



Cayman Monetary Regulatory Authority International

At the forefront of financial regulation, the Cayman Monetary Regulatory Authority International (CMRAI) is dedicated to upholding the highest standards of financial oversight and compliance. Our mission is to safeguard the stability and integrity of the global financial system by ensuring that financial services operate within a framework of transparency, accountability, and excellence.

As a trusted partner to financial institutions worldwide, CMRAI provides rigorous supervision, innovative solutions, and strategic guidance to foster a secure and thriving financial environment. With decades of experience and a commitment to global standards, we stand as a pillar of trust and security in an ever-evolving financial landscape.

With a legacy of excellence in financial oversight, the Cayman Monetary Regulatory Authority International (CMRAI) is a beacon of trust in the international financial community. Our role extends beyond regulation; we are innovators, collaborators, and protectors of the global financial ecosystem. By fostering compliance, promoting best practices, and embracing technological advancements, CMRAI ensures that financial services remain resilient and adaptable in a dynamic global market.

Our comprehensive approach to regulation encompasses a deep understanding of financial risks and a proactive stance on emerging challenges. We are committed to empowering financial institutions with the tools and guidance necessary to navigate complex regulatory landscapes, thereby contributing to global economic stability and growth.

Policy and Development Division Page 1 of 4 Regulatory Policy The
Approval of an Auditor for a Regulated Institution 1. Statement of Objectives The
various regulatory laws require that the Authority approve the auditors of regulated
institutions. This policy will be applied when auditors apply to the Authority for approval.
It is expected that approved auditors will continue to meet this policy on an ongoing basis.
2. The Policy 2.1. Assessing the acceptability of an auditor in auditing a regulated institution
The following criteria will be applied for approved auditors of regulated entities:
Sufficient Expertise and Resources Continuing Professional Education Quality
Assurance Reviews Independence Professional Indemnity Insurance 2.2. Sufficient
Expertise and Resources 2.2.1 The firm should have relevant experience in auditing in the
respective industry, based on assignments of comparable size and complexity. In addition,
staffing of the engagement should include sufficient specialized skills appropriate to
the industry of the regulated institution. In the assessment of resources, the factors
to be considered would include: (a) whether the local firm is an extension of Issued May
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Policy and Development Division Page 2 of 4 an international firm or a
separate legal entity; (b) whether the firm will be undertaking local sign offs or full
audits; and, (c) the industry sectors which it will audit. 2.2.2 Partners signing off on
audit engagements, or any member of the firm with authority to sign off the audit, are
expected to possess an internationally recognised accounting qualification. For the
purposes of this policy, the following would be considered internationally recognised
accounting bodies: The Institute of Chartered Accountants in England and Wales, The
Institute of Chartered Accountants in Ireland, The Institute of Chartered Accountants of
Scotland, The Canadian Institute of Chartered Accountants, The Association of
Chartered Certified Accountants, The American Institute of Certified Public
Accountants, or any other Professional Body or Institute approved by the Authority. As a
general rule, the Authority would expect partners to have a minimum of five years
auditing experience of financial institutions at a management level, in the respective
industry sectors or businesses they are auditing. If a firm should not have partners with the
necessary experience, the Authority may at its discretion limit the industries or licensees
which the firm may be approved to audit. 2.3. Continuing Professional Education All
professional accounting personnel are expected to perform relevant continuing
professional education and maintain good standing with their international accounting
body. 2.4. Quality Assurance Reviews 2.4.1 The Authority expects that the firm has in
place a competent quality assurance process that ensures that the firm's internal and
any externally imposed standards are being complied with. Issued May 2002 Revised
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Policy and Development Division Page 3 of 4 2.4.2 It is expected that the
quality control process would include: a) Pre-established guidelines requiring concurring
partner review of the audit procedures and audit work, and, b) Internal quality control
reviews of the firm's processes and methodology by experts of that firm on a regular
basis. 2.5. Independence 2.5.1 Independence is important in order to maintain an
objective frame of mind in accomplishing the audit. All staff must sign off annually on

internal firm independence declarations, and the firm must have clear and comprehensive procedures for ensuring independence in relation to new engagements. a) The applicant firm of accountants should follow the guidance in the International Federation of Accountants (IFAC) Code of Ethics Section 8: Independence when designing and implementing their independence procedures. 2.5.2 If the auditors supply other services to the licensee in addition to auditing, for example internal audit services, the nature and extent of these services should be kept under review by the firm, in order to ensure that the auditors objectivity is not affected. 2.5.3 In addition, audit firms are not permitted to audit financial statements of licensees where it (or a closely related entity, for example, a corporate services company with common owners to the audit firm) prepared the financial statements. 2.5.4 Notwithstanding the examples above, there may be other circumstances that would result in a firm being deemed not independent or objective and audit firms must be vigilant to this

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Policy and Development Division Page 4 of 4 possibility and take appropriate steps to ensure that the audit firm is independent and objective. 2.6. Professional Indemnity Insurance The Authority would expect audit firms to have adequate professional indemnity insurance of a minimum of CI\$500,000 for any one claim and CI\$1,000,000 in aggregate. In meeting this Policy, the Authority would accept an extension of the professional indemnity insurance from a member firm. 2.7. Sanctions Failure to comply with this policy may lead to the removal of the auditor from the list of approved auditors. 2.8. Local Audit Sign-Off This policy applies to all provisions of the regulatory laws where accounts are to be audited annually by an auditor approved by the Authority, and includes the references to approved auditors in the Local Audit Sign-Off Policy for mutual funds issued by the Authority.