



THE REGULATORY 15/15

Podcast

October 2023

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Content

- CIMA's Rule and Statement of Guidance – Internal Controls for Regulated Entities April 2023 (effective 14 October 2023)
- CIMA's Rule – Corporate Governance for Regulated Entities April 2023 (effective 14 October 2023)
- CIMA's Statement of Guidance – Corporate Governance – Mutual Funds and Private Funds April 2023

Introduction

Introduction to the 15/15

- A 15-minute summary of the latest developments in the regulatory laws of the Cayman Islands released on the 15th day of every month
- A copy of the previous 15/15 released on 15 September can be accessed on our website: [Maples 15/15](#)
- Comments and suggestions to format of the 15/15 are always welcome – please email speakers directly

Rule and Statement of Guidance – Internal Controls for Regulated Entities

New Rule and SOG on Internal Controls

- Rule and SOG come into effect **14 October 2023**
- Rule / SOG applies to all "regulated entities" (licensees, SIBA RPs and registered funds are all picked up so many aspects are high-level, generic and non-exhaustive)
- CIMA recognises that application may vary subject to structure, size, nature, complexity and risk profile
- Delegation to (or reliance on) another service provider (e.g. third party or affiliate OSP) is permitted subject to certain conditions. Also, if part of a group, the entity may rely on the group's systems of internal controls provided they can demonstrate to CIMA that such group internal controls meet Rules and SOG

New Rule and SOG on Internal Controls Cont'd

- Rule is separated into two parts:
 - Part 1 – Five key components of internal controls
 - Part 2 – Sector specific guidance – currently only for fiduciary services and securities investment business (IM / IAs)
- The five key components (of an internal control framework) should address:
 - Control environment
 - Risk identification and assessment
 - Control activities and segregation of duties
 - Information and communication
 - Monitoring activities and correcting deficiencies

Rule – Corporate Governance for Regulated Entities

New Rule on Corporate Governance

- Entity must establish, implement and maintain corporate governance framework **commensurate with size, complexity, nature of business, structure, risk profile and its operations**
- Framework must address, at a minimum:

Corporate Governance Framework	
Objectives and strategies	Risk management and internal control systems
Structure of governance of the Governing Body	Conflicts of interest and code of conduct
Appropriate allocation of oversight and management responsibilities	Remuneration policy and practices
Independence and objectivity	Reliable and transparent financial reporting
Collective duties of Governing Body	Transparency of communications
Duties of individual directors	Duties of Senior Management
Appointments and delegation of functions and responsibilities	Relations with CIMA



Statement of Guidance Corporate Governance – Mutual Funds and Private Funds

Revised SOG on Corporate Governance for Mutual Funds and Private Funds

- Adds regulated private funds to the application of the existing SOG for regulated mutual funds / private fund specific terms, e.g. marketing materials (rather than OM, etc.)
- The SOG states the factors determining the size, complexity, structure, nature of business and risk profile of the operations of a regulated fund could include, but are not limited to:
 - Assets under management
 - Number of investors
 - Complexity of the structure
 - Nature of the investment strategy
 - Nature of the operations

This presentation was presented on, and is only accurate to 13 October 2023. The information within this presentation is provided for general guidance only, is not intended to be comprehensive and does not constitute legal advice or give rise to an attorney / client relationship.

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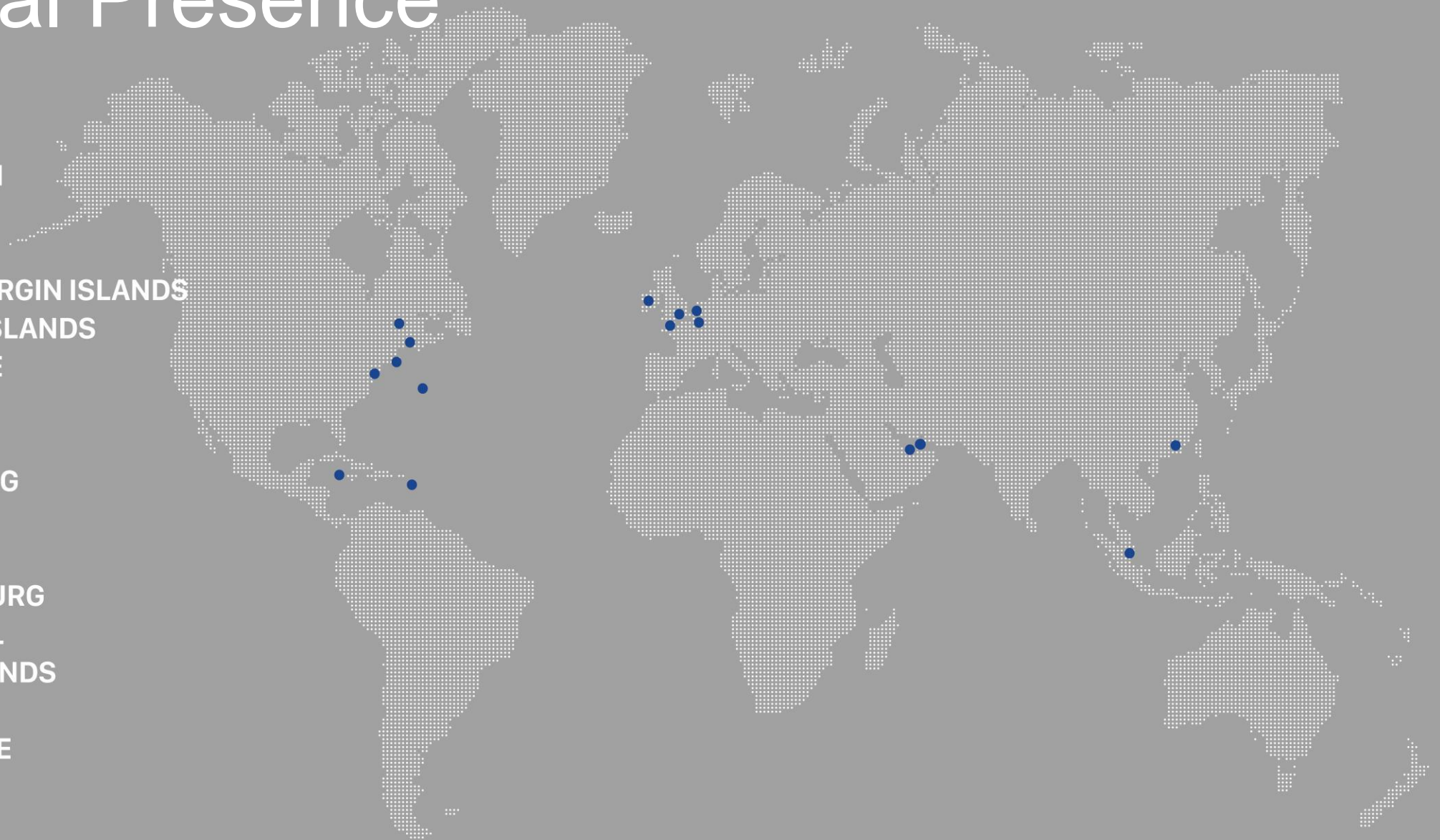
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