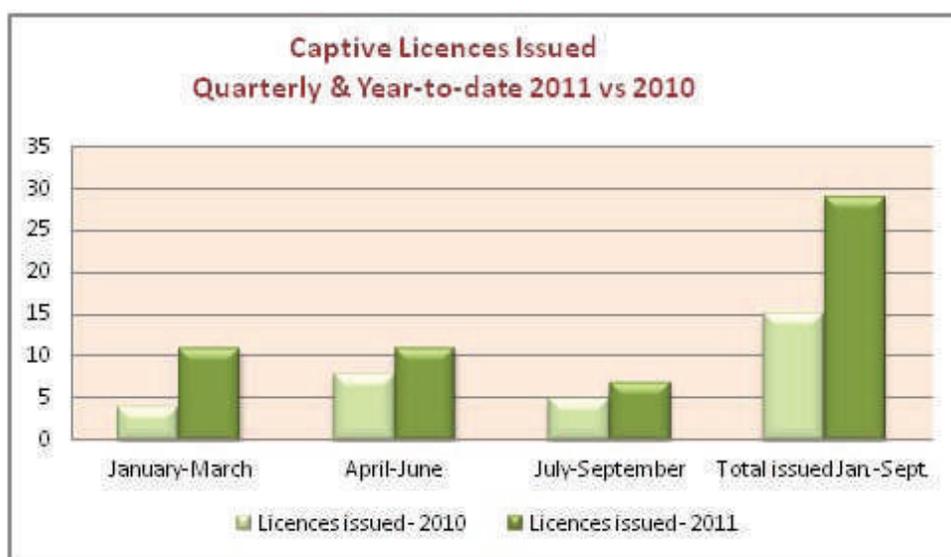




The Navigator

NOVEMBER 2011

Cayman Continues Captive Growth Formations Up 93 Percent



Third quarter figures from the Cayman Islands Monetary Authority show the continued resilience of Cayman's captive insurance sector. CIMA licensed 29 captive insurance companies in the first nine months of 2011, 14 more than during the same period in 2010. The total number of captives in the jurisdiction at 30 September 2011 stood at 730.

Demonstrating a new benchmark, total premiums as at 30 September were reported at US\$9.6 billion, the highest recorded in CIMA's history. This compares to US\$8.6 billion as at 31 December 2010 (12% increase). Total assets under management, as of 30 September 2011, were reported at US\$58.3 billion, compared to US\$57.9 billion as at 31 December 2010.

CIMA's Managing Director, Mrs. Cindy Scotland, commented: "This 93% increase in captive formations and close to \$10 billion in premiums are indicators of the health of our captive insurance industry, despite the generally soft international insurance market conditions. In all of 2010 there were 25 new captives formed, so for our 2011 numbers to already be at 29, and with new applications pending, we anticipate this calendar year to reflect significant growth in new captives."

The total number of captives at 30 September 2011 is one more than the 729 at September 2010. And, although it is eight less than the 738 active at 31 December 2010 (due to licence termination of companies in liquidation since 2009 and 2010 but not dissolved until 2011, and to special purpose vehicles completing their one-year policy cycle), the total number has increased steadily throughout 2011. At 31 March 2011 there were 720 captives, which grew to 725 at 30 June 2011, before reaching 730 at 30 September 2011.

In This Issue

[Cayman Continues Captive Growth - 1](#)

[Licence/Registration Numbers and Currency in Circulation - 2](#)

[New Stats Unit Boosts Data for Local & Global Supervision - 3](#)

[International Insurance Standard Setter Appoints CIMA to Executive - 4](#)

[Overview of Cayman Islands International Financial Regulatory Involvement - 4](#)

[Regulators Hone Risk Assessment Skills - 5](#)

[Interns Sacrifice Summer Days for Work Experience - 5](#)

[Forum Ponders Regional Impact of Global Reform - 6](#)

[No to Breast Cancer - 7](#)

[Lunch Funds Go Down Well - 7](#)

[HR Developments - 8](#)

Cayman Islands Continues Captive Market Growth: Cont.

The Cayman Islands has continued as the leading jurisdiction for health care captives. As at September 2011, health care was the primary line of business for 256 companies (35%). Workers' compensation remained the second largest line of business with 157 companies (22%) providing this as their primary type of risk insured.

At 30 September 2011, 418 (57%) of the category B (i.e., captive) licensees were structured as pure captives. This was followed by 120 licensees (16%) structured as segregated portfolio companies, having a total of 634 active segregated portfolios among them. The third most popular structure was group captives, which accounted for 75 companies (10% of captive licensees).

The Cayman Islands captive insurance industry is composed mainly of companies insuring risks in North America. Premiums originating from North America accounted for 84% of the Cayman market, followed by Europe at 3%, Caribbean and Latin America at 2%, and the remaining global market at 11%. In terms of captive numbers, North America accounted for 90% of the Cayman market, followed by Caribbean and Latin America at 3%, Europe at 2%, and the remaining global market at 5%.



CIMA Licence/Registration Numbers

| | 30 June 2011 | 30 Sept 2011 |
|--|-------------------------|-------------------------|
| Banking and Trust | | |
| Banks | 250 | 250 |
| Class A | 16 | 16 |
| Class B | 234 | 234 |
| Nominee Trusts | 42 | 42 |
| Money Services Providers | 8 | 9 |
| Fiduciary Services | | |
| Trust Companies | 147 | 146 |
| Unrestricted Trusts | 53 | 52 |
| Restricted Trusts | 71 | 71 |
| Registered Private Trust Companies | 56 | 60 |
| Registered Controlled Subsidiaries of Trust Companies | 23 | 28 |
| Companies Management | 82 | 82 |
| Corporate Services | 9 | 10 |
| Insurance | | |
| Insurance Companies | 754 | 758 |
| Class A | 29 | 28 |
| Class B | 725 | 730 |
| Insurance Managers | 32 | 32 |
| Insurance Brokers | 37 | 38 |
| Insurance Agents | 60 | 58 |
| Investments and Securities | | |
| Mutual Funds | 9,409 | 9,431 |
| Registered | 8,857 | 8,877 |
| Administered | 424 | 430 |
| Licensed | 128 | 124 |
| Mutual Fund Administrators | 130 | 129 |
| Full | 94 | 93 |
| Restricted | 34 | 34 |
| Exempted | 2 | 2 |
| Securities Investment Business Law (SIBL) Licensees | 31 | 30 |
| Excluded Persons Under SIBL | 2,936 | 2,121 |
| Currency in Circulation | | |
| | June 2011 | September 2011 |
| Total Currency | CI\$84.9 million | CI\$82.0 million |
| Notes | CI\$75.6 million | CI\$72.7 million |
| Coins | CI\$9.2 million | CI\$9.3 million |

New Stats Unit Boosts Data for Local & Global Supervision



The new Statistics Unit: (L-R) Bonnie Anglin, Ronette Johnson-Jurn and Sebastian Goerlich

Visitors to the statistics section of CIMA's website may have noticed that several new reports are now available. These have come about since the formation of the new Statistics Unit within the Policy and Development Division.

The Statistics Unit and the increased availability and scope of the reports it produces are part of CIMA's initiative to enhance data available for macroprudential supervision, in keeping with the post-financial crisis global focus on this aspect of supervision. The initiative was also in response to the International Monetary Fund's 2009 [Assessment of Financial Sector Supervision and Regulation \(AFSSR\) of the Cayman Islands](#).

The unit—CIMA's point of data exchange with foreign and domestic statistical agencies—was initiated in April 2011. It has a staff of three: Ronette Johnson-Jurn, Junior Statistician; Bonnie Anglin, Senior

Statistician; and Sebastian Goerlich, who has been recruited from the Bank for International Settlements (BIS) to serve as Chief Statistician.

The unit continues CIMA's provision of aggregated information to the Economics and Statistics Office (ESO) for use in the Cayman Islands Compendium of Statistics (CICS), the Quarterly and Annual Economic Reports, quarterly and annual Money and Banking Report, as well as Gross Domestic Product (GDP) and the Balance of Payments (BOP) statements.

Reports that the unit receives and compiles from all Cayman Islands-licensed banks serve as the basis for CIMA's data submissions to the BIS International Banking Statistics and the IMF's Coordinated Portfolio Investment Survey (CPIS).

The recent financial crisis has provided impetus for several projects for the Statistics Unit, explains Mr. Goerlich:

"There exists a widely held view in the central bank community that information gaps contributed to the buildup of imbalances — such as currency and maturity mismatches — which in turn led to the onset of the financial crisis. In response, the Basel-based Financial Stability Board (FSB) and Committee on the Global Financial System (CGFS) have proposed that the BIS International Banking Statistics undergo a large-scale expansion, which will allow the monitoring of banks' exposures with finer detail on national banking systems, location and sector of counterparty and currency breakdown."

Policy and Development Division Head, Mr. Mitchell Scott, says Cayman has been providing data to the BIS since 1983. "CIMA is committed to continued participation in the BIS and other international statistics initiatives that enhance supervision and reinforce the reputation of openness and transparency of the Cayman Islands' financial industry", he said.

In other international cooperation projects which will help close data gaps, the Statistics Unit plans to expand the CPIS reporting to include data on the funds sector. Also, reporting to the IMF's Coordinated Direct Investment Survey (CDIS) is being considered for the future.

One of the broadest projects for the Statistics Unit over the next two years will be the redesign and move of all quarterly prudential reports (QPRs) received by CIMA's supervisory divisions, as well as certain reports received and compiled by the Statistics Unit, to the new E-Reporting platform. The Fund Annual Return (FAR) and the banking sector Basel II and Quarterly Prudential Report (QPR) are already received via E-Reporting. CIMA's Information Services Division has closely supported the technical work of structuring the data received through the redesigned forms and the E-Reporting platform, to allow easier and more powerful analysis.

The goals of the Statistics Unit over the next two years are to build out CIMA's capacity to deal with recurrent and ad hoc, international, local and internal data requests, as well as to enhance the macroprudential risk monitoring framework for the Cayman Islands.

Additional Reports Online

Recently, the new Statistics Unit posted for the first time on CIMA's website:

- the [Cayman Islands Remittance Report](#) (found on the Statistics / Money Services Statistics page), which reports the geographical distribution of expatriate workers' financial transfers;
- the [International Assets and Liabilities of the Banking Sector by Region](#) report (located on the Statistics / Survey Results page), which provides an overview of Cayman banks' exposure by geographical region, collated from CIMA's Locational Banking Statistics Survey; and
- [Domestic Banking Activity \(DBA\) Survey reports](#) (also found on the Survey Results page), which detail the assets and liabilities of Category 'A' retail and non-retail banks. This survey provides data on the role domestic retail banks play in the local economy, including information on money supply, sectoral distribution of credit and weighted average interest rates.

International Insurance Standard Setter Appoints CIMA to Executive



International Association
of Insurance Supervisors

The Cayman Islands, through the Cayman Islands Monetary Authority, is now a member of the Executive Committee of the International Association of Insurance Supervisors (IAIS), which is the global standard-setting body for regulation of the industry.

CIMA's appointment to the Executive Committee, the main board of the IAIS, took place in September 2011 at the IAIS annual general meeting in Seoul, Korea. The nomination was put forth by the Offshore Group of Insurance Supervisors (OGIS) and accepted at the AGM.

The IAIS Executive Committee heads the IAIS and is composed of members representing different geographical regions. It is supported by three main committees - the Technical Committee, the Implementation Committee and the Budget Committee. These committees form subcommittees and working parties (working groups, task forces and groups) to accomplish their objectives.

CIMA has been a member of the IAIS since 1994 and has taken a leading role in several of the association's initiatives over the years.

The Authority became a signatory to the IAIS Multilateral Memorandum of Understanding in June 2011, and continues to be involved with the validation of various member-jurisdictions' applications to accede to the MMoU. Mr. Gordon Rowell, Head of Insurance, recently completed his work as the lead validator for the Netherlands and Lithuania applications. He continues his role as a participating team member to the applications for Switzerland, United Kingdom, Macao and the British Virgin Islands.

CIMA also participated on teams revising aspects of the IAIS Core Principles for Insurance Supervision. The new Insurance Core principles were adopted at the September AGM.

At the same event, the Cayman Islands was nominated to be the host for a June 2012 annual IAIS meeting, which is one of three held annually. Planning and preparations for this event are ongoing.

Overview of Cayman Islands International Financial Regulatory Involvement

The Cayman Islands has extensive and high-level involvement in international bodies and initiatives covering financial supervision, anti-money laundering and anti-terrorism (AML/CFT), and tax transparency. The following is an overview of organisations and initiatives in which CIMA participates.

Financial Stability

- Financial Stability Board (FSB) - Cayman is a member of one of the six FSB Regional Consultative Committees set up to provide input to the FSB on financial stability issues. The six committees cover the Americas, Asia, the Commonwealth of Independent States, Europe, Middle East & North Africa, and Sub-Saharan Africa.

Supervision and regulation

Standards to which the jurisdiction adheres

- International Association of Insurance Supervisors (IAIS) Core Principles of Insurance Supervision - CIMA actively assisted in the development of the revised Core Principles, which the IAIS adopted in September 2011
- Basel Core Principles for Effective Banking Supervision
- International Organisation of Securities Commissions (IOSCO) Objectives and Principles of Securities Regulation

International Agreements

- As at 31 October 2011 CIMA has 22 bi-lateral and multi-lateral memoranda of understanding and similar agreements in place with regulatory authorities in other jurisdictions to facilitate regulatory cooperation and information exchange. These include the IAIS Multi-lateral Memorandum of Understanding (MMoU) and the IOSCO MMoU. See http://www.cimoney.com.ky/ext_coop_assess/international_cooperation_agreements.aspx?id=184 to view the agreements.

Organisational memberships and involvement by CIMA

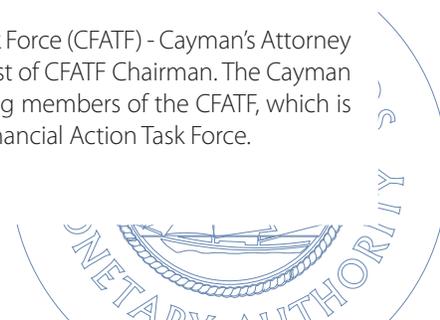
- Group of International Finance Centre Supervisors (GIFCS, previously named Offshore Group of Bank Supervisors (OGBS)) – CIMA's MD appointed Deputy Chairman in 2011;
- IAIS - CIMA appointed to the Executive Committee in 2011; has been lead validator, and member, of several IAIS teams assessing other jurisdictions' applications to accede to the IAIS MMoU;
- IOSCO - member
- Association of Supervisors of Banks of the Americas (ASBA) – CIMA completes a two-year appointment on the ASBA Board in November 2011;
- Caribbean Group of Banking Supervisors (CGBS) – CIMA is a member of CGBS and of its Basel II Implementation Working Group;

Tax Cooperation

- Global Forum on Transparency and Exchange of Information for Tax Purposes - Cayman is a member of the Global Forum's Steering Committee and the Peer Review Committee.
- As at 31 October 2011 the CI Government has 27 Tax Information Exchange Agreements (TIEAs) in place with other jurisdictions. See <http://www.tia.gov.ky/html/assistance.htm>

Anti-money Laundering

- Caribbean Financial Action Task Force (CFATF) - Cayman's Attorney General currently holds the post of CFATF Chairman. The Cayman Islands was one of the founding members of the CFATF, which is an associate member of the Financial Action Task Force.



Regulators Hone Risk Assessment Skills



Some 69 staff members from CIMA's supervisory divisions were trained

One of CIMA's goals when it carries out on-site inspections of companies and other entities that it regulates is to determine the level of risk the entity poses so as to ensure risk is minimised. Among the key risk indicators that supervisors have focussed on, especially since the financial crisis, are the quality of a company's internal controls, corporate governance and risk management.

In order to sharpen their skills in evaluating these and related areas, staff from CIMA's Banking, Insurance, Fiduciary and Investments and Securities divisions recently received training on methods of maximising risk assessment during on-site inspections and offsite monitoring.

The workshop took place on 8 and 9 September 2011 and was led by specialists from the USA-based regulatory consulting firm Examination Resources (ER). Presenters were Messrs Bryan Fuller, Leo Garrity Jr., and Robert Kasinow.

A key message during the training was that the diligent supervisor should focus on the proactive assessment of risk by directing regulatory efforts towards the review and analysis of the most critical issues, those identified as having the greatest potential for consumer harm or disruption in the marketplace. Under a proactive assessment of risk, regulators identify and prioritise issues based upon their assessed potential impact on the achievement of desired regulatory outcomes.

Looking at the supervisory approach of regulators in the USA and Europe, Mr. Garrity stressed, "You can have the best models in the world but if you don't have accurate data and dialogue, you can't properly manage risk."

One of the course participants was Fiduciary Services Chief Analyst, Mrs. Leticia Frederick. She said that a valuable part of the training was exploring techniques for obtaining and giving back relevant information: "We looked at some of the questions we need to ask, especially during on-site inspections, both to get at the information we need and to analyse that information, as well as how to make our inspection reports more effective for CIMA and for the companies we inspect. For me, the discussions on assessing corporate governance were also key because this is an aspect that has been receiving so much attention recently."

Some 69 staff members who are responsible for the ongoing supervision of regulated entities took part in the training session. It was organised by the Training and Development Unit of CIMA's Human Resources Division.

Interns Sacrifice Summer Days for Work Experience

CIMA welcomed two promising interns during July and August as part of the 2011 Summer Students' Employment Program facilitated by the Premier's Office - Ministry of Finance, Tourism and Development.

Ms. Mandy Wilkinson, a year 11 student at John Gray High School, interned with the Compliance Division whilst 16-year-old Mr. Ricardo Conolly, a 2011 graduate of the same school, assisted the Fiduciary Services Division.

Mr. Conolly, who carried out some of the tasks of an entry level analyst, spoke with The Navigator about his experience:

"I expected to be directed to the file room and tasked with filing. I did have to file but discovered the importance of different documents, and of having them properly processed and dated for future reference. I was also responsible for inputting data from forms received by the division, into the computer system."

He was exposed to some of the more technical aspects: "I learned how to calculate income of companies and was introduced to the process of analysing financial statements. I gained an understanding of a few of the business sectors regulated by CIMA, specifically, trust business."

Head of Fiduciary Services, Mr. Rohan Bromfield, said, "The Authority approaches such internships as an opportunity to offer a valuable learning experience for students. We place greater emphasis on exposing them to variety of tasks than on the quantity of work assignments completed during the relatively brief internship period. That being said, Mr. Conolly exhibited a great work ethic and an eagerness to learn."

Commenting on the effect his internship had on decisions regarding his career choice, Mr. Conolly said: "As a result of my internship experience, I have a better appreciation for the activities of Fiduciary Services. I can now see myself being an analyst, having taken the step from the classroom to the office environment. This experience certainly provided me with a new career option and I am grateful to have been fortunate enough to work with the Fiduciary team in such a positive environment. I look forward to working with them again."

In addition to the two high school interns placed under the Ministry of Finance, Tourism and Development programme, CIMA provided places for five Caymanian university students this summer under its own annual summer internship programme. That group was featured in the July issue of The Navigator.

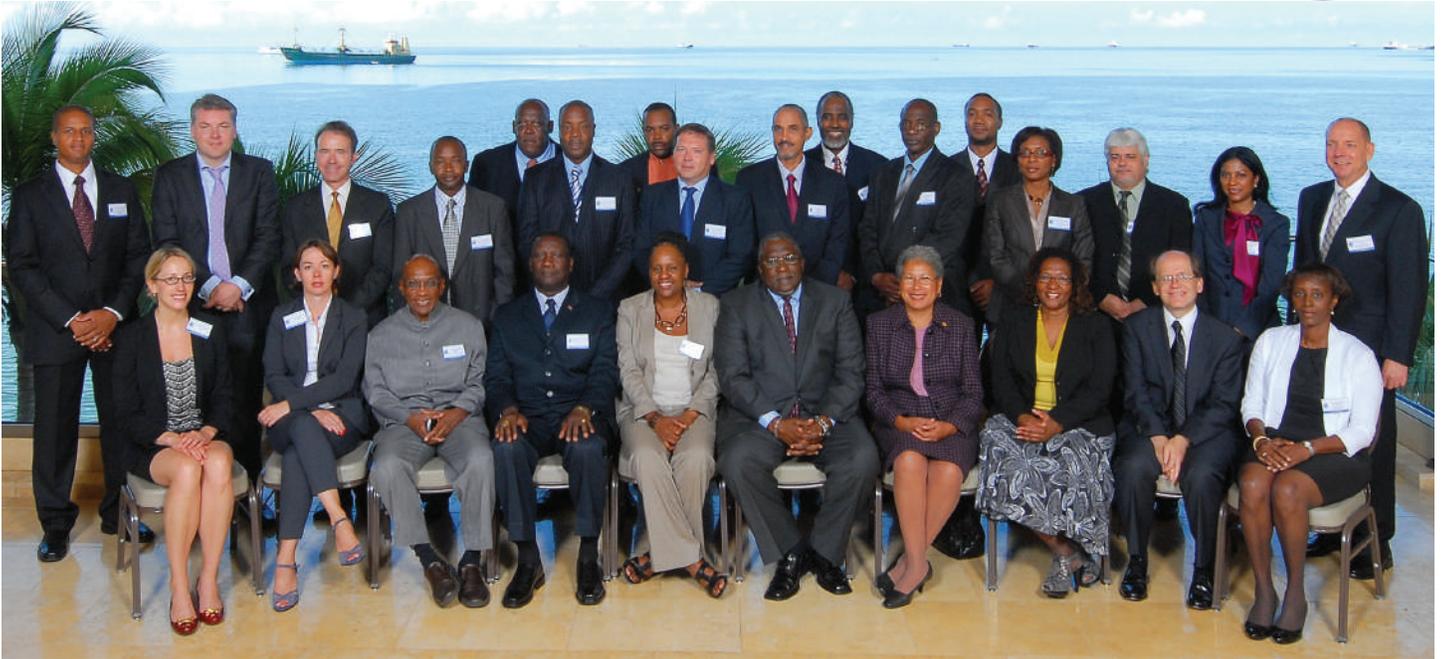


Ricardo Conolly



Mandy Wilkinson

Forum Ponders Regional Impact of Global Reform



Rohan Bromfield (1st from left, back row) and Mitchell Scott (3rd from right, back row) represented CIMA at the Regulatory Discussion Forum for Caribbean Countries.

The Commonwealth Secretariat held a Regulatory Discussion Forum for Caribbean Countries at the Central Bank of Trinidad and Tobago, Port of Spain, Trinidad on Friday, 26 August 2011.

Participants of the one-day event included central bank governors, heads of regulatory authorities and senior supervisory officials from around the Caribbean, together with representatives from the major international standard setters and international financial and regulatory institutions. Their objectives were to review recent global regulatory policy developments, share insights on the impact of these initiatives on developing countries, identify those countries' ongoing needs and determine whether the existing multilateral institutional response could be supplemented.

Representing the Cayman Islands Monetary Authority were Mr. Mitchell Scott, Head of Policy and Development, and Mr. Rohan Bromfield, Head of Fiduciary Services.

Some of the papers presented examined the following topics (click on the titles to view):

- [AML-CFT International Co-operation – Calvin EJ Wilson - CFATF](#)
- [Financial Action Task Force - Richard Berkhout - FATF](#)
- [International Cooperation Transparency and Exchange of Information - Marianne Mathias – World Bank](#)

- [The Global Regulatory Reform Programme – Rupert Thorne - FSB](#)
- [The Financial Crisis, Impacts for regulators of small jurisdictions - Marcus Killick - Gibraltar Financial Services Commission](#)

Details of the meeting can be found on the Commonwealth Secretariat's website at:

http://www.thecommonwealth.org/Internal/229642/229652/meetings_and_events/



No to Breast Cancer



Staff of the Cayman Islands Monetary Authority collected over CI\$1,000 during a month-long fundraising drive in support of the annual Breast Cancer Awareness campaign in October. Dressed in pink—the colour of the breast cancer campaign—representatives from each division were joined by Mrs. Belinda Blessitt-Vincent, President of the Lions Club of Tropical Gardens (yellow vest/centre) on the international dress down day. The Authority participates in a variety of community awareness fundraising drives annually.

Lunch Funds Go Down Well

Among the Authority's community assistance initiatives is the ongoing 'Adopt a Child for Lunch' program. Since October 2010, participating staff members have raised over CI\$5,000 through monthly monetary donations to assist with the provision of lunches for needy primary school children.

The first disbursement of funds was donated to the Parents and Teachers Association (PTA) of four schools:

- George Town Primary School
- Bodden Town Primary School
- Savannah Primary School
- East End Primary School

The remaining primary schools will be presented with checks during the next disbursement in early 2012.



Staff Updates

The following staff movements took place between 1 July and 31 October 2011.

New Hires:



Wendy Adam – Administrative Assistant, Banking Supervision Division



Rina Bodden – Operations Assistant, Finance



Ebony Carey – Junior Analyst, Banking Supervision Division



Nikita Jackson – Administrative Assistant, Investments and Securities Division



DAVina Ramoutar – Analyst, Banking Supervision Division



Rhonda Livingston – Analyst, Investments and Securities Division



Samantha Williams – Administrative Assistant, Information Systems Division

Promotions:



Tara Abdul-Jabbar – Assistant Human Resources Manager to Deputy Head of Human Resources



Audrey Brooks – Administrative Assistant, Banking, to Executive Assistant, Investments and Securities Division



Regina Forman – Analyst to Senior Analyst, Fiduciary Division



Jaron Leslie – Analyst to Senior Analyst, Fiduciary Division



Anthony Ramoon – Analyst to Senior Analyst, Investments and Securities Division



Talia Woods – Senior Analyst to Chief Analyst, Insurance Division



Joelee Powell – Senior Analyst to Chief Analyst, Compliance Division

Qualifications:



Rayford Britton completed the Society of Trust and Estate Practitioners programme and is now a registered Trust and Estate Practitioner (TEP)



Anya Rankin-Christian – Junior Analyst, Insurance (from Information Services)



Vanessa Bush – Analyst, from Insurance Division to Compliance Division

Transfer:

Secondment:

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