



23 February 2024

RE: COMPLAINTS HANDLING SURVEY

Background

The Cayman Islands Monetary Authority (the "Authority") strives to promote and enhance market confidence, consumer protection, and the reputation of the Cayman Islands as a financial center. As a part of their risk management framework, the Authority expects all supervised entities to have satisfactory systems and controls in place to enable them to deal with customer complaints thoroughly and promptly.

The Banking Supervision Division of the Authority conducted a Complaints Handling Survey (the "Survey") of seven (7) deposit-taking institutions (the "Participating Institutions" or "PIs") during 2023. The Survey was conducted to obtain a better understanding of the complaints handling policies and procedures in place within the PIs and to assess the effectiveness of their complaints management framework in handling customer complaints.

Summary

It should be noted that the results and themes highlighted are solely based on the responses and accompanying documents provided by the PIs in response to the Survey. Information collected during other supervisory processes were not reviewed as a part of this exercise.

The Survey revealed that the majority of the PIs had a sound complaints handling framework in place and had implemented several good practices regarding complaints handling. The majority of the PIs have avenues in place for clients to file complaints and ensure clients are informed of the PI's complaint procedures. Several PIs track their complaints to aid in identifying trends and areas in which the PI can enhance its internal control framework, its complaint handling process, and policies and procedures within the institution. In some instances, random client feedback surveys are also conducted on closed complaints, to obtain feedback, which is incorporated into the PIs' training and coaching, staff recognition, and to assist in identifying areas for improvement in its business processes.

The Survey also revealed several general themes across the PIs, including good practices and some areas of concern. Through bilateral communication, the Authority has outlined, where applicable, recommended enhancements to the Participating Institutions' complaints handling framework. The key themes from the Survey are highlighted below.

Board Engagement

The majority of the Boards have some level of involvement in the PIs' complaints management framework. The PIs provide the Board with at minimum quarterly updates and reports on the PI's complaints. For some PIs, more frequent/ad hoc reporting is provided as required. The Authority did note for a few PIs an area of concern where there is little to no level of Board involvement in the PIs' complaints management process. Those Boards do not obtain any regular reporting on the PI's complaints and/or are not involved in the complaints handling process unless a complaint

cannot be successfully resolved and could result in reputational damage or significant financial or customer loss.

Policies and Procedures

All of the PIs have some form of a complaints handling policy and procedure in place, however, not all are Board-approved.

Method for Communicating Complaints Procedure to Customers

The majority of the PIs have avenues in place to ensure that their complaints procedure is properly communicated to customers. Most of the PIs have forms embedded in their websites for complaints reporting, accompanied by the relevant procedures. The Authority did identify a few outliers where improvements are required in how clients are informed of the PIs' complaints reporting procedures.

Staff Training

The Authority noted that across all PIs, complaints handling training is provided to staff at onboarding. The majority of the PIs also provide refresher training at varying frequencies and/or when prompted by identified trends in complaints received by the PI. While some of the PIs utilize case studies, which in some cases are based on real-life examples, as a part of their training material and/or conduct some form of post-training assessment to ensure employees understand how to apply the PIs policies and procedures within their roles, it was noted that such a practice was not in place for others.

Client Engagement in Complaint Resolution Process

For most of the Participating Institutions, complainants are to be kept informed of any developments in the processing of the complaint until resolution and/or closure. An area of concern noted across a number of the PIs is the lack of procedures in place should the complainant not be satisfied with the outcome of the PI's review of their complaint. A few of the PIs have incorporated a good practice into their complaints handling procedures and/or on their websites, of ensuring that clients are made aware of their right to contact the Authority or local Ombudsman if they are dissatisfied with the outcome of the institution's resolution of a complaint.

Monitoring and Tracking

All PIs have target timelines for processing the various stages of a complaint, such as acknowledgment, investigation, and closure of the complaint. Some PIs' complaints handling timelines are further broken down based on the severity of the complaint received. The Authority also observed that all the PIs are required to have some form of complaint-tracking log and/or tool in place. A good practice noted is that some PIs' complaints tracking systems allow the entity to collect and track more granular data on their overall complaints handling process, including the nature of the complaint, how it was received, and how it was resolved. This was evidenced in the PIs availability to provide statistical data on complaints requested by the Authority. Some PIs, however, did not have the proper mechanisms in place to allow for complaints tracking beyond the number of complaints received, pending, and resolved.

Post-Complaint Resolution Process & Independent Reviews

Most of the Participating Institutions conduct some form of quality control assessment/internal audit review of their complaints handling process, however, the frequencies vary. Most PIs engage either their internal or external auditors to conduct this review. Few PIs conduct post-complaint resolution surveys and/or feedback forms to clients. The results of the surveys and feedback obtained are utilized for coaching, recognition, and improvement of processes.

Other Key Observations

New Initiatives

Several PIs have launched initiatives and/or enhanced policies and procedures in the last three (3) years due to complaints received. Complaints and customer feedback have allowed institutions to:

- Identify and introduce enhancements to online and mobile banking platforms;
- Identify and implement policy and process enhancements;
- Increase the number of avenues for customer complaints to be captured for resolution; and,
- Helped identify training needs and launched targeted employee training sessions.

Minimal Operating Losses Related to Complaints

The majority of the PIs noted minimal operational losses relating to complaints over the three (3) year period under review.

Conclusion

All regulated entities, including the PIs, should consider the general themes highlighted above and incorporate, where necessary, recommended enhancements and good practices to their respective complaints management framework. Regulated entities are also encouraged to review the revised Rule and Statement of Guidance on Internal Controls for Regulated Entities (the "Revised Internal Controls Rule and SOG") and the revised Rule on Corporate Governance for Regulated Entities (the "Revised Corporate Governance Rule"), collectively (the "Revised Rules and SOG"), both of which were issued in April 2023 and became effective on 14 October 2023, to ensure that they comply with the updated requirements. The Revised Rules and SOG prescribes additional requirements that institutions must ensure are incorporated into their complaints handling framework, particularly Section 5.7.5 of the Revised Corporate Governance Rule, and Sections 12.11 & 12.12 of the Revised Internal Controls Rule and SOG. Compliance with the Revised Rules and SOG will be assessed in future inspections.

The Authority will continue to use surveys where appropriate, to facilitate data collection, peer comparison, and trend analysis to promote and maintain a sound financial system in the Cayman Islands. Please email the Banking Supervision Division at contactbanking@cima.ky should you have any questions.