



CAYMAN ISLANDS

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Fact Sheet/Backgrounder – Securities Assessment
INTERNATIONAL MONETARY FUND ASSESSMENT OF THE SUPERVISION
AND REGULATION OF THE FINANCIAL SECTOR IN THE CAYMAN ISLANDS

- Based on 30 *Objectives and Principles of Securities Regulation* determined by the International Organisation of Securities Commissions (IOSCO).
 - ~ IOSCO is an international association of securities regulators that was created in 1983. The objectives of the organisation’s members are to:
 - Cooperate together to promote high standards of regulation in order to maintain just efficient and sound markets
 - Exchange information on their respective experiences in order to promote the development of domestic markets
 - Unite their efforts to establish standards and an effective surveillance of international securities transactions
 - Provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses
- Of the 30 principles, the IMF assessed securities regulation as “implemented” or “broadly implemented” for 17 principles, “partially implemented” for eight¹ and “not implemented” for one², with four “not applicable.”
 - ~ A five point rating scale for each of the principles was used:
 - Implemented – all assessment criteria are generally met without any material deficiencies
 - Broadly implemented – only minor shortcomings found, do not raise major concerns and when corrective actions to achieve full implementation with the principle are scheduled and are realistically achievable within a short period of time
 - Partially implemented – significant shortcomings are found, authorities have not implemented one or more assessment criteria
 - Not implemented – major and material shortcomings are found in adhering with the assessment criteria
 - Not applicable – does not apply given the structural and institutional conditions

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¹ The principles identified as partially implemented mostly involve resourcing for CIMA, which is actively being addressed. The remaining areas receiving this relation to the need for the Mutual Funds Law to deal with consumer protection issues for the minority of public funds and to the need for the Law to itself contain supervisory provisions that currently are applied to the sector via the Monetary Authority Law. Subject to two minor matters, the report finds the regime for institutional/sophisticated funds – which are the majority – more than adequate.

² Refers to ensuring proper and disclosed basis for asset valuation and the pricing and the redemption of units in a collective investment scheme. The IMF noted that CIMA is in the process of drawing up these rules.

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- Evaluation involved a qualitative on-site and off-site analysis by expert assessors based on the following information:
 - ~ Review of the relevant legislation – both primary legislation and regulations
 - ~ Review of statements of guidance/guidance notes issued by the Cayman Islands Monetary Authority (CIMA)
 - ~ A self assessment completed by CIMA based on the IOSCO template
 - ~ On site assessment of CIMA's operations and off-site assessment of a cross-section of individual companies' operations
 - ~ Review of the report titled, *Financial Regulation in the Caribbean Overseas Territories and Bermuda*, jointly commissioned by the UK and overseas territories governments in October 2000 and completed by KPMG
 - ~ Detailed discussions with representatives from CIMA, the Stock Exchange Authority, the CSX and individual companies in the Cayman Islands

- The IMF assessor was Mr. Michael Deasy from the Central Bank of Ireland

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