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Importance of a Comprehensive Crisis Management Framework and CIMA's Commitment to Implementation

Introduction

1. The Cayman Islands Monetary Authority ("CIMA" or "the Authority") is committed to safeguarding the stability and resilience of the financial system of the Cayman Islands. Considering the increasing complexity and interconnectedness of global financial markets, it is imperative that regulated entities within the jurisdiction consider the implementation of a robust crisis management framework, particularly those entities deemed to be systemically important.
2. This circular underscores the importance of such a framework and outlines CIMA's commitment and plans for coordinating and executing the implementation of an appropriate framework across the financial services industry.

The Importance of Crisis Management Framework

3. A comprehensive crisis management framework is essential to ensure that financial institutions can effectively manage periods of financial distress without compromising the stability of the broader financial system. The key objectives of such a framework include:
 - *Protection of Critical Functions:* Ensuring the continuity of critical financial services, which are vital to the functioning of the economy.
 - *Systemic Risk Mitigation:* Reducing the likelihood of systemic risks that could lead to widespread financial instability.
 - *Stakeholder Confidence:* Maintaining the confidence of stakeholders, including depositors, investors and international partners, in the resilience of the financial system.
 - *Orderly Resolution:* Facilitating the orderly resolution of distressed institutions, thereby minimising the impact on the economy and avoiding publicly funded bailouts.

CIMA's Commitment to Implementation

4. The Authority is fully committed to the coordinated implementation of a comprehensive crisis management framework, including recovery and resolution planning, across the Cayman Islands financial industry. Consequently, CIMA will undertake the following:
 - *Stakeholder Engagement:* CIMA will actively engage with stakeholders, including private sector associations, to gather feedback and ensure that the framework is

practical, effective, and reflective of the unique characteristics of the Cayman Islands financial services industry.

- *Regulatory Measures:* CIMA will issue detailed rules and guidance for the development and implementation of recovery and resolution plans by regulated entities, as highlighted within the rules and guidance's scope of applicability. This will include the key components of such plans, as well as expectations for regular updates and testing.
- *Collaboration and Coordination:* CIMA will work closely with other domestic and international regulatory bodies to ensure that the crisis management framework is aligned with international best practices and that cross-border issues are adequately addressed.
- *Ongoing Monitoring and Supervision:* The Authority will incorporate the review of recovery and resolution plans, as applicable, into its ongoing supervisory activities. This will include regular assessments of the adequacy and effectiveness of plans submitted by regulated entities, as applicable.

Conclusion

5. The implementation of a comprehensive crisis management framework is a critical step in ensuring the continued stability and resilience of the Cayman Islands' financial system. CIMA looks forward to working with all stakeholders to achieve this goal and further strengthen the jurisdiction's position as a leading global financial services center.
6. During the first quarter of 2025, the Authority will issue a *Rule and Statement of Guidance on Recovery and Resolution Planning* for consultation, which will highlight specific requirements and considerations for recovery and resolution planning by regulated entities, as applicable.
7. Should any questions or need for further clarification arise, please do not hesitate to contact your supervisory contact within the Authority.