



THEMATIC

Records Management Review Report

ISSUED FEBRUARY 2024

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INTRODUCTION

The Cayman Islands Monetary Authority (the “Authority”) recognises that record keeping arrangements will vary according to how the business of the regulated entity is structured, organised and managed; its size; and the nature, volume and complexity of its transactions and commitments. The overriding principle, however, is that the records and systems must be adequate to satisfy the requirements of the Authority and relevant regulations and acts. All regulatory acts allow the Authority to access and inspect records maintained by regulated entities. The Anti-Money Laundering Regulations also require the maintenance of certain records. It is expected that regulated entities’ record keeping arrangements comply with applicable acts, statutory and regulatory obligations.

Given the importance of ensuring robust record keeping practices, the Authority undertook a records management thematic review (the “Thematic Review”/ “Records Management Review”) and assessed conformity with the Authority’s Statement of Guidance on Nature, Accessibility and Retention of Records (“SOG - Records Management”) (August 2017) which applies to all entities regulated by the Authority. The Thematic Review was performed on ten (10) regulated entities (the “Selected Entities”) from across the Banking, Fiduciary, Insurance, Investments and Securities sectors, and commenced in 1st Quarter 2023 through 3rd Quarter 2023. This resulting Thematic Review Report (the “Report”) provides insight on identified good practices and areas of concern in the following categories:

1. Nature and Accessibility of Records;
2. Record Retention Time frames;
3. Records Management Policies, Procedures and Systems;
4. Destruction of Records;
5. Maintenance of Records Outside of the Cayman Islands; and
6. Maintenance of Electronic Records.

The Authority acknowledges that regulated entities that are part of a group may be subject to group-wide record keeping practices. However, the Authority considers it important for each Cayman regulated entity within a group structure, that is a separate legal entity, to adopt record keeping practices that meet the objectives of the SOG - Records Management and that are appropriate for the particular operations of that legal entity. The regulated entity must assess whether this can be achieved by adopting the group-wide standard, or whether an addendum or amendment is required. Additionally, when records are kept by another member of the group, they must be accessible to the Authority.

Summary of Overall Best Practices

Best practices were observed in the following areas:

- Well established governance, oversight and reporting structures for records management.
- Detailed Board approved records management policies and procedures.
- Maintenance of adequate records management systems.
- Retention of all pertinent record types, including accounting and institutional records that are relevant to the entity type.
- Maintenance of accurate records which are updated (as necessary), easily legible and translated to English (as applicable).
- Retention of all records for a minimum period of five years (where applicable), including records of terminated or transferred client relationships. Some Regulated Entities retained records beyond the five years' period.
- Policies and procedures governing the destruction of records.
- Submission of requested records within the Authority's established timeframe of 1-3 business days.
- Documentation requirements for retention and access plans should the Regulated Entity cease to carry on business.
- Adequate frameworks, systems and oversight mechanisms for the maintenance of records stored outside the Cayman Islands.
- Electronic records are of good quality and easily accessible and able to reproduce in hard copy.

Summary of Overall Areas for Improvement

Weaknesses were observed within the following areas for certain entities and types of records:

- The records management policies were inadequate, not fully addressing the retention of various records, including client and corporate, and often fell short of the SOG – Records Management standards.
- Existing systems inadequately recorded vital information. Regulated entities must document details for the Authority, including transaction identification and tracking. Also, keeping complete records, such as training logs, is essential for the Authority's thorough evaluation.
- Failure to review and update certain records types which require ongoing review and updating.
- Failure to locate and/or retain pertinent records.
- Failure to maintain legible records.
- Failure to adhere to the Authority's turnaround requirement of 1–3 business days for the submission of some types of records.

SCOPE & SYNOPSIS OF THE THEMATIC RECORDS MANAGEMENT REVIEW

The objectives of the Thematic Review were to assess the Selected Entities' policies, procedures, governance and oversight mechanisms and internal control systems in relation to Records Management in order to ascertain compliance with the Monetary Authority Act (2020 Revision) (the "MAA"), the Bank and Trust Companies Act (2021 Revision)(the "BTCA"), the Insurance Act (2010)(the "IA"), the Companies Management Act (2021 Revision)(the "CMA"), The Mutual Funds Act (2021 Revision)(the "MFA"), the Securities Investment Business Act (2020 Revision)(the "SIBA"), and the SOG - Records Management as well as other applicable legislation and accepted standards of best practice. Analysis of these areas allowed the Authority to gain a better understanding of the Selected Entities' Records Management framework.

In order to achieve the stated objectives, the Thematic Review focused specifically on the assessment of:

- Governance and oversight mechanisms;
- Adequacy of the policies, procedures, and controls in place for records management, security, and destruction/ disposal;
- Records management systems;
- Nature of records retained and maintained;
- Accessibility and timeliness of submission of requested records to the Authority;
- Outsourcing of records management and third-party oversight (where applicable);
- Maintenance of records outside of the Cayman Islands;
- Internal and external assessment of records management frameworks, systems and controls and corrective actions to address deficiencies; and
- The overall effectiveness of the records management framework, supporting internal controls and oversight processes implemented by regulated entities.

This Report highlights the general themes observed across the Selected Entities including the good practices and areas of concern observed. Through bilateral communication, the Authority has outlined to respective participating Selected Entities the deficiencies identified as well as the requirements in order to enhance the Selected Entity's Records Management framework.

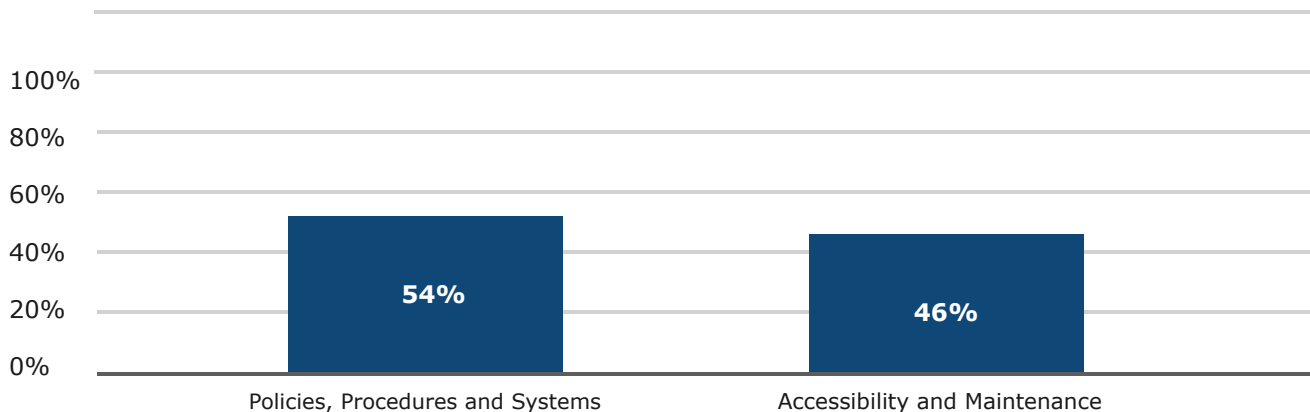
KEY FINDINGS FROM THE THEMATIC RECORDS MANAGEMENT REVIEW

Following the conclusion of the 2023 Records Management Review conducted on the Selected Entities across the Insurance, Fiduciary (i.e. Company Management and Trusts), Investment, Securities and Banking industries, good practices as well as weaknesses were identified in the following areas:

1. Nature of records (including accounting records);
2. Accessibility and Maintenance of Records (including electronic records);
3. Governance and oversight of Records Management;
4. Policies, Procedures and Systems;
5. Record Retention Timeframes;
6. Destruction of Records; and
7. Maintenance of Records outside the Cayman Islands.

The below graph illustrates the distribution of the findings for the above-mentioned themes highlighted by the review:

Distribution of Records Management Weaknesses

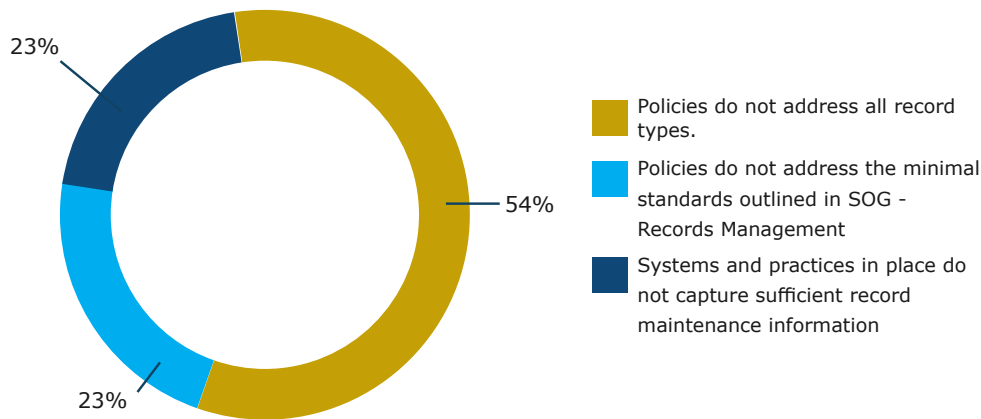


Notably, policies, procedures and systems account for fifty-four percent (54%) of the findings across the review with Accessibility and Maintenance accounting for forty-six percent (46%). The Authority reiterates that good practices were also observed in these areas in some of the Selected Entities as included in the summary of good practices tables.

Notably, two key areas account for seventy-nine (79%) of the findings across the review: cybersecurity risk management and corporate governance. In addition, seventeen (17%) of the findings emanated from training and awareness and in intra-group and third-party outsourcing for entities with such arrangements in place. The Authority reiterates that good practices were also observed in these areas across some of the Selected Entities as included in summary tables throughout this report.

Policies, Procedures and Systems

Areas of Weakness in Policies, Procedures and Systems



As shown in the chart above, fifty-four percent (54%) of the weaknesses relating to policies, procedures and systems arose mainly due to several Selected Entities' policies not addressing the need to retain and maintain corporate, accounting and institutional records. However, it was found that all Selected Entities' policies addressed the retention of client records.

Twenty-three percent (23%) of the weaknesses were related to a few Selected Entities' policies not meeting the minimal standards outlined in the SOG - Records Management. These weaknesses mainly arose from policies that documented:

- Retention timeframes that were below the minimal requirement of five years; and
- Turnaround times for the submission of records to the Authority beyond the 1-3 business days timeframe.

A further twenty-three percent (23%) of the weaknesses arose from failure of systems not capturing sufficient records management information for a few Selected Entities. These findings mainly pertained to systems that did not capture the format in which a record should be maintained (i.e. physical or electronic), or the timeframe for which the record should be maintained. In addition, there were systems that did not capture important record types for the regulated entity's business.

Regulated entities must record information likely to be required by the Authority, and in a manner that promotes accessibility, retention and appropriate security. The Authority expects all regulated entities to maintain well established policies, procedures and systems that adhere to the SOG – Records Management and remain commensurate with the size, nature and operating complexity of the business.

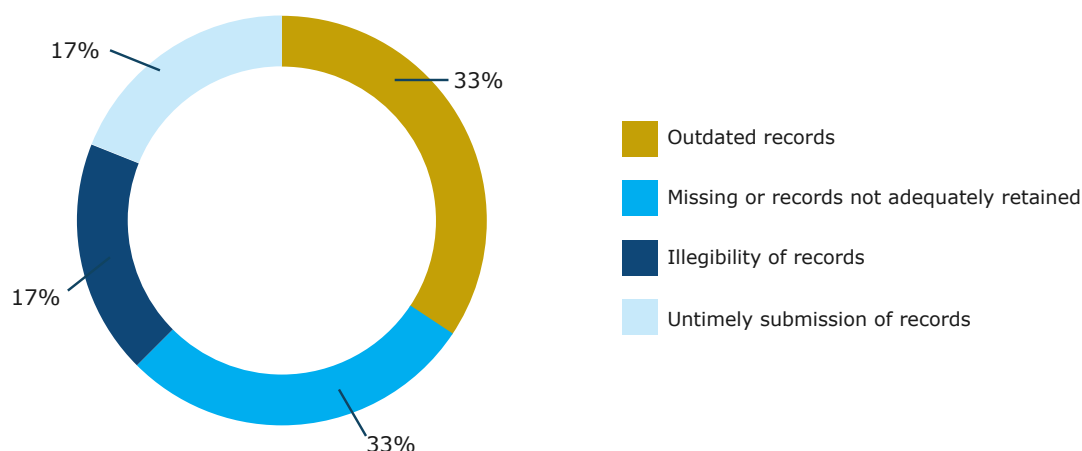
Summary of Good Practices

- Well-established governance, oversight, and reporting structures for records management.
- Detailed Board approved records management policies and procedures, including safeguarding records and ensuring appropriate controls surrounding destruction of records.
- Implementation of adequate records management systems.
- Documented retention and access plans should the Regulated Entity cease to carry on business.
- Adequate frameworks, systems and oversight mechanisms for the maintenance of records stored outside the Cayman Islands.

Summary of Areas for Improvement

- Ensure that records management policies and procedures address the retention of all types of records including clients and corporate records and remain aligned to the requirements outlined in the SOG – Records Management.
- Ensure that systems are in place to capture sufficient record management information.
- Review and update of records on an ongoing basis (where applicable).
- Ensure controls are in place to facilitate compliance with the Authority's turnaround requirement of 1–3 business days for document submission (where required).

Areas of Weakness in Accessibility and Maintenance of records



Analysis of the records requested and/or received from the Selected Entities revealed weaknesses with regards to accessibility and maintenance of records. Thirty-three percent (33%) of the weaknesses related to outdated records. Further, thirty-three percent (33%) of weaknesses were in relation to records that were not located/retained by a few Selected Entities. Illegible records accounted for at least seventeen percent (17%) of the weaknesses and another seventeen percent (17%) related to records that were submitted to CIMA past the 1-3 business days turnaround time.

As part of its records management framework, regulated entities are expected to maintain all pertinent records so that they are up-to-date at all times as far as reasonably practical, and records must be legible. It is also expected that regulated entities have appropriate records management systems in place to ensure timely submission of records to the Authority within the 1-3 business days turnaround time, or as determined from time-to-time by the Authority and other competent authorities.

Summary of Good Practices

- Retention of all pertinent record types, including accounting and institutional records that are relevant to the entity type.
- Maintenance of accurate records which are updated (as necessary), easily legible and translated to English (as applicable).
- Retention of all records for a minimum period of five years, including records of terminated client relationships, or any other period as stipulated in any applicable regulatory or other acts.
- Submission of requested records within the Authority's established timeframe of 1-3 business days.
- Electronic records are of good quality and easily accessible and able to be reproduced in hard copy.

Summary of Areas for Improvement

- Review and update of all records types on an ongoing basis and ensure that they remain readily and easily accessible and legible.
- Ensure controls are in place to facilitate compliance with the turnaround requirement of 1 – 3 business days for the submission of some requested records.


CONCLUDING REMARKS

The Authority continues to remind all Regulated Entities of their statutory and regulatory obligations to adhere to regulatory rules and statements of guidance, and to ensure that their policies, procedures, systems, and controls are of an appropriate standard in line with applicable acts and other legal requirements and meet the Authority's expectations.

The Authority further encourages regulated entities to ensure that maintenance of their records is in a manner that promotes accessibility, retention and appropriate security. The Authority's latest Statement of Guidance Nature, Accessibility and Retention of Records (April 2023) is accessible via the Authority's website [Regulatory Measures](#).



THEMATIC RECORDS MANAGEMENT REVIEW REPORT

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