



PRIVATE SECTOR CONSULTATION

Rule and Statement of Guidance – Recovery Planning

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A. Introduction

1. The Cayman Islands Monetary Authority ("CIMA" or "the Authority") seeks consultation and comment from private sector associations concerning the *Rule and Statement of Guidance – Recovery Planning* (attached as **Appendix I**). Accordingly, CIMA is inviting private sector associations to a consultation for a period of seventy (70) days.
2. Requirements specific to the private sector consultation are outlined in Section 4 (1) (b) of the Monetary Authority Act (2020 Revision) ("MAA") which states:

"(b) before proceeding with the proposed measure, the Authority shall have regard to any representations made by the private sector associations, and shall give a written response, which shall be copied to all the private sector associations."

3. Section 34(1)(a) of the MAA states that:

"(1) After private sector consultation and consultation with the Minister charged with responsibility for Financial Services, the Authority may -

(a) issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees, and any other persons to whom and to the extent that the regulatory laws may apply; "

B. Background

4. CIMA, in line with its legislative mandates, is spearheading the efforts to establish a structured and comprehensive crisis management framework to enhance the resilience of the Cayman Islands' financial system.
5. Such a framework is intended to be used by all stakeholders to prepare for, respond to and recover from events that threaten the stability, solvency or reputation of the financial system. The aim is to mitigate systemic risks, maintain the continuity of critical financial services, protect stakeholders, and reduce the likelihood of government-funded bailouts and/or direct government intervention in the event of a financial crisis. The framework is also intended to strengthen financial stability, investor confidence, and overall economic health by promoting resilience and the capability to manage financial crises effectively. Recovery and resolution planning form critical elements of the crisis management framework.
6. In January 2025, the Authority issued a combined Rule and Statement of Guidance for Recovery and Resolution Planning for public consultation. Retrospectively, following the comments received during the consultation, the Authority has determined that it is clearer to separate the Recovery Planning measure from the Resolution Planning requirements.
7. In addition, in March 2025, CIMA hosted an International Monetary Fund ("IMF") Technical Assistance Mission ("Mission") on the development of a Recovery and Resolution regime for deposit-taking institutions in the Cayman Islands. The Mission's findings and recommendations were consistent with CIMA's approach to refocus the implementation of a Recovery Planning framework in the immediate term, pending future legislative reform, which will support a Resolution Planning regime.

8. This new proposed RSOG for Recovery Planning (**Appendix I**) cancels and supersedes the proposed combined Rule and Statement of Guidance for Recovery and Resolution Planning published in January 2025.
9. The new proposed RSOG was developed to focus on Recovery Planning only with a narrowed scope of application for deposit-taking institutions, that is, banks, including the Credit Union and the development bank. This also aligns with the Regulated Entities within scope for the [*Regulatory Policy on Domestic Systemically Important Deposit Taking Institutions*](#)¹ which became effective in May 2024.
10. Furthermore, this revised approach is also more consistent with the recommendations outlined in the [*Key Attributes for Effective Resolution of Financial Institutions issued by the Financial Stability Board \("FSB"\) \(the "Key Attributes"\)*](#).

C. International Standards

11. CIMA remains committed to harmonising its crisis management framework with the Key Attributes, which state that supervisory and regulatory authorities should ensure that entities' recovery plans identify options to restore financial strength and viability under severe stress. Recovery plans should include three elements:
 - (1) credible options to cope with a range of severe stress scenarios, including both idiosyncratic and market-wide stress;
 - (2) scenarios that address capital shortfall and liquidity pressures; and
 - (3) processes to ensure the timely implementation of effective Recovery options in a range of severe stress situations.
12. Recovery actions aim to avert failure and enable financial recovery before a Regulated Entity meets the conditions for entry into resolution. In addition, establishing a framework for Recovery Planning will enhance the Authority's compliance with international standards issued by the Basel Committee on Banking Supervision ("BCBS") and the FSB.

Basel Committee on Banking Supervision

13. According to the BCBS, effective banking supervision is dependent on certain preconditions. A clear framework for crisis management, recovery and resolution, is one of the preconditions for effective banking supervision. The said precondition explains that *"Effective crisis management framework and Resolution regimes help to minimise potential disruptions to financial stability arising from banks and financial institutions that are in distress or failing"*.
14. Banks will occasionally encounter difficulties, and effective crisis management and measures, such as Recovery plans, will be required to minimise the adverse impact on the broader banking and financial sectors.
15. The recently revised *Basel Core Principles for Effective Banking Supervision*² (the "BCPs") represent an update to the 2012 version that incorporates:
 - (1) Supervisory and regulatory updates since the 2012 update;

¹ Section 7.2 of the [*Regulatory Policy on Domestic Systemically Important Deposit Taking Institutions*](#), which was issued in May 2024 and came into effect in May 2025, gave the industry notice of the Authority's intention to issue rules and guidance for Recovery planning in due course.

² [*Basel Committee on Banking Supervision – Core Principles for Effective Banking Supervision*](#) issued on 25 April 2024, represents an update to the 2012 principles and incorporates the latest revisions following a consultative document published in July 2023.

- (2) The impact of recent structural trends on banks and the banking system, in particular, the rapid advances in financial technology and the proliferation of non-bank financial institutions; and
 - (3) Lessons learnt in implementing the 2012 update to the Core Principles, and experiences gained from the IMF and the World Bank Financial Sector Assessment Program ("FSAP").
16. As it pertains to Recovery planning, the BCPs can be categorised into two groups: principles that focus on the role and function of supervisors and prudential regulations (BCPs 3,8 and 13); and principles about requirements that supervisors need to set out for banks (BCP 15), explained below:
- (1) **BCP 3 — Cooperation and collaboration:** Laws, regulations, and arrangements should be in place to allow for cooperation and collaboration among relevant domestic authorities and foreign supervisors. More specifically, processes should be in place for a supervisor to support the appropriate Resolution authorities undertaking Recovery and Resolution planning and actions.
 - (2) **BCP 8 — Supervisory approach:** For effective banking supervision, supervisors need to develop and maintain a forward-looking assessment of the risk profile of individual banks proportionate to their systemic importance to be able to take action to require or undertake Recovery or Resolution actions in an orderly manner should banks become non-viable.
 - (3) **BCP 13 — Home—host relationships:** Home and host supervisors of cross-border banking should share information and cooperate to effectively supervise the group and group entities, promptly notifying and consulting the relevant authorities and supervisors (both home and host) when undertaking any Recovery or Resolution measures.
 - (4) **BCP 15 — Risk management process:** The supervisor ensures that banks have a comprehensive risk management process to identify, measure, evaluate, monitor, report and mitigate all material risks commensurate with their risk and systemic importance in a timely manner. These processes should be assessed for capital adequacy, liquidity and sustainability of their business models and extend to the Recovery plans for robustness and credibility.
17. Notably, the BCPs promote proportionality in the regulation and supervision of the financial system, to ensure that the applicable rules and supervisory practices are consistent with the banks' systemic importance and risk profile.
18. Likewise, in developing this RSOG, CIMA has emphasised that Regulated Entities in scope should design their Recovery plans commensurate with their size, complexity, nature of business and risk profile of their operations.

D. Consistency with the Authority's Statutory Obligations

19. CIMA has the statutory mandate to request any information necessary to execute its regulatory functions. This would include the request for a Regulated Entity to provide a Recovery Plan consistent with:

- (1) Section 6(2) (a) and (b) of the MAA, which provides that, among others:

"In performing its functions and managing its affairs, the Authority shall—

- (a) act in the best economic interests of the Islands; and*
- (b) promote and maintain a sound financial system in the Islands”;*

and

- (2) Section 6 (3) (c), which states that:

“In performing its regulatory functions and its co-operative functions, the Authority shall ... recognise the international character of financial services and markets and the necessity of maintaining the competitive position of the Islands, from the point of view of both consumers and suppliers of financial services, while conforming to internationally applied standards insofar as they are relevant and appropriate to the circumstances of the Islands”;

and

- (3) Section 34(8) of the MAA states:

“The Authority may at all reasonable times, by notice in writing given–

- (a) to a person regulated under the regulatory acts;*
 - (b) to a connected person; or*
 - (c) to a person reasonably believed to have information relevant to an enquiry by the Authority,*
- require that person –*

- (i) to provide specified information or information of a specified description; or*
- (ii) to produce specified documents or documents of a specified description,*

as it may reasonably require in connection with the exercise by the Authority of its regulatory functions.”

E. Jurisdictional Comparison

- 20. The Authority conducted a jurisdictional comparison comprising six (6) jurisdictions – *Hong Kong, Bermuda, Singapore, Trinidad and Tobago, the Bahamas and the United Kingdom (“UK”).*
- 21. The jurisdictional comparison covered various aspects of recovery planning for each of the aforementioned jurisdictions. These included:
 - (1) legislative frameworks that provide for recovery planning requirements;
 - (2) key components of recovery planning frameworks;
 - (3) scope of application of each jurisdiction’s recovery planning regime;
 - (4) the incorporation of the FSB’s Key Attributes in each jurisdiction’s recovery planning framework;
 - (5) frequency of the submission of recovery plans by Regulated Entities; and
 - (6) policies and guidance on recovery planning.
- 22. With regards to the scope of applicability, all the reviewed jurisdictions had requirements for Recovery plans applicable to all banks and deposit-taking institutions, at the least. In November 2024, Hong Kong’s and Singapore’s frameworks applied to banks only. However, in January 2025, Singapore extended Recovery plans requirements to insurers designated as systemically important to the domestic economy. Like Singapore, Trinidad and Tobago’s framework applies to banks, deposit-taking institutions, and insurers. Bermuda’s Recovery plan requirements apply only to insurers. For the Bahamas and the UK, Recovery plans

are applicable to a range of banks, credit unions, building societies and investment firms.

23. While the specific scope of applicability may differ by jurisdiction, the components of the Recovery plan frameworks reviewed remain consistent among territories and in line with the Key Attributes.

F. Cost and Benefit Analysis

24. **Table 1** represents a cost-benefit analysis for implementing a Recovery planning framework for the Cayman Islands.

Table 1 – Estimated Costs and Benefits of the Proposed Measures

	Costs	Benefits
CIMA	<p>The Authority will incur usual administrative costs and initial/ongoing costs of developing and maintaining the framework:</p> <ol style="list-style-type: none"> 1. Conducting private sector/MFSC consultation on the proposed <i>Rule and Statement of Guidance-Recovery Planning</i>. 2. Gazetting and publishing of the <i>Rule and Statement of Guidance Recovery Planning</i>. 3. Amending internal supervisory manuals/procedures further to issuance of regulatory measure. 4. Providing training to staff on the regulatory measures, understanding, and implementing the framework. 5. Administrative costs related to the assessment and approval of Recovery Planning. 	<p>The Authority stands to benefit from:</p> <ol style="list-style-type: none"> 1. Enhanced regulatory oversight and ability to manage crises effectively. 2. Improved credibility as a robust financial institution regulator, including potentially heightened ratings by international standard-setting bodies against crisis management principles. 3. Enhanced reputation for its legislative and regulatory regime for Recovery planning due to having clearer and more streamlined regulation and supervision in this regard. 4. Greater ability to prevent systemic risks and financial instability. 5. Potentially less regulatory burden in cases of crisis as the framework will support the mitigation of these risks, particularly through effective and proactive Recovery planning within the financial industry. 6. Enhanced coordination with international regulatory bodies based on the significance of Recovery planning as well as the cross-border nature of financial services within the jurisdiction.
	These costs are not deemed to be overly burdensome and represent the usual costs of the Authority in carrying out its mandate.	

	Costs	Benefits
Cayman Islands	<p>Jurisdictional cost associated with:</p> <ol style="list-style-type: none"> 1. Public education and communication on framework implementation. 2. Potential legal and regulatory costs to adapt existing/new laws and regulations to support the framework. 	<p>The jurisdiction stands to benefit from:</p> <ol style="list-style-type: none"> 1. Increased financial stability and resilience, reducing the likelihood of economic crisis. 2. Enhanced attractiveness to international investors and financial institutions due to a stable financial system. 3. Protection of the public from the costs associated with financial institution bailouts, as the framework supports effective and proactive crisis management planning and implementation. 4. Increased confidence in the financial industry from both domestic and international stakeholders. 5. Improved alignment of the jurisdiction with international standards and best practice.
Regulated Entities	<p>Regulated entity cost associated with:</p> <ol style="list-style-type: none"> 1. Developing and maintaining comprehensive Recovery Plans. 2. Ongoing compliance with Recovery planning framework, including staff training, system needs for reporting etc. 3. Conducting stress tests and participating in simulation exercises. 4. Possible restructuring costs to simplify legal and financial structures for more effective Recovery planning. 	<p>Regulated entities will benefit from:</p> <ol style="list-style-type: none"> 1. Clear guidelines and expectations for Recovery planning. 2. Enhanced ability to manage and recover from financial distress, protecting business continuity. 3. Improved risk management and governance practices. 4. Increased market confidence and potentially lower funding costs due to enhanced stability.
<p>Conclusion: Based on the above analysis, it is evident that the benefits to CIMA, the Cayman Islands and the regulated entities outweigh the costs of implementing a Recovery planning framework within the Cayman Islands. Implementing this framework, while incurring costs, provides significant benefits relating to financial stability, market confidence and protection against systemic risk.</p>		

G. Consultation Feedback and Comments

25. Before proceeding with the proposed measure, the Authority shall have regard to any representations made by the private sector associations only. Feedback submitted by individuals, entities, or other bodies, unless acting on behalf of private sector associations, will not be accepted by the Authority. Representations from private sector associations must be submitted as a consolidated document, and a listing of the entities which provided feedback should be included. Private sector associations should ensure that conflicting positions are resolved prior to submission to the

Authority. Where positions conflict within or across associations, the Authority will consider all available information in making a decision, which will be at its sole discretion.

26. To ensure that all responses are given due consideration, it is important that private sector associations make clear reference to the sections of the measure being commented on, and that responses are unambiguous, clearly articulated and based on fact. The consultation process is not designed to address complaints or grievances. Feedback of this nature should be submitted through the established complaints process.
27. In cases where the feedback proposes to change a policy position of the Authority or substantially amend any requirement of the draft measure, information to support the position of the association must be provided. The table below provides an example of the Authority's expectation with regard to feedback for the proposed measure.

Reference	Example of a Helpful Comment	Examples of Comments needing more Support
Rule 4.2 ³	<p>In Rule 4.2 the current text omits the fair value measurement of liabilities. Also, as defined it is not asymmetrical with the Market Price definition and thus scenarios exists that fall into neither category.</p> <p><u>Suggested wording:</u> <i>Hard-to-Value Securities means an asset <u>or liability</u> for which <u>there is no Market Price which is required to be measured at fair value pursuant to 5.2.</u></i></p>	<ul style="list-style-type: none"> × This is not what is done in other jurisdictions. × I don't think we should do this. × CIMA is not considering the position of the experts.

28. All feedback submitted by private sector associations will be given due consideration, nevertheless, the decision to adopt any feedback provided into a proposed measure will be at the sole discretion of the Authority.

H. Notice of Representations

29. The Authority seeks consultation through written comments and representations from the private sector associations concerning the proposed:

Rule and Statement of Guidance – Recovery Planning (Appendix I)
30. The Authority must receive representations by **5:00 pm on Friday, 30 January 2026**. Representations received after this deadline may not be considered and will not form part of the collated written response provided to private sector associations.
31. Comments and representations must be addressed to⁴:

³ This example is not reflective of the content of the proposed measure.

⁴ Where the private sector association or industry stakeholder has no comments or representations on the proposed measure, it is recommended that the Authority be informed of this fact.

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32. The Authority shall have due regard to any representation made by the private sector associations and industry stakeholders. The Authority shall provide a written response collating the feedback received and the Authority's position on this feedback. This response shall be copied to all relevant private sector associations only.



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