



November 2006

Rule on Investments, Securities, and Derivatives Risk Management for Banks

1. STATEMENT OF OBJECTIVES

To set out the Cayman Islands Monetary Authority (“Authority’s”) rule on Investments, Securities, and Derivatives Risk Management for banks, (each of the sub-paragraphs of section 4 below referred to as a “Rule,” and collectively, the “Rules”), pursuant to the Monetary Authority Law (2004 Revision) (“MAL”).

2. INTRODUCTION

2.1. Section 34 of the MAL provides that the Authority may issue rules:

34. *(1) After private sector consultation and with the approval of the Governor, the Authority may –*

(a) issue or amend rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees; [and]

...

2.2. This document establishes the Rule on Investments, Securities, and Derivatives and Rule should be read in conjunction with the Statement of Guidance on Investments, Securities and Derivatives.



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3. SCOPE OF APPLICATION

This rule applies to all banks regulated by the Authority under the Banks and Trust Companies Law (2003 Revision).

4. RULES

- 4.1. A bank must establish, implement, and maintain strategies, policies, and procedures for investments, securities, and derivatives risk management appropriate for the size, complexity, and nature of its activities that create an appropriate investment management process.
- 4.2. Such strategies, policies, and procedures must be approved by the bank's board of directors.
- 4.3. A bank must take the necessary steps to measure, monitor, and control the risks associated with investments, securities, and derivatives business.

5. ENFORCEMENT

Whenever there has been a breach of the Rules, the Authority's policies and procedures as contained in its Enforcement Manual will apply, in addition to any other powers provided in the Banks and Trust Companies Law (2003 Revision) and the Monetary Authority Law (2004 Revision).