

**Memorandum of Understanding**  
**between the**  
**Icelandic**  
**Financial Supervisory Authority (FME)**  
**and the**  
**Cayman Islands Monetary Authority (CIMA)**

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APPENDIX A

## I. Introduction.

1. The Icelandic Financial Supervisory Authority, FME, was established by the Act No. 87/1998 on Official Supervision on Financial Operations. The FME shall ensure that the activities of parties subject to supervision are in accordance with laws, regulations, rules or by-laws governing such activities and that their operation, in other respects, is consistent with sound and proper business practices.
2. The FME is the independent and integrated financial services and market regulator in Iceland. It's supervision comprises i.a. credit institutions and other financial institutions (Act No. 161/2002), insurance companies (Act No. 100/2016), insurance brokerage (Act No. 32/2005), pension funds (Act No. 129/1997), payment services (Act No. 120/2011), issuing of electronic money (Act No. 17/2013) and the securities market, including undertakings permitted to operate stock exchanges, authorized markets and central securities depositories (Act No. 128/2011, 108/2007 and 33/2005).
3. The Cayman Islands Monetary Authority is a statutory body established under the Monetary Authority Law 1996 as the financial services regulator of the Cayman Islands and has its address at 80e Sheddon Road, Elizabethan Square, Grand Cayman, Cayman Islands ("CIMA")
4. The FME and the CIMA wish to enter into this Memorandum of Understanding (MOU) to establish a framework for exchanging supervisory information and enhance cooperation between the Authorities. The FME and the CIMA believe that such cooperation will enable them to perform their functions more effectively.
5. The FME and the CIMA acknowledge the importance of compliance with IAIS Insurance Core Principles, Standards, Guidance and Assessment Methodology, Basel Core Principles in prudential regulation of banking institution and compliance with Financial Action Task Force (FATF) Recommendations on Anti-Money Laundering and with IOSCO'S Objectives and Principles of Securities Regulation.

## II. Definitions

6. In this MOU, unless the context requires otherwise:
  - (a) "Authority" means the FME or the CIMA or together the "Authorities";



- (b) "Applicable Laws " means any law, regulation or regulatory requirement applicable in Iceland or in the Cayman Islands relating to Banking Supervision and Insurance Supervision as well as financial and securities markets and products within the competence of the Authorities;
- (c) "Jurisdiction" means the country, state, territory or designated geographical area, as the case may be, in which the FME or the CIMA has legal authority, power and/or jurisdiction by law;
- (d) "Requested Authority" means an Authority to whom a request is made under this MOU;
- (e) "Requesting Authority" means an Authority making a request under this MOU;
- (f) "Home Authority" means the authority of the jurisdiction where a parent company/head office of an Authorised Institution is established;
- (g) "Host Authority" means the authority of the jurisdiction where a cross-border establishment is established;
- (h) "Authorised Institution" means a Person, who is authorised by the Authorities to provide financial services in their jurisdiction, e.g. credit institution, insurance company or securities firms;
- (i) "Cross-Border Establishment" means a Branch or Subsidiary or a Representative office;
- (j) "Branch" means an organisational unit of an Authorised Institution incorporated in the jurisdiction of the Home Authority, which operates a place of business in the jurisdiction of the Host Authority;
- (k) "Subsidiary" means an Authorised Institution incorporated in the Host jurisdiction, which is controlled by an Authorised Institution incorporated in the Home jurisdiction;
- (l) "Representative office" means an organisational unit of an Authorised Institution incorporated in the jurisdiction of the Home Authority, which represents the Authorised institution in the jurisdiction of the Host Authority without providing financial services;
- (m) "Person" means a natural person, legal person, body corporate, partnership, or unincorporated association, government body/agency.
- (n) "On-Site Inspection" means an official inspection carried out at the premises of a Cross-Border Establishment of an Authorised Institution through duly authorised officers and/or commissioned auditors and/or examiners;
- (o) "Emergency Situation" means the occurrence of an event that could materially impair the financial or operation conditions of an Authorised Institution.



### III. Purpose and principles

7. The purpose of this MOU is to establish a formal basis for cooperation and exchange of information between the Authorities, to the full extent permitted by law, in order to enforce or secure compliance with the Applicable laws of their respective jurisdictions.
8. This MOU is a statement of intent and accordingly does not create any legally binding obligations, confer any rights, modify or supersede any laws or regulatory requirements in force in Iceland or in the Cayman Islands. This MOU does not affect any arrangements under other MOU's.
9. This MOU does not confer upon any Person or an Authority, the right or ability, directly or indirectly to obtain, suppress or exclude any information or to challenge the execution of a request for assistance under this MOU.
10. The Authorities will use reasonable efforts to keep each other informed of any changes to their existing legal authority that may affect the implementation of this MOU.

### IV. Information sharing

11. The Authorities recognize the importance and desirability of mutual assistance and exchange of information. Information should be shared as fully as reasonably possible and subject to any relevant statutory provisions, including those restricting disclosure.
12. Information-sharing includes contacts during the authorisation and licensing process, relating to supervision of on-going activities and handling of emergency situations.
13. In connection with the authorisation process:
  - (a) the Host Authority should notify the Home Authority of applications for approval to establish a cross-border establishment;
  - (b) upon request, the Home Authority should inform the Host Authority whether the applicant Authorised Institution is in substantial compliance with applicable laws and regulations and whether it may be expected, given its administrative structure and internal controls, to manage the cross-border establishment in an orderly

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manner. The Home Authority should also, upon request, assist the Host Authority with verifying or supplementing any information submitted by the applicant;

- (c) upon request, the Home Authority should inform the Host Authority about the nature of its regulatory system and the extent to which it will conduct consolidated or group-wide supervision of the applicant. Similarly, the Host Authority should inform the Home Authority about the nature of its regulatory system and the extent to which it will supervise the cross-border establishment of the applicant institution;
- (d) to the extent permitted by law, the Home and Host Authorities should share information on the fitness and propriety of prospective managers of a cross-border establishment.

14. In connection with the ongoing supervision of cross-border establishments, the Authorities intend to:

- (a) provide relevant information to their counterpart regarding material developments or material supervisory concerns in respect of the operations of a cross-border establishment or its parent undertaking, in particular whether the undertakings continue to meet the requirements for authorization or regarding their financial soundness (e.g. failure to meet capital adequacy or other financial requirements, significant losses, rapid decline in profits or a deterioration in profitability);
- (b) respond to requests for information on their respective national regulatory systems and inform each other about major changes, in particular those which have a significant bearing on the activities of cross-border establishments;
- (c) inform their counterpart of material administrative penalties imposed, or other formal enforcement action taken, against a cross-border establishment. Prior notification shall be made, as far as practicable and subject to applicable laws; and
- (d) facilitate the transmission of any other relevant information that might be required in order to assist with the supervisory process.

15. The term "material supervisory concern" encompasses a matter relating to:

- (a) whether the operations of an Authorised Institution are conducted in a safe and sound manner and substantially in conformity with applicable prudential standards;
- (b) whether there has been evidence of a material violation of law; or
- (c) events that would have a material adverse effect on the financial stability of Authorised Institution in the jurisdiction of the other authority. A material

supervisory concern as described herein would include concerns that arise from actions of affiliates or associates of the Authorised Institution.

16. Where remedial action is called for to address a material supervisory concern as described above, the Authorities will endeavour to notify each other prior to it taking the appropriate action or, as circumstances dictate, as soon thereafter as practicable.
17. In Emergency Situations, which could have a material adverse impact on the financial situation or operations of an Authorised Institution and/or Cross Border Establishments, the Authorities will endeavour to notify each other of the Emergency Situation and communicate information to the other as would be appropriate in the particular circumstances, taking into account all relevant factors, including the status of efforts to address the Emergency Situation.
18. Where one Authority has information that will assist the other Authority in the performance of its regulatory functions, the former may provide information to the latter on a voluntary basis even though the other Authority has made no request.

#### V. Requests for information and execution

19. Requests and information exchange will be made in writing and addressed to the contact persons listed in APPENDIX A. When there is a need for expedited action, requests for information may be initiated in any form, including orally, but shall be confirmed subsequently in writing.
20. To facilitate assistance, the Requesting Authority should specify in any written request:
  - (a) a general description of both the subject matter of the request and the purpose for which the Requesting Authority seeks assistance or information;
  - (b) a general description of the assistance, documents or information sought by the Requesting Authority;
  - (c) if information is provided by the Requesting Authority for confirmation or verification, the information and the kind of confirmation or verification sought;
  - (d) any information in the possession of the Requesting Authority that might assist the Requested Authority in identifying the persons, bodies or entities believed by the Requesting Authority to possess the information sought, or the places where the Requested Authority may obtain such information;

- (e) whether any other domestic authority, governmental or non-governmental, is cooperating with the Requesting Authority or seeking information from the confidential files of the Requesting Authority and to whom, if anyone, onward disclosure of information provided to the Requesting Authority is likely to be necessary;
  - (f) the Applicable Laws that may have been violated and that relate to the subject matter of the request;
  - (g) the urgency of the request and the desired period of time for the reply; and
  - (h) any other matters, which might be of interest/assistance to the Requested Authority (e.g. identity of persons, specific questions to be asked).
21. Any assistance or information provided in terms of this MOU should be used by the recipient only for the purpose of performing its regulatory and supervisory functions. The Requesting Authority may not use information furnished for any purpose other than that identified in the request. If the Requesting Authority wants to use the information obtained for any purpose other than that stated in the request, the Requesting Authority shall seek and obtain the consent in writing of the Requested Authority prior to the use of the information.
22. If the FME is requested by the CIMA to disclose confidential information originating from another authority or body in the European Economic Area (EEA), the FME being a member state of the EEA may only do so if such authority or body has given express permission. Such information disclosed to the CIMA may only be used for the purposes for which the permission from the relevant authority or body was granted. The FME will use all reasonable endeavours to obtain the necessary express permission from the relevant authority or body to such disclosure.
23. A request for information may be denied by the Requested Authority:
- a) where the request does not conform with this MOU;
  - b) where the request would require the Requested Authority to act in a manner that would violate domestic law or any agreement entered into before the date of this MOU;
  - c) when compliance with a request or provision of information would interfere with an investigation in circumstances where the prejudice to the investigation is likely to outweigh the adverse effects of denying the information;





- d) where a criminal proceeding has already been initiated in the jurisdiction of the Requested Authority based upon the same facts and against the same Persons, or the same Persons have already been the subject of final punitive sanctions on the same charges by the competent authorities of the jurisdiction of the Requested Authority; or
  - e) on grounds of public or national interest.
24. Where a request for information is denied, the Requested Authority will provide reasons for not granting the assistance and consult with the Requesting Authority whether there may be other assistance that can be given by itself or by any other authority in its jurisdiction.

#### **VI. Inspections and on-site visits**

25. The Home Authority shall give the Host Authority advance notice of its intention to undertake an inspection visit at branches or representative offices in the Host Authority's jurisdiction as considered necessary to carry out effective consolidated supervision of the group of which the Authorised Institution is a member, provided that such inspection is in conformity with the law of the Host Authority's jurisdiction. The Home Authority will confirm, in advance, the nature and scope of the visit and the Host Authority will afford as full co-operation as possible in facilitating such a visit. In undertaking such a visit the Home Authority will invite officers of the Host Authority to attend the visit and the Host Authority may attend as it sees fit.
26. The Home Authority may request on an exceptional basis the Host Authority to conduct an on-site examination in a cross-border establishment. The Authorities shall endeavour to establish the basis and terms upon which such examinations are to be conducted.
27. In addition to the procedures outlined in chapter IV and V, upon written request of the Requesting Authority, the Requested Authority may, to the extent permitted by law, provide the Requesting Authority with information contained in reports of examinations or inspections concerning the cross-border establishments and any other confidential information regarding a cross-border establishment that is obtained as part of the supervisory process. Such information normally would not include customer account information unless this is of particular relevance only to the supervisory concern prompting the request.



28. Provisions of this chapter do not affect the legal right of the Authorities to conduct on-site examinations in a cross-border establishment located in their own jurisdictions.

## VII. Confidentiality

29. The Authorities shall, to the full extent permitted by the laws, regulations and rules of their respective jurisdictions, keep confidential:

- a) any request for assistance or information pursuant to this MOU;
- b) any information or assistance provided or received pursuant to this MOU; and
- c) any matter arising during the operation of this MOU, including consultations and unsolicited assistance.

30. The Requesting Authority shall not disclose the assistance or non-public information obtained pursuant to this MOU to third parties without the prior written consent of the Requested Authority and in compliance with the provisions of paragraphs 21 and 22.

31. Following a consultation with the Requesting Authority, the Requested Authority may disclose the fact that the Requesting Authority has made a request if such disclosure is necessary to carry out the request.

32. The Authorities agree that a permitted purpose within the general framework of the use stated in the request for assistance, includes conducting a civil or administrative enforcement proceedings, assisting in a criminal prosecution, or conducting any investigation for any general charge applicable to the violation of the provision specified in the request where such general charge pertains to a violation of the Applicable Laws administered by the Requesting Authority. This use may include enforcement proceedings which are public.

33. Notwithstanding the confidentiality provisions of this MOU, an Authority shall not be prevented from informing the law enforcement bodies in its jurisdiction when disclosure is required pursuant to a legally enforceable demand.



34. If there is a legally enforceable demand for information supplied under this MOU the Authority receiving the demand will notify the Authority that supplied the information of the demand, and will assert the appropriate legal exemptions or privileges with respect to that information as may be available. The Authority receiving the demand will consult with the Authority that supplied the information of the demand, before complying with any such demand unless this is not practicable for reasons of urgency.

### VIII. Consultation

35. The Authorities will consult regularly with each other to enhance regulatory co-operation, to improve the operation of the MOU and to strive to resolve any matters that may arise.
36. Each Authority will advise the other if there is a significant change in market or business conditions or in legislation where such change is relevant to the operation of this MOU.
37. Where the specific conduct set out in the request for assistance may constitute a breach of Applicable Laws in the jurisdictions of the Requesting and the Requested Authorities, the Authorities will consult to determine the most appropriate way to provide assistance.
38. The Authorities may take practical measures as may be necessary to facilitate the implementation of the MOU. As such, the Authorities may amend, relax or waive any of the terms of the MOU.

### IX. Cost

39. If it appears that the Requested Authority may incur substantial costs in responding to a request for assistance under this Memorandum of Understanding, the Authorities shall consult with a view to establishing an appropriate and equitable cost-sharing arrangement before proceeding with such a request for assistance.

### X. General provisions

40. The language of this MOU is English. All communications relating to the MOU should be conducted in English.





41. To facilitate cooperation under this MOU, the Authorities will designate contact persons, as set forth in Appendix A, to which information or requests for assistance under this MOU should be directed.

#### XI. Effective date and termination

42. This MOU is made in two copies and takes effect from the date it is signed by the FME and the CIMA. Either, or both, Authorities may make a copy of the MOU, or the text of it, publicly available.

43. The MOU will continue to have effect until terminated by either of the Authorities giving at least 30 days' advance written notice to the other Authority.

44. Termination of this MOU does not affect obligations under this MOU relating to the use and confidentiality of information, which shall continue to have effect.

#### For the Icelandic Financial Supervisory Authority



Unnur Gunnarsdóttir - Director General

Date..... 11 August 2017 .....

#### For the Cayman Islands Monetary Authority

  
Cindy Scotland - Managing Director

Date..... 10<sup>th</sup> August 2017 .....



## APPENDIX A

### DESIGNATED CONTACT OFFICERS

#### Icelandic Financial Supervisory Authority

Ms. Halldóra E. Ólafsdóttir  
Director On-site supervision

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International coordinator

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