will only be permitted to disclose to CIMA disciplinary action imposed on any licensed practitioner which has been published in accordance with the Public Accountants Disciplinary Regulations 2006.

Article 8

Subsequent to notification of a disqualification of a licensed practitioner by CISPA to CIMA under Article 7, CIMA shall consider whether in the circumstances it is appropriate to remove the auditor from its approved list.

If CIMA shall remove an auditor from its approved list, it shall consider whether it should make a complaint in respect of the relevant licensed practitioner(s) to CISPA under the PAL with a view to CISPA considering whether there is cause to exercise any of its disciplinary functions.

CONFIDENTIALITY

Article 9

CIMA is bound by the confidentiality provisions under the MAL and in particular it owes a duty of confidentiality to its licensees and in recognition of this CISPA will keep confidential any information which may be disclosed by CIMA pursuant to section 50 (2) of the MAL. To the extent that either CISPA or CIMA are bound by any confidentiality provisions under the Confidential Relationship (Preservation) Law (1995 Revision) such party shall not be required to disclose under this Protocol any information which they are not permitted to disclose under that Law.

LICENSING AND APPROVAL

Article 10

The parties acknowledge and recognize the validity and applicability of the licensing and approval processes of both CISPAA and CIMA.

AML COMPLIANCE

Article 11

CIMA and CISPAA acknowledge the statutory obligation of licensed practitioners to provide annual certificates as to AML compliance in accordance with section 29 of the PAL. In furtherance of this, both CIMA and CISPAA anticipate that licensed practitioners shall by January 31st each year file such certificates with the Compliance Division of CIMA in the form provided at Annex 3 of this Protocol.

CONSULTATION

Article 12

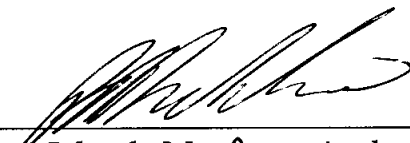
CISPAA and CIMA agree to consult with each other as may be required and from time to time on matters of common interest arising from the subject matter of this Protocol.

CONTACT

Article 13

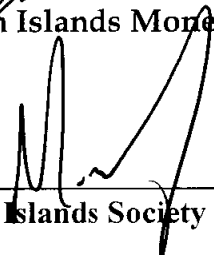
The point of contact for routine communication between CIMA and CISPAA is the Managing Director for the former and the President/Secretary for the latter.

Signed



Cayman Islands Monetary Authority

Signed



Cayman Islands Society of Professional Accountants

Issued May 2002
Revised October 2003



Internal Policy

The Approval of an Auditor for a Regulated Institution

1. Statement of Objectives

The various regulatory laws require that the Authority approve the auditors of regulated institutions. This policy will be applied when auditors apply to the Authority for approval. It is expected that approved auditors will continue to meet this policy on an ongoing basis.

2. The Policy

2.1. Assessing the acceptability of an auditor in auditing a regulated institution

The following criteria will be applied for approved auditors of regulated entities:

- Sufficient Expertise and Resources
- Continuing Professional Education
- Quality Assurance Reviews
- Independence
- Professional Indemnity Insurance

2.2. Sufficient Expertise and Resources

2.2.1 The firm should have relevant experience in auditing in the respective industry, based on assignments of comparable size and complexity. In addition, staffing of the engagement should include sufficient specialized skills appropriate to the industry of the regulated institution. In the assessment of resources, the factors to be



considered would include: (a) whether the local firm is an extension of an international firm or a separate legal entity; (b) whether the firm will be undertaking local sign offs or 'full' audits; and, (c) the industry sectors which it will audit.

2.2.2 Partners signing off on audit engagements, or any member of the firm with authority to sign off the audit, are expected to possess an internationally recognised accounting qualification. For the purposes of this policy, the following would be considered internationally recognised accounting bodies: The Institute of Chartered Accountants in England and Wales, The Institute of Chartered Accountants in Ireland, The Institute of Chartered Accountants of Scotland, The Canadian Institute of Chartered Accountants, The Association of Chartered Certified Accountants, The American Institute of Certified Public Accountants, or any other Professional Body or Institute approved by the Authority. As a general rule, the Authority would expect partners to have a minimum of five years auditing experience of financial institutions at a management level, in the respective industry sectors or businesses they are auditing. If a firm should not have partners with the necessary experience, the Authority may at its discretion limit the industries or licensees which the firm may be approved to audit.

2.3. Continuing Professional Education

All professional accounting personnel are expected to perform relevant continuing professional education and maintain good standing with their international accounting body.

2.4. Quality Assurance Reviews

2.4.1 The Authority expects that the firm has in place a competent quality assurance process that ensures that the firm's internal and any externally imposed standards are being complied with.



2.4.2 It is expected that the quality control process would include:

- a) Pre-established guidelines requiring concurring partner review of the audit procedures and audit work, and,
- b) Internal quality control reviews of the firm's processes and methodology by experts of that firm on a regular basis.

2.5. Independence

2.5.1 Independence is important in order to maintain an objective frame of mind in accomplishing the audit. All staff must sign off annually on internal firm independence declarations, and the firm must have clear and comprehensive procedures for ensuring independence in relation to new engagements.

- a) The applicant firm of accountants should follow the guidance in the International Federation of Accountants (IFAC) Code of Ethics Section 8: Independence when designing and implementing their independence procedures.

2.5.2 If the auditors supply other services to the licensee in addition to auditing, for example internal audit services, the nature and extent of these services should be kept under review by the firm, in order to ensure that the auditors' objectivity is not affected.

2.5.3 In addition, audit firms are not permitted to audit financial statements of licensees where it (or a closely related entity, for example, a corporate services company with common owners to the audit firm) prepared the financial statements.

2.5.4 Notwithstanding the examples above, there may be other circumstances that would result in a firm being deemed not independent or objective and audit firms must be vigilant to this

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possibility and take appropriate steps to ensure that the audit firm is independent and objective.

2.6. Professional Indemnity Insurance

The Authority would expect audit firms to have adequate professional indemnity insurance of a minimum of CI\$500,000 for any one claim and CI\$1,000,000 in aggregate. In meeting this Policy, the Authority would accept an extension of the professional indemnity insurance from a member firm.

2.7. Sanctions

Failure to comply with this policy may lead to the removal of the auditor from the list of approved auditors.

2.8. Local Audit Sign-Off

This policy applies to all provisions of the regulatory laws where accounts are to be audited annually by an auditor approved by the Authority, and includes the references to approved auditors in the Local Audit Sign-Off Policy for mutual funds issued by the Authority.

[LETTERHEAD OF SOLE PRACTITIONER PUBLIC ACCOUNTANT /FIRM OF
PUBLIC ACCOUNTANTS]

[DATE]

[Name of relevant officer]
The Cayman Islands Monetary Authority,
PO Box 10052
Elizabethan Square
Grand Cayman, KY1 - 1001
Cayman Islands

Dear Sirs,

In accordance with Section 29 of the Public Accountants Law (2004), [I/we] hereby confirm that, to the best of [my/our] knowledge and belief, **during the year ended December 31, 2006**, [I/we] have complied with the applicable requirements of the Proceeds of Criminal Conduct Law (as revised) and any regulations made thereunder [except as follows:-]

[If instances of non-compliance exist, disclose the extent that they have not been complied with, disclosing the nature and extent of non-compliance].

Yours faithfully,

[NAME OF SOLE PRACTITIONER PUBLIC ACCOUNTANT /FIRM OF PUBLIC
ACCOUNTANTS]