



2 August 2022

To: Board of Directors of All Category 'A' and 'B' Banks

## **Supervisory Issues and Information Circular**

### **Re: Clarifications to the Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines**

The Cayman Islands Monetary Authority (the "Authority") is writing to provide interim clarifications in relation to the Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines, 1 September 2021 (the "Pillar 3 Measure") as the Authority is in the process of making amendments to the Pillar 3 Measure.

#### **Independent Attestation**

Rule 31 of the Pillar 3 Measure states that "*The Authority expects that at a minimum the Pillar 3 disclosures will be included in internal and external audit reviews.*" The disclosures for periods ending after 1 September 2021 but before 1 September 2022, are required to be filed directly with the Authority. There is no requirement for the Pillar 3 disclosures for this first year of reporting to be independently audited by an external auditor. However, banks at their own discretion can decide to engage external audit to also review the Pillar 3 disclosures. If this option is taken, the banks will determine the scope of such review.

The revised Pillar 3 Measure, once published, will adequately address the internal and external attestation requirements for public disclosures for reporting periods ending on or after 1 September 2022.

#### **Liquidity disclosures**

The disclosure template LIQ1 for Liquidity Coverage Ratio ("LCR") and template LIQ2 for Net Stable Funding Ratio ("NSFR") are mandatory only for banks that are obligated to file LCR and NSFR as per Liquidity Risk Management Rules and Guidelines.

#### **Reporting period**

Rule 13 of the Pillar 3 Measure states that "*Banks are required to publish annual Pillar 3 disclosure reports concurrently with audited financial statements.*" The intention of this Rule is that the annual Pillar 3 disclosures should be finalized within the same timeline required for the banks to provide audited financial statements, which is three (3) months after the end of reporting period. The Pillar 3 measure does not introduce a new requirement for the banks to publish their audited financial statements. Instead, the Pillar 3 disclosure reports may be appended to, or form a discrete section of, a bank's financial reporting, but must be easily identifiable to users.

Should you have any questions, please email the Banking Supervision Division at [contactbanking@cima.ky](mailto:contactbanking@cima.ky).