



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.

1 SUMMARY OF PRIVATE SECTOR

CONSULTATION AND FEEDBACK STATEMENT Regulatory Policy on Domestic Systemically Important Deposit Taking Institutions No. Section Comments Authority's Response Consequent Amendments to the Proposed Measure GENERAL COMMENTS None SECTION-SPECIFIC COMMENTS 1. 7.1.8 Table 1: Systemic Score Range and HLA Requirement Bucket Average Weighted Factors Score HLA Requirement 1 Less than 0.1 1.00% 2 Greater than 0.1 0.2 1.50% 3 Greater than 0.2 0.3 2.00% 4 Greater than 0.3 minimum of 3.00% In other jurisdictions where similar regulation has been implemented, there are also other regulations over financial institutions, such as restrictions over fees, products and prevention of discriminatory lending practices. These regulations do not currently exist within the Cayman Islands Banking sector. If banks are going to have additional capital requirements this may impact their annual net income (i.e., return on capital) and could lead to the potential of banks increasing fees. This point is raised for the Authority's awareness / consideration. The Authority acknowledges the possibility of fee increases but emphasizes on the overarching objective of the measures with regards to ensuring the safety and financial soundness of D-SIDTIs and the domestic economy. No change. 2. 9.4 The D-SIDTI Framework considers total assets as disclosed on the balance sheet as the suitable quantitative indicator to measure the size of a financial institution. When applying the Indicator-Based Approach some factors (e.g. Section 9.4 on Size when considering total assets) could have misleading results for Class B Banks. The Class B banks typically have very limited Cayman Islands exposures, and further consideration by CMRAI may be The Authority agrees to amend Sections 9.5 and 9.19 to provide clarity on application of Supervisory Overlay. Section 9.5 has been amended to include: ...In addition, the Authority applies supervisory judgment in assessing the nature and composition of 2 No. Section Comments Authority's Response Consequent Amendments to the Proposed Measure necessary for such licensees to validate assumptions within each factor, if the initial calculation for a Class B meets the threshold for systemic importance. The Authority could also consider the application of a Supervisory Overlay. total assets held by a D- SIDTI. To provide further clarity on application of Supervisory Overlay, Section 9.19 has been updated to include ...The Authority therefore applies supervisory judgement as appropriate across all the five factors of systemic importance to supplement the results of the quantitative assessment under the IBA. 3. Regulatory Policy -DSIDTIs (Assessment Methodology, Complexity Factor 9.12) The D-SIDTI Framework uses the trading book (financial assets at fair value), and investments (available for sale, held to maturity and other investments) as an indicative of the complexity of deposit taking institutions. In addition, the Authority applies supervisory judgment in assessing the nature and complexity of positions held by a D-SIDTI. Typically, Banks no longer classify investments as held-to-maturity or available-for-sale as these measurement categories were replaced by the introduction of IFRS 9 - Measurement and Classification of Financial Instruments effective for fiscal periods beginning on or after January 1, 2018. Held-to-maturity is replaced by Hold to Collect (amortized cost) and available-for-sale is replaced by Hold to collect or sell (fair value through other comprehensive income). It is noted that measurement models do not reflect the risk of the portfolio but reflects the intention of the financial institution regarding how management manages the investment portfolio. The Authority agrees to update Section 9.12 to show applicability to deposit taking institutions that report

under various global accounting standards. Section 9.12 has been updated to state ...The D- SIDTI Framework uses the investment portfolio held in the trading book and the banking book as indicative of the complexity of deposit taking institutions. In addition, the Authority applies supervisory judgment in assessing the nature and complexity of positions held by a D- SIDTI. 3 No. Section Comments Authority's Response Consequent Amendments to the Proposed Measure There could be an assumption that a more complex instrument would be measured at fair value through profit and loss, but this is not always the case. It is noted in 9.12 Complexity "In addition, the Authority applies supervisory judgement in assessing the nature and complexity of positions held by a D-SIDTI." 4. Appendix II [definition of factors used in calculation of systemic importance] Where: LOANSHH = represents loans to households; and... DEPOSITSHH = represents deposits from Resident Households. Should the definition for LOANSHH be aligned with DEPOSITSHH? LOANSHH = represents loans to [Residential] Households LOANSHH will incorporate either Resident only or Resident Non-Resident depending on the pool. Alternatively, DEPOSITSHH will only incorporate Resident exposures irrespective of the pool. This is in line with the definition on the households dependency which looks at the domestic component of deposits. No change.