

# CAYMAN ISLANDS STOCK EXCHANGE NEWS

July 2001

## CSX joins the Intermarket Surveillance Group – ISG

The Cayman Islands Stock Exchange is the first offshore exchange to become a member of the ISG.

On Friday, 8<sup>th</sup> June, 2001, in executive session, the ISG members voted unanimously to grant ISG Affiliate membership to the Cayman Islands Stock Exchange. Pursuant to this, the CSX now forms part of a group of self-regulatory organisations committed to confidential market information sharing for regulatory purposes and to coordination of regulatory efforts among the various member entities.

Formed in 1983 by the major U.S. securities exchanges, the group was created to assist the U.S. self-regulatory organizations in discharging their regulatory responsibilities under the Securities and Exchange Act of 1934. All U.S. exchanges are represented on the ISG. In 1990 an Affiliate category of ISG membership was created to allow futures exchanges and non-U.S. organi-

zations into the ISG to facilitate further information sharing. The organization is currently representing 23 North American, European and Australian markets. Among exchanges that have gained affiliate membership over the years are the Tokyo Stock Exchange, the Australian Stock Exchange, London International Financial Futures and Options Exchange, London Stock Exchange, Euronext, Stockholm exchange as well as the Canadian exchanges.

The purpose of the group has expanded over the years. Apart from routine sharing of information, members have responsibility of surveillance for violations with regard to trading and conduct of business.



### ISG Members

American Stock Exchange	London International Financial Futures and Options Exchange
Australian Stock Exchange	Montreal Exchange
Boston Stock Exchange	National Association of Securities Dealers Regulation, Inc.
Canadian Venture Exchange	New York Futures Exchange
Cayman Islands Stock Exchange	New York Stock Exchange
Chicago Board Options Exchange	OM Stockholm Exchange
Chicago Board of Trade	Philadelphia Stock Exchange
Chicago Mercantile Exchange	Sydney Futures Exchange
Chicago Stock Exchange	The Financial Services Authority
Cincinnati Stock Exchange	The Pacific Exchange
Dusseldorf Stock Exchange	Toronto Stock Exchange
Euronext N.V.	TradePoint Investment Exchange
International Securities Exchange	
London Stock Exchange	

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## CSX's 4<sup>th</sup> Anniversary - Over 400 listed issues

The Cayman Islands Stock Exchange this month celebrates its 4<sup>th</sup> anniversary, having surpassed the 400 mark of listed issues, with a market capitalisation exceeding US\$36 billion.

The Exchange commenced listings in 1997 and has since experienced tremendous interest from offshore mutual funds, debt securities and derivative warrants issuers.

Over the last year the Exchange has seen a number of fund issues indicating the market demand and a trend towards offering multi-manager funds, which can combine different investment styles and techniques by offshore fund managers. The funds aim to provide capital appreciation in all market conditions.

The Cayman Exchange has been the offshore exchange of choice for hedge funds since its commencement due to the effectiveness of the Cayman laws to attract the incorporation of the funds, the listing rules of the Exchange specifically catering for the type of fund and the experience and knowledge of

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# CAYMAN ISLANDS WELCOMES DE-LISTING BY FATF

## Anti-Money Laundering Systems Strong

The Financial Action Task Force (FATF) on Money Laundering announced on 22<sup>nd</sup> June, 2001 that the Cayman Islands had been removed from the list of non-cooperative countries issued one year ago.

In its report the FATF commended the Cayman Islands, stating that it had “taken concrete steps to implement legal reforms,” and cited “significant improvements in its anti-money laundering systems.” The FATF also announced its decision to withdraw the application of FATF Recommendation 21 to de-listed countries, under which FATF member countries were able to issue ‘business advisories’ to their financial institutions.

“We are satisfied that the FATF has recognized our actions in response to the 25 evaluation criteria introduced in February 2000,” said Hon. George McCarthy, Financial Secretary of the Cayman Islands. “As a major international financial centre, we are committed to ensuring that we keep pace with international standards. We remain focused on the principles, and recognize that our regulatory authorities and financial services providers must remain ever-vigilant.”

The FATF Review Group of the Americas, which was responsible for producing the progress report on the Cayman Islands, among other countries, conducted an on-site visit in April 2001. Their technical report, submitted to the Plenary, confirms that the Cayman Islands is deemed compliant with the 25 criteria used for evaluation. The focus of their visit was largely on implementation and international cooperation.

FATF Plenary that it is fully committed to the fight against money laundering, and wishes to play an active role in the global anti-money laundering initiative. The Government stressed its continuing commitment to effective implementation of anti-money laundering measures in compliance with FATF standards.

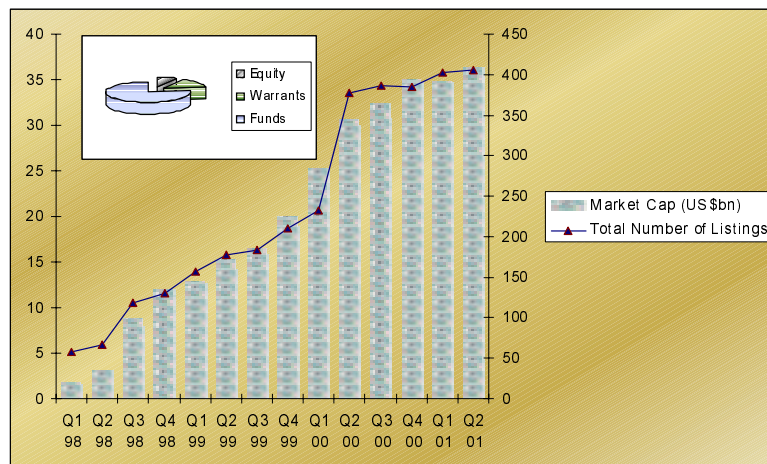
“On 13 June, the Cayman Islands’ Financial Reporting Unit (FRU) was admitted to the Egmont Group, an international organisation that includes over 50 of these similar agencies. In fact, the Cayman Islands FRU is a leader of its kind in the region,” said Hon. David Ballantyne, Attorney General.

Since December 1996, following the introduction of the Proceeds of Criminal Conduct Law, the Cayman Islands has cooperated through its FRU on an “all crimes” basis, exchanging information with other jurisdictions in the fight against international crime. It has cooperated with Bahamas, Brazil, Canada, Germany, Hong Kong, Mexico, Peru, Russia, South Africa, the United King-

dom and the United States.

“During the past year, the Cayman Islands government has worked in partnership with the private sector,” said Hon. Kurt Tibbetts, Leader of Government Business. “The laws we have are designed to enable our authorities – and financial services providers – to continue to be effective in the international fight against money laundering. We were well placed to fine-tune these due both to the compliance culture in our industry and to the comprehensive anti-money laundering provisions already in place.”

The Cayman Islands began passing laws relating to money laundering in 1984, and has continually amended them to keep pace with international standards. “We have been recognized by the U.S. and other countries as leaders in the region for our anti-money laundering efforts, and the amending legislation we introduced this past year reflects our continuing commitment to the fight against money laundering,” added Mr. McCarthy.



CSX market capitalization and number of listings

The Cayman Islands reconfirmed to the

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#### 4th Anniversary from Page 1

the Exchange's staff in applying the rules to the sometimes complex structures that are typical to the offshore market. These factors, combined with the changing attitude of investors and hedge fund managers towards serious and proper regulation, have caused the funds to seek the increased regulatory level derived from a CSX listing.

The Cayman Islands now account for over 50% of the total market for incorporation of newly formed offshore hedge funds. This illustrates the continuing strength of the jurisdiction as the preferred base for offshore hedge funds.

The Exchange had grown from 38 listings at the end of 1997 to 130 at the end of 1998 and 210 in 1999. The figure stood at 386 at the end of year 2000. The number of listed issues quoted is always given net of de-listings, which primarily result from the normal maturity of debt securities and expiry of derivative warrants. This number would be significantly higher if it were not for the increasing numbers of these maturities and expiries, which reached 78 as of June 2001.

The increase and growth has been ahead of projections and marks the Exchange's rapid transformation from an emerging exchange to its present position as one of the world's leading offshore stock exchanges.

## Listings update

Since the issue of the last newsletter in March, the Exchange has continued to see a steady increase in the number of listings, coming evenly from the main three products being mutual funds, debt securities and derivative warrants. Previously the mutual funds have had a larger proportion of the new listings.

The mutual funds listed include the Oxford Alternative Strategy Fund, a Cayman Islands registered fund managed by Oxford Advisors Ltd. The fund combines different investment styles and techniques by using multi-managers. It aims to provide capital appreciation in all types of market conditions by utilising stable, defensive, non-correlated and opportunistic strategies.

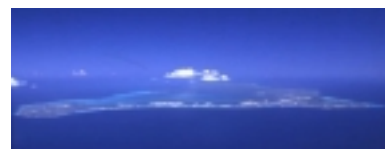
Zweig-DiMenna International Ltd, a hedge fund, listed two new classes of its shares and the ML/Zweig-DiMenna Limited, a Merrill Lynch feeder fund to the former fund, listed four classes of shares. Maples and Calder acted as the feeder fund's listing agent.

Permal Investment Management Services Limited, received an AA- rating from Standard & Poor's in May 2001

for its Japanese multi manager fund, Permal Japan Holdings, one of the seven funds listed on the CSX managed by Permal.

The interest in listing of specialist debt securities and derivative warrants also continued into this period with Morgan Stanley Dean Witter listing nine warrants during the three months with the majority of the underlying assets being Taiwanese issues.

The new issues of specialist debt securities listed by the CSX were primarily from collateralised debt obligations ("CLO's") and included Preferred shares and combination securities from Centurion CDO III Limited, Northwoods Capital III Ltd and TCW Select Loan Fund Limited. These issues followed the Exchange's new CLO market as reported on in the previous newsletter.



### CSX and Euroclear in co-operation



Early this spring, Euroclear and the CSX agreed to establish a co-operative link that enables CSX listed funds to participate on FundSettle at no additional cost, allowing them to access a larger investor base.

Upon listing on CSX, the fund becomes eligible for FundSettle participation by admission to the new Euroclear FundSettle platform. Once

the fund is granted listing, the CSX, at the fund's request, will liaise with Euroclear and arrange for the connection with FundSettle to be set up.

FundSettle was launched by Euroclear in November 2000. It is a dedicated platform specifically designed for high-volume, cross-border fund transactions. Internet based, FundSettle provides a single access point to help streamline

communications between distributors, fund managers and transfer agents worldwide. Through increased centralisation and automation of fund order processing and custody operations, it reduces manual intervention, high operational costs and risks associated with subscriptions, redemptions and confirmations.

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# THE CAYMAN ISLANDS BANKERS ASSOCIATION

## 8<sup>th</sup> BIENNIAL CONFERENCE

### November 14<sup>th</sup> – 16<sup>th</sup>, 2001

The CSX joining in partnership with the Cayman Islands Bankers Association has for the first time signed as the Presenting Sponsor for this long standing event which promises participation from many Caribbean jurisdictions as well as North America, the UK and Europe.

This partnership is part of the Exchange's continuing marketing and promotional strategy. The Exchange is extending personal invitations to all the international practitioners and issuers it has been working with to attend the Conference and take the opportunity to visit the Exchange. Aiming to increase global awareness of its services, the Exchange will run separate workshops highlighting the latest developments and emphasising the advantages of incorporating in the Cayman Islands and listing on the Cayman Islands Stock Exchange. Listing agents and broker members, joining the CSX team, will

be available during the workshops to give first-hand information and advice on issuers listed on the CSX and their market performance.

"This sponsorship solidifies the Exchange's position as an integral part of the Cayman Islands business community. We are very excited about becoming active in sponsoring the Bankers' Association Conference 2001" said Valia Theodoraki, Chief Executive Officer of the Exchange. "This gives us the opportunity to actively re-educate our issuers and investors about the benefits of services offered in the jurisdiction and especially about listing on the CSX."

The Association was founded in 1979 and its membership quickly grew to an impressive number. At present there are 83 Ordinary and 200 Associate Members. Membership is opened to all banks and companies licensed to oper-

ate in the Cayman Islands.

The Association's Biennial Conference over the years has become a consolidated event in the calendar of the offshore financial world. A balanced mix of high calibre international and local speakers addresses important subjects in today's world of international finances and the consequences to the financial industry of the Cayman Islands.

The overall objective of the Conference is to offer an opportunity to enhance knowledge about the financial industry and the joint efforts of Government and Private Sector to improve the Cayman Islands' leading role as a top-quality well-regulated jurisdiction and at the same time exchange information and experiences with fellow professionals lecturing or attending the event.

Please visit our website at [www.csx.com.ky](http://www.csx.com.ky) for updated information on the Conference.

## CSX attends IOSCO General Meeting

As part of its continuing programme to increase international awareness and recognition, the Cayman Islands was represented at the IOSCO Annual Conference that took place in Stockholm June 26-29, 2001. The Cayman Islands was represented by Ms. Monique Melis of the CSX and by Mr. John Bourbon of the Cayman Islands Monetary Authority.

The theme of the 2001 Conference was "Securities Markets in the information Age". The Conference assembled regulators, market par-

ticipants and others to discuss the subject. In addition, the conference covered trends in financial markets and regulatory responses to those trends.

CSX also used this opportunity to meet with the Swedish Financial Services Regulator – Finansinspektionen and continued discussions with representatives of the Stockholm Exchange on co-operation with regard to Clearing and Settlement.



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