



**SUMMARY OF PRIVATE SECTOR CONSULTATION AND FEEDBACK STATEMENT**  
**Regulatory Policy on**  
**Domestic Systemically Important Deposit Taking Institutions**

| No.                              | Section   | Comments  | Authority's Response   | Consequent Amendments to the Proposed Measure   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
|----------------------------------|---|---|--|---|---|---------------|-------|---|------------------------|-------|---|------------------------|-------|---|------------------|------------------|--|--|-------------------|
| <b>GENERAL COMMENTS</b>          |   |   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
|                                  | None  |   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| <b>SECTION-SPECIFIC COMMENTS</b> |   |   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| <b>1.</b>                        | <p><b>7.1.8</b></p> <p><b>Table 1: Systemic Score Range and HLA Requirement</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Bucket</th> <th style="text-align: center;">Average Weighted Factors Score</th> <th style="text-align: center;">HLA Requirement</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td>Less than 0.1</td> <td style="text-align: center;">1.00%</td> </tr> <tr> <td style="text-align: center;">2</td> <td>Greater than 0.1 – 0.2</td> <td style="text-align: center;">1.50%</td> </tr> <tr> <td style="text-align: center;">3</td> <td>Greater than 0.2 – 0.3</td> <td style="text-align: center;">2.00%</td> </tr> <tr> <td style="text-align: center;">4</td> <td>Greater than 0.3</td> <td style="text-align: center;">minimum of 3.00%</td> </tr> </tbody> </table> | Bucket  | Average Weighted Factors Score   | HLA Requirement   | 1 | Less than 0.1 | 1.00% | 2 | Greater than 0.1 – 0.2 | 1.50% | 3 | Greater than 0.2 – 0.3 | 2.00% | 4 | Greater than 0.3 | minimum of 3.00% | <p>In other jurisdictions where similar regulation has been implemented, there are also other regulations over financial institutions, such as restrictions over fees, products and prevention of discriminatory lending practices. These regulations do not currently exist within the Cayman Islands Banking sector. If banks are going to have additional capital requirements this may impact their annual net income (i.e., return on capital) and could lead to the potential of banks increasing fees.</p> <p>This point is raised for the Authority's awareness / consideration.</p> | <p>The Authority acknowledges the possibility of fee increases but emphasizes on the overarching objective of the measures with regards to ensuring the safety and financial soundness of D-SIDTIs and the domestic economy.</p> | <p>No change.</p> |
| Bucket                           | Average Weighted Factors Score  | HLA Requirement   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| 1                                | Less than 0.1   | 1.00%   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| 2                                | Greater than 0.1 – 0.2  | 1.50%   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| 3                                | Greater than 0.2 – 0.3  | 2.00%   |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| 4                                | Greater than 0.3  | minimum of 3.00%  |  |   |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |
| <b>2.</b>                        | <p><b>9.4</b></p> <p>The D-SIDTI Framework considers total assets as disclosed on the balance sheet as the suitable quantitative indicator to measure the size of a financial institution.</p>  | <p>When applying the Indicator-Based Approach some factors (e.g. Section 9.4 on Size when considering total assets) could have misleading results for Class B Banks. The Class B banks typically have very limited Cayman Islands exposures, and further consideration by CIMA may be</p> | <p>The Authority agrees to amend Sections <b>9.5</b> and <b>9.19</b> to provide clarity on application of Supervisory Overlay.</p> | <p>Section <b>9.5</b> has been amended to include: "...In addition, the Authority applies supervisory judgment in assessing the nature and composition of</p> |   |               |       |   |                        |       |   |                        |       |   |                  |                  |  |  |                   |

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|     |   | <p>necessary for such licensees to validate assumptions within each factor, if the initial calculation for a Class B meets the threshold for systemic importance.</p> <p>The Authority could also consider the application of a Supervisory Overlay.</p>  |   | <p>total assets held by a D-SIDTI."</p> <p>To provide further clarity on application of Supervisory Overlay, Section <b>9.19</b> has been updated to include "...The Authority therefore applies supervisory judgement as appropriate across all the five factors of systemic importance to supplement the results of the quantitative assessment under the IBA."</p> |
| 3.  | <p><b>Regulatory Policy -DSIDTIs (Assessment Methodology, Complexity Factor – 9.12)</b><br/> The D-SIDTI Framework uses the trading book (financial assets at fair value), and investments (available for sale, held to maturity and other investments) as an indicative of the complexity of deposit taking institutions. In addition, the Authority applies supervisory judgment in assessing the nature and complexity of positions held by a D-SIDTI.</p> | <p>Typically, Banks no longer classify investments as held-to-maturity or available-for-sale as these measurement categories were replaced by the introduction of IFRS 9 - Measurement and Classification of Financial Instruments effective for fiscal periods beginning on or after January 1, 2018. Held-to-maturity is replaced by Hold to Collect (amortized cost) and available-for-sale is replaced by Hold to collect or sell (fair value through other comprehensive income).</p> <p>It is noted that measurement models do not reflect the risk of the portfolio but reflects the intention of the financial institution regarding how management manages the investment portfolio.</p> | <p>The Authority agrees to update Section <b>9.12</b> to show applicability to deposit taking institutions that report under various global accounting standards.</p> | <p>Section 9.12 has been updated to state "...The D-SIDTI Framework uses the investment portfolio held in the trading book and the banking book as indicative of the complexity of deposit taking institutions. In addition, the Authority applies supervisory judgment in assessing the nature and complexity of positions held by a D-SIDTI."</p>                   |

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|     |   | <p>There could be an assumption that a more complex instrument would be measured at fair value through profit and loss, but this is not always the case.</p> <p>It is noted in 9.12 Complexity "In addition, the Authority applies supervisory judgement in assessing the nature and complexity of positions held by a D-SIDTI."</p> |  |   |
| 4.  | <p><b>Appendix II [definition of factors used in calculation of systemic importance]</b></p> <p>"Where:<br/>LOANSHH = represents loans to households; and...</p> <p>DEPOSITSHH = represents deposits from Resident Households."</p> | <p>Should the definition for LOANSHH be aligned with DEPOSITSHH?</p> <p>LOANSHH = represents loans to <b>[Residential] Households</b></p>  | <p>LOANSHH will incorporate either Resident only or Resident + Non-Resident depending on the pool. Alternatively, DEPOSITSHH will only incorporate Resident exposures irrespective of the pool. This is in line with the definition on the households' dependency which looks at the domestic component of deposits.</p> | No change.                                    |