



Regulatory Policy

Consolidated Supervision

1. Statement of Objectives

The Authority seeks to ensure that where it acts as home or host supervisor with respect to licensees, that licensees and all affiliated entities in a group structure are subject to effective consolidated supervision.

2. Introduction

- 2.1. Consolidated supervision means a group-wide approach to supervision whereby all the risks of a financial group are taken into account by a home country regulator. It refers to the supervision of a licensee as part of a group rather than the supervision of all individual companies within a licensee's group. The purpose of consolidated supervision is to obtain, on an ongoing basis, a more accurate assessment of the risks to which a licensee may be exposed. It is not a substitute for solo supervision.
- 2.2. Consolidated supervision extends beyond accounting consolidation to the assessment of qualitative information about the entities in a licensee's group.
- 2.3. The Authority is generally considered to be the host regulator when the licensee is a branch or subsidiary of an entity regulated in a foreign jurisdiction. The Authority will generally be the home regulator where the licensee's group is based in the Cayman Islands and the group is not subject to consolidated supervision by another regulator.

3. The Authority as Host Regulator

- 3.1. When the Authority is the host regulator for a branch or subsidiary of a foreign regulated entity, the Authority will verify that the entity's home supervisor conducts consolidated supervision of the entire group in accordance with standards acceptable to the Authority, as described in section 3.2.



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- 3.2. In making an assessment of whether consolidated supervision is conducted in accordance with standards acceptable to the Authority, the Authority will take into account whether or not the home country supervisor adheres to internationally recognised standards such as the Basel Core Principles, the International Association of Insurance Supervisors Core Principles, the Core Principles of the International Organisation of Securities Commissions, or any other international standard considered appropriate by the Authority. Specifically, the home country supervisor should receive consolidated financial and prudential information about the group's global operations, and have the capability to prevent affiliations that undermine consolidated supervision and the creation of establishments in particular jurisdictions.
- 3.3. The Authority will not grant a licence to a branch or subsidiary unless it receives confirmation from the home supervisor that:
- 3.3.1 there is no objection to the establishment of a branch or subsidiary in the Cayman Islands;
 - 3.3.2 there are no regulatory concerns with respect to the parent entity or its management; and
 - 3.3.3 the branch or subsidiary will be included in the consolidated supervision of the parent entity.
- 3.4. Applicants and licensees must submit to the Authority an organisational chart for the group to which they belong showing the parent entity, any subsidiaries or branches, and any sister companies. The chart should identify the supervisors for each company or legal entity in the group structure. Licensees should provide an updated organisational chart for the group if the group structure or members of the licensee's group change.

4. The Authority as Home Regulator

- 4.1. When the Authority is the home regulator for a licensee that is part of a group, the Authority supervises the licensee on a consolidated basis in accordance with international standards. The Authority assesses the risks posed to the licensee by the activities of other members in its group. Such



an assessment is comprised of quantitative measures, such as financial indicators, and qualitative measures, such as risk management, internal controls and corporate governance. Where necessary, the Authority will request information about the activities or financial condition of the other entities in the licensee's group or perform on-site inspections of such entities.

- 4.2. Where the relevant regulatory law requires a licensee to obtain the Authority's consent before establishing a branch or subsidiary in another jurisdiction, the Authority will determine whether consent should be given by assessing the financial strength of the licensee and its group, and the appropriateness of the licensee's organization and operation procedures for the effective management of group-wide risks. The Authority will also assess the adequacy of regulation and supervision in the proposed host jurisdiction having regard to compliance with internationally recognised standards. The Authority may require additional information or reject the application if it has reasonable cause to believe that the granting of such permission would not be in the public interest or the interests of the licensee's customers or creditors.
- 4.3. It is the Authority's policy that it will not ordinarily grant an approval under section 4.2 unless it receives confirmation from the host supervisor that there is no objection to the establishment of the branch or subsidiary and that the host supervisor will cooperate in the exchange of information with the Authority for the purpose of consolidated supervision. The Authority reserves the right to require a licensee to pay for part or all of the costs related to the supervision, including on-site inspections, of an overseas branch, subsidiary or representative office.
- 4.4. Applicants should submit to the Authority an organisational chart for the group to which they belong showing the parent entity, any subsidiaries or branches, and any sister companies. The chart should identify the supervisors for each company or legal entity in the group structure. Licensees should provide an updated organisational chart for the group if the group structure or members of the licensee's group change.
- 4.5. The Authority will not grant a license if an applicant's group structure



hinders effective consolidated supervision.

5. Home-Host Relationships

- 5.1. The exchange of information with foreign regulators is essential for the performance of effective consolidated supervision. The Monetary Authority Law imposes a co-operative function on the Authority. Pursuant to that Law, the Authority can exchange information with an overseas regulatory authority if the requirements of the law are satisfied. Based on these provisions, the Authority regularly requests or provides, on a confidential basis, information about licensee's financial condition, performance and compliance with relevant foreign regulators. The Authority's internal procedures for dealing with requests for assistance from overseas regulatory authorities are available in the Authority's Regulatory Handbook, which is available on the Authority's website.
- 5.2. Both as a host and home regulator, the Authority promotes an open line of communication with other regulators. Periodically, the Authority discusses matters pertaining to entities that are subject to consolidated supervision with foreign regulators.
- 5.3. Upon request by a foreign regulator and where deemed appropriate, the Authority may allow a foreign regulatory authority to conduct an on-site inspection of a Cayman Islands entity over which the foreign regulator performs consolidated supervision.
- 5.4. The Monetary Authority Law also allows the Authority to enter into memoranda of understanding with overseas regulators for the purpose of assisting with consolidated supervision. The Authority has established criteria that an overseas regulatory authority must meet before the Authority can enter into a memorandum of understanding with that foreign regulator. The details of the criteria and a sample memorandum of understanding are available in the Regulatory Handbook issued by the Authority. To date, the Authority has entered into several memoranda of understanding with various foreign regulators. Details about these agreements are available on the Authority's website.