



The Navigator

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Enhanced Reporting System Benefits Regulator and Banking Industry

The Cayman Islands Monetary Authority's (CIMA) Banking Supervision Division has just completed an initiative that will enhance its off-site supervision of Cayman-licensed banks. The division began last year by revising and streamlining the financial reporting forms that banks must submit. Now, it has implemented an on-line submission system making it easier for the banks to file these reports, and for CIMA to process them.

The revised suite of forms comprises the Quarterly Prudential Form (formerly called the Balance Sheet (BS) Form), which all banks must submit, as well as the Basel II Reports, that must be submitted by those banks falling within the scope of the Basel II Capital Adequacy Framework. Together, the forms provide CIMA with more detailed information to carry out its ongoing oversight of banks.

Filing the forms via the new web-based portal instead of via email or physical delivery not only allows instantaneous submission, it ensures the forms are in the correct format. When submitted on-line, the reports are automatically validated against pre-set parameters. They are accepted if the parameters are authenticated, or returned to the submitting bank, along with an appropriate error message, if any of the parameters have not been properly met.

Hence, in addition to reducing the time for reports to reach CIMA, the system resolves issues with incomplete and inaccurate reports, prior to processing. This allows processing to be done more quickly, freeing staff to conduct more in-depth analyses of the banks' financial position.

Head of Banking, Mrs. Reina Ebanks, welcomed the system which is an adaptation of the e-reporting system CIMA implemented for regulated funds in 2007. She commented: "The quick turnaround enables the Authority to efficiently monitor and regulate the banking industry. This streamlined process allows us to better allocate resources to the more important aspects of our functions, thus reducing the number of staff required for the administrative work previously associated with the reporting process."

Mrs. Ebanks added: "The Authority's resources can be geared more towards assessing the quality of the financial performance and risk management policies of licensees, ensuring that banks are operating in line with their capital and other regulatory requirements. This is not only beneficial to the Authority but to the banking industry as a whole."

The Banking Division worked with the Information Systems Division to implement the e-reporting system. The roll-out followed a successful six-month industry trial.

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The test period ran from July through to December 2010 to give banks the opportunity to familiarise themselves with the new system. Banks were asked to submit at least one successful report through the portal. The test was open to all 250 banks regulated by CIMA. A total of 227 banks took advantage of the test period, which translates to over 91% of banks successfully participating in this exercise.

CIMA-FT Forum Focuses on Challenges of Reform



Premier Bush provided the opening remarks



Cindy Scotland (R) and fellow panellist Richard Cantor of Moody's Investor Service Inc.

The Authority joined with the Financial Times to stage the second annual Global Finance Forum, which focused on the theme: Reforming the Global Financial System, in New York City on 2 December 2010.

Over 100 persons representing private companies, international regulatory bodies and government officials, attended the one day conference. Participants included top-level diplomats, regulators, economists, financial analysts and strategists, auditors, accountants, lawyers; directors and senior executives of banking, investment and other firms; representatives of finance industry associations; media editors and senior academics. Among them were members of Cayman's public and private sectors.

The Premier and Minister for Financial Services, Hon. McKeeva Bush, OBE, JP, delivered the opening remarks for the event, focusing on the many ways the Cayman Islands has and continues to respond to the "profound transformation of the global financial

architecture". He reiterated the Cayman Islands' involvement with the various international bodies carrying out reforms that affect Cayman's financial services industry.

The Keynote speaker was Mr. Michael Barr, in one of his final presentations as the Assistant Secretary for Financial Institutions, at the United States Department of Treasury. He reviewed the factors that led to the collapse of the US financial system - factors that included an outdated regulatory system; outlined how the Dodd-Frank Wall Street Reform and Consumer Protection Act addressed those failures and how it was being implemented. He also discussed America's position on some of the current international reforms, such as Basel III, noting that the US would continue to press for raising capital and liquidity requirements and a cross-border resolution framework.

A series of three interactive panel discussions followed Mr. Barr's keynote: Assessing the Scope, Objectives and Impact of Regulatory Reform Worldwide; Outlook for 2011- What Lies on the Horizon for the Financial Services Industry; and Hedge Funds- Tracking the Progress of Reform.

Among issues raised during these sessions were the effects of reform on markets, including the compliance costs to businesses; whether the current reforms were indeed going to be effective; the common challenges that regulators faced in building capacity to meet the increased regulatory demands, irrespective of jurisdiction; the need to balance rule-making with implementation (ensuring that the rules made are able to be implemented); how to deal with systemically important institutions, particularly across borders; the challenges of cross-border harmonisation; and the importance of rebuilding consumer/investor confidence. Panellists and audience drew on experiences in the US, EU, and Cayman.

Panellists were:

- Cindy Scotland, Managing Director, Cayman Islands Monetary Authority;
- David Marchick, Managing Director and Global Head of External Affairs, The Carlyle Group;
- Rob Nichols, President and COO, Financial Services Forum;
- Donald Vangel, Advisor, Regulatory Affairs, Office of the Chairman, Ernst and Young;
- Richard Cantor, Chief Credit Officer, Moody's Investor Service Inc.;
- Dean Maki, Chief US Economist, Barclays Capital;
- Harry S. Davis, Partner, Schulte Roth and Zabel LLP;
- James Greig, Partner, PriceWaterhouseCoopers Legal;
- Todd Groome, Chairman, Alternative Investment Management Association Ltd. (AIMA); and
- Simon Lorne, Vice Chairman and Chief Legal Officer, Millennium Management LLC.

Co-chairs for the event were the FT's Associate Editor and Chief Business Commentator John Gapper, and its US Markets Editor Aline Von Duyn.

Mrs. Scotland is anticipating support of an event for 2012 following the success of this second annual forum. "As the world market continues to grow and change in ways yet to be finalised, forums such as these allow for a meeting of the minds for those



of us responsible for implementing reforms as they are finalised. Events like these reinforce the collaborative exchange of real-time experiences—whether they be good or bad, frustrating or successful— which help to create a meaningful dialogue amongst individuals who can influence change where needed.”

Cayman’s Financial Centre Initiatives Highlighted in New York

While in New York, CIMA also hosted the Cayman Islands International Financial Centre Update Dinner to allow the jurisdiction’s top-level business partners and potential business partners in the Big Apple to hear of current financial services enhancement initiatives.

The Premier and Minister of Finance, Tourism and Development, the Hon. McKeeva Bush, OBE, JP, provided the keynote address at the event, which took place on 30 November 2010.

The Authority joined with local sponsors Mourant Ozannes, Ernst and Young, Deloitte, Admiral, AFA, PriceWaterhouseCoopers, KPMG and HSBC, to stage the event as part of its mandate of supporting and enhancing market confidence and the reputation of the Cayman Islands.

About 70 specially invited guests were in attendance, including chief operating officers, partners, general counsel and other decision-makers from major firms such as Goldman Sachs, BNY Alternative Investments Services, and JP Morgan.

In his address, the Premier reinforced the message that the Cayman Islands remains the jurisdiction of choice for financial services stating: “The Cayman Islands is among the most well-regulated and progressive international financial centres. We are pro business. We have been, and will continue, working purposefully to further enhance our investment environment to meet the demands of the changing international marketplace.”

He also emphasised the Islands’ commitment to, and track-record of, meeting international standards of international tax transparency and elaborated on the efforts that government and CIMA have taken to enhance the business environment of the jurisdiction.

Some of the initiatives highlighted were:

- the restructuring of the Financial Services Secretariat to support various international cooperation initiatives and key inter-government relations
- the introduction of the Department of Commerce and Investment now tasked with stimulating and facilitating long-term, inward and local investment
- creation of a National Investment Council tasked to direct a national investment strategy which is currently in review,
- current and planned immigration changes to facilitate industry’s manpower needs and inward investment

CIMA Licence/Registration Numbers (with increase (+) / decrease (-) from previous quarter)		
Banking and Trust	30 Sept. 2010	31 Dec. 2010
Banks	262	245 (-17)
Class A	17	17 (0)
Class B	245	228 (-17)
Class B Restricted	2	2 (-1)
Nominee Trusts	46	23 (-23)
Money Services Providers	8	8 (0)
Fiduciary Services		
Trust Companies	151	150(-1)
Unrestricted Trusts	51	51(0)
Restricted Trusts	78	76 (-2)
Nominee Trusts	22	23 (+1)
Registered Private Trust Companies	40	44 (+4)
Registered Controlled Subsidiaries of Trust Companies	18	20 (+2)
Companies Management	79	80 (+1)
Corporate Services	7	9 (+2)
Insurance		
Insurance Companies	758	768 (+10)
Class A	29	30 (+1)
Class B	729 (-4)	738 (+9)
Insurance Managers	33	33
Insurance Brokers	34	34 (0)
Insurance Agents	106	108 (+2)
Investments and Securities		
Mutual Funds	9,594	9,438 (-156)
Registered	9,024	8,870 (-154)
Administered	439	435 (-4)
Licensed	131	133 (+2)
Mutual Fund Administrators	133	134 (+1)
Full	94	94 (0)
Restricted	37	38 (+1)
Exempted	2	2 (0)
Securities Investment Business Law (SIBL) Licensees	28	28 (0)
Excluded Persons Under SIBL	2,425	2,394 (-31)
Currency in Circulation (with increase (+) / decrease (-) from previous quarter)		
	30 Sept. 2010	31 Dec. 2010
Total Currency	CI\$78.28 million	CI\$85.20 million (+\$6.92 million)
Notes	CI\$69.21 million	CI\$76.10 million (+\$6.89m)
Coins	CI\$9.05 million	CI\$9.10 million (-\$0.05m)

- encouraging expansion of substantive business operations done in Cayman, including by facilitating the re-domiciling of business offices to the Islands, and
- enhancing CIMA's regulatory efficiency and facilitating financial services expansion through current and planned measures such as expanded electronic processing and introducing new classes of authorizations for insurers and fund administrators.

The full content of the Premier's speech is available on the [CIMA website](#).

CIMA Gives Input for Fund Manager Directive Implementation Strategy

As the Alternative Investment Fund Managers Directive (AIFMD) moves closer to coming into force in Europe, CIMA recently joined 51 European and international organisations in responding to the European Securities and Markets Authority's (ESMA) request for input on strategies for implementing the directive. ESMA, which succeeds the former Committee of European Securities Regulators' (CESR), has been mandated by the European Commission to draft measures, guidelines and technical standards to facilitate the implementation of certain parts of the Directive. ESMA received responses to the Call for Evidence that the CESR issued in December seeking stakeholders' input on the AIFMD to help in its drafting of technical advice on the content of the implementing measures. ESMA intends to publish this draft technical advice for formal consultation during this year.

CIMA's response paper, which it submitted on January 14, focused on key aspects of the Call for Evidence, namely general questions relating to the scope of the AIFMD, choice of legislative instrument and impact assessment, as well as the specific issues relating to depositories, cooperation arrangements and the authorisation of non-EU managers.

CIMA's Managing Director, Mrs. Cindy Scotland, said it was important for Cayman to have a voice in the development of AIFMD implementation strategies, "not only because of the importance of the funds industry to this jurisdiction but because of the valuable insights that we have gained, and can offer, from having such a large pool of funds domiciled here for most of the last 20 years."

Other organisations responding to the Call for Evidence included banking associations, regulatory bodies, investment services, and insurance, pension and asset management associations, as well as individual firms. They represented jurisdictions including Jersey, Sweden, Germany, and Ireland.

The European Parliament formally accepted the AIFMD on 11 November 2010, mandating implementation by early 2013.

The AIFMD aims to unify the regulatory regime for alternative investment fund managers and funds within the 27-country EU.

The Authority's response, along with the responses from the other entities mentioned above, can be found on the [ESMA website](#).

The European Securities and Markets Authority – What it is

ESMA is an independent European Union Authority that contributes to safeguarding the stability of the European Union's financial system by ensuring the integrity, transparency, efficiency and orderly functioning of securities markets, as well as enhancing investor protection. In particular, ESMA fosters supervisory convergence both amongst securities regulators, and across financial sectors by working closely with the other European Supervisory Authorities competent in the field of banking (EBA), and insurance and occupational pensions (EIOPA).

Source: http://www.esma.europa.eu/index_new.php

Embracing Disaster Recovery in the 21st Century

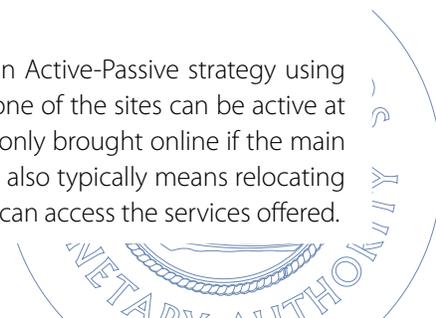
Submitted by the Information Systems Division

A traditional Disaster Recovery (DR) Plan for businesses who rely on information technology involves creating a secure remote computer location where the business has to choose which core applications they absolutely need to have up and working and then have their Information Systems department provision an assortment of backup servers and data storage devices to cater for these choices.

These systems can then be activated in the event of a loss of the main data center due to events like natural disasters, fire, flood, or even sabotage. These backup sites are generally configured so that information (email, word, excel, and applications files) that is changed at the main site is automatically copied to the backup site on a regular basis. For many this happens once per day, for other more mission-critical businesses such as CIMA, this data copy is more frequent.

From Active - Passive ...

This scenario is referred to as an Active-Passive strategy using replication techniques as only one of the sites can be active at any one time. (ie. the DR site is only brought online if the main site fails.) During a disaster, this also typically means relocating your staff to the DR site so they can access the services offered.



Activating an Active-Passive move over to the DR site in many cases is a manual process with some downtime expected as servers are brought online and connections to the most recently copied data is provisioned. Depending on the time of day, this may involve the loss of some recent transactions. A major obstacle to this strategy is the 'recovery' process whereby there rarely is a seamless path BACK to the main site once the disaster is over as all of the changed data provisioning was mainly designed to only travel one way! You also have to be able to achieve getting the data that was changed and updated at the DR site merged back into the resources at the main site in a successful manner.

... To Active - Active System

However, with the advanced technology available today, CIMA has now created a DR plan to be Active-Active in which both sites have the ability to access all of the data and all of the systems in a real-time fashion using synchronization and virtualization techniques. Explains Head of Information Systems, Chuck Thompson: "This means that if there is a failure of one component, or even an entire site, the end user should be largely unaware of it, as systems are automatically switched to the secondary processes. The business has been relieved of choosing which applications are the most important ones to keep up and running in case of a disaster. ALL systems are currently catered for in this project".

Many software packages such as Exchange Server and BlackBerry Server have some element of this "High Availability" built in to their design and are therefore easy to implement. Other software and general data storage typically require specialist hardware and software to achieve the same goals.

Real-time Success

In January 2011, the IS team put the system to the test: first, all production servers and all disk drives containing live data were powered off during business hours without informing CIMA staff. This trial ran for a total of three days without a single user experiencing a problem either in missing data or with response time. At the conclusion of the tests, the recovery process was initiated and the systems were powered back on, again during operating hours, and again with no loss of productivity. All data synchronized itself between both the main and DR sites successfully. This form of testing provided real-time evidence that this new system was proven and successful.

With all of CIMA's core systems now operating in this private "cloud" the IS team will be focusing on additional improvements such as plans to extend the operation to an Active-Active-Passive model by adding a third remote site that could be manually activated in the event of a loss of both the Primary and the DR sites.

International Students Gain New Perspective on Cayman Regulator



Head of Insurance, Gordon Rowell, presenting to Elon students.

A group of US university business students have left Grand Cayman with a new perspective on this jurisdiction's financial services industry after a three-week study abroad class titled, "Doing business in the Caymans." A highlight of the course was a half-day seminar on regulation put on by the Authority, on Tuesday, 18 January.

During the workshop, which took place at the Marriott Resort, CIMA department heads addressed the group of 22 business students from Elon University, North Carolina. The regulators provided an in-depth view of the structure and responsibilities of the Authority; its supervisory objectives; the legislation, principles and processes by which it makes decisions on licensing, registration and other approval of financial services providers and products, and how it monitors these entities on an ongoing basis. The presenters outlined how the different industry sectors operate, and how these sectors and CIMA interconnect with the financial industry and regulatory bodies internationally. They also discussed some of the initiatives CIMA was undertaking to keep on par with relevant new international standards.

Mr. Chris Faucher a student majoring in Finance, commented: "Before this trip, I had a stereotypical view of the Caymans being a tax haven for offshore banking. I feel like this experience has allowed me to gain inside information which is not presented by media in the US."

When asked why she thinks the perception of the Cayman Islands as a tax haven still persists, Ms. Mara Bollenbacher, an economics major, said, "There is not much in our education system about financial services from the perspective of jurisdictions like the Cayman Islands. My generation depends on the media and movies like 'The Firm' for information. To address this problem, there should be more student programmes and educational seminars like this where we have an opportunity to engage industry professionals."

CIMA agreed to host the seminar and share expert knowledge, at the university's invitation. Presenters were: Deputy Managing Director, Howard Blacker; Head of Banking, Reina Ebanks; Head of Insurance, Gordon Rowell; Deputy Head of Investments, Heather Smith; and Chief Analyst of the Fiduciary division, Leticia Frederick.

Mr. Arthur Cassill, Professor of Accounting at Elon, and Mr. Kevin O'Mara, Professor of Management, led the students. Commenting on the presentation, Prof. Cassill said, "We consider ourselves very fortunate to have been able to have this opportunity to interact with the very top people in CIMA. I look forward to repeat trips which undoubtedly foster information sharing."

The group's itinerary included attending the Cayman Business Outlook 2011 conference, and meeting with persons from the private sector and the University College of the Cayman Islands. On their return home the students were to complete projects based on what they learned in Cayman, coupled with course materials previously studied.

The CIMA workshop was the first of a series of student seminars that the Authority has scheduled for this year.

Regional Supervisors Seminar Examines Global Bank Reforms

In conjunction with the Financial Stability Institute (FSI) and the Caribbean Group of Banking Supervisors (CGBS), the Cayman Islands Monetary Authority will be hosting a regional regulators seminar on Capital Adequacy and Basel III. The event will be held in George Town from 22-24 February 2011.

The forum is designed for regulators and institutional supervisors to hear from experts on the Basel III regulatory reform package issued by the Basel Committee on Banking Supervision, which outlines several measures to strengthen the resilience of banks and the global banking system. Participants will also be able to share experiences and discuss challenges on the issues.

Presenters at the seminar will be senior FSI and CGBS officials. Topics to be discussed include: Implementing pillar two of Basel II, Experiences and lessons learned from the current financial crisis, the requirements of Basel III and related themes.

Some 40 participants are expected for the three day event. They include mid-to senior-level officials from CIMA and the Central Bank of the Bahamas, Bermuda Monetary Authority, British Virgin Islands Financial Services Commission, Turks & Caicos Islands Financial Services Commission, Central Bank of Barbados, Bank of Jamaica, Central Bank of Trinidad & Tobago and the Eastern Caribbean Central Bank.

CIMA to Host CARTAC Event

CIMA will also be hosting the 2011 Caribbean Regional Technical Assistance Centre (CARTAC) Workshop and Conference later this year. It is scheduled to take place from 13 to 17 June 2011. Further details will be available in a latter issue of *The Navigator*.

Staff Assists the Community



Staff presents donations to Department of Children and Family Services



Recenia McLean accepts CIMA's contribution to assist with her father's medical expences

As part of its ongoing community involvement endeavours, staff of CIMA participated in a month-long food and funds drive for families in need throughout December.



Through weekly collections, the staff accumulated a variety of non-perishable food and household goods which were presented to representatives for the Department of Children and Family Services, Mrs. Deborah E. Webb-Sibblies and Ms. Lynda C. Mitchell, to assist clients of the department during the holiday season.

Monetary collections throughout the month also enabled the purchase of 17 CI\$50.00 gift certificates for groceries which were donated to the Cayman Islands Crisis Centre for the participants in its residential programme.

CIMA staff also raised funds to assist the family of Mr. Roderick McLean who is battling the late stages of lung cancer and currently seeking treatment overseas. His daughter, Ms. Recenia McLean, accepted the donation on behalf of her family.

Staff Recognised at Annual Awards Ceremony



The IS Division won Team of the Year (not all staff shown)

CIMA recognised several staff members for their outstanding contributions throughout 2010 during the annual staff awards ceremony in December.

Earning the **Team of the Year** award, the Information Systems (IS) Division was recognised for advancing CIMA's technological capabilities and implementing new finance, human resources and regulatory systems that have increased 'efficiency and accuracy' in several areas. This included the development and introduction of CIMAConnect, the online regulatory application submission portal, as well as the introduction of upgrades that enabled eco friendly initiatives like paperless payslips.

Members of the IS team are

- Chuck Thompson
- Scott MacLaren
- Russell Haley
- Jonathan Catlett
- Francisco Castillo
- Terrence Charles
- Michael Dawkins
- Nigel Thomas
- Clive Scotland
- Steven Rabey
- Eva Byrne
- Aarthi Balasundaram
- Anya Rankin-Christian
- Brandon Ebanks

Two members of the team—Messrs. Haley and Dawkins—received individual awards. Mr. Haley was recognised as the **Most Innovative** staffer. It was noted that he is 'always thinking of ways to implement and improve [CIMA's] computer systems and programmes while remaining open to suggestions from staff members'. Mr. Dawkins was lauded for his superb **Customer Service** skills, especially in dealing with new employees, and for being 'the first line of support for all end user problems and issues'.

The Legal Division boasted three individual award recipients: Mrs. Sandra Edun-Watler, Mrs. Angelina Partridge and Ms. Dawn Budal.

Mrs. Edun-Watler received the **Spirit Award** for consistently putting forward a contagiously positive attitude, both within CIMA and while representing it externally, as well as for encouraging others 'to go after their goals'.

The **Rookie of the Year** award went to Mrs. Partridge, in recognition of her significant role in the Auditor Oversight project and her assistance with 'research and implementation through drafting of laws as well as meetings with overseas counsel and various representatives'.



Ms. Budal received the Mentoring award

Ms. Budal received the **Mentoring** award for her 'consistent willingness' to assist new employees through their probationary period.

The final honour went to Mr. Eric Webster from the Human Resources Division. He received the **Community Service** award for his involvement with a non-profit community group in Bodden Town as well as his 'untiring efforts' to meet the community goals of CIMA.

HR Update



L - R Messrs, Castillo, Welcome, Reis and Dawkins

During the final quarter of 2010, four individuals earned promotions within their respective divisions as follows:

- **Francisco Castillo** – Promoted to Database Administrator, Information Systems Division
- **Wilbur Welcome** – Promoted to Senior Analyst, Banking Supervision Division
- **Pedro Reis** – Promoted to Chief Analyst (Captive), Insurance Supervision Division
- **Michael Dawkins** – promoted to Network Administrator, Information Systems Division

Qualifications Gained:

- **Rayford Britton** – STEP Exam pass - Trustee Investment & Financial Appraisal (With Distinction)
- **Ruth Myles** – Selected Participant for Leadership Cayman 2011

New Appointments:

- **Renford Barnes** – Investments and Securities Division
- **Ishmael DaSilva** – Banking Supervision Division
- **Regina Forman** – Fiduciary Services Division
- **Barry Hunte** – Banking Supervision Division
- **Khalid Iton** – Investments and Securities Division
- **Jackie Powell-Marsden** – Investments and Securities Division
- **Anya Rankin- Christian** – Information Systems Division

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