

The Cayman Islands Monetary Authority is pleased to deliver this volume of *The Navigator* to you. We continuously strive to enhance dialogue with our stakeholders. We therefore welcome your questions or suggestions on how to improve on the information provided in this newsletter. Please do not hesitate to contact us at [navigator@cimoney.com.ky](mailto:navigator@cimoney.com.ky).



# The Navigator

Quarterly Newsletter of the Cayman Islands Monetary Authority

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The Navigator welcomes articles from its licensees and associates on relevant and emerging issues within the financial services sector. Authors and their respective organisations will be credited for their submissions. For more information, please contact the editor, Joan Scott by emailing <a href="mailto:j.scott@cimoney.com.ky">j.scott@cimoney.com.ky</a> or at (345) 244.1591.	

## Licence Statistics as at 30 June 2009

(With increase (+)/ decrease (-) from 31 March 2009)

### Banking and Trust

Class A	18 (0)
Class B	249 (-1)
Class B Restricted	2 (0)
Nominee Trusts	61 (0)
Money Services Provider	7 (0)

### Fiduciary Services

Trust (Unrestricted)	53 (-2)
Restricted Trusts	85 (-1)
Nominee Trusts	22 (0)
Registered Private Trust Companies	9 (+2)
Registered Controlled Subsidiary of Trust Companies	9 (+1)

Company Management	77 (+2)
Corporate Services	6 (0)

### Insurance

Class A	28 (0)
Class B ('Captive')	787 (+10)
Insurance Managers	25 (0)
Insurance Brokers	31 (0)
Insurance Agents	84 (+2)

### Investments & Securities Services

Registered Mutual Funds	9,189 (+121)
Administered Mutual Funds	506 (-3)
Licensed Mutual Funds	130 (+2)
Mutual Fund Administrators (Full)	97 (-1)
Mutual Fund Administrators (Restricted)	44 (-3)
Mutual Fund Administrators (Exempted)	2 (-1)
Securities Investment Business Law (SIBL) Licensees	28 (+1)
Excluded Persons Under SIBL (Registered)	2,270 (+77)

## Currency in Circulation at 31 March 2009

Notes	CI\$74.6 million (+0.8m)
Coins (excluding numismatic coins)	CI\$8.9 million (0)
<i>(CI\$1.00 = US\$1.20)</i>	

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## CIMA Contributes to International AML/CFT Standards Assessment

A key factor in maintaining high standards within the global financial services system is ongoing evaluation of the regulatory environment. Such exercises aim to assess the extent to which standards are being met, identify strengths and weaknesses within jurisdictions' regulatory frameworks, and suggest corrective measures to ensure that regulatory effectiveness is not being compromised.

Conducting these types of reviews requires expert staffing and for some standard setting/assessment organisations, such as the Caribbean Financial Action Task Force (CFATF), these experts are called up from member bodies, including the Cayman Islands Monetary Authority.

In the last 18 months, CIMA representatives have been examiners in three jurisdictional assessments conducted by the CFATF under its Mutual Evaluation Programme. The programme assesses member jurisdictions' compliance with the Financial Action Task Force's (FATF) 40 Recommendations to combat money laundering and Nine Special Recommendations to combat the financing of terrorism (the "FATF 40+9 Recommendations").

Each of the 30 CFATF member jurisdictions can expect to undergo the mutual evaluation by its peers once every three to five years. The evaluation team is typically comprised of the team leader, a legal expert, a law enforcement expert, and two financial experts. Most evaluation missions are headed by a staff member from the CFATF Secretariat, while the other team members are drawn from member countries of the CFATF. Other supporting countries and international organisations, such as the IMF, may also assist in conducting mutual evaluations of CFATF member countries. (See story below related to the last CFATF assessment of Cayman.)

In February 2008, CIMA Legal Counsel, Mrs. Sandra Edun-Watler, served as Legal Examiner for the British Virgin Islands evaluation while CIMA Legal Counsel, Mrs. Gail Johnson-Goring, was Legal Examiner for the St. Lucia evaluation. Deputy Head of Policy and Development for CIMA, Mr. Francis Arana, was Financial Examiner for the St. Kitts and Nevis evaluation in October 2008.



*CIMA's recent CFATF examiners (L-R): Sandra Edun-Watler, Gail Johnson-Goring & Francis Arana*

"Having staff act in these exercises emphasises the active role CIMA plays within the international organisations of which we are a part," said Managing Director, Mrs. Cindy Scotland. "It also demonstrates our level of commitment to maintaining high regulatory standards in this jurisdiction and helping to facilitate the maintenance of high standards internationally."

Mr. Arana explained that each examiner concentrates on assessing a specific aspect of the jurisdiction's regime, utilising the methodology developed by the FATF for AML/CFT assessments worldwide. Once the site visit is complete, the examiner must formulate a report on the various areas related to his/her expertise and make the necessary recommendations and ratings ascribed by the FATF methodology. Thereafter, these ratings must be defended after review of the responses of the evaluated country, as well as other member countries of the CFATF. The draft report is then presented to the CFATF's Plenary Meeting Delegation for adoption and final approval by the Ministerial Heads. This determines the follow up action to be done by the evaluated country.

Mr. Arana commented on the benefits of these evaluations: "Participating in the mutual evaluation process helps the authorities in each country to objectively determine what AML/CFT measures are in place, and what steps are necessary to strengthen the AML/CFT regime. The mutual evaluation process also gives examiners the tools to review and strengthen the AML/CFT systems in their home countries."

Established in 1990, the CFATF is an organisation of Caribbean and Central American jurisdictions, which have agreed to implement and comply with common countermeasures to address the problem of money laundering and terrorist financing. The CFATF has been an associate member of the FATF since February 2008.

The Cayman Islands is a founding member of the association.

### **CFATF Members:**

*Antigua & Barbuda, Anguilla, Aruba, The Bahamas, Barbados , Belize , Bermuda, The British Virgin Islands, The Cayman Islands, Costa Rica , Dominica , Dominican Republic , El Salvador , Grenada , Guatemala , Guyana , Republic of Haiti , Honduras , Jamaica , Montserrat, The Netherlands Antilles, Nicaragua , Panama , St. Kitts & Nevis, St. Lucia , St. Vincent & The Grenadines, Suriname , The Turks & Caicos Islands, Trinidad & Tobago, Venezuela*

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## **Cayman Reports Progress on Implementing Outstanding CFATF Recommendations**

In the report on its 2007 assessment of the Cayman Islands' anti money laundering and anti terrorism financing (AML/CFT) regime, the CFATF rated this jurisdiction as "Compliant", "Largely Compliant" or "Partially Compliant" with 48 of the FATF's 40+9 AML/CFT Recommendations. Specifically, the Cayman Islands was rated as Compliant with 14 recommendations, Largely Compliant with 24 recommendations, and Partially Compliant with 10 recommendations. \*

The report was accepted at the CFATF's Plenary in December 2008 and, since that time, the Cayman Islands Government and CIMA have been working to implement the CFATF's recommended actions to address those recommendations on which the jurisdiction did not receive the "Compliant" rating.

During the last CFATF Plenary, which was held 4-8 May 2009 in Port of Spain, Trinidad, the Cayman Islands updated the CFATF membership on its progress to date. The Cayman Islands representatives were Solicitor General and Head of Delegation, Ms. Cheryll Richards; Director of the Financial Reporting Authority, Mr. Lindsay Cacho; Assistant Financial Secretary, Ms. Jacqueline Ziemnack; CIMA Legal Counsel, Mrs. Gail Johnson-Goring, and CIMA Deputy Head of Policy and Development and Financial Examiner for the Mutual Evaluation of St. Kitts and Nevis, Mr. Francis Arana.

Ms. Richards and Mrs. Goring-Johnson presented a Response Paper to the CFATF's Follow-Up Report on the jurisdiction. The paper highlighted that action had been completed on 28 of the 35 recommendations requiring follow up. The Plenary was informed that the remaining seven recommendations outstanding are expected to be addressed before the next Plenary, scheduled for October 2009.

Those seven recommendations cover the following general areas:

- extension to the Cayman Islands of United Nations, Council of Europe and Inter-American anti-terrorism and anti-money laundering conventions, and implementation of related UN Instruments

- implementation of recommended mechanisms for meeting cross border declaration and disclosure requirements and for ensuring that the principles applicable to financial institutions are also applied to foreign branches/ subsidiaries, i.e. branches and majority owned subsidiaries located abroad, especially in countries which do not or insufficiently apply the FATF Recommendations;
- human, technical and financial resources for regulation and enforcement;
- mechanisms for measuring the effectiveness of international co-operation particularly relating to combating terrorist financing, terrorist acts or terrorist organisations; and
- implementation of regulations for non profit organisations.

\* The **FATF 40+9 Recommendations** and additional background on them are listed on the FATF website:[www.fatf-gafi.org](http://www.fatf-gafi.org).

The **CFATF Cayman Islands Mutual Evaluation Report** can be downloaded through the CIMA website (Regulatory Framework/International Cooperation/Assessments page) at:  
<http://www.cimoney.com.ky/section/regulatoryframework/default.aspx?id=157>

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## **IOSCO Membership Welcomed**

CIMA's highly anticipated acceptance to the International Organization of Securities Commissions (IOSCO) was obtained on 10 June 2009 at the meeting of the Presidents' Committee during IOSCO's 34th Annual Conference in Tel Aviv, Israel.

In response to the granting of membership, CIMA's Managing Director, Mrs. Cindy Scotland, told the gathering:

"Our formal admission into IOSCO marks the culmination of a period of mutual engagement, dialogue and action by our two bodies." She added that the move "serves as an example of what can be accomplished when international standard setters engage jurisdictions as equal partners with a common objective," and "is a strong validation by IOSCO of our ability and our willingness to engage other regulators to facilitate cross-border information exchange and assistance."

Members of industry have embraced both the news of the membership and CIMA's negotiation and signing of IOSCO's Multilateral Memorandum of Understanding (MMOU). The signing, which was done on 24 March 2009, was a precursor to membership.

Among those commenting on the developments is Mr. Canover Watson, the Managing Director of Admiral Administration Ltd.

"Entering into the IOSCO MMOU concerning consultation, cooperation and exchange of information is further evidence of our jurisdiction's commitment to cooperation with international regulators," expressed Mr. Watson. "Our formal admission reinforces the view that our regulatory regime meets the highest international standards. We congratulate CIMA on this significant accomplishment and look forward to the commercial benefits for our industry, which I am confident will arise from this development."

He further commented that, "This membership will result in the removal of impediments from certain jurisdictions where the regulatory regime permits investors to engage only with vehicles that are regulated in an IOSCO member jurisdiction. The opening up of such markets for Cayman registered funds and fund managers will be warmly welcomed by the funds industry."

On its official admittance, CIMA became the 189th ordinary (full) member of IOSCO. The body is the

principal global standard setter for the regulation of securities markets. Its objectives encompass cooperation and information exchange, standard setting and surveillance, and mutual assistance. IOSCO adopted the MMOU in 2002 as the benchmark for international cooperation among securities regulators. It is one of IOSCO's primary instruments to facilitate cross-border cooperation, reduce global systemic risk, protect investors and ensure fair and efficient securities markets.

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## **Basel II Update: Consultation is Key to Successful Implementation**

A critical success factor of CIMA's Basel II framework implementation strategy is the consultation between the Cayman Islands Bankers Association (CIBA) and CIMA.

The Basel II framework allows capital requirements to be aligned more closely to the risks faced by both the banks and the regulators. The framework has largely been accepted as the international minimum standard for an adequate regulatory regime.

The Basel II consultation process for Cayman was initiated in January 2009 when CIMA and CIBA partnered to form the CIBA/CIMA Basel II Working Committee. The primary purposes for forming the Working Committee were to:

- seek and provide consultation on Basel II policies, guidance and issues;
- develop consensus and agreement on Basel II implementation and monitoring issues;
- communicate and distribute explicit direction on issues relating to the implementation of Basel II directly through CIBA or through principal agents;
- ensure all Basel II impacted member banks are provided an opportunity for consultation; and
- ensure decisions are communicated to all Basel II impacted banks directly through CIBA or through principal agents.

The choice of which banks to invite to participate in the Working Committee was made based on various criteria, such as: banks with large local retail exposures, banks from a geographic region that has large representation in Cayman, banks conducting complex business activities such as trading in FX, swaps, options or CDS's and banks acting as principal agents on behalf of other private, subsidiary or affiliate Basel II impacted banks. Although the Working Committee was initially established using this criteria, any Basel II impacted bank can request to participate in the Working Committee by contacting CIBA directly.

Principal agents have become a key communication mechanism for the Working Committee. Along with participating in the Working Committee the principal agents send information to banks without a physical presence in Cayman as well as provide comments or concerns from these banks to the Working Committee.

To effectively discuss and examine issues related to the Basel II policies, rules, guidance and forms, the Working Committee established three sub-committees. Each of the sub-committees is focused in specific areas of Basel II; Credit Risk, Market Risk and Operations Risk. In addition, banks participating in the Working Committee have been given opportunities to test forms prior to the forms being finalised by CIMA. This gives banks insights into the information being requested by CIMA, practical insights to completing the forms for their respective organisations and provides CIMA with practical design feedback for the forms.

To-date the Working Committee has successfully concluded consultations on Basel II National Discretion Items, Determination of Trading Book, Credit Risk and Operations Risk. Consultation on Market Risk is currently ongoing and will be concluded by mid August, 2009. Remaining are consultations of Assets Securitization and Constituents on Capital (regulatory and tier 1 capital limits). These consultations will be concluded by mid September 2009. Once the consultations on all the Basel II policies, rules guidance and

forms have been completed, final versions of all the documents will be issued by the end of October, 2009.

The implementation of the Basel II framework is being conducted using a phased approach. The initial part of the first phase of the implementation is predominately Pillar 1 standardised Basel II approaches. This will be completed by December 31, 2010. Subsequently, Pillar 2 and 3 of the Basel II Framework will be implemented after December 31, 2010. The second phase will focus on advanced Basel II approaches and will be implemented after 2012. Implementation of the Basel II framework will impact approximately 100 locally incorporated banks. Branches are excluded from implementing Basel II.

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## **CIMA Committed to Learning and Development**



*Among the external trainers who facilitated workshops since the opening of CIMA's Learning Centre was Linda Freshwater of UK-based FITCH Training (centre), who led the Introduction to Bank Financial Statements. Banking Analysts Theresa Christian and Eric Webster were two of the participants.*

Continuous learning and career development is paramount for success in any field and the Cayman Islands Monetary Authority has continued to reinforce this objective through a proactive human resources training regime.

Through the Learning Centre, an on-site education and training facility, staff are able to participate in a variety of courses without leaving the CIMA location. Instructors are commissioned locally and overseas but, most notably, CIMA's own in-house subject experts are often called upon to lead courses.

"The wealth of knowledge we have on staff exemplifies the high standards we hold ourselves to and the standards we strive to surpass in the Caribbean regulatory community," shared Learning and Development Specialist, Ms. Glenda Davidowski. "By encouraging senior staff to act as facilitators, we are able to tap into the expertise for which they were hired. This creates both learning programmes that are specific to individual divisions and ones that are cross-divisional, building even stronger relationships within units and across CIMA."

For example, Certified Anti-Money Laundering Specialists (CAMS) Mr. RJ Berry, Head of Compliance, and Mrs. Sandra Edun-Watler, Legal Counsel, were the instructors for the Anti-Money Laundering and the Laws that Govern Us course held recently for new employees.

After attending the course, Mr. Dwight Merren, Chief Analyst in the Investments and Securities Division reflected: "I was very impressed with the calibre of training provided by fellow staff members who are experts in their field. It not only enabled me to get an intensive refresher course in AML but also to share and discuss ideas and network with new colleagues." Having in-house experts, however, does not eliminate having external trainers.

"With the Centre right on our grounds, in walking distance of all our staff, has allowed us to bring world class experts to train entire teams rather than sending one or two individuals overseas to receive training," explains Head of Human Resources, Mrs. Judy Miller. "The creation of our in house training programme has resulted in a more effective and efficient training program. We offer courses that are technical and specific to the regulation of the finance industry but also address areas such as leadership and management development, customer service, and time management, to name a few."

Ms. Theresa Christian, Senior Analyst in the Banking Division, participated in Introduction to Bank Financial Statements along with 22 co-workers. The specific tailoring of the course to CIMA's needs was one of the elements she appreciated the most.

"The course was more than I expected. It was not just a breakdown of what you can find on a bank's financial statements, but how different types of risks are reflected in the numbers. This is the type of knowledge that we, as regulators, need to have. I appreciated the individual interaction during the course and the incorporation of real life examples."

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## Wright and Ebanks Standout in the Community



### Omar Wright Medals Again

At the NatWest Island Games 2009 held in Aland, Finland, CIMA's own Investments and Securities Division Analyst, Mr. Omar Wright, earned a silver medal, finishing second place in the high jump.

A noted athlete, Mr. Wright has competed and medalled in previous Island Games. In 2001, he earned the bronze medal at the Island Games (Isle of Man) and then achieved a first place recognition, earning Gold at the 2007 Island Games (Greece).

He has represented Cayman in other international athletic meets, including the Central American and Caribbean (CAC) Games and currently holds the Cayman Islands' national record for the high jump- 7 feet 2.25 inches (2.19m).



## Debbie Ebanks Becomes First Female Local Lions President

Head of Currency, Miss Debbie Ebanks was installed as the first female President of the Lions Club of Grand Cayman on 20 June. This historical milestone is the pinnacle of a lifelong commitment to community service.

In 1983, she received the Duke of Edinburgh Gold Award from HRH the Duke of Edinburgh. In 2003, she was awarded the Cayman Islands Certificate and Badge of Honour in recognition of her services to the community.

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## Staff Continue Professional Accomplishments

The following CIMA staff members successfully completed professional courses and, in some cases gained the corresponding designations, since our last *Navigator* was published:



**Chad Boddan**, Senior Analyst, Banking Supervision Division - gained the Certified Anti-money Laundering Specialist (CAMS) designation from the Association of Certified Anti-money Laundering Specialists.



**Dana Rankine**, Analyst, Banking Supervision Division - gained the CAMS designation.



**Monique Minzette**, Senior Analyst, Banking Supervision Division - gained the CAMS designation.



**Elaine Humphreys**, Analyst, Banking Supervision Division - gained the CAMS designation.



**Edward Persaud**, Senior Analyst, Investments and Securities Division- gained the Professional Risk Manager (PRM) designation from the Professional Risk Managers' International Association.



**Rayford Britton**, Chief Analyst, Banking Supervision Division - completed the Society of Trust and Estate Practitioner (STEP) Trust Creation Law and Practice course.



**Mary Jane Scott**, Analyst, Banking Supervision Division - completed the STEP Trust Creation Law and Practice course.



**Ruth Yates**, Senior Analyst, Investments and Securities Division - completed the STEP Trust Administration and Accounts course.



**Left to right: Tara Campbell**, Secretary to the Board, Legal Division - passed the Professional Practice Course with Commendation at the Cayman Islands Law School; **Sandra Edun-Watler**, Legal Counsel, Legal Division - completed the STEP Trust Administration and Accounts course; **Bobette Bodden**, Paralegal, Legal Division- obtained her Bachelor of Laws Degree (LLB) from the University of Liverpool, under the auspices of the Cayman Islands Law School.



**Barbara Mascal**, Administrative Assistant, Insurance Supervision Division - gained the University College of the Cayman Islands (UCCI) Legal Secretary Certificate.



**Roderick Ebanks**, Analyst, Insurance Supervision Division - gained UCCI's Certificate in Offshore Financial Services.



**Kim McLaughlin**, Senior Analyst, Compliance - passed the Cayman Islands Law School Professional Practice Course.

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## Human Resources Developments

### New Employees

The following staff hires and promotions occurred since the last *Navigator* was published:

- **Rolna Da Costa**, Analyst, Investment and Securities
- **Leticia Davis-Goring**, Analyst, Investment and Securities
- **Josephine Habib**, Executive Assistant, Deputy Managing Director, Supervision
- **Ruth Myles**, Public Relations Officer, Managing Director's Office
- **Andrew Miller**, Analyst, Investment and Securities
- **Bridgette Miller-Hydes**, Temporary Administrative Assistant
- **Annis Marion Powell**, Executive Assistant, Investment and Securities
- **Von Ramgeet**, File Administrator, Investment and Securities

### Promotions

- **Francis Arana**, to Deputy Head, Policy and Development Division
- **Kenton Tibbetts**, to Chief Analyst, Banking Division
- **Dana Rankine**, to Senior Analyst, Banking Division
- **Vanessa Gilman**, to Senior Analyst, Investments and Securities Division
- **Russell Haley**, to Senior Business Analyst, Information Systems Unit

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