CAYMAN ISLANDS MONETARY AUTHORITY

THEMATIC

CORPORATE GOVERNANCE REVIEW REPORT

ISSUED NOVEMBER 2024

CONTENTS

Introduction

Summary of Overall Best Practices
Summary of Overall Areas for Improvement

Scope and Synopsis of the Thematic Review

Key Findings arising from 2024 Corporate Governance Thematic Review

I. Collective Duties of the Governing Body
II. Conflicts of Interest and Code of Conduct
III. Transparency and Communications
IV. Structure and Governance of the Governing Body
V. Independence and Objectivity
VI. Appropriate Allocation of Oversight and Management Responsibilities
VII. Appointments and Delegation of Functions and Responsibilities
VIII. Duties of Individual Directors of the Governing Body
IX. Remuneration Policy and Practices
X. Objectives and Strategies of the Regulated Entity
XI. Reliable and Transparent Financial Reporting
XII. The Corporate Governance Framework

Concluding Remarks

INTRODUCTION

The Cayman Islands Monetary Authority (the "Authority") recognises that corporate governance frameworks will vary according to how the business of the Regulated Entity is structured, organised and managed. In addition, the corporate governance framework for Regulated Entities should be commensurate with the size, complexity, structure, nature of business and risk profile of their operations. Regulated Entities should maintain a sound and prudent governance framework to assist them in fulfilling their duties efficiently and effectively.

During 2023, The Authority revisited its corporate governance supervisory and regulatory framework measures to create a more consistent and enforceable set of rules across all regulated entities. Previously, governance rules were applied unevenly, with insurers being the primary sector under binding rules.

Key issues prompting the update included:

1. **Supervisory Enforceability:** Existing guidance lacked enforceability, limiting its effectiveness.

2. **Inconsistent Application:** Superseded rules only applied to insurers, leading to regulatory gaps.

3. **Expanded Scope:** New rule covers all regulated entities, including those under the Securities Investment Business Act, Virtual Asset Service Providers, and others.

4. **International Alignment:** The revision aimed to align the Authority's regulations with global corporate governance principles.

The changes to the regulatory framework saw the replacement of the existing measures with a new comprehensive Rule on Corporate Governance for all regulated entities, along with a specific Statement of Guidance (SOG) for Mutual and Private Funds. These changes aimed to align with international standards while being adaptable to each entity's size, complexity, and risk profile.

The changes to the regulatory framework are not expected to burden entities significantly, as regulated entities should have already been maintaining governance practices suitable to their operational scale and risks. The rules allow the Authority to apply a degree of supervisory judgment when assessing the adequacy, effectiveness and applicability of the rules based on a regulated entity's operational characteristics, particularly the size, complexity, structure, nature of business and the risk profile of the regulated entity.

Given that the new Rule - Corporate Governance was issued in April 2023 and became effective in October 2023 and the importance of ensuring robust corporate governance practices across all Regulated Entities, during 2024 the Authority undertook a corporate governance thematic review (the "Thematic Review"/ "Corporate Governance Review") and assessed conformity with the Authority's Rule – Corporate Governance (April 2023) which applies to all entities regulated by the Authority. The Thematic Review was performed on nineteen (19) Licensees (the "Selected Entities") from across the Banking, Fiduciary, Insurance, Investments and Securities sectors.

INTRODUCTION

This resulting Thematic Review Report (the "Report") provides an insight into identified good practices and areas of concern in the following categories:

1. The Corporate Governance Framework
2. Objectives and Strategies of the Regulated Entity;
3. Structure and Governance of the Governing Body;
4. Appropriate Allocation of Oversight and Management Responsibilities;
5. Independence and Objectivity;
6. Collective Duties of the Governing Body;
7. Duties of Individual Directors of the Governing Body
8. Appointments and Delegation of Functions and Responsibilities;
9. Risk Management and Internal Control Systems;
10. Conflicts of Interest and Code of Conduct;
11. Remuneration Policy and Practices;
12. Reliable and Transparent Financial Reporting;
13. Transparency and Communications; and
14. Duties of Senior Management.

The Authority acknowledges that Regulated Entities that are part of a group may be subject to group-wide governance practices, and that such entities may rely on service providers in respect of certain governance matters. Where a Regulated Entity is part of a group, it may rely on the group corporate governance framework, provided that the Regulated Entities' Governing Body is satisfied that the framework is commensurate with operations and legal requirements in the Cayman Islands, including those outlined in the Rule. Where gaps are identified, a tailored corporate governance framework that complies with the legal and regulatory requirements of the Cayman Islands is required.

Summary of Overall Best Practices

Best practices were observed in the following areas:

- Appropriate allocation of oversight and management responsibilities thoroughly documented within the corporate governance framework.

- Established policies and practices for declaring actual or potential conflicts of interest, along with written annual declarations, and where conflicts arise, adequate procedures are in place to manage actual or perceived conflicts of interest.

- Ongoing declarations of conflicts of interest both annually and in meetings, and where conflicts arise, such are noted in the minutes of the meeting to which the subject matter of the conflict relates.

- Implementation of well-established governance, oversight, and reporting structures by the Boards of Directors.

- Governing Bodies evaluate the work performed by Senior Management through review of Management Reports presented to the Board on a regular basis.

INTRODUCTION

- All members of the Board of Directors have received approval from the Authority, and the Register of Directors, along with Board resolutions, are maintained in compliance with regulatory requirements.

- The Board Charters and Corporate Governance Policies outline the detailed responsibilities of individual Directors, specifically under the sections on the role of the Board, and the responsibilities and functioning of the Board.

Summary of Overall Areas for Improvement

Weaknesses were observed within the following areas for certain Selected Entities:

- The corporate governance framework did not evidence measures in place to ensure that the relevant regulator(s) is notified, within ten days of any substantive issues which could materially affect the Regulated Entity. It is essential that the framework explicitly outlines the steps and processes to be followed to comply with the requirement, demonstrating a clear commitment to regulatory compliance.

- Inadequate policies and mechanisms in place to ensure that Non-Executive Directors devotes sufficient time to the role needed for effective and efficient execution of associated responsibilities.

- Failure to evidence the review and approval of key policies and procedures.

- Failure to identify potential successors for the members of the Board Members and Senior Management.

- The objectives and strategies were not readily documented and communicated to the Senior Management and staff of the Selected Entities.

- Board of Directors held meetings informally and not consistently prepared detailed minutes of all Board meetings with all decisions, discussions and points for further actions being documented.

- The conflicts of interest and code of conduct policies not addressing key conflict of interest management practices.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

The objectives of the Thematic Review were to assess the Selected Entities' policies, procedures, governance and oversight mechanisms and internal control systems in relation to Corporate Governance in order to ascertain compliance with the Monetary Authority Act (2020 Revision) (the "MAA"), the Bank and Trust Companies Act (2021 Revision)(the "BTCA"), the Insurance Act (2010)(the "IA"), the Companies Management Act (2024 Revision) (the "CMA"), the Mutual Funds Act (2021 Revision) (the "MFA"), the Securities Investment Business Act (2020 Revision) (the "SIBA"), and the Rule – Corporate Governance (April 2023); as well as other applicable legislation and accepted standards of best practice. Analysis of these areas allowed the Authority to gain a better understanding of the Selected Entities' Corporate Governance framework.

To achieve the stated objectives, the Thematic Review focused specifically on the assessment of:

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

This Report highlights the general themes observed across the Selected Entities including the good practices and areas of concern observed. Through bilateral communication, the Authority has outlined to respective participating Selected Entities the deficiencies identified as well as the requirements to enhance the Selected Entity's Corporate Governance framework.

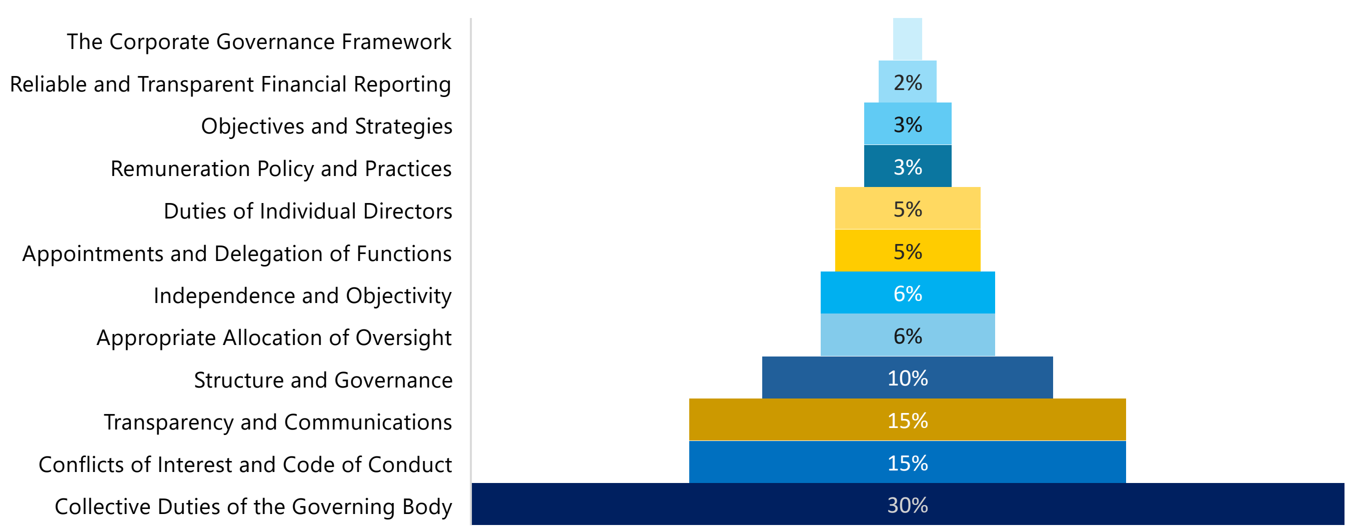
KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Following the conclusion of the 2024 Corporate Governance Review conducted on the Selected Entities across the Insurance, Fiduciary (i.e. Company Management and Trusts), Investment, Securities and Banking industries, good practices as well as weaknesses were identified in the following areas:

I. Collective Duties of the Governing Body
II. Conflicts of Interest and Code of Conduct
III. Transparency and Communications
IV. Structure and Governance of the Governing Body
V. Independence and Objectivity
VI. Appropriate Allocation of Oversight and Management Responsibilities
VII. Appointments and Delegation of Functions and Responsibilities
VIII. Duties of Individual Directors of the Governing Body
IX. Remuneration Policy and Practices
X. Objectives and Strategies of the Regulated Entity
XI. Reliable and Transparent Financial Reporting
XII. The Corporate Governance Framework

The below graph illustrates the distribution of the findings for the above-mentioned themes highlighted by the review:

Distribution of Corporate Governance Review Weaknesses



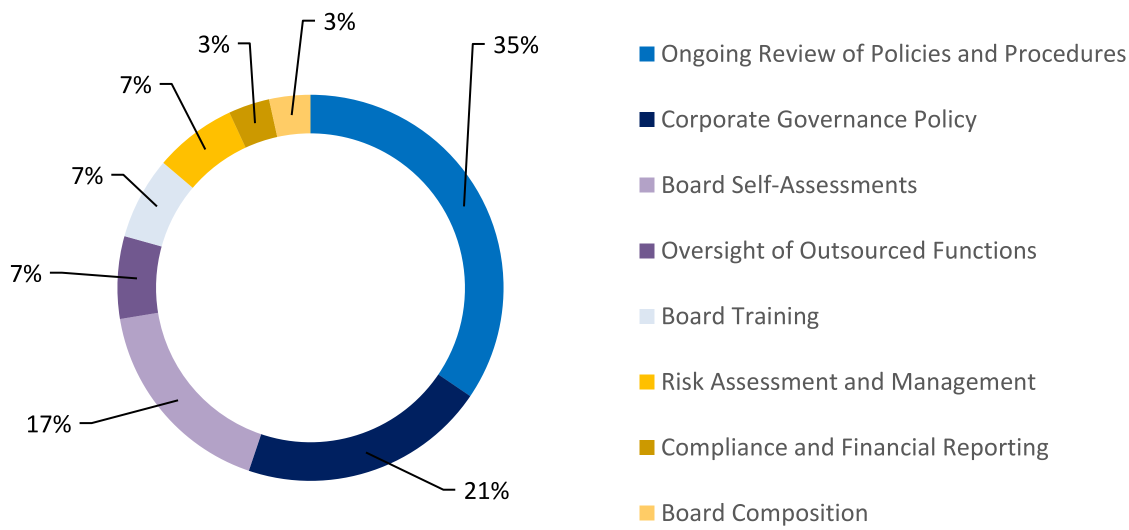
KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Deficiencies related to the adequacy and effectiveness of the Collective Duties of the Governing Body constituted the vast majority of the findings noted at thirty percent (30%). Conflicts of Interest and Code of Conduct, Transparency and Communications findings accounted for fifteen percent (15%) each, and Structure and Governance of the Governing Body weaknesses accounted for ten percent (10%) of the findings noted. Together these four areas formed the majority of the weaknesses summing up to seventy percent (70%). The remaining thirty percent (30%) constituted different areas of the corporate governance review such as Appropriate Allocation of Oversight and Management Responsibilities, Independence and Objectivity, Appointments and Delegation of Functions and Responsibilities, Remuneration Policy and Practices, Duties of Individual Directors of the Governing Body, Objectives and Strategies of the Regulated Entity, Reliable and Transparent Financial Reporting and the Corporate Governance Framework.

The Authority reiterates that good practices were also observed in these areas in some of the Selected Entities as included in the summary of good practices tables.

I. Collective Duties of the Governing Body

Areas of weakness in Collective Duties of the Governing Body



Analysis of the Selected Entities' corporate governance revealed weaknesses regarding the collective duties of the Governing Bodies. Of the weaknesses identified, thirty-five percent (35%) related to insufficient reviews of policies and procedures by the Board of Directors. The Authority noted that several Selected Entities' Corporate Governance Framework did not include a requirement for the Governing Body to review the policies of the regulated entity at a minimum of once per year and either amend or re-adopt its policies as appropriate. There were also instances where the Selected Entities were unable to provide evidence that the Board of Directors performed an annual review and amendment or re- adoption of its policies and procedures for the period under review.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Twenty-one percent (21%) of the weaknesses were in relation to inadequate corporate governance policies whereas the Selected Entities did not adopt a comprehensive corporate governance framework to enable the Governing Body to fulfil their duties efficiently and effectively.

Seventeen percent (17%) of the weaknesses were in relation to Board self-assessments. Whereas the Authority noted that several Selected Entities did not undertake self-assessments of the performance of the individual Board members of the Governing Body and/or collective assessment of the Board's performance. Furthermore, a review of several selected entities revealed that identified deficiencies noted in self-assessments were being carried forward from prior years without remediation plans.

As analysed in the chart above, the remaining findings are in single digit percentages and relate to some Selected Entities being unable to provide evidence of adequate oversight of outsourced functions, insufficient knowledge, skills, and experience of the Governing Bodies to oversee the Regulated Entities effectively, inadequate oversight over ongoing risk and control assessments of the risk management systems, Compliance and Financial Reporting and Board composition.

As part of their corporate governance framework, Governing Bodies are expected to review and approve the policies, procedures and strategic objectives of the Regulated Entities and either amend or re-adopt them as appropriate and perform evaluations regularly. It is also expected that Governing Bodies will review the implementation of the risk assessments and risk management systems to ensure that all significant risks are being adequately measured, monitored, and mitigated.

Summary of Good Practices

- Well-established governance, oversight, and reporting structures by the Board of Directors.
- The Boards of Directors are comprised of Individual Directors who collectively have the mixture of skills, knowledge, experience and independence necessary to ensure the long-term success of the Companies.
- Governing Bodies performing their responsibilities towards ongoing reporting to the Authority.
- Oversight over risk and internal control systems evidenced through the review and approval of internal audit reports, compliance reports as well as other applicable reports.
- Governing Bodies perform self-assessment of their performance individually and collectively to determine if the composition remains suitable and reflects a balance of skills, knowledge and experience across its members.
- Risk Oversight Committee Charters outlining responsibility for reviewing, discussing, debating and addressing significant existing and emerging risk issues impacting the Licensee, inclusive of credit, market, liquidity, compliance, operational, strategic risks.

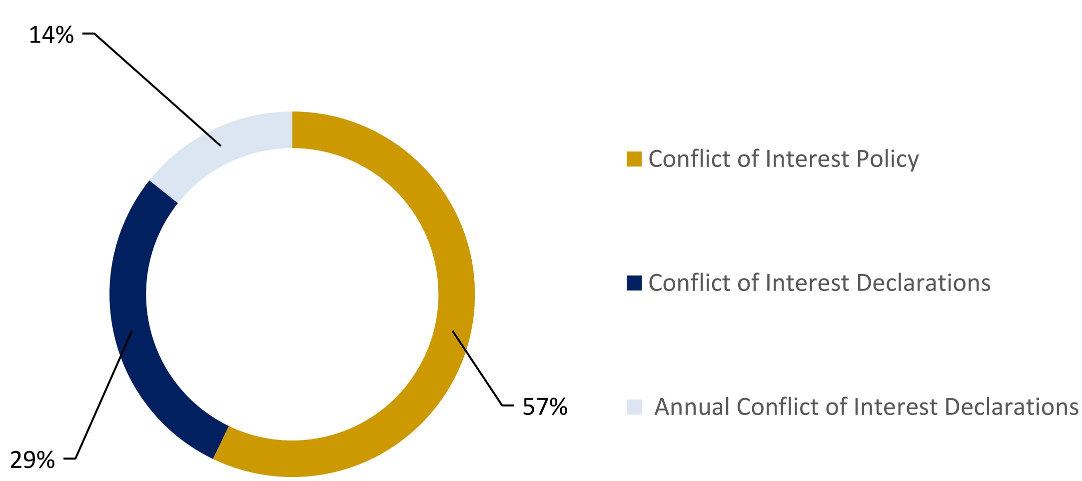
KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Summary of Areas for Improvement

- Ensure regular review and amendment or re-adoption of strategic objectives and policies.
- Ensure effective Board of Directors oversight of the compliance, risk and financial reporting functions.
- Ensure monitoring of the exercise of outsourced functions by the Board of Directors.
- Ensure that all Directors are trained in all relevant aspects and not being exclusive to AML matters only.
- Oversight in respect to the design and implementation of sound risk management and internal control systems and functions.
- Establish and implement Board approved audit plans that include the assessment or review of the frameworks, strategies and overall internal controls.
- Undertake appropriately executed self-assessments of the performance of the governing body (as a whole) and individual members.
- Review the composition of the Governing Body to ensure that collectively it has sufficient knowledge, skills, experience, commitment and independence to oversee the Regulated Entity effectively.
- Maintain measures in place to ensure that the relevant regulator(s) is notified by email, within ten days of any substantive issues which could materially affect the Regulated Entity, in line with applicable acts, rules, regulations and regulatory measures; comply promptly and fully with requests for information from the Authority as required by the regulatory acts.

II. Conflicts of Interest and Code of Conduct

Areas of Weakness in Conflicts of Interest and Code of Conduct



KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Fifty-seven percent (57%) of the weaknesses related to inadequate conflicts of interest and code of conduct policies in the corporate governance framework. These weaknesses mainly arose from policies that did not address key conflict of interest management practices including, but not limited to the following:

a) Requirement for Directors and Senior Management to provide written declarations of conflicts of interest on an annual basis and in meetings;

b) Responsibility for Members to abstain from voting on any matter that may present a conflict of interest or where objectivity or ability to properly fulfil duties to the Licensee may be compromised;

c) Adequate procedures for transactions with related parties to be made on an arm's length basis;

d) Procedure which speaks to the way in which the Board of Directors will deal with any non-compliance with the Licensee's conflicts of interest policy; and

e) Review or approval process for members to follow before they engage in certain activities (such as serving on another Governing body) to ensure that such activity will not create a conflict of interest.

The Authority noted instances where the several Selected Entities were unable to provide evidence that conflict of interests were declared via annual declarations nor during the Board of Directors or Senior Management meetings for the remaining forty-three percent (43%).

However, the Authority noted instances where a number of Selected Entities maintained policies that promoted a strong code of conduct for Directors and Management, which require any possible conflicts of interest to be disclosed and addressed during Board meetings or as required between meetings.

Summary of Good Practices

- Corporate governance policies speak to the requirement for the Governing Body to disclose any conflicts of interest.
- High standards of business conduct and ethical behaviour for Directors and Senior Management, including policies on conflicts of interest, code of conduct, private transactions, self-dealing and preferential treatment of favoured internal and external entities.
- Ongoing declarations of conflicts of interest both annually and in meetings, and where conflicts arise, such are noted in the minutes of the meeting to which the subject matter of the conflict relates.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Summary of Areas for Improvement

- The Governing Bodies should establish documented 'conflicts of interest' policies, which at a minimum, should include the following:

  a) A member's duty to avoid, to the extent possible, activities that could create conflicts of interest or the appearance of conflicts of interest;

  b) A review or approval process for members to follow before they engage in certain activities (such as serving on another governing body) to ensure that such activity will not create a conflict of interest;

  c) A member's duty to disclose any matter that may result, or has already resulted, in a conflict of interest;

  d) A member's responsibility to abstain from voting (unless otherwise allowed by articles of association or constitutional documents) on any matter where the member may have a conflict of interest or where the member's objectivity or ability to properly fulfil duties to the Regulated Entity may be otherwise compromised;

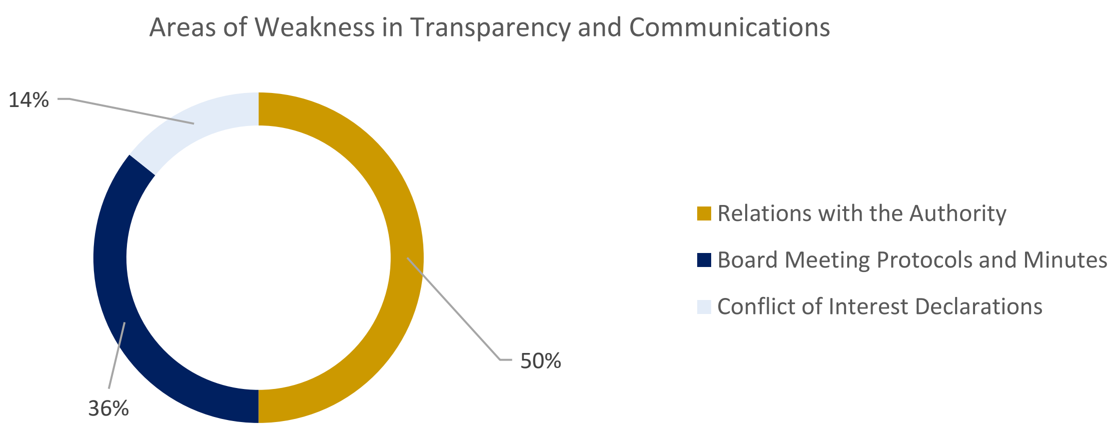
  e) Adequate procedures for transactions with related parties to be made on an arm's length basis; and

  f) The way in which the governing body will deal with any noncompliance with the conflict of-interest policy.

- Ensure adequate documentation of conflicts of interest declarations annually and in Directors and Senior management meetings.

III. Transparency and Communications

Areas of Weakness in Transparency and Communications



As shown in the chart above, fifty percent (50%) of the weaknesses relating to transparency and communications arose mainly due to several Selected Entities' framework not having established and approved systems and controls to ensure the appropriate, timely, and effective communications with the Authority. There were also cases where the communication requirements were detailed in policies but not implemented/adhered to in practice.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Thirty-six percent (36%) of the weaknesses were in relation to Board protocols and minutes. There were instances noted where regulated entities were not documenting meetings of their Governing Bodies. Also, instances where minutes are documented but not dated, signed or approved by the Governing Bodies. The remaining fourteen percent (14%) was due to minutes not recording declarations of conflicts of interest.

However, it was found that majority of the Selected Entities were able to provide evidence of meeting agendas and Board packs circulated to Board Members in advance of respective Board meetings.

Summary of Good Practices

- Meeting agendas and Board packs circulated to Board Members in advance of respective Board meetings.
- The Governing Bodies held sufficiently regular meetings during the period under review.
- Detailed minutes of meetings prepared with all decisions, discussions, and points for further actions being documented.
- Minutes approved in the next subsequent meeting and signed off.
- Approved systems and controls to ensure appropriate, timely and effective communications with the Authority on the governance of the Regulated Entity.
- Established adequate procedures to promote customer awareness of products and services and clear complaints procedures that are communicated adequately to customers.

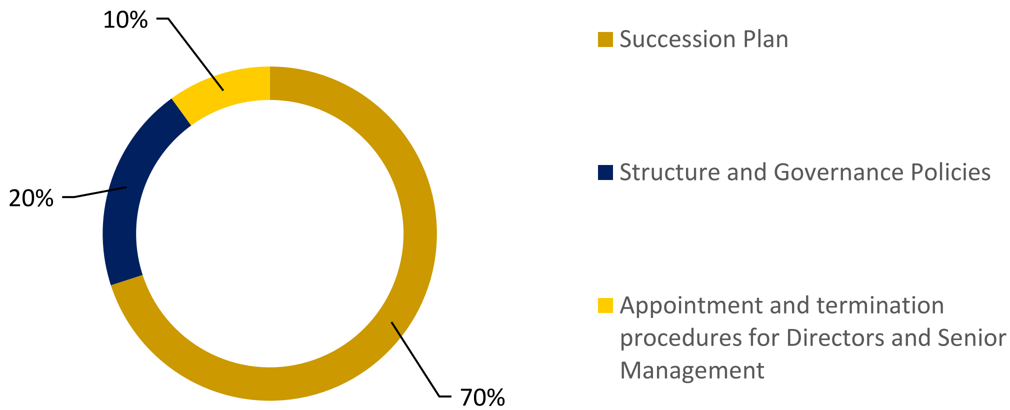
Summary of Areas for Improvement

- Ensure that minutes are documented, dated, signed and approved.
- Ensure that meetings are held formally and detailed minutes containing Board decisions, discussions and points for further actions are maintained.
- Ensure that declarations of interest are declared at all meetings and are adequately recorded in the minutes.
- Ensure that meeting agendas and Board packs are circulated to Board Members in advance of respective Board meetings.
- Ensure prior approvals are obtained from the Authority for transactions involving acquisitions, restructuring, and changes in ownership.
- Ensure approvals are obtained from the Authority for Directors, General Partners and Management.
- Ensure notification to the Authority of appointments of Senior Officers as soon as they are identified and appointed; even when they are on probation.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

IV. Structure and Governance of the Governing Body

Areas of Weakness in Structure and Governance of the Governing Body



Analysis of the Selected Entities' corporate governance revealed weaknesses regarding their structure and governance of the Governing Body. Of the weaknesses identified, Seventy percent (70%) of the weaknesses related to several Selected Entities not adopting an appropriate succession plan for its Directors and Senior Management. These weaknesses included, but were not limited to the following:

a) Succession plans not identifying replacements and successors for all Directors and Senior Management and not identifying persons in controlled functions holding roles the Selected Entities consider critical to the business operations;

b) Succession plans are not regularly updated to reflect the current state of the Board and Senior Management which in turn will allow for seamless transfer of the responsibilities of key positions;

c) Succession plans not describing how the critical functions would continue in the case of incapacitation or if there is an event resulting in temporary or permanent absence;

d) Succession plans not including communication plan which details the means of informing shareholders, senior managers, directors, employees service providers, and other persons in controlled functions of the transfer of the roles and responsibilities, or the transfer of ownership, be it short term or long term, to the identified persons; and

e) Succession plans not including communication plan which details the method of informing the Authority and seeking the necessary approvals.

The Authority noted that all Selected Entities maintained Registers of the Directors, General Partners, or Managers as applicable and Board resolutions for the appointments are maintained internally by the Regulated Entity to document these appointments.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Summary of Good Practices

- Board resolutions or equivalent documentation are maintained internally by the Regulated Entity to document Board appointments.
- Governing Bodies performing their responsibilities towards ongoing reporting to the Authority.
- Succession planning procedures which provide guidelines on how critical positions will be filled.
- Corporate governance manuals assign ultimate accountability for strategy, operations, governance, risk and compliance to the Board of Directors.

Summary of Good Practices

- Ensure documentation of nomination, appointment, resignation, disqualification, and termination procedures for the Directors.
- Establish and approve succession plans as required by the SOG – Succession Plan and Rule – Corporate Governance.
- Ensure that the succession plans identify replacements and successors for Directors and Management.
- Ensure that the succession plans incorporate communication plans detailing the means of informing shareholders, employees, service providers, and other persons in Controlled Functions of the transfer of roles and responsibilities or ownership of the Licensee to identified successors.
- Ensure that the succession plans incorporate communication plans detailing the method of informing the Authority and seeking the necessary approvals.
- Ensure that succession plans are regularly reviewed and updated.
- Formalize and implement succession plans to cater for any temporary, prolonged, or permanent absence of its Directors.
- The Regulated Entities' Corporate Governance Framework should include sufficient considerations or principles underpinning the structure and governance approach of the Board of Directors including but not limited to the composition of the Board, requirements for an appropriate succession plan for Directors and Senior Management, among other requirements.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

V. Independence and Objectivity

Independence and objectivity constituted six percent (6%) of the findings in the thematic corporate governance review. The weaknesses mainly arose from the policies that did not document clear and objective independence criteria which must be met by members to promote objectivity in decision making by the Governing Body.

Summary of Good Practices

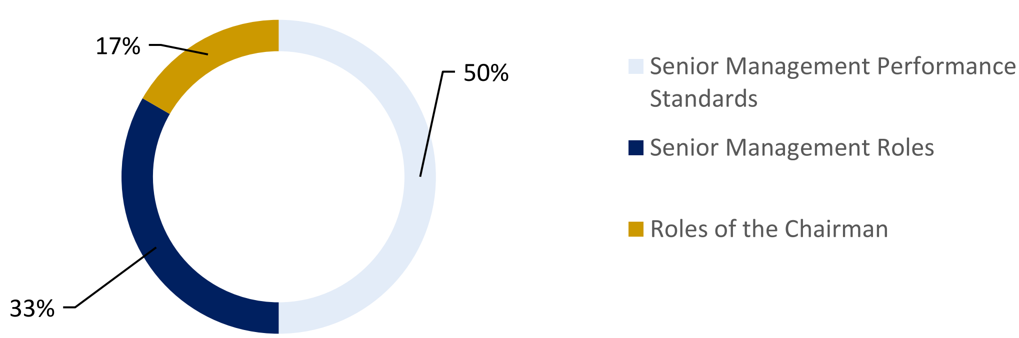
- Board Charters encouraging an environment that allows its members to be critical and independent of one another so as to promote independent and objective judgment.
- Established clear and objective independence criteria which must be met by its members to promote objectivity in decision making by the Governing Body.

Summary of Areas for Improvement

- Maintain detailed corporate governance manuals that include independence criteria, established and documented by the Licensee, which must be met by its members to promote objectivity in decision making by the Governing Body.

VI. Appropriate Allocation of Oversight and Management Responsibilities

Areas of Weakness in Appropriate Allocation of Oversight and Management Responsibilities



Analysis of the Selected Entities' corporate governance revealed weaknesses regarding appropriate allocation of Oversight and Management responsibilities. Fifty percent (50%) of weaknesses were in relation to several Selected Entities not setting appropriate performance standards for Senior Management and not implementing policies and procedures in place to enable proper monitoring and reviewing of the performance of Senior Management. Thirty-three percent (33%) of the weaknesses related to lack of clearly defined and documented roles and responsibilities of members of the senior management team to promote an appropriate separation of the oversight function from management responsibilities. The remaining seventeen percent (17%) was in relation to lack of clearly defined and documented roles and responsibilities of the Chairman of the Board.

The Authority also noted demonstrations of well-defined organisation structures with appropriate lines of responsibility to promote responsibility and accounting by Licensees.

Summary of Good Practices

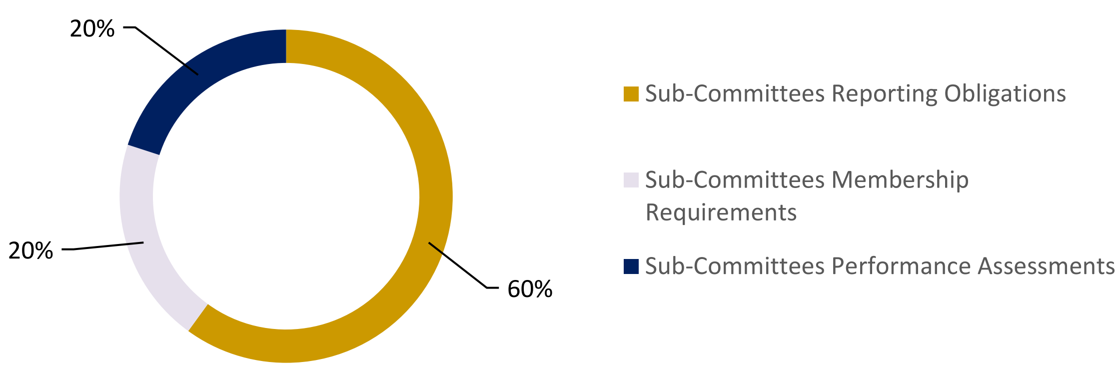
- Appropriate allocation of oversight and management responsibilities thoroughly documented within the corporate governance framework.
- Governing Bodies evaluate the work performed by Senior Management through review of Management Reports presented to the Board on a regular basis.

Summary of Areas for Improvement

- Ensure separation of duties for management and oversight of the company- that is have clearly defined and documented roles and responsibilities of members of the Governing Body including Chairman of the Board, and Senior Management team, to promote an appropriate separation of the oversight function from management responsibilities.
- Set appropriate performance standards for Senior Management and have policies and procedures in place to enable Governing Bodies to monitor and review the performance of Senior Management.

VII. Appointments and Delegation of Functions and Responsibilities

Areas of Weakness in Appointments and Delegation of Functions and Responsibilities



As shown in the chart above, sixty percent (60%) of the weaknesses relating to the appointments and delegation of functions and responsibilities arose mainly due to several Selected Entities' framework not addressing Sub-Committees reporting obligations. There were also cases whereas a result of lack of clearly defined reporting structures to the Board, matters discussed by the Committees were not presented for review and consideration by the Board of Directors. The Authority also noted instances where regulated entities were unable to provide evidence of how the Committees fulfilled their responsibilities in the period under review.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Summary of Good Practices

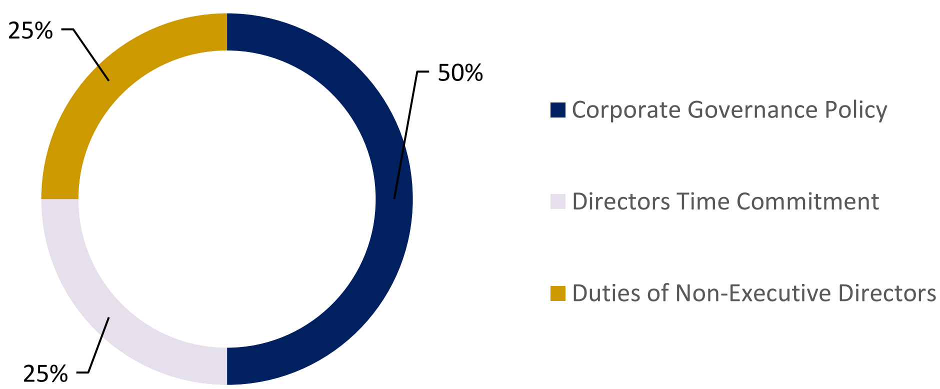
- Sufficient frequency of meetings held by the Board sub committees during the period under review.
- Committees having Charters/Terms of Reference in place that set out the mandate, scope, accountability, reporting obligations and working procedures of the committees.

Summary of Areas for Improvement

- Ensure documentation of the reporting structures and obligations of the Committees.
- Ensure that the Governing Body assesses the performance and effectiveness of the Sub-Committees.

VIII. Duties of Individual Directors of the Governing Body

Areas of Weakness in Duties of Individual Directors of the Governing Body



As shown in the chart above, fifty percent (50%) of the weaknesses arose due to lack of sufficient documentation included in Selected Entities' policies of duties of individual directors including but not limited to:

a) Time commitment to the role needed for effective and efficient execution of associated responsibilities and the Board's indication of the minimum time commitment expected from Non-Executive Directors.

b) Responsibility to maintain knowledge and understanding of the Regulated Entity's business and ongoing updates of knowledge periodically, consistent with changes in industry, regulatory landscape or business of the Regulated Entity.

c) Responsibility to make enquiries where issues and/or complaints are raised and satisfy him or herself that an appropriate and timely course of action is taken to address the concern.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Of the weaknesses identified, twenty-five percent (25%) related to several Selected Entities not being able to provide evidence that the Governing Body has confirmed, on an annual basis, the ongoing minimum time commitment expected from the Non-Executive Directors. The remaining twenty-five percent (25%) related to instances where several Selected Entities were unable to provide evidence of how the Non-Executive Directors fulfilled their duties in the period under review.

Summary of Good Practices

- Boards of Directors are comprised of Individual Directors who collectively have the mixture of skills, knowledge, experience and independence necessary to ensure the long-term success of the Companies.

Summary of Areas for Improvement

- Ensure that letters of appointment specify the minimum time commitment expected from the Non-Executive Directors for the effective and efficient execution of their associated responsibilities.
- Review and amend corporate governance policies to include sufficient documentation as required by the Rule - Corporate Governance on duties of Individual Directors of the Governing Body

IX. Remuneration Policy and Practices

Remuneration Policy and Practices constituted three percent (3%) of the findings in the thematic corporate governance review. The weaknesses mainly arose from several Selected Entities that did not establish and oversee the implementation of a written remuneration policy that is applicable to members of its Governing body, Senior Management, employees in Control Functions and other employees whose actions may have a material impact on its risk exposures which at a minimum;

a) Does not induce excessive or inappropriate risk-taking;

b) Aligns with the Licensee's corporate culture, objectives, strategies, identified risk appetite and long-term interests; and

c) Have proper regard for the interests of relevant stakeholders.

Summary of Good Practices

- Implementation of Board approved written remuneration policy for Directors, Senior Management and Employees.

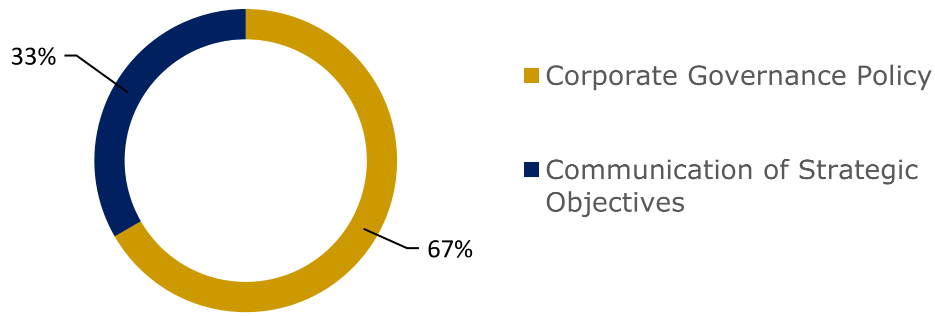
Summary of Areas for Improvement

- Establish and implement formalized remuneration policy for Board Members, Senior Management and employees in Control Functions.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

X. Objectives and Strategies of the Regulated Entity

Areas of Weakness in Objectives and Strategies of the Regulated Entity



As shown in the chart above, sixty-seven percent (67%) of the weaknesses arose mainly due to several Selected Entities' framework not addressing objectives and strategies of the Regulated Entity. The Authority also noted instances where several Selected Entities were unable to provide evidence of communicating the objectives and strategies to Senior Management and staff, including persons in Control Functions which constituted the remaining thirty-three percent (33%).

Summary of Good Practices

- Clearly defined objectives and strategies are communicated to staff through various methods, e.g. in-person discussions, training, and emails.

Summary of Areas for Improvement

- Ensure that clearly defined objectives and strategies are documented and communicated to staff and management.

XI. Reliable and Transparent Financial Reporting

Reliable and Transparent Financial Reporting accounted for two percent (2%) of the findings in the thematic corporate governance review. The weaknesses mainly arose from Internal Audit scope and activities as no Board or Audit Committee approval were received for deviations from the 2022 and 2023 approved Audit plans for several Selected Entities. Additionally, for some Selected Entities, the Authority observed that internal audit activities were AML focused and did not cover other operational areas as outlined in Audit Plans.

KEY FINDINGS FROM THE THEMATIC CORPORATE GOVERNANCE REVIEW

Summary of Good Practices

- Board approval of the financial statements ensuring that they give a fair and true view of the Licensee's affairs, and they comply with the relevant accounting standards and legislation.
- Financial reporting roles and responsibilities are clearly documented in the Committees' Charter.

Summary of Areas for Improvement

- Establish adequate oversight of the Risk and Audit Committees and reporting mechanisms towards ensuring that there are reliable and transparent financial reporting processes in place, and audit plans and activities are fulfilled on an ongoing basis.
- Oversee the Risk and Audit Committees to ensure operation in accordance with the mandate, and that audit plans including scope and frequency are implemented as approved, and any deviations are discussed, approved, communicated and adequately documented on an ongoing basis, and reported to the Board.

XII.The Corporate Governance Framework

One percent (1%) of the findings in the thematic corporate governance review arose from the case where the selected entity did not establish, implement, and maintain a corporate governance framework which provides for sound and prudent management oversight of the Regulated Entity's business and protects legitimate interests of relevant stakeholders, and addresses at a minimum, the requirements outlined in the Rule - Corporate Governance.

Summary of Good Practices

- Established, implemented, and maintained board approved corporate governance framework.

Summary of Areas for Improvement

- Establish and implement Board approved Corporate Governance Framework that complies with the Authority's Rule on Corporate Governance.

CONCLUDING REMARKS

The Authority continues to remind all Regulated Entities of their statutory and regulatory obligations to adhere to regulatory Rules and Statements of Guidance, and to ensure that their policies, procedures, systems, and controls are of an appropriate standard in line with applicable Acts and other legal requirements and meet the Authority's expectations.

The Authority further encourages Regulated Entities to ensure that the corporate governance framework for Regulated Entities is commensurate to the size, complexity, structure, nature of business and risk profile of its operations. The Authority's latest Rule – Corporate Governance (April 2023) is accessible via the Authority's website Regulatory Measures.

THEMATIC CORPORATE GOVERNANCE REVIEW REPORT

SIX, Cricket Square
PO Box 10052
Grand Cayman KY1-1001
Cayman Islands

Tel: +1 (345) 949-7089

www.cima.ky