



# 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.

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THE SECURITIES INVESTMENT BUSINESS LAW (2003 REVISION)  
THE SECURITIES INVESTMENT BUSINESS (FINANCIAL REQUIREMENTS AND STANDARDS) REGULATIONS, 2003 The Securities Investment Business (Financial Requirements and Standards) Regulations 2003 ARRANGEMENT OF REGULATIONS 1. Citation and commencement. 2. Definitions. 3. Application of regulations. 4. General requirements 5. Reporting currency. 6. Accounting records; internal systems and controls; risk management. 7. Reconciliation of licensee's balances. 8.

Financial reporting. 9. Computation of financial resources. 10. Transactions affecting financial resources. 2 The Securities Investment Business (Financial Requirements and Standards) Regulations 2003 CAYMAN ISLANDS THE SECURITIES INVESTMENT BUSINESS LAW, 2001 THE SECURITIES INVESTMENT BUSINESS (FINANCIAL REQUIREMENTS AND STANDARDS) REGULATIONS, 2003 The Governor in Council, in exercise of the powers conferred by section 11 of the Securities Investment Business Law (2003 Revision), makes the following regulations - 1. (1) These regulations may be cited as the Securities Investment Business (Financial Requirements and Standards) Regulations 2003. Citation and commencement (2) These regulations come into force on 29 July, 2003. 2. In these regulations unless the context otherwise requires Definitions broker dealer means a person licensed to engage in one or more activities specified in Schedule 2 (1) (a) of the Law; counterparty risk means the risk exposure of a licensee whose clients or counterparties do not meet their contractual obligations or complete their side of the transaction; financial resources requirement means the requirement calculated in accordance with Schedule 1 and any relevant guidance issued by the Authority under section 12; Law means the Securities Investment Business Law (2003 Revision); licensee means a person licensed under the Law; OTC means over the counter, whereby in relation to any security, the security is not subject to the rules of any exchange; OTC counterparty means a counterparty to an OTC transaction; position risk means the exposure of a licensee who maintains positions in securities (either long or short) to the risk that the price of such investments may move against them in the future; 3 The Securities Investment Business (Financial Requirements and Standards) Regulations 2003 regulatory laws means any one or more of the - (a) Banks and Trust Companies Law (2003 Revision); (b) Building Societies Law (2001 Revision), (c) Companies Management Law (2003 Revision); (d) Cooperative Societies Law (2001 Revision); and (e) Insurance Law (2001 Revision); (f) Money Services Law, (2003 Revision); (g) Mutual Funds Law (2003 Revision), and any other laws that may be prescribed by the Governor by regulations made under section 45 of the Monetary Authority Law (2003 Revision); relevant annual expenditure means expenditure calculated with reference to the licensee's most recent accounts, in accordance with Schedule 2 and any relevant guidance issued by the Authority under section 12; section means a section of the Law; and securities investment business intermediary means an exchange, clearing house, intermediate broker, settlement agent, market counterparty, custodian or OTC counterparty. 3. (1) Subject to sub-regulation (2), these regulations apply to all licensees. Application of regulations (2) Where a licensee is subject to financial reporting obligations and requirements by virtue of being a licensee under other regulatory laws the Authority may waive or modify the application of these regulations in respect of that licensee to the extent that, in the opinion of the Authority, appropriate and relevant consolidated financial information is otherwise available and

provided. (3) Without prejudice to the generality of section 12(1), the Authority will issue guidance on matters covered by regulations 4, 6 and 9.

4. A licensee shall maintain adequate financial resources to meet its securities investment business commitments and to withstand the risk to which its business is subject. General requirements

5. A licensee's reporting currency under these regulations shall be Cayman Islands dollars or United States dollars and a licensee shall not use any other reporting currency without the prior approval of the Authority. Reporting currency

6. (1) A licensee shall- Accounting records; internal systems and controls; risk management (a) maintain adequate and current accounting records; and 4 The Securities Investment Business (Financial Requirements and Standards) Regulations 2003 (b) maintain internal systems and controls and risk management processes that are adequate for the size, nature and complexity of its securities investment business activities.

(2) A licensee shall maintain accounting records which provide accounting information for any period during the 5 years immediately preceding the date on which a licence was first granted to the licensee by the Authority.

7. A licensee shall perform reconciliations - Reconciliation of licensee's balances (a) at least once every 5 weeks on all balances with banks or building societies and shall correct any difference forthwith, unless such difference arises solely as a result of identified differences in timing between the records of the licensee and the bank or building society; (b) at least once every 5 weeks, on all balances and positions with securities investment business intermediaries and shall correct any differences by agreement with the relevant intermediary on a timely basis; and (c) at least once every business day, on the licensee's own margin accounts with securities investment business intermediaries and shall correct any differences by agreement with the relevant intermediary on a timely basis.

8. (1) A licensee shall submit to the Authority, in addition to any other financial reporting requirement under the Law or any regulations made under the Law, the following documents and such other supplementary information as the Authority may require- Financial Reporting (a) an auditor's opinion on the licensee's internal controls, at the same time as audited accounts are submitted under section 13(2); (b) in the case of broker-dealers, a monthly reporting statement, and in all other cases, a quarterly reporting statement, in the form of the table in Schedule 1, within 15 business days of the end of the month or quarter to which the statement relates; and (c) annual reconciliation between the balance sheet figures on the annual audited accounts and the monthly reporting statement (or the quarterly statement as the case may be) prepared at the same date, and an explanation of any differences, at the same time as the submission of the audited accounts under section 13(2). (2) Unless the Authority otherwise permits, where the licensee has a subsidiary or subsidiaries, it shall submit the audited accounts of each subsidiary and consolidated audited accounts, together with the annual audited accounts of the licensee itself.

5 The Securities Investment Business (Financial Requirements and Standards) Regulations 2003

9. (1) A licensee shall calculate its financial resources and its financial resources requirement in accordance with Schedule 1 and any relevant guidance issued by the Authority under section 12. Computation of financial resources (2) A licensee's base requirement in Schedule 1 shall be the greater of one quarter of relevant annual expenditure, and (a) in the case of broker-dealers, market makers and securities managers, \$100,000; and (b) in the case of all other licensees, \$15,000. (3) The Authority may require a licensee to adjust its relevant annual expenditure where- (a) there has been a significant

change in the licensee's circumstances or activities; or (b) the licensee has a material proportion of its expenditure incurred on its behalf by third parties and such expenditure is not fully recharged to the licensee. (4) A licensee shall at all times maintain financial resources in excess of its financial resources requirement. 10. A licensee shall - Transactions affecting financial resources (a) obtain the written consent of the Authority before seeking to reduce or change the nature of its issued capital, or the rights and obligations of shareholders; (b) report to the Authority the acquisition of 10% or more of the voting shares of another company; and (c) obtain the prior written consent of the Authority regarding any agreement to sell or merge the whole or any part of the licensee to or with a third party.

6 The Securities Investment Business (Financial Requirements and Standards) Regulations 2003 SCHEDULE 1 Regulation 9  
 Financial resources calculation  
 Financial resources  
 Financial resources requirement  
 Total Assets ( A ) X Base Requirement ( I ) X Less: Liquidity Adjustments ( B ) ( X )  
 Counterparty Risk Requirement ( J ) X A-B =Adjusted Total Assets ( C ) X Position Risk Requirement ( K ) X Less: Redeemable shares ( D ) ( X ) X Less: Total liabilities ( E ) ( X ) Less: Contingent liabilities ( F ) ( X ) Less: Deficiencies in subsidiaries ( G ) ( X ) Add: Eligible Capital Substitutes ( H ) X  
 C-D-E-F-G+H = Financial Resources X I+J+K = Financial Resources Requirement X 7

The Securities Investment Business (Financial Requirements and Standards) Regulations 2003 SCHEDULE 2 Regulation 2 Relevant Annual Expenditure Calculation (a) total revenue; plus (b) any retained losses; less the aggregate of the following items: (c) profit before taxation; (d) guaranteed bonuses; (e) profit shares and other appropriations of profit; (f) commissions shared, other than with employees, directors, or half commission men; (g) fees, brokerage and other charges paid to securities investment business intermediaries for the purposes of executing, registering or clearing transactions; (h) interest payable to counterparties; (i) interest payable on borrowings; and (j) exceptional or extraordinary items, with the prior written approval of the Authority. Made in Cabinet the 22 nd day of July,2003 Carmena Watler Clerk of Cabinet 8