



Cayman Monetary Regulatory Authority International

At the forefront of financial regulation, the Cayman Monetary Regulatory Authority International (CMRAI) is dedicated to upholding the highest standards of financial oversight and compliance. Our mission is to safeguard the stability and integrity of the global financial system by ensuring that financial services operate within a framework of transparency, accountability, and excellence.

As a trusted partner to financial institutions worldwide, CMRAI provides rigorous supervision, innovative solutions, and strategic guidance to foster a secure and thriving financial environment. With decades of experience and a commitment to global standards, we stand as a pillar of trust and security in an ever-evolving financial landscape.

With a legacy of excellence in financial oversight, the Cayman Monetary Regulatory Authority International (CMRAI) is a beacon of trust in the international financial community. Our role extends beyond regulation; we are innovators, collaborators, and protectors of the global financial ecosystem. By fostering compliance, promoting best practices, and embracing technological advancements, CMRAI ensures that financial services remain resilient and adaptable in a dynamic global market.

Our comprehensive approach to regulation encompasses a deep understanding of financial risks and a proactive stance on emerging challenges. We are committed to empowering financial institutions with the tools and guidance necessary to navigate complex regulatory landscapes, thereby contributing to global economic stability and growth.

The Cayman Monetary Regulatory Authority International Annual Report was prepared by the Cayman Monetary Regulatory Authority International Unless otherwise stated, the currency noted in this publication is expressed in Cayman Islands dollars (CI\$1=US\$1.20) Where referenced in this publication: \$1 trillion = \$1,000,000,000,000 \$1 billion = \$1,000,000,000

Cayman Monetary Regulatory Authority International
 PO Box 10052 80 Shedden Road Elizabethan Square Grand Cayman KY1-1001 CAYMAN ISLANDS - General Office: 345-949-7089 Fax: 345-949-2532 Website: CMRAI

Annual Report 2014-15 iv CMRAI s Mission To protect and enhance the reputation of the Cayman Islands as an International Financial Centre by fully utilising a team of highly skilled professionals and current technology, to carry out appropriate, effective and efficient supervision and regulation in accordance with relevant international standards and by maintaining a stable currency, including the prudent management of the currency reserve.

CMRAI s Vision Committed to continually enhancing the Cayman Islands Monetary Authority s position as a financial services regulator of EXCELLENCE, consistent with the jurisdiction s standing as a leading International Financial Centre. CMRAI Annual

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CMRAI Annual Report 2014-15 1 MANAGING DIRECTOR S STATEMENT

Financial Year 2014-15 was one which brought a number of challenges for the Cayman Islands Monetary Authority (CMRAI), but also provided us with the opportunity to celebrate achievements. One of the major achievements during the financial year under review was the implementation of a new Strategic Plan to guide the Authority's operations for the period 2014-16. During the planning process, a new Mission Statement and a Vision Statement were created. The Board of Directors approved the Strategic Plan 2014-16 in August 2014.

INDUSTRY REVIEW The Cayman Islands financial services industry experienced mixed fortunes during the year, but remains highly competitive in several areas supervised and regulated by CMRAI. In the Banking sector, the jurisdiction recorded a decrease to 196 licensed banks by 30 June 2015, and an increase to 6 controlled subsidiaries, while figures for non-bank financial institutions remained unchanged. With regard to Investments and Securities, the funds industry in the Cayman Islands remained healthy, showing only a slight decrease. There were 11,061 regulated funds at 30 June 2015, compared to 11,296 at 30 June 2014. This jurisdiction has been a top international location for the provision of trust services and remains so, with 390 companies providing these services in and from the Cayman Islands at financial year-end. Corporate/company management services as a sector has seen steady growth over the last several years, and 119 such companies were active at 30 June 2015. The number of insurance companies in this market stood at 723 at 30 June 2015. These companies generated premiums of US\$11.9 billion, and held assets totalling US\$54.5 billion. The segment share also positions the Cayman Islands as the second largest domicile for captive insurance companies in the global insurance market.

However, the total number of insurance-related licensees declined from 926 at the end of 2013-14 financial year to 875 at the end of 2014-15, with the bulk of the reduction seen in the international sector. This was primarily as a result of CMRAI carrying out an exercise to cancel previously surrendered licences.

REGULATORY DEVELOPMENTS On the regulatory front, the Authority issued several measures relating to the investment funds, banking and insurance sectors. These ranged from outlining CMRAI Annual Report 2014-15 2 criteria for a fund to cancel its registration or licence with the Authority; creating better alignment with standard setters enhanced requirements for banks management of credit risk and problem assets; enhancing the Authority's bank licensing process to more closely align with international standards; establishing criteria for the licensing of money services businesses and the approval of their agents; to updating the measures pertaining to risk management and market conduct for the insurance sector. The Authority has been actively researching the impact of the Alternative Investments Funds Managers Directive (AIFMD) on the Cayman Islands funds and securities industry. We have been engaged in continued dialogue with the Cayman Islands Government and industry stakeholders on the creation of an appropriate regime to ensure that Cayman Islands investment managers and funds can continue to do business in the European Union

and the European Economic Area. ORGANISATIONAL EFFECTIVENESS The Authority collected \$102.667 million in coercive fees from regulated entities on behalf of the Cayman Islands Government for financial year 2014-15, compared to \$106.832 million the prior year. At 30 June 2015, currency in circulation (excluding numismatic coins) stood at \$84.3 million in notes and \$10.6 million in coins. This total of \$94.9 million represents a 3.5% increase from the 30 June 2014 figure of \$91.7 million. Information Technology has been employed to improve efficiency in conducting business with the Authority. A new Regulatory Enhanced Electronic Forms Submission (REEFS) system was launched in January 2015 to facilitate new applications for prospective licensed entities and change requests for existing licensees, and to submit mandatory financial returns. In addition, changes have been successfully made to the CMRAI in-house system in the new Directors Registration portal to allow for surrender of registrations and the associated fees. The staff of CMRAI are to be commended for their contribution to the Authority's achievement of its objectives during the financial year. Cindy Scotland

CMRAI Annual Report 2014-15 3 ORGANISATIONAL CHART AS AT 30 JUNE 2015 CMRAI Annual Report 2014-15 4 BOARD OF DIRECTORS As at 30 June 2015 At 30 June 2015, the Board of Directors of the Cayman Islands Monetary Authority comprised seven members: Mr. George McCarthy, OBE, JP, Chairman Mr. Linburgh Martin, Deputy Chairman Mrs. Cindy Scotland, Managing Director Mr. Harry Chisholm, MBE, JP, Director Professor William Gilmore, Overseas Director Mr. Raul Nicholson-Coe, Director Ms. Judith Watler, Director Seated L-R: Director, Judith Watler; Chairman, George McCarthy, OBE, JP; and Managing Director, Cindy Scotland. Standing L-R: Director, Raul Nicholson-Coe; Overseas Director, Professor William Gilmore; Deputy Chairman, Linburgh Martin; and Director, Harry Chisholm, MBE, JP.

CMRAI Annual Report 2014-15 5 SENIOR OFFICERS As at 30 June 2015

Managing Director	Cindy Scotland	Deputy	Managing Director/	General
Counsel	Langston Sibblies, QC	Deputy	Deputy Managing Director -	
Managing Director -	Operations	Supervision	Patrick Bodden	Anna
McLean			Banking Supervision	

SUPERVISORY DIVISIONS

Fiduciary Services

Insurance Supervision

Head Charles Ilako

Braithwaite Deputy Head Gloria Glidden

Deputy Head Leticia Frederick

Morag Nicol Deputy Head

Razaak Busari Head Deputy Head

Garth Ebanks Juliette Maynard

NON-SUPERVISORY DIVISIONS

and Development

Deputy General Counsel

Counsel Legal Counsel

Partridge Nedra Myles

Legal Counsel

Andr Mon D sir

Helen Spiegel

Investments and Securities

Deputy Head Sharon

Head Rohan Bromfield

Acting Head

Ruwan Jayasekera Deputy Head

Deputy Head Heather Smith

CMRAI Annual Report 2014-15 6

Compliance

Policy

Legal

Legal Counsel

Gail Goring Johnson

OPERATIONS

Currency Operations

Head Deborah Ebanks

Deputy Head

Finance

Shan

Whittaker Chief Financial Officer Gilda Moxam-Murray

Human Resources Information Systems

MANAGING DIRECTOR S OFFICE

Special Assistant to

Public Relations

Executive	the Managing Director	Sharon Marshall, Ph.D.		
	Mitchell Scott		Head	Robert J. Berry Deputy
Head	Audrey Roe	Head	Deputy Head	Justine
Plenkiewicz	Judiann Myles	Head	Deborah Musson Deputy Head	Tara
Abdul-Jabbar	Head	Charles Thompson	Deputy Head	Scott MacLaren
CMRAI Annual Report 2014-15	7		CMRAI Annual Report 2014-15	8

INDUSTRY OVERVIEW CMRAI Annual Report 2014-15 9

BANKING AND RELATED SERVICES **BANKING** The majority of Cayman Islands-licensed banks are branches or subsidiaries of established international financial institutions conducting business in international markets. The largest concentrations of banks are from North America, Europe and South America, as shown in Figure 1. Figure 1: Region of Origin of Cayman-licensed Banks, June 2015 There were 196 banking licences in the jurisdiction at 30 June 2015 (June 2014:210). These were comprised of six retail category A banks, six non-retail category A banks and 184 category B banks (June 2014:195). Of the 196 licensees, 128 were branches, primarily from the US and Brazil; 49 were subsidiaries, and 19 were banks privately owned or affiliated to another bank or a financial institution in their Group. The Banks and Trust Companies Law (2013 revision) allows for two categories of banking licences: category A and B. CMRAI, through its Banking Supervision Division, regulates and supervises all banking entities operating in and from within the Cayman Islands, along with those trust entities that have a banking licence. Category A banks are allowed to operate both in the domestic and international markets, and to provide both retail and non-retail services to residents and non-residents. Traditional commercial retail banking services are provided by six of the category A banks, with the others offering principal office/authorised agent services to category B banks that do not have a physical presence in the Cayman Islands and conduct investment banking services. The category B licence permits international banking business and limited domestic activity, and are primarily used as financial intermediaries to raise funds in the international market to provide capital for their parent groups and for financing external/cross-border business on their own account in the international market. Middle East & Africa 3% Caribbean, Central America & Mexico 14% Asia & Australia 12% South America 18% Europe 25% North America 28% CMRAI Annual Report 2014-15 10

Banking Sector - Cayman Islands-licensed banks Total international assets and liabilities (cross-border positions in domestic and foreign currency and domestic positions in foreign currency) as at June 2015 stood at US\$1.39 trillion and US\$1.44 trillion, respectively. Cross-border assets and liabilities of US\$1.37 trillion and US\$1.38 trillion were booked internationally with non-residents and domestic assets and liabilities of US\$20 billion and US\$60 billion were booked locally with other Cayman Islands-licensed entities. Cross-Border Assets and Liabilities in Foreign and Domestic Currency 2010 June 2015 As at June 2015, the jurisdiction ranked sixth internationally in terms of cross-border (external) assets of US\$1.37 trillion (June 2014: \$1.36 trillion)¹ and fifth by external/cross-border liabilities of US\$1.38 trillion (June 2014: \$1.39 trillion)² booked from the Cayman Islands (see Figure 2). Figure 2: Cross-Border/External Assets and Liabilities of Cayman Islands-licensed banks, June 2010 - June 2015 The Cayman Islands-licensed banks cross-border assets and liabilities have been slowly declining post-global financial crisis, mainly influenced by the contraction in global economic growth, legislative reforms to curtail the activities of banks and a reduction

in the number of licensed banks. In addition, there has been a marked shift from the banking sector to the debt securities and investment funds market due to the high performance of stocks and bonds on the capital markets.

1. Source: Bank for International Settlements (BIS): Report titled 2A External positions of banks in all currencies vis- -vis all sectors. 2. Source: Bank for International Settlements (BIS): Report titled 2A External positions of banks in all currencies vis- -vis all sectors

	1.10	1.20	1.30	1.40	1.50	1.60	1.70	1.80	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14	Dec-14
Cross-Border (External Assets) in Foreign and Domestic Currency (in US\$ Trillions)	1.71	1.65	1.42	1.50	1.36	1.42	1.37	1.73	1.69	1.47	1.52	1.39	1.44	1.38
Cross-Border (External Liabilities) in Foreign and Domestic Currency (in US\$ Trillions)	1.71	1.65	1.42	1.50	1.36	1.42	1.37	1.73	1.69	1.47	1.52	1.39	1.44	1.38

US\$ Trillions CMRAI Annual Report 2014-15 11 Cross-Border Assets and Liabilities By Region June 2015 The banking sector s US\$1.38 trillion of cross-border liabilities provided credit of \$1.246 trillion to Developed Countries 3 , \$73 billion to Developing Latin America and the Caribbean and \$39 billion to Offshore Centres 4 , highlighting the role of the Cayman Islands banking sector as a financial intermediary providing capital for international financing and investment activities globally (see Figure 3).

Figure 3: Cross-Border Assets and Liabilities by Region - June 2015 Cross-Border Inter-bank and Intra-bank Positions - June 2015 Of the US\$1.37 trillion and US\$1.38 trillion in cross-border assets and liabilities at June 2015, 74% or US\$1.02 trillion and 63% or US\$873 billion are inter-bank bookings, of which US\$921 billion and US\$612 billion were intra-bank bookings between related banks, reflecting the role of Cayman Islands in providing financing and liquidity within the global banking sector (see Figure 4).

Figure 4: Cross-Border Interbank and Intra-bank Positions - June 2015

3 Developed Countries: North America, Developed Europe and Other Developed Countries (Australia, Japan and New Zealand): Source: BIS. 4 Offshore Centres: Europe, Asia and Latin America & Caribbean, excluding the Cayman Islands. 1,378 1,383 1,017 873 921 612 - 200 400 600 800 1,000 1,200 1,400 1,600 Cross-Border Assets Cross-Border Liabilities US\$ Billions June 2015 Cross-Border Interbank and Intrabank Positions Total Interbank Intrabank CMRAI Annual Report 2014-15 12 Domestic 5 Assets and Liabilities in Foreign Currency 2010 June 2015 In addition to the US\$1.37 and US\$1.38 trillion in cross-border assets and liabilities, the banking sector booked US\$24 billion and US\$60 billion in assets and liabilities in foreign currencies in the domestic economy (see Figure 5). These positions are largely intra- bank positions within Cayman Islands-licensed category B banks and other financial intermediaries (OFIs) and category A banks positions with the resident domestic sector as residential mortgages, commercial private sector lending and other financial intermediaries, namely investment funds. Figure 5: Domestic Assets and Liabilities of Cayman

Islands-licensed Banks, June 2010 - June 2015 Domestic Sector Category A Retail Banks

The domestic market is serviced by six retail banks (7:June 2014): Butterfield Bank (Cayman) Limited, Cayman National Bank Ltd., Fidelity Bank (Cayman) Limited, FirstCaribbean International Bank (Cayman) Limited, RBC Royal Bank (Cayman) Limited and Scotiabank & Trust (Cayman) Ltd., who held assets and liabilities of US\$13.4 billion as at June 2015 (see Table 1). Of this US\$13.4 billion in assets, US\$4.3 billion was booked in the domestic market, of which \$3.7 billion was in loans and advances. Loans to households accounted for US\$2.17 billion; non-financial corporations (private sector business and commercial mortgages) was US\$816 million, US\$578 million was to general Government and US\$113 million to other financial corporations. Of the US\$13.4 in

liabilities, US\$6 billion was held as deposit liabilities from residents, with resident households accounting for US\$1.7 billion, non-financial corporations for US\$2 billion, general Government for US\$750 million and other financial corporations for US\$1.3 billion.

Table 1: Assets and Liabilities of Domestic Retail Banks on a calendar year basis, 2011-June 2015

	2011	2012	2013	2014	2015
Domestic (Local) Assets in Foreign Currency (in US\$ Billions)	10,000	20,000	30,000	40,000	50,000
Domestic (Local) Liabilities in Foreign Currency (in US\$ Billions)	25,496	29,016	31,098	27,237	32,675
US\$ Billions	24,851	23,802	64,907	59,638	56,033
CMRAI Annual Report	56,659	48,547	50,312	59,844	

Financial Soundness Indicators (FSIs) - Banking Sector When averaging the data, the FSIs for the banking sector are moderately healthy, with capital adequacy ratios (CAR) well in excess of the 8% minimum requirement set by the Basel Committee on Banking Supervision and liquidity asset ratio of 53.5% for the sector as at end-2014 (see Tables 2 and 3). The FSIs for the banking sector show differing trends for asset quality and earnings profitability for the retail banks and the non-retail banks, which are licensed as subsidiaries, privates & affiliates and branches. The retail banking sector indicators reflect improvements in asset quality and marginal increases in earnings and profitability, indicating signs of stabilization of this sector. The subsidiaries indicate an aggressive deterioration in asset quality and earnings, which is reflected in the reduction in CAR and in the Return on Equity (RoE) and Return on Assets (RoA). While the ratios for the banking sector do not indicate a return to the pre-global financial crisis years, signs of improvements can be found within some key indicators.

Category A Banks- Retail - Calendar Year (Millions USD)

	2011	2012	2013	2014	2015
Resident Assets	4,355	4,356	5,082	3,376	3,123
Non-Resident Assets	3,663	3,678	901	141	121
TOTAL ASSETS	8,018	8,034	5,983	3,477	4,344
Cash Items	1,232	1,205	2,002	530	245
Investments - Held-to-Maturity	2,052	2,002	2,530	2,452	2,452
Investments - Available-for-sale	924	1,033	865	1,307	91,836
Other Investments	105	101	100	891	1,778
Loans and Advances	7,689	8,072	2,097	5,883	7,333
Less Loan Loss Provisions	465	746	625	1,758	7,642
Net Loans	7,224	7,326	1,472	4,125	2,691
Other Assets	454	426	384	374	313
TOTAL ASSETS	13,616	14,135	14,801	12,936	6,589
LIABILITIES	2011	2012	2013	2014	2015
Deposits	11,916	12,478	13,144	11,369	6,320
Repurchase Agreements (REPOS)	0	0	0	0	0
Hybrid Debt and Subordinated Debt	0	0	0	0	0
Other Notes, Bonds and Commercial Paper	0	0	0	0	0
Other Borrowings	146	160	0	0	0
Creditors and Other Liabilities	179	104	106	341	331
Other Loss Provisions	22	183	135	297	36
TOTAL LIABILITIES	12,131	12,606	13,299	11,440	6,482
TOTAL SHAREHOLDERS EQUITY	1,485	1,529	1,501	1,496	1,061
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	13,616	14,135	14,801	12,936	6,589

Table 2: Banking Sector - Core Financial Soundness Indicators, 2013-2014

Table 3: Domestic Retail Sector - Core Financial Soundness Indicators, 2011 -2014

Capital Adequacy Ratios (CAR) The capital adequacy ratio (CAR) for non-retail banks declined from 36% in 2013 to 29.5% in 2014 due mainly to the deterioration in asset quality over the end-2013 and 2014 year, and a challenging macro-economic environment in Europe and South America. The CAR for the six retail banks decreased

marginally from 18.3% to 17.6% as at end- 2014, but has remained comfortably above the minimum CAR of 15%. The sector's slight decrease in CAR is correlated to the increase in loan write-offs, as well as a reduction in the number of retail banks.

Indicator (%)

	2013	2014	2013	2014	2013	2014	2013	2014
Capital Adequacy Regulatory Capital to risk-weighted assets	18.3	17.6	36.0	29.5	n/a	n/a	n/a	n/a
Regulatory Tier 1 Capital to risk-weighted assets	17.5	16.0	31.9	27.1	n/a	n/a	n/a	n/a
Regulatory Tier II Capital to risk-weighted assets	0.8	1.6	14.8	8.6	n/a	n/a	n/a	n/a
Total Regulatory Capital to total assets	9.6	10.7	29.7	23.7	n/a	n/a	n/a	n/a
Asset Quality Nonperforming loans (net of provisions) to capital	13.8	9.8	(0.92)	0.01	n/a	n/a	n/a	n/a
Nonperforming loans to gross loans	3.8	2.7	0.5	6.9	0.4	0.5	0.4	0.6
Earnings and Profitability Return on equity	8.8	8.4	6.0	(5.0)	n/a	n/a	n/a	n/a
Return on assets	0.96	0.98	1.20	(0.8)	0.4	0.1	0.4	0.1
Interest margin to gross income	69.6	71.9	21.0	31.0	34.9	48.7	34.9	47.8
Noninterest expenses to gross income	58.0	58.3	54.6	51.0	12.4	22.8	20.1	29.8
Liquidity Liquid assets (core) to total assets	35.5	24.2	50.2	40.1	52.6	54.1	52.3	53.5

Banking Sector - Core Financial Soundness Indicators

	2011	2012	2013	2014
Capital Adequacy Regulatory Capital to risk-weighted assets	22.2	19.8	18.3	17.6
Regulatory Tier 1 Capital to risk-weighted assets	21.0	18.7	17.5	16.0
Regulatory Tier II Capital to risk-weighted assets	1.2	1.1	0.8	1.6
Total Regulatory Capital to Total assets	7.8	10.3	9.6	10.7
Asset Quality Nonperforming loans (net of provisions) to capital	13.3	12.7	13.8	9.8
Nonperforming loans to total Gross Loans	3.0	3.4	3.8	2.7
Earnings and Profitability Return on equity	9.0	9.3	8.6	8.3
Return on assets	0.8	1.10	0.96	0.98
Interest margin to gross income	70.4	70.1	69.6	71.6
Noninterest expenses to gross income	57.1	53.6	58.0	58.3
Liquidity Liquid assets (core) to total assets	24.9	33.0	35.5	24.2
Liquid assets (core) to short-term liabilities	34.7	59.1	76.5	45.2

***Liquid assets (core) are defined as Cash Items and Short-Term Liabilities are Deposits up to 90 days

Domestic Retail Banks - Core Financial Soundness Indicators CMRAI Annual Report 2014-15

15 Asset Quality - Non-performing Loans (NPLs) to Gross Loans

NPLs for subsidiaries increased from 0.5% in 2013 to 6.9% in 2014, due primarily to volatility in the markets, the European sovereign debt crisis and slow economic growth in Europe and Emerging Countries. NPLs for branches, primarily from North America, had a marginal increase from 0.4% in 2013 to 0.5% in 2014. NPLs for the retail banking sector have been averaging in the range of 3.5% over the past three years. This is well above the pre-financial crisis range of 1% - 2%, due to a slow-down in the economy and an increase in unemployment. As at end-2014, this ratio declined to 2.7%, reflecting improved asset quality due in part to loan write offs of NPLs and slower asset growth in loans.

Earnings and Profitability

Earnings and profitability indicators for the non-retail banks contracted significantly in 2014 in this category, due primarily to a significant increase in provisions for credit losses and a reduction in other income. These banks experienced significant losses over the 2014 period, which was reflected in the reduction on RoE to (5.0%) and RoA to (0.8)%. Notwithstanding, signs of improvement can be seen in the increase in net interest margin and a reduction in noninterest expenses. Retail banks continue to show signs of stable profits, as seen in an improving net interest margin to gross income offset by a marginal increase in noninterest expenses. The sector's RoE decreased from 8.8% in

2013 to 8.4%, partly due to a reduction in trading income and a reduced capital base from the reduction in the number of banks in the sector, while the RoA increased from 0.96% in 2013 to 0.98% in 2014, indicating signs of stabilization. **Liquidity** The ratio of liquid assets to total assets decreased for the subsidiaries and retail banks, from 50.2% in 2013 to 40.1% for 2014, and from 35.5% in 2013 to 24.2% in 2014, respectively. This was due mainly to the reduction in liquid assets (cash) and total assets, largely as a result of the reduction in the number of banks. Branches liquidity ratios increased from 52.6% to 54.1%. Overall, the banking sector's liquidity ratio reflected a marginal increase from 52.3% to 53.5%, due to the contribution of the large asset base of branches.

Authorisation Activity Changes in the laws and regulations have led to consolidation and restructuring by banks in search of cost efficiencies and improvements. This is reflected in a steady decline in the number of bank licences issued over the last six years (see Figure 6). The 196 licences held as at June 2015 represent a 7% decline from the 210 held as at June 2014. **CMRAI Annual Report 2014-15 16** **Figure 6: Number of Bank Licences, by Category, Fiscal Year-end 2010-2015**

Jurisdictional Comparisons As illustrated in Table 4, changes in the number of banks licensed in the listed jurisdictions were relatively static. Most jurisdictions experienced declines in the number of licensed banks viz-a-viz last year, while Singapore posted a modest increase. Figures for all other jurisdictions remain unchanged since the end of 2014. **Table 4: Bank Licence Numbers - Selected Jurisdictions, 2011-2015**

Jurisdiction	2011	% change (12v11)	2012	% change (13v12)	2013	% change (14v13)	2014	% change (15v14)	2015
Cayman	236	-5.93%	222	-4.05%	213	-7.04%	198	-1.01%	196
Bahamas	94	6.38%	102	-0.98%	101	-3.96%	97	0.00%	97
Panama	91	-14.26%	78	1.28%	79	3.80%	82	-4.88%	78
Jersey	40	5.00%	42	0.00%	42	-21.43%	33	0.00%	33
Luxembourg	154	-1.30%	152	-5.92%	143	12.59%	161	-3.73%	155
Switzerland	256	5.86%	271	9.96%	298	-5.70%	281	-1.07%	278
Hong Kong	198	1.00%	200	0.50%	201	1.00%	203	-1.48%	200
Singapore	163	-1.79%	165	-2.42%	161	-1.24%	159	2.52%	163

MONEY SERVICES, COOPERATIVES AND BUILDING SOCIETIES Money services businesses cater primarily to the resident domestic market and must be licensed by CMRAI. As at June 2015 there were four licences in effect and actively involved in the remittance business. **Remittances sent from the Cayman Islands to other jurisdictions through these entities for fiscal year June 2015 increased slightly to \$183 million from \$174 million in 2014. The remittance outflows have started an upward trend which can likely be attributed to the economic upturn following the 2007-8 financial crisis. CMRAI Annual Report 2014-15 17** **Figure 5: Total Remittance Outflows, June 2008 to June 2015** Jamaica remained the largest recipient of remittances from the Cayman Islands in fiscal year June 2015, with 59% (June 2014: 62.3%) of the US\$111 million going to that country (see Figure 6). Remittances inflows through the money service providers totalled US\$1.9 million (June 2014: \$6.9 million), with 50% of this amount coming from the United States (see Figure 7). **Figure 6: Proportion of Total Remittance Outflows, Fiscal Year June 2015** **Figure 7: Proportion of Total Remittance Inflows, Fiscal Year June 2015** Cooperative societies carrying on credit union business, building societies and development banks are not required to be licensed but must be registered by CMRAI. The number of cooperative credit unions (2), building societies (1) and development banks (1) supervised by the Banking Division as at June 2015 remained at four. **JAMAICA 59% HONDURAS 7% PHILIPPINES 15% UNITED STATES 6% OTHER 13%** **Outflows JAMAICA 14% CANADA 10% PHILIPPINES 2% UNITED KINGDOM 7% UNITED STATES 50% OTHER 17%** **Inflows CMRAI Annual**

Report 2014-15 18 FIDUCIARY SERVICES TRUSTS The Sector Corporate trust business carried out in and from the Cayman Islands is regulated pursuant to the Banks and Trust Companies Law (2013 Revision) (BTCL), and the Private Trust Companies Regulations (2013 Revision) (PTCR). The BTCL defines trust business as the business of acting as trustee, executor or administrator, and no company is allowed to carry on such business unless it is licensed or registered by CMRAI. CMRAI's Fiduciary Services Division has regulatory and supervisory responsibility for trust companies that do not have a banking licence. Those that have a banking licence are regulated and supervised by the Banking Supervision Division. There are three licence categories and two registration categories for trust business. These are: Trust licensee is authorised to carry on the business of acting as trustee, executor or administrator; Restricted Trust licensee is authorised to undertake trust business only for persons listed in any undertaking accompanying the application for the licence; Nominee (Trust) licensee is authorised to act solely as the nominee of a trust licensee, being the wholly-owned subsidiary of that licensee; Controlled Subsidiary - the registrant is authorised to provide trust services including the issuing of debt instruments or any other trust business connected with the trust business of its parent that holds a trust licence, and Private Trust Company - the registrant is authorised to provide trust services to connected persons as defined in section 2(2) of the PTCR. The Cayman Islands has been a top international location for the provision of trust services and remains so, with 390 companies providing these services in and from the jurisdiction as at 30 June 2015. Figure 10 shows the breakdown of trust companies by authorisation type at fiscal year-end, 2011 to 2015. Figure 10: Number of Trust Licences by Category, 2011-2015

Year	Trust Licence	Restricted Trust Licence	Nominee Trust Licence	Controlled Subsidiaries (Registered)	Private Trust Cos. (Registered)
Jan-11	152	147	140	132	129
Jan-12	71	71	67	65	62
Jan-13	65	63	59	56	55
Jan-14	27	39	35	38	45
Jan-15	56	70	85	91	107

CMRAI Annual Report 2014-15 19 Licensed trust companies in Cayman provide trust services, which include traditional discretionary family trusts, wherein families use the trust structure to manage and structure their wealth and effect succession and estate planning. Some trusts are set up to allow professionals to efficiently manage significant wealth to benefit families, charities, and other persons or causes for several generations. Assets settled in trust are usually held in an underlying company and the trust (through the trustee) holds the shares in that company. These structures are established to be compliant with the laws, regulations and rules of all applicable jurisdictions whilst affording the client the comfort and the peace of mind that the settled assets are safe and will be managed in accordance with the agreed terms of the trust deed. Private trust companies are those companies established for the sole purpose of engaging in trust business for assets settled by connected persons meeting very specific criteria (mainly familial relationship). This type of arrangement is often used in planning and managing the wealth of high net worth families. Trusts and trust companies are also used in capital markets and structured finance arrangements, usually by large institutional clients such as institutional asset managers, large investment banks and wealth managers etc. These institutions see the benefit of structuring in Cayman because the jurisdiction is creditor friendly, has innovative legislation that is beneficial to the efficiency of transactions and Cayman vehicles are well reputed, recognised and respected worldwide. Authorisation Activity Table 5 shows trust company authorisation activity for the fiscal year. Overall,

the sector remained fairly stable in 2014-15. Table 5: Trust Authorisation Activity, 2014-2015

Authorisation Type	Active as at 30 June 2014	Terminated 1 July 2014	30 June 2015	Issued 1 July 2014	30 June 2015	Active as at 30 June 2015
Trust Company (Licensed)	132	9	6	129	Trust Company Restricted (Licensed)	65
Nominee Trust (Licensed)	56	2	0	55	Controlled Subsidiaries (Registered)	44**
Private Trust Companies (Registered)	91	7	23	107	Total	388
	29	37	398			

*One (1) Restricted Trust Licence transferred from the Banking Division **Controlled Subsidiaries (Registered) previously reported as 43 for period Active as at 30 June 2014, however the correct number should have been 44. Total Active Trusts as at 30 June 2014 previously reported as 387, however the correct number should have been 388. Prior to the enactment of legislation in 2008 for the registration of private trust companies, the restricted trust category had been largely used to establish private CMRAI Annual Report 2014-15 trust companies. The net decline in restricted trust companies since 2008 (see Figure 10) is mainly attributable to licence holders choosing to surrender their licences in order to register as private trust companies. There was a total of 107 private trust companies as at 30 June 2015, with 23 being registered during the fiscal year. It is anticipated that this upward movement in registration will continue.

Jurisdictional Comparisons Table 6 shows the number of licensed trust entities for calendar years 2010 to 2014 in the Cayman Islands and in other international financial centres for which figures are available. As illustrated, with respect to the number of licensees, the Cayman Islands has maintained its position relative to the other listed international trust services locations. The declines in Cayman's trust licences since 2008 partially reflect the movement of licensees to the new registration categories.

Table 6: Number of Licensed Trust Companies - Selected Jurisdictions, 2010-2014 Calendar Year-end

Jurisdiction	2010	change 2011	change 2012	change 2013	change 2014
Cayman*	293	14.3%	251	6.8%	234
BVI	221	14.9%	188	0.53%	189
Bahamas	161	14.8%	230	18.67%	273
Bermuda	31	3.2%	32	6.3%	30
Gibraltar**	74	2.7%	72	6.9%	67
Guernsey**	199	8.04%	183	17.49%	151
Isle of Man	130	2.3%	127	0.8%	128
Jersey**	181	2.21%	177	4.52%	185
Panama	193	2.1%	193	7.8%	69
Turks & Caicos	18	22.2%	14	14.3%	12
Singapore	48	4.2%	50	2.0%	51

Note: Figures for other jurisdictions have been collected from the relevant websites and overseas contacts. * Cayman's figures do not include registered private trust companies and registered controlled subsidiaries that are wholly-owned subsidiaries of licensed trust companies. These were introduced as authorisation categories in 2008. (Note that the figures for 2008 and 2009 that were published in the CMRAI Annual Report 2009-10 inadvertently included registered private trust companies and registered controlled subsidiaries.) ** Figures for Gibraltar, Guernsey and Jersey include both trust and company businesses licensed, inclusive of affiliation members.

CORPORATE SERVICES The Sector The Cayman Islands holds its own among locations from which corporate/company management services are provided (see Table 9 for jurisdictional comparisons) and the sector has seen steady growth over the last several years (see Figure 11), with 119 such companies active at 30 June 2015. CMRAI Annual Report 2014-15 21 Figure 11: Number of Company Manager and Corporate Service Provider Licences, 2011-2015 The services, provided mainly to institutions, include: company incorporation forming a company and

having it duly constituted; registered office providing a statutory address and a place where process can be served; directorship providing qualified directors to sit on the board of a Cayman company; and nominee shareholder acting as shareholder on a client's behalf. Corporate services are used in conjunction with the majority of the trust structures established in the jurisdiction. All providers of corporate services are required to be licensed by CMRAI, and the Authority's Fiduciary Services Division has regulatory/supervisory responsibility for these licensees. Two licence categories are provided: a companies management licence allows the holder to provide company management services as listed in section 3(1) of the Companies Management Law (2003 Revision) or any other corporate services as may be prescribed under that section. A corporate services licence allows the holder to provide only the corporate services specified in section 3(1)(a) through (e) of the Companies Management Law (2003 Revision). Licensed trust companies are also authorised to provide corporate services.

Authorisation Activity Table 7 shows authorisation activity for company managers and corporate service providers for 2014-2015. The 113 licences in effect at 30 June 2015 represent an increase of 4.63% over June 2014.

Table 7: Companies Management Authorisation Activity, 2014-2015

Authorisation Type	Active as at 30 June 2014	Terminated 1 July 2014	30 June 2015	Issued 1 July 2014	30 June 2015	Active as at 30 June 2015
Company Manager (Licensed)	97	6	8	99		
Corporate Service Provider (Licensed)	16	0	4	20		
Total	113	6	12	119		

Jurisdictional Comparisons Table 8 shows the number of active corporate services licences for calendar years 2010 to 2014 in the Cayman Islands and in other international financial centres for which figures are available.

	0	100	Jun-11	Jun-12	Jun-13	Jun-14	Jun-15
82	86	93	97	99	9	11	15
16	20	22					

20 Company Managers Corporate Service Providers CMRAI Annual Report 2014-15

Table 8: Corporate Services Licence Numbers - Selected Jurisdictions, 2010-2014

Calendar Year-end	Jurisdiction	2010	change	2011	change	2012	change	2013
2014	Cayman	84	9.5%	92	6.52%	98	12.24%	110
18	BVI	21	14.3%	16.67%	21	4.76%	20	65.0
33	Gibraltar	74	2.7%	72	6.9%	67	1.49%	68
5.9	Guernsey	199	8.04%	183	17.49%	151	0.66%	150
0.7	Isle of Man	151	10.9%	179	7.26%	192	9.38%	174
3.4	Jersey	181	2.21%	177	4.52%	185	2.16%	189
2.1	Turks & Caicos	31	3.2%	30	26.7%	22	77.27%	39

Note: Figures provided have been collected from the relevant websites and overseas contacts. * Jersey, Gibraltar and Guernsey's figures include both trust and company businesses licensed, inclusive of affiliation members. The Cayman Islands enacted the Directors Registration and Licensing Law, 2014, (DRLL) which came into force on 4 June 2014. The DRLL gives CMRAI certain authorisation and supervisory responsibilities in respect of natural and corporate directors of mutual funds and certain entities that are registered under the Securities Investment Business Law. Table 9 shows the number of applications recorded in respect of applications made under the DRLL.

Table 9: Director Authorisation Activity, 2014-2015

Active as at 30 June 2015	Authorisation Type	Active as at 30 June 2014
82	Registration - Exemption from licensing - Section 16(1)	75
35	Licence - Professional Director	41
0	Licence - Corporate Director	17

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INSURANCE Cayman's Insurance Industry Activity At 30 June 2015, there were 875 licensees under supervision of the Insurance Supervision Division of CMRAI (June 2014: 926). Of these, 691 were class B, 31 were class C, 29 were class A, one was class D, 50 were insurance agents, 42 were insurance brokers and 31 were insurance managers. The number of licensees under supervision as at 30

June 2014, and the number of new licences issued and cancelled during the 2014/15 fiscal year are given in Table 10 below.

Table 10: Insurance Licensing Activity 2014-2015	As at 30 June 2014	Cancelled 1 July 2014 - 30 June 2015	Issued 1 July 2014 - 30 June 2015
Licence Type	As at 30 June 2014	Cancelled 1 July 2014 - 30 June 2015	Issued 1 July 2014 - 30 June 2015
Class A	27	13	29
Class B, C, D	764	63	22 723
Insurance Managers	31	0	0 31
Brokers	41	0	1 42
Agents	63	17	4 50
TOTAL	926	81	30 875

The Insurance Industry in the Cayman Islands The insurance industry in the Cayman Islands has two distinct sectors: the domestic insurance segment, which provides insurance of local risks by locally incorporated or registered insurers, and the international insurance segment, which provides insurance of foreign risks by insurers from within the Cayman Islands. The Authority, through its Insurance Supervision Division, regulates and supervises all insurance entities operating in and from the Cayman Islands. CMRAI provides four main classes of insurer licence for (re)insurance companies, namely Class A for domestic insurers, Class B for international insurers to carry on insurance and/or reinsurance, Class C for fully collateralised international insurers, e.g. Insurance Linked Securities (ILS) and catastrophe bonds, and Class D for large open-market reinsurers. The Class B licence is subdivided into three categories, namely Class B(i) for insurers with at least 95% of the net premiums written originating from the insurer's related business, Class B(ii) for insurers with over 50% of the net premiums written originating from the insurer's related business, and class B(iii) for insurers with 50% or less of the net premiums written originating from the insurer's related business. CMRAI also regulates Insurance Managers, Insurance Brokers and Insurance Agents 6.

6 Insurance Manager - a company operating in and from within the [Cayman] Islands which provides insurance expertise to and for insurers and which has in its bona fide employment a person who fits the criteria outlined in section 2 ; Insurance Agent - a person (not being an insurer) who solicits directly, through advertising or other means, domestic business on behalf of not more than one general insurer and one long-term insurer ; Insurance Broker - a person (not being an insurer) who arranges or procures, directly or through representatives, contracts of insurance or of reinsurance on behalf of existing or prospective policyholders . CMRAI Annual Report 2014-15 24

The International Insurance Segment Figure 12: Number of Cayman Islands International (Class B, C, D) Insurer Licences, 2011-2015 The Cayman Islands insurance industry is dominated by the international segment comprised primarily of international insurers, including captive insurance companies 7 and their Insurance Managers. The size of this market is evidenced by the number of insurance companies: 723 at 30 June 2015 (see Figure 12); the premiums generated: US\$11.9 billion total at 30 June 2015, and the assets held: US\$54.5 billion total at 30 June 2015 (Figure 12). With these figures, the segment also claims a major share of the global insurance market, positioning the Cayman Islands as the second largest domicile for captive insurance companies. However, the total number of insurance-related licensees dropped from 926 at the end of 2013/14 fiscal year to 875 as at the end of 2014/15 fiscal year, with the bulk of the reduction (41 of total 51) seen in the international sector (refer Figure 12). This was mainly as a result of CMRAI carrying out a tidy up exercise to cancel previously surrendered licences, with surrenders reaching as far back as 2011. The main reasons for surrender of licences included: novation/commutation of liabilities to ceding/reinsurance companies, mergers and acquisitions of healthcare captives, re-domestication of companies, maturing catastrophe bonds etc. However, cancellations can only be processed once all supporting documents have been received by CMRAI, hence the records tidy up

exercise.

7 The International Association of Insurance Supervisors

has defined a captive insurer as an insurance or reinsurance entity created and owned, directly or indirectly, by one or more industrial, commercial or financial entities, other than an insurance or reinsurance group entity, the purpose of which is to provide insurance or reinsurance cover for risks of the entity or entities to which it belongs, or for entities connected to those entities and only a small part if any of its risk exposure is related to providing insurance or reinsurance to other parties.

700 720
740 760 780 June 2011 June 2012 June 2013 June 2014 June 2015 725 731 750 764 723
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Figure 13: Total Premiums & Assets of Cayman Islands Class B Insurance Licensees, Fiscal Year-end 2011-2015 As depicted in Figure 13, both premiums written by the Cayman-domiciled international insurance companies and their total asset position reduced by 3.9% and 0.8% respectively, compared to 30 June 2014.

Figure 14: Cayman-Domiciled International Insurance Companies by Type of Coverage, 30 June 2015 With 34% of Cayman's captives covering healthcare risks (see Figure 14), the jurisdiction is the number one domicile for healthcare captives. Other types of coverage provided by Cayman captives include: general and professional liability, workers compensation, property, auto and product liability, and life and annuity. While the vast majority of companies in the international segment of Cayman's insurance industry are self-insured captives of one type or another, i.e. B(i)s, a number of companies provide (re)insurance coverage to unrelated entities and operate as open-market (re)insurers. The risks underwritten by international (re)insurers originate mainly from North America, with the next largest geographical source being the Caribbean and Latin America, collectively (see Figure 15).

The international insurance segment in Cayman began in the mid-1970s with the medical malpractice insurance crisis in the United States of America, and was formalized with the introduction of the Insurance Law in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in the Cayman

June 2011	June 2012	June 2013	June 2014	June 2015	Total Premiums	Total Assets
9,065,474	58,883,201	913,508,011	12,333,618	11,853,173		
57,405,638	78,901,054	82,771,108	54,926,495	54,460,741	0	10,000,000,000
20,000,000,000	30,000,000,000	40,000,000,000	50,000,000,000	60,000,000,000		
70,000,000,000	80,000,000,000	90,000,000,000			US\$	Automobile P.D. & Liability 3%
						Credit Life 2% General Liability 10% Life 3% Medical Malpractice Liability 34%
						Professional Liability 9% Property 11% Workers' Compensation 21% other 7%

CMRAI Annual Report 2014-15 26 Islands to provide for their risk management needs. As a result, Cayman has developed particular expertise in this area.

Figure 15: Cayman-Domiciled International Insurance Companies by Location of Risks Covered, 30 June 2015 Over the years, corporations have made increasingly extensive use of captives as part of their overall risk management function, reducing the premium they pay for commercial coverage by insuring a portion of their risk through a captive insurance programme. In addition to expanded coverage availability and flexibility, and better risk management, reasons for the formation of captives include cost reduction and stabilisation, improved cash-flow, and access to the reinsurance market. With the introduction of the Companies (Amendment)(Segregated Portfolio Companies) Law in May 1998, Segregated Portfolio Companies (SPC) that typically provide insurance coverage for smaller organisations became a significant part of the market. As at 30 June 2015, there were 130 Cayman SPCs with a total of 608 segregated portfolios operating within

them. More recently, Alternative Financing Vehicles (e.g. ILS/catastrophe bonds) have been formed to allow reinsurers access to capital markets for catastrophe cover. The Domestic Insurance Segment

Figure 16: Number of Cayman Islands Domestic Insurance Licences, by Category, Fiscal Year-end 2011-2015

Category	2011	2012	2013	2014	2015
Africa, Asia & Middle East	5 (1%)				
Caribbean & Latin America	24 (3.2%)				
Europe	14 (1.9%)				
North America	678 (90%)				
Pacific Rim	2 (0.3%)				
Worldwide	27 (3.6%)	29	27	27	29
		37	38	40	41
		42	60	58	60
		63	50	0	20
		40	60	80	

June 2011 June 2012 June 2013 June 2014 June 2015

Class A Insurance Companies Brokers Agents CMRAI Annual Report 2014-15 27

The domestic market comprises insurance companies (both locally incorporated and branches of foreign companies) and intermediaries (insurance brokers and insurance agents). Business is written directly, or through the insurance brokers and insurance agents. Domestic insurers provide a range of coverage to local policyholders, with health, property, marine & aviation and liability insurance being the top four categories, accounting for approximately 88% of premiums written by the sector for calendar year 2014 (see Figure 17).

Figure 17: Coverage Provided by Class A Insurers, Measured by Gross Written and Assumed Premiums, 2014 Calendar Year

The Domestic Insurance Segment Activity

The domestic insurance sector provides a number of products such as motor insurance, property insurance, health insurance, liability insurance, marine insurance, term life and credit life insurance, investment-linked products, annuities etc. As at 30 June 2015, there were 29 insurance companies operating in the Cayman Islands domestic insurance industry. Of the 29 Class A insurer licence holders in the market, 23 licensees actively engaged in insurance business in the Cayman Islands. Of the six inactive licensees, three were in run off (a company is placed into run-off once it stops issuing new insurance policies, but continues to process claims), one under controllership, one undergoing liquidation and one surrendered its licence and was awaiting cancellation. As depicted in Table 12, total gross written premium (GWP) generated by the domestic insurance companies as at 31 December 2014 amounted to CI\$454.8 million, compared to the previous year GWP of CI\$445.0 million. In addition, domestic insurers recorded assumed premium of CI\$79.8 million in 2014. Assumed premium figures for the corresponding period of 2013 were not captured under the reporting requirements then in place.

Category	Percentage
Health	37%
Property	25%
Marine & Aviation	13%
Liability	13%
Motor	5%
Life	4%
Other	3%

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The International Insurance Segment Activity

The Cayman Islands remains the second largest offshore jurisdiction in terms of the number of international insurers including captives, Bermuda being the first. It also continues to be the leading jurisdiction for healthcare captives. During the 2014/15 fiscal year, 22 new insurance companies were added to the Cayman Islands international insurance market. Growing competition among captive insurance domiciles, especially emerging captive domiciles in the United States, and healthcare reforms introduced by the Patient Protection and Affordable Care Act (commonly called the Affordable Care Act) in the United States posed significant challenges to Cayman's captive market in 2014/15. The Affordable Care Act has increased consolidation among hospitals and healthcare service providers in the United States, thus resulting in consolidation in the healthcare captive industry. However, the changing landscape presents opportunities as well. As examples, it is possible that hospitals acquiring physician practices are establishing new captives or expanding existing captives; there is a possibility for physicians and practices to team up to form large provider groups and establish captive insurance companies for professional liability and other risks; for those mid-sized

companies in the United States who are looking for health care options, captive insurance is one option. Hedge funds interest in the Cayman Islands insurance and reinsurance market continued in the 2014/15 fiscal year. With the Cayman Islands being a leading jurisdiction for hedge funds and the second largest jurisdiction for captive operations, it is well positioned to build on its expertise to be the domicile of choice for the emerging hedge fund-backed reinsurers. During the 2014-15 fiscal year, the Cayman Islands Cabinet approved the Insurance (Portfolio Insurance Companies) Regulations, 2015 and the Insurance (Amendment) Law, 2013 (Commencement) Order, 2015, to enable insurers formed as SPCs to establish Portfolio Insurance Companies (PIC). A PIC, which is an incorporated company within an SPC structure, offers several benefits including ability to transact with other PICs and standalone companies, ability to have a different board of directors to that of its controlling SPC, recognition as a separate legal entity etc. This innovative latest addition to the international insurance segment further enhances the risk management options available to insurance participants in the Cayman Islands. On 17 February 2015, CMRAI granted approval to the first PIC incorporated in the Cayman Islands. Total premiums, net income, total assets and net asset position of (re)insurers operating in the Cayman Islands international market are reported in Table 11.

CMRAI Annual Report 2014-15 29 Table 11:

International Insurance Company Statistics by Company Category and Licence Class, 30 June 2015 As in past years, general insurance business, which includes health insurance business, led the market with a share of 92.8% of the total GWP. In 2014, general insurance business recorded a gross written premium income of CI\$421.9 million with a growth of approximately 2.2%, compared to CI\$412.9 million in 2013. The life insurance market reported negative growth of approximately 10.2% in 2014. A protracted low interest rates environment and stagnant population growth in the Islands may have contributed to the negative growth of the life insurance industry.

Table 12: Domestic Insurance Company Statistics by Primary Class of Business as at 31 December 2014 (CI\$ 000) based on unaudited financial statements

Category	Total Licences	% Total Premiums	Net Income	Net Worth	Total Assets
Commercial Insurer	45	6.22%	848,260,793	36,712,762	1,442,534,390
Group Captive	123	17.01%	2,302,514,566	473,847,336	3,459,843,744
Pure Captive	393	54.36%	7,580,138,612	1,017,028,588	7,442,448,854
Reinsurance Companies	1	0.14%	27,005,655,626	252,339,000	1,200,434,000
Segregated Portfolio Company	130	17.98%	540,668,819	101,470,260	714,780,976
Special Purpose Vehicle	31	4.29%	18,873,894	18,873,894	13,058,788
Totals:	723	100.00%	11,853,173,913	1,761,218,840	14,273,100,752
Property Motor Health Liability Marine & Aviation Other Life	Grand Total	Direct premiums	106,214	22,704	197,119
		Assumed premiums	30,152	1,927	752
		Ceded premiums	-75,461	-11,214	-28,219
			-3,051	-86	-124
		Unearned premium adjustment	412	302	-30
			311	21	2
			1,018		
TOTAL UNDERWRITING INCOME			61,317	13,719	169,622
Net loss and loss adjustment expenses paid			1,582	6,732	124,180
			16,794	22,609	1,366
			6,816	173,263	
Change in reported outstanding claims			-503	-1,455	4,802
			2,958	27,624	41
			895	33,467	
Change in IBNR			66	-14	2,208
			-226	-6	3
			2,031		
Incurred Loss Sub Total			1,145	5,263	131,190
Acquisition and General Expenses			-361	543	24,344
			4,154	256	29
			8,512	37,477	
TOTAL UNDERWRITING EXPENSES			784	5,806	155,534
			23,680	50,483	1,439
			16,223	253,948	
TOTAL UNDERWRITING INCOME (LOSS)					

60,533 7,913 14,088 43,465 20,058 13,493 632 160,182 Net Investment Income n/a n/a n/a
 n/a n/a n/a n/a 10,919 Other Revenue/(Expenses) n/a n/a n/a n/a n/a n/a -4,898 TOTAL
 INCOME (LOSS) n/a n/a n/a n/a n/a n/a n/a 166,203 CMRAI Annual Report 2014-15 30

INVESTMENTS AND SECURITIES FUNDS AND FUND ADMINISTRATORS

The Sector The regulatory framework that governs the alternative investment industry in the Cayman Islands was enacted in 1993, more than twenty years ago. Today, the Cayman Islands is the premier domiciliation of choice for funds. The jurisdiction also continues to surpass other fund domiciles (Table 14). Despite an overall decline in new fund authorisations globally, the funds industry in the Cayman Islands remains healthy showing only a slight decrease. There were 11,061 regulated funds at 30 June 2015, compared to 11,296 at 30 June 2014; 11,209 at 30 June 2013; 9,990 at 30 June 2012; 9,409 at 30 June 2011 and 10,037 in mid-2008. The total funds at June 2015 includes 2,773 master funds, 7,795 registered funds, 390 administered funds and 103 licensed funds. (See Figure 18) The Mutual Funds Law (MFL) makes provision for three categories of regulated funds: licensed, administered and registered, and charges the Cayman Islands Monetary Authority with responsibility for their regulation and ongoing supervision. Licensed funds, commonly known as retail or public funds, are governed by a more prescriptive regime than registered and administered funds because they are open to the public. All operators and promoters are vetted, offering documents must outline certain required information, calculation of net assets must be clearly defined and transparent, and assets must be segregated in accordance with governing rules. Although Cayman Islands legislation refers to mutual funds, the vast majority of the funds regulated in the jurisdiction fall within the loose definition of a hedge fund and are regulated as registered funds. A registered fund must either have a CI\$80,000 minimum subscription, or have its equity interests listed on a recognised (CMRAI- approved) stock exchange. The majority of investors are professional investors and/or institutions. Most of these funds have a US\$1,000,000 minimum subscription level, and they are usually distributed as a private placement, all of which further reinforce their non-public status. According to the Authority's 2013 Investment Statistical Digest, of the 8,705 regulated funds that filed a 2013 Fund Annual Return (FAR) with CMRAI, 50% required a minimum initial investment of US\$1,000,000 or greater (see Figure 20). CMRAI Annual Report 2014-15 31

Figure 18: Number of Cayman Regulated Funds, by Category, Fiscal Year-end 2011-2015 To be authorised as such, an administered fund must have a licensed mutual fund administrator in Cayman acting as its principal office. The MFL imposes several duties on the mutual fund administrator, including the responsibility to satisfy itself about the proper business conduct of the fund, and to report to CMRAI if it knows or suspects that the fund is unable to meet its obligations as they fall due, or if the fund is carrying on business in contravention of a law or in a manner prejudicial to investors or creditors. Mutual fund administrators must themselves be authorised by CMRAI to carry out mutual fund administration. This is defined as the provision of any of the following services for a fund: management (including control of the fund's assets), administration, providing a principal office in the Cayman Islands, or providing an operator (i.e., director, trustee or general partner) to the fund. Two categories of mutual fund administrator licence exist: full, which allows the holder to provide administration to an unlimited number of funds, and restricted, which allows administration of no more than 10 funds. See Figure 19, Mutual Fund Administrators by Category, 2011-2015. **Figure 19: Number of Mutual Fund Administrators, by Category, 2011-2015** CMRAI reports aggregate financial and other

statistical information on regulated funds, enabling information to be gathered on the size and profile of the industry. CMRAI collated information from 8,705 regulated funds that had a financial year end in 2013 and that submitted the required FAR form via CMRAI's electronic reporting system.⁹ These 8,705 funds had total assets of US\$2.3 trillion combined, and net assets of US\$2.0

8 A third authorization category, Exempted Administrators, which previously existed, has been discontinued. However, administrators already authorized in this category remain. ⁹ See CMRAI's Investments Statistical Digest 2013 available on CMRAI's website at 8857 8598 8243 8116 7795 1732 2449 2676 2773 424 418 400 395 390 128 123 117 109 103 0 2000 4000 6000 8000 10000 12000 June 2011 June 2012 June 2013 June 2014 June 2015 Licensed Administered Master Registered 0 50 100 June 2011 June 2012 June 2013 June 2014 June 2015 94 89 88 84 80 34 34 33 30 27 2 2 2 2 2 FullRestrictedExempt

CMRAI Annual Report 2014-15 32 trillion. The 2013 Investment Statistical Digest also captured information specific to master funds and indicated that the Ending Net Assets of the Master Funds was US\$1,230 billion, which increased from the Opening Net Assets of US\$1,010 billion. This increase was due to subscriptions of US\$370 billion, redemptions of US\$305 billion, Dividends of US\$3 billion and Net Income of US\$158 billion. The data indicate that funds overall had a profitable year, with returns on both gross and net assets increasing from 5.3% and 7.4% in 2012, to 7.9% and 9.4% in 2013, respectively. There were no changes in the top five investment manager locations, as measured by net assets held by managers in these locations, with the five locations remaining New York, UK, Connecticut, California and Massachusetts. Cayman remained the primary location from which fund administration services (registrar and transfer (R&T) service) were provided for the funds that reported. The Cayman Islands continues to be a jurisdiction of choice in the offshore hedge fund industry, with investment managers exhibiting a high level of confidence in the Islands regulatory regime for funds that is reflected in the growth of the total assets under management of Cayman Islands structures. Investors also benefit from a robust and transparent regulatory infrastructure, while gaining additional benefits such as a tax-neutral investment platform. As the industry is constantly evolving, with increased focus on good governance and transparency, the Cayman Islands continues to enhance and adopt appropriate legislation that meets globally accepted regulatory standards for the funds industry. This evolution also includes establishing a suitable regulatory regime for those Cayman Islands managers who desire to market and manage funds in the European Union (EU) and must therefore comply with the Alternative Investment Fund Managers Directive (AIFMD). CMRAI has signed Memoranda of Understanding with 27 EU member States to allow for continued cooperation under the AIFMD, and is currently updating the relevant regulatory laws and regulations to facilitate full compliance with the Directive for those funds that market into the EU. Strict anti-money laundering requirements are also in place within the jurisdiction to prevent the flow of funds from proceeds of crime or to terrorist organizations, with information exchange agreements relating to AML/CFT signed with many countries, including the United States and United Kingdom.

Figure 20: Minimum Initial Investment Required by Cayman-Regulated Funds Filing a Fund Annual Return for 2013

Subscription Amount (US\$)	Percentage of Funds
Less than \$50,000	8%
\$50,000-\$99,999	5%
\$100,000 - \$499,999	30%
\$500,000 - \$999,999	7%
\$1,000,000 - \$4,999,999	34%
\$5,000,000 - \$9,999,999	11%
Greater than \$10,000,000	5%
	0%
	10%
	20%
	30%
	40%

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Authorisation Activity Funds - Fiscal year to date, 1,423 regulated entities were authorized and 1,465 regulated entities were terminated, compared to 1,653 and 1,674 respectively during the same period in 2014. The total number of regulated funds as at 30 June 2015 was 11,061 (comprising 7,795 registered funds, 2,773 master funds, 390 administered funds and 103 licensed funds), compared to 11,296 for the same period in 2014 (comprising 8,116 registered funds, 2,676 master funds, 395 administered funds and 117 licensed funds). Administrators The number of licensed mutual fund administrators decreased during the fiscal year from 116 to 109. There were two new mutual fund administrators licence applications approved and seven licences cancelled during the fiscal year. The trend to downsize through mergers and acquisitions continues. As of 30 June 2015, there were 109 licensed mutual fund administrators (2 Exempted, 80 Full and 27 Restricted), compared to 116 for the same period in 2014. Jurisdictional Comparisons - Funds Table 13 shows the number of active funds for calendar years 2010 to 2014 in Cayman and other financial jurisdictions for which figures are available. As the figures demonstrate, the number of Cayman-authorized funds remains consistently in excess of the other jurisdictions. To date, Cayman remains the leader in fund domiciliation. The decline in fund numbers across jurisdictions between 2010 and 2014 largely reflects the impact of the US recession and the continued instability in the global financial markets.

Table 13: Regulated Fund Numbers - Selected Jurisdictions, 2010-2014 Calendar Year-end

Jurisdiction	2010	2011	2012	2013	2014
Bahamas	753	713	652	750	*847
Bermuda	1,181	772	762	698	661
BVI	2,238	2,142	2,142	1,022	1,121
Dublin	1,324	1,392	1,388	1,334	1,323
Cayman	10,841	11,379	11,010		
Other	2,951	2,627	2,318	1,158	1,195
Jersey					9,438
Total	23,573	22,183	21,210	19,258	20,073

* Restatement of number due to enhancements made by Regulator.

SECURITIES INVESTMENT BUSINESS The Sector Securities investment business activities carried out in or from the Cayman Islands include: dealing in securities, arranging deals in securities, investment management and provision of investment advice. The Securities Investment Business Law (SIBL) provides for the regulation of persons engaged in these activities in or from the Cayman Islands, including market makers, broker-dealers, securities arrangers, securities advisors and securities managers. Such persons must be licensed by CMRAI unless they meet the CMRAI Annual Report 2014-15 34 criteria to be excluded from the licensing requirement, in which case they must be registered as excluded persons. The excluded persons category continues to account for the vast majority of SIBL authorisations (see Figure 21). Most of the entities in this category conduct securities investment business exclusively for institutional or other sophisticated investors. The majority of the licensees are increasingly stand-alone operations from major jurisdictions that are seeking to expand their client base, utilizing a well-established jurisdiction with a globally recognized regulatory regime for securities investment business.

Figure 21: Number of Regulated Securities Investment Business Entities, 2011-2015

Authorisation Activity The securities investment business sector continues to show steady growth. Two new licence applications were approved in the fiscal year. As of 30 June 2015, there were 36 licensed Securities Investment Business holders and 2,275 SIBL Excluded Persons, compared to 37 and 2,190 respectively during the same period in 2014.

0 500 1000 1500 2000 2500 June 2011 June 2012 June 2013 June 2014 June 2015 1936

2035 2064 2190 2275 31 32 34 37 36 Licensees Excluded Persons (Registered)
CMRAI Annual Report 2014-15 35 CMRAI
Annual Report 2014-15 36 ORGANISATIONAL DEVELOPMENTS CMRAI
Annual Report 2014-15 37 NATURE AND SCOPE OF ACTIVITIES FUNCTIONS
CMRAI has four principal functions. 1. Monetary - the issue and redemption of the Cayman currency and notes and the management of currency reserves. 2. Regulatory - the regulation and supervision of financial services, the monitoring of compliance with money laundering regulations, the issuance of a regulatory handbook on policies and procedures and the issuance of rules, and statements of principle and guidance. 3. Cooperative - the provision of assistance to overseas regulatory authorities, including the execution of memoranda of understanding to assist with consolidated supervision. 4. Advisory - the provision of advice to the Government on monetary, regulatory and cooperative matters, and, in particular, to advise Government whether the Authority's regulatory functions and cooperative functions are consistent with functions discharged by an overseas regulatory authority, and whether the regulatory laws are consistent with the laws and regulations of foreign jurisdictions. The scope of CMRAI's advisory role also extends to representing the interests of the Cayman Islands at international forums and advising Government on the recommendations of those organisations.

OBLIGATIONS The primary obligations of the Monetary Authority in carrying out the above functions are to: act in the best economic interests of the Cayman Islands; promote and maintain a sound financial system in the Cayman Islands; use its resources in the most efficient and economic way; have regard to generally accepted principles of good corporate governance; endeavour to promote and enhance market confidence, consumer protection and the reputation of the Cayman Islands as a financial centre; reduce the possibility for the use of financial services business for money laundering or other crime; recognise the international character of financial services/markets and the need to be competitive for consumers and suppliers while complying with appropriate and relevant international standards; recognise the principle that a burden or restriction that is imposed should be proportionate to its expected benefits; recognise the desirability of facilitating innovation in financial services business, and be transparent and fair.

CMRAI Annual Report 2014-15 38 **STRATEGIC OBJECTIVES** In 2014, CMRAI completed a new three-year strategic plan approved by the Authority's Board of Directors. In summary, the strategic priorities were: 1. to undertake structural/functional reforms; 2. to implement HR enhancements; 3. to conduct visits to key jurisdictions; 4. to maintain and enhance CMRAI's regulatory profile internationally; 5. to enhance collaboration with the Cayman Islands Government and Private Sector; 6. to implement regulatory framework enhancements; 7. to implement Operational and Technology Enhancements; and 8. to preserve the value and integrity of the Cayman Islands currency. CMRAI Annual Report 2014-15 39

EXECUTION OF MONETARY FUNCTIONS CURRENCY MANAGEMENT The Monetary Authority, through its Currency Operations Division, is the sole issuing authority for Cayman Islands currency. The division is responsible for the issue, re-issue, and withdrawal of Cayman Islands currency notes and coins against the United States dollar, dealing with the local retail banks: Butterfield Bank (Cayman) Limited, Cayman National Bank Ltd., Fidelity Bank (Cayman) Limited, CIBC FirstCaribbean International Bank (Cayman) Limited, RBC Royal Bank (Cayman) Limited, and Scotiabank & Trust (Cayman) Ltd. The division also administers the sale and redemption of numismatic coins to and from local and overseas collectors.

Currency Reserve Management Cayman Islands currency is issued on demand only against United States currency at the rate of one Cayman Islands dollar per 1.20 US dollars. It is repurchased on demand with US dollars at the same rate. The currency in circulation is backed by the currency reserve assets in accordance with section 32 of the Monetary Authority Law. As at 30 June 2015, the value of the currency reserve assets was CI\$105.812m (2014: \$102.624m) representing 111.51% (2014: 111.88%) of total demand liabilities (i.e., currency in circulation). Full details on the currency reserve assets, including specifics on the performance of the investments and cash and cash equivalent deposits that comprise the currency reserve assets, can be found at note 4 of the Notes to the Annual Financial Statements (page 61 and following).

Issue and Redemption of Currency

Currency in Circulation - At 30 June 2015, currency in circulation (excluding numismatic coins) stood at \$84.3 million in notes and \$10.6 million in coins, totalling \$94.9 million. This represents a 3.5% increase from the 30 June 2014 figure of \$91.7 million. Table 14 shows currency in circulation at fiscal and calendar year-end from 2011 to 2015. Figure 22 shows currency in circulation by month from 2011 to 2015.

Table 14: Currency in Circulation at Fiscal and Calendar Year-end, 2011-2015 (in CI\$m)

DATE	2011	2012	2013	2014	2015
30 June	84.9	88.7	87.2	91.7	94.9
31 December	89.7	94.0	96.2	95.5	107.7

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Figure 22: Cayman Islands Currency in Circulation by Month: 2011-2015

Counterfeit Detection A total of 3 forged banknotes was detected and withdrawn from circulation in 2014- 15, compared to 11 detected and withdrawn in the prior fiscal year. Table 15 shows the number of forged banknotes, by denomination, which were withdrawn from circulation in each of the six-month periods between 1 July 2011 and 30 June 2015.

Table 15: Counterfeit Cayman Islands Currency Notes Recovered, July 2011-June 2015

2011	2012	2013	2014
50,000,000	55,000,000	60,000,000	65,000,000
70,000,000	75,000,000	80,000,000	85,000,000
95,000,000	100,000,000	123456789	101112

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Numismatic Coin Programme Under a March 2014 Agreement with the Royal Mint, the Authority participated in the Royal Mint's Princess to Monarch numismatic coin programme, a coin collection that celebrates Queen Elizabeth II's reign. It features a series of coins celebrating Her Majesty's achievements during her time on the throne. The two coins assigned to the Authority under the topic Prince Philip - Endurance/Loyalty, to reflect an enduring marriage through years of service to her country were well received, and all coins purchased by the Authority for local sales have been sold. In July, the Authority also took up the offer from the Royal Mint to issue a gold coin to commemorate the 25th Anniversary of Ronald Reagan being awarded an honorary knighthood by the Queen, which will generate additional revenue for the Authority through royalties from coins sold by the Royal Mint. These coins were not offered for local sale.

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EXECUTION OF REGULATORY FUNCTIONS THE REGULATORY REGIME Framework The framework for the Monetary Authority's regulation and supervision of financial services is made up of a number of elements. These include the applicable laws and regulations passed by the Government of the Cayman Islands; rules and statements of principle and of guidance issued by the Authority; and policies and procedures detailed in the Regulatory Handbook and other manuals. Regulation and supervision are carried out in accordance with internationally accepted standards where these exist and are appropriate for the jurisdiction. The domestic laws and international standards under which the Cayman Islands Monetary Authority and regulated sectors operated as at 30 June 2015

are shown in Table 16. Table 16: The Cayman Monetary Regulatory Authority International Regulatory Framework (as at 30 June 2015) Sector/ Entity type CI Law International Standards / Memberships All Monetary Authority Law (2013 Revision), and amendment Proceeds of Crime Law (2014) Money Laundering Regulations (2015 Revision) Terrorism Law (2015 Revision) Public Management and Finance Law (2013 Revision), amendment and regulations Companies Law (2013 Revision), and amendments Standards: Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation Memberships: Caribbean Financial Action Task Force (CFATF) Regional Consultative Group for the Americas (Financial Stability Board) Banks, trusts, money services businesses, credit unions, building societies, corporate services providers, company managers Banks and Trust Companies Law (2013 Revision), and amendments Private Trust Companies Regulations, 2013), and amendment Money Services Law (2010 Revision), and Standards: Basel Core Principles for Effective Banking Supervision¹⁰ Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore Group of Banking Supervisors¹¹

10 As promulgated by the Basel Committee on Banking

Supervision 11 The working group comprised representatives of various offshore financial centres, the FATF, IMF and OECD, as well as representatives of four G7 countries. The Statement was disseminated to the fiduciary sector via the Society of Trust and Estate Practitioners (STEP) and the Company Managers Association, and was accepted locally. CMRAI Annual Report 2014-15 43 regulations Cooperative Societies Law (2001 Revision), and regulations Building Societies Law (2014 Revision) Development Bank Law (2004 Revision) Companies Management Law (2003 Revision), and regulations Memberships: Group of International Financial Centre Supervisors (formerly Offshore Group of Banking Supervisors) Caribbean Group of Banking Supervisors Association of Supervisors of Banks of the Americas Insurance companies, managers, brokers, agents Insurance Law, 2010, amendments and regulations Standards: International Association of Insurance Supervisors (IAIS) Core Principles of Insurance Regulation 12 Memberships: IAIS Group of International Insurance Centre Supervisors (GIICS) Caribbean Association of Insurance Regulators (CAIR) Mutual funds, fund administrators, securities investment businesses (market makers, broker-dealers, securities arrangers, securities advisors and securities managers) Mutual Funds Law (2015 Revision), regulations Securities Investment Business Law (SIBL) (2015 Revision), amendment and regulations Directors Registration and Licensing Law, 2014 and regulations Standards: International Organization of Securities Commissions (IOSCO) Offshore Group of Collective Investment Schemes Supervisors (OGCISS) Memberships: Offshore Group of Collective Investment Schemes Supervisors Caribbean Group of Securities Regulators IOSCO Regulation and Supervision The Banking Supervision, Fiduciary Services, Insurance, and Investments and Securities divisions (collectively referred to as the supervisory divisions) are responsible for processing, and making recommendations on applications for licences and other relevant authorisations for the provision of those financial services falling

12 Issued by the International Association of Insurance Supervisors (The Cayman Islands is a charter member of this association. CMRAI Annual Report 2014-15 44 within their sectors. They are also responsible for the on-going supervision of licensees/registrants, and making recommendations for enhancements to the supervisory regime where appropriate. Supervision of licensees is carried out off-site

and on-site. Off-site supervision is continuous, involving the analysis of quarterly prudential returns and annual audited statements, supplemented with prudential meetings. On-site supervision involves limited scope and full-scope inspections both in the Cayman Islands and overseas. The objectives of the inspection process are to understand the licensee's business activities and operating environment, to detect problems of compliance with the relevant laws and/or regulations, and to gather information on matters identified as requiring policy considerations.

REGULATORY DEVELOPMENTS

Rules, Guidelines and Policies

The Policy and Development Division is responsible for the continuous development of the financial services regulatory framework within the Cayman Islands in accordance with international standards. Its cross-functional role supports and advises the Authority's senior management, the four supervisory divisions and the Compliance Division. The division's development and advisory role entails research of international developments and initiatives; analysis of the impact on the local financial services industry; formulation of appropriate options for consideration by the Authority and providing policy advice to the Authority, including during the industry consultation process. In addition, the division assists in the provision of responses, of both a statistical and non-statistical nature, on the financial sector to various international and domestic organisations. During the year under review, the Authority issued several measures that impacted the investment funds, banking and insurance sectors. A Rule and Regulatory Procedure were issued to outline criteria for a fund to cancel its registration or licence with the Authority. To better align with standard setters' enhanced requirements, a new Rule and Statement of Guidance on Management of Credit Risk and Problem Assets were issued for banks. The Regulatory Policy on Banking Licensing was also revised in order to enhance the Authority's licensing process and to more closely align with international standards. The Regulatory Policy - Licensing and Approving Money Services Business established criteria for the licensing of money services businesses and the approval of their agents. Lastly, the measures pertaining to risk management and market conduct were updated for the insurance sector. The regulatory measures issued during the 2014-15 fiscal year are listed in Table 17. Copies of all rules, statements of guidance and policies and procedures issued by the Authority are available on the CMRAI website.

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Table 17:
List of Regulatory Measures Issued in 2014-15

When Issued	Type of Standard	Title	Description
August 2014	Policy	Regulatory Policy - Licensing and Approving Money Services Business	The Policy establishes criteria for the licensing of money services providers and approving their agents.
August 2014	Policy	Regulatory Policy on Licensing Banks	The Policy on Licensing was revised to include more robust criteria for licensing home regulated banks as well as to enhance those requirements that pertain to the management and control and the track record of applicants.
March 2015	Rule	Rule - Management of Credit Risk and Problem Assets	The Rule is designed to streamline the management of credit risk and problem assets. The Rule requires the credit risk holders to adversely classify assets when contractually in arrears and to document the rationale of provisioning as part of a sound credit risk and problem asset management framework.
March 2015	Statement of Guidance	Statement of Guidance - Credit Risk Classification, Provisioning and Management	The SOG aims to provide more clarity, certainty and uniformity to the treatment of credit risk and problem assets in the jurisdiction. It also outlines what the Authority expects when dealing with asset classification and provisioning.
March 2015	Rule	Rule Risk Management Insurers	

The Rule amends the Rule on Risk Management issued in 2009. The Rule sets out key principles that insurers must adopt in the implementation of a risk management framework with a focus on the need to identify, measure, assess, report and control the risks that they are exposed to in their business. March 2015 Rule Rule Market Conduct Insurers, Agents and Brokers The Rule was amended to better align with the Insurance Core Principles and make the measure applicable to Class B Insurers that write domestic business under the Insurance Law as approved by the Authority. March 2015 Statement of Guidance Statement of Guidance - Market Conduct Insurers, Agents and Brokers The SOG provides guidance on the requirement imposed on licensees by the Rule on Market Conduct. It further provides a standard of best practice to insurance licensees in conducting business with customers. March 2015 Rule Rule Cancellation of Licence or Certificate of Registration of Regulated Mutual Funds The Rule requires regulated mutual funds to properly cancel their licence or registration in order to systematize the cancellation process. March 2015 Procedure Regulatory Procedure - Cancellation of Licence or Certificate of Registration of Regulated Mutual Funds This Procedure outlines steps and documents necessary to properly cancel a fund's registration/licence based on various scenarios. CMRAI Annual Report 2014-15 46 Other Regulatory Developments Alternative Investment Fund Managers Directive (AIFMD) The AIFMD, which introduced a unified regulatory regime for alternative investment fund managers and funds within the European Union (EU) and the wider European Economic Area (EEA), came into force in July 2013. The Authority has been actively researching the developments and impact of the AIFMD on the Cayman Islands Funds and Securities Industry. Further, the Authority has been engaged in continued dialogue with the Cayman Islands Government and industry stakeholders on the creation of an appropriate regime to ensure Cayman Islands Investment Managers and Funds can continue to do business in the EU and EEA. The Authority has also conducted an industry survey on the impact of the delegation provisions of the AIFMD on the local industry and the concept of depository in the AIFMD. Anti-Money Laundering The Cayman Islands Government launched a Working Group in efforts to identify, assess and understand the money laundering and terrorists financing risks the Cayman Islands faces. This exercise is necessary for the country to comply with Recommendation 1 of the Financial Action Task Force (FATF) Recommendations. The Working Group has eight work streams in which the Authority plays an active role. More than 10 members of staff are engaged as members of the Working Group. Mutual Funds (Annual Returns) Regulations The Authority has been working with the Cayman Islands Government to amend the Mutual Funds (Annual Returns) Regulations. The Regulations, which had not been updated since 2006, will be modernized to recognize the evolution of fund structures in the jurisdiction, such as Master Funds, and to allow the Authority to comply with certain international obligations. CMRAI Annual Report 2014-15 47 COMPLIANCE AND ENFORCEMENT As part of its regulatory functions, the Authority conducts due diligence on persons who have applied to act as directors, shareholders, managers, officers and controllers of licensed entities; investigates serious breaches of the regulations, and where necessary, takes enforcement action. Due Diligence In carrying out due diligence, the Authority follows its Regulatory Policy Assessing Fitness and Propriety 13. The Compliance Division, which is tasked with conducting due diligence on applicants that the regulatory divisions refer to it, received 299 such applications during the 2014-2015 fiscal year. This compares to 196 during 2013-14. The breakdown of the applications for 2014-15 and

2013-14, by division, is shown in Table 18. Table 18: Due Diligence Applications Referred to the Compliance Division, 2014-15 with 2013-14 Comparison Enforcement

CMRAI s Enforcement Manual 14 describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the regulatory laws. The manual includes a ladder of compliance detailing the steps the Authority will follow in the event of non-compliance. Where appropriate, CMRAI will work with the licensee or registrant in an attempt to resolve regulatory issues prior to taking formal enforcement action. The Compliance Division and the Legal Division are responsible for the exercise of enforcement action, under the authorisation of CMRAI s Board of Directors. The Authority initiated 18 formal enforcement actions during 2014-15 (compared to 12 during 2013-14). Table 19: lists the formal enforcement actions initiated 15 . Table 19: Formal

Enforcement Actions, 2014-2015 Name of Entity Type of Authorisation Held Enforcement Action Effective Date Excel Global Opportunities Fund, Ltd. Registered Fund Registration Cancelled 1-Jul-14 Saadgroup Financial Services Company Limited Class B Bank Licence Revoked 10-Jul-14 13 Regulatory Policy

Assessing Fitness and Propriety: Appendix E3 (page 66) of the Regulatory Handbook Appendices. Address: Also see information on Fitness and Propriety at page 28 of the Regulatory Handbook - Volume 1 March 2011. Address: 14 The Enforcement

Manual:Address: 15 See the Regulatory and Enforcement Notices section of CMRAI s website. Address: Banking Fiduciary Insurance Investments Total Applications as at 30 June 2014: 71 86 1 38 196 Applications as at 30 June 2015: 108 148 3 40 299 CMRAI

Annual Report 2014-15 48 Saad International Bank Limited Class B Bank Licence Revoked 10-Jul-14 Osiris Fund, Ltd. Registered Fund Registration Cancelled 22-Jul-14

Infinium Global Fund Registered Fund Controllers Appointed 10-Sep-14 Saadgroup Financial Services Company Limited Class B Bank Winding Up 10-Sep-14 Saad International Bank Limited Class B Bank Winding Up 10-Sep-14 Quanto Strategic Currency

Fund Ltd Registered Fund Controllers Appointed 19-Sep-14 AWAL Trust Company Limited Restricted Trust Licence Revoked 28-Nov-14 Melstrep Neural Network No.1 Fund Limited Registered Fund Controllers Appointed 30-Dec-14 Caledonian Bank Limited Class A Bank

Controllers Appointed 10-Feb-15 Caledonian Securities Limited Full Securities Controllers Appointed 10-Feb-15 Caledonian Bank Limited Class A Bank Licence Revoked 16-Feb-15 Caledonian Securities Limited Full Securities Licence Revoked 16-Feb-15 Caledonian Bank Limited Class A Bank Winding Up 23-Feb-15 Caledonian Securities Limited Full Securities

Winding Up 23-Feb-15 CentreInvest Russian Fund Registered Fund Registration Cancelled 24-Feb-15 Brighton SPC Registered Fund Controllers Appointed 1-Jun-15 Litigation

There was no litigation with regard to enforcement actions during the 2014-15 fiscal period. Other Compliance-related Matters Among its duties, the Compliance Division is also tasked with investigating persons or entities that appear to be conducting regulated business without the proper authorisation from the Authority. In addition, in

keeping with its mandate to protect the jurisdiction from individuals or entities seeking to reap illegal benefit by false association with the Cayman Islands, the Compliance Division continued updating a list of websites which falsely give Cayman addresses for various businesses which are not registered or licensed in the Cayman Islands. 16

16 The complete list can be viewed in the Enforcement/ Information and Alerts section of the website: Address: CMRAI Annual Report 2014-15 49

EXECUTION OF COOPERATIVE AND ADVISORY FUNCTIONS CROSS-BORDER COOPERATION The Monetary Authority Law (MAL) lists the provision of assistance

to overseas regulatory authorities as one of the principal functions of the Authority. Such international cooperation takes place through the exchange of information, as provided for in the MAL and facilitated through memoranda of understanding (MOUs) and other agreements, as well as through the Authority's active participation in international forums. Memoranda of Understanding While not a prerequisite for the provision of assistance, MOUs and similar agreements establish a framework for mutual assistance and cooperation by CMRAI and the regulatory body with which the MOU is signed. The agreements specify when consultation should take place and the type of supervisory and enforcement information that may be exchanged. In this way, they enhance the existing working relationships between the authorities. Copies of the Authority's current MOUs and cooperation agreements are available on the CMRAI website. 17 During this period, CMRAI signed three bi-lateral MOUs. These are listed in

Table 20. Table 20: International Information Exchange and Cooperation Agreements Concluded, 2014-2015

Agreement	Effective Date	Labuan Financial Services Authority
Memorandum of Understanding	6 Aug 2015	Guernsey Financial Services Commission
Memorandum of Understanding	6 Mar 2015	Insurance Commission of the Bahamas
Memorandum of Understanding	6 Nov 2014	Assistance to Overseas Regulatory Authorities

An ongoing activity for the Legal Division is advising on, and coordinating responses to, requests for assistance from overseas regulatory authorities (ORAs). The division works closely with other CMRAI divisions, particularly Compliance, to ensure that requests are handled in a timely and efficient manner, and that they conform to the requirements of the MAL. The Procedure - Dealing with Requests for Assistance from an Overseas

17 International agreements:

Local agreements: CMRAI Annual Report 2014-15 50 Regulatory Authority (ORA) 18 - sets out the Authority's approach in dealing with these requests. The process includes reviewing and assessing the requests and drafting directions to persons who have information that will assist the ORA in performing its functions. The Compliance Division assists primarily on those requests on which the Authority will be required to issue a directive to obtain the information sought. The division is currently responsible for assessing the request, preparing the directive and serving it on the relevant party, as well as reviewing the information provided by the party to assess whether the party complied with the requirements of the directive, and providing the information to the requesting ORA. The Authority handled a total of 207 requests for assistance from ORAs during the 2014-15 financial year, compared to 154 requests during 2013-14 and 175 during 2012-13.

International Initiatives Involving CMRAI Group of International Financial Centre Supervisors (GIFCS) During the year, the Authority remained active in the Group of International Financial Centre Supervisors (GIFCS). In 2013-2014, CMRAI was a member of the GIFCS working group tasked with developing a new international standard for trusts and corporate services providers. The group's report was completed by year-end 2014.

Financial Stability Board Regional Consultative Group for the Americas (RCGA) Similarly, the Authority contributes to the work of the Financial Stability Board Regional Consultative Group for the Americas (RCGA). Since 2013, CMRAI has been participating in as a member of the working group undertaking the RCGA initiative on shadow banking. Following a similar initiative in FSB member countries, the working group is attempting to determine the size and nature of the shadow banking sector in the Americas. The working group is continuing the shadow banking monitoring exercise. International

Association of Insurance Supervisors (IAIS) The Authority participated in various initiatives of the International Association of Insurance Supervisors (IAIS) during the year. These included the validation of applications to join the IAIS Multilateral Memorandum of Understanding and contributing to a report on international development needs for insurance supervisors. The Authority continues to contribute to the work of the IAIS by its active participation in the IAIS Implementation Committee, Market Conduct Subcommittee, Education Subcommittee and Signatories Working Group. In October 2013, the Cayman Islands was re-elected to the IAIS Executive Committee for a two-year term, representing the Caribbean and Offshore region. 18

Procedure Dealing with Requests for Assistance from an Overseas Regulatory Authority: Appendix D1 (page 32) of the Regulatory Handbook Appendices. Address: CMRAI Annual Report 2014-15 51

IAIS Solvency and Actuarial Subcommittee (SSC) At the special request of the National Association of Insurance Commissioners (NAIC), which chairs the IAIS Solvency and Actuarial Subcommittee, in 2012, the IAIS had requested permission from CMRAI to create an additional seat on the subcommittee to allow the Authority's Chief Actuary to join as a special member, due to his extensive actuarial knowledge in the field of regulation. As a member of the SSC, in 2014, the Chief Actuary provided presentations on longevity risk, stress testing, and alternative risk transfer and has been actively involved in assessing and developing capital requirements for alternative risk transfer and catastrophe risk. The Chief Actuary was appointed as a member of the SSC Drafting Working Group. In addition, the Chief Actuary was asked to participate in the proceedings of the NAIC Working Group on Catastrophe Risk, which is charged with the responsibility of developing the catastrophe risk load for the NAIC's revised Risk Based Capital Regime. Group of International Insurance Centre Supervisors (GIICS) In June 2014, the Authority was elected deputy chair of the Group of International Insurance Centre Supervisors. The Authority is also the Chair of the GIICS Education Committee. In that role, in 2014, the Authority drafted a report on development needs of GIICS members and developed a strategy to enhance the training and development of supervisors of GIICS members. International Banking Regulatory Groups CMRAI is an active member of the Caribbean Group of Bank Supervisors (CGBS) and a member of the CGBS Basel II Implementation Working Group. Coming out of the CGBS 32nd annual conference held in June 2014, the Authority was asked, and has since provided, feedback on the assessment methodology for Globally Systemically Important Banks. CMRAI representatives also shared, via a presentation at the annual conference, its experience on the implementation of the revised Basel core principles for effective banking supervision. LOCAL

COOPERATION Money Laundering Reporting The Head of Compliance is the Authority's Money Laundering Reporting Officer (MLRO) under the Proceeds of Crime Law, 2008. Any suspicion of money laundering identified by CMRAI's staff in conducting their supervisory activities is reported to the MLRO, who has the responsibility to report to the Financial Reporting Authority (FRA) in conformance with the Money Laundering Regulations (2015 Revision). The MLRO filed 1 suspicious activity report (SAR) with the FRA during 2014-15, compared to 5 filed during 2013-14. The FRA made 39 onward disclosures during 2014-15 to the Authority, pursuant to the MOU between the FRA and CMRAI. This compares to 46 made by the FRA during 2013-14. CMRAI assesses all onward disclosures to determine if further investigation and regulatory action are required. CMRAI Annual Report 2014-15 52

ADVISORY ACTIVITY The Monetary Authority Law requires

CMRAI to advise the Government on monetary, regulatory and cooperative matters. This includes providing advice as to whether CMRAI's regulatory and cooperative functions are consistent with those discharged by overseas regulators; whether the regulatory laws are consistent with the legislation of other countries and territories; and advising on the recommendations of international organisations. This law also requires CMRAI to consult with the local private sector on the proposed issuance or amendment of rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees; statements of guidance concerning the requirements of the money laundering regulations; and rules or statements of principle or guidance to reduce the risk of financial services business being used for money laundering or other criminal purposes. Through its involvement with overseas regulatory authorities, participation in local and international forums, and interaction and consultation with local and overseas market participants, CMRAI is able to stay abreast of developments relevant to the local financial services sector, and the concerns of the industry, and to advise the Government based on the information gathered. CMRAI also carries out its own research and assessment, including cost-benefit analyses of all new regulatory measures it proposes, and makes recommendations to the Government accordingly. Advice to the Government is provided through meetings, participation in various Government groups and through written reports and submissions, including financial sector legislative proposals (draft bills and regulations) and Cabinet papers. The measures implemented or in development during 2014-15 are covered in the Regulatory Developments section of this report, beginning on page 44.

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February 2015 realised the launch of CMRAI's strategic plan, with its revised Mission Statement that speaks to protecting and enhancing ... the reputation of the Cayman Islands as an International Financial Centre by fully utilising a team of highly skilled professionals... CMRAI Strategic Plan 2014-2016. It is evident that every aspect of the functions performed by the Human Resources Division has the common denominator of our people. This is managed through the fundamental Units of Recruitment and Employee Services, to provide training, growth and development of our employees in financial services regulation and operations throughout their life with our organisation. The past year focused on our people, their objectives and development directly correlated to the overall strategic plan to be better equipped to meet the goals of the organisation; recognising that CMRAI's success and effectiveness in fulfilling its mission and meeting objectives is highly dependent on having employees with specialised knowledge, skills and experience. For the past year and into 2015/2016, our vision and objective is to source, attract and recruit persons who are not only qualified but more advantageously experienced in financial services regulation. This means having a robust team of experienced supervisors to ensure proactive oversight and enforcement. Each area of responsibility is highly technical and involves experience, knowledge and expertise with domestic laws, global policies and the principles of current financial industry regulation.

Recruitment and Staffing The overall staff complement of CMRAI has increased by 8% with total staff numbers at 186 at the end of the financial year, up from 172 as at 30 June 2014. As with other regulatory bodies, CMRAI is challenged by industry licensees who recognise and benefit from the

efforts that organisations such as CMRAI invest in our people. We are a lucrative ground for sourcing staff with experience and training, and this is widely known. Learning and Development During the year 2014-2015, we built on the existing Learning & Development of our employees by establishing specific regulatory modules to CMRAI's learning unit. This was further enhanced by establishing relationships with industry subject experts to either facilitate or co-facilitate in-house training workshops along with CMRAI's own experts. The table below illustrates the types of courses (internally and externally) facilitated across the organisation that included regulatory specific, supervisory soft skills and partnerships with industry experts. CMRAI Annual Report 2014-15 57

Course Type	Total Held	Total Attendance
Internal Courses : Led by External Experts	16	284
Regulatory with Industry Partners	12	
Soft Skills	4	
Internal Courses : Led by CMRAI Experts	27	627
Regulatory (2 led by Industry Partners)	22	
Soft Skills	5	
Internal Web Seminars:	36	220
Regulatory	28	
Soft Skills	8	
External Local Events:	31	116
Regulatory	18	
Soft Skills	9	
Overseas Conferences/Seminars	24	

Employee Services In 2014-2015, 12 persons were recognised and promoted at various levels in the organisation from Executive Administrative Assistant to Manager/Supervisory and Head of Department levels. Employees are provided with guidance throughout their life with the organisation towards being well-rounded professionals with technical exposure and training, as well as soft skills development. The Human Resources Division aims to achieve this by having established competences at the top management, middle management and supervisory levels. Progression Indicators and Development Plans serve to equip employees with an outline of the details needed for them to progress to the next stage within the organisation and these, together with the performance management process and feedback, facilitate succession planning and upward mobility with clear expectations. These initiatives are aimed at enabling professional and experienced persons within the public arena, our graduates and students to recognise CMRAI as the workplace with which to build an exciting career in financial services regulation. Students are invited to apply for the Thomas Jefferson Memorial Scholarship that was established in 2007 and through which three winners have gained an invaluable formal education in the fields of Finance, Accounting, Economics, Enterprise Risk Management, and Business Administration. The Authority also prides itself on the number of students who are afforded internships as well as those who have been offered work experiences from high school through to college and university levels. Most recently, CMRAI became involved in the work experience pilot programme that was established by Cayman Finance and the Ministry of Education, by exposing a college student to the world of financial services from an introductory regulatory perspective. It is the intention of the Human Resources Division to continue to work in tandem with all divisions to ready the Authority's people to fulfil the mandate of the organisation. CMRAI Annual Report 2014-15 58

INFORMATION SYSTEMS The goal of the Information Systems (IS) Division is to facilitate CMRAI's business practices in a secure and resilient manner, utilising information and communications technology. System uptime and service goals for the 2014-2015 year again exceeded the industry standards, and were above the 99.8% level. The division continued to provide high availability, security, and reliability of information technology systems and services during this period. Our system availability for the first half of 2015 continues to be exceptional, with an average availability of 99.996%

during business hours and the almost unattainable 5-nine uptime when measured on a 24-hour basis. (These numbers are derived from unplanned/unexpected outages). This is comfortably ahead of the industry benchmark for small to medium businesses. Major Initiatives During 2014-2015 Disaster Recovery Our tests for business continuity were completed prior to the annual hurricane season, and proved very successful. Slight improvements from last year's test have been implemented and all systems were proven to be well balanced and performing satisfactorily. Network Security Security continues to be a primary focus of the division, with several enhancements made to existing systems for threat management and the inclusion of additional tiers of firewall protection. Additional layers of , network and web security have been added, with work continuing in this area. New REEFS System Industry have been able to log into the new REEFS web-based online portal since its launch on 5 January 2015. New applications for prospective licensed entities and change requests for existing licensees along with the mandatory financial return submissions for the Fiduciary and Insurance divisions are being processed online as part of Phase 1. The focus has now shifted to the Investments and Securities Division and the Banking Supervision Division. Their transaction forms are currently being designed and coded for availability in Phase 2. Online payments will be a new feature in Phase 2, allowing licensees to send CMRAI a top-up cheque to be deposited into their escrow-type account. As the licensee needs to pay for new applications, renewals or change requests that require fees, the system will draw down from their account and to process the transactions more quickly and more efficiently. Directors Registration Portal Changes have been successfully made to the CMRAI in-house system in the new Directors Registration portal to allow for a surrender of registration and the fees associated with it. CMRAI is approaching nearly 20,000 online web payments which have been successfully transacted via the e-commerce credit card platform for Directors registration. CMRAI Annual Report 2014-15 59

COMMUNICATION AND PUBLIC RELATIONS The Public Relations (PR) Unit is part of the Managing Director's Office. The Unit provides communications support to, and on behalf of, CMRAI in order to assist the Authority in executing its functions and enhancing relationships with stakeholders and the public. These efforts are augmented by the activities of CMRAI's management, the Human Resources Division and other divisions, as well as through staff-led initiatives. Events CMRAI co-hosted an insurance seminar with Fitch Ratings, which was held in October 2014. There were approximately 90 participants from the Authority, the Cayman Islands insurance industry and from abroad. A major objective of the seminar was to increase the captive insurance industry's awareness of Fitch Ratings having insurance rating capability, and in particular, the capability to rate captive insurance. The PR Unit organised publicity for the event and set up the CMRAI display booth, which was used to register attendees and disseminate informational brochures. The PR Unit also assisted the Banking Supervision Division and the Policy and Development Division in presentations made at the University College of the Cayman Islands on various aspects of the Authority's work. CMRAI also participated in the John Gray High School's careers day. Students had the opportunity to interact with the Authority's staff representatives and learn about career options at CMRAI. In addition, for the second consecutive year, the Authority participated in Clifton Hunter High School (CHHS) Take Your Child To Work programme. CMRAI accepted two CHHS students, assigning one to the PR Unit and the other to the Human Resources Division. External Publications and Media Liaison The PR Unit assisted the

Managing Director and senior management in producing articles for publications such as Cayman Captive, Cayman Funds, Captive Review, the Global Banking & Financial Policy Review, Cayman Finance and a book on hedge fund governance. CMRAI Publications The Investments and Securities Division and the PR Unit collaborated on the production of the Investments Statistical Digest 2013. The PR Unit continued to produce and disseminate news releases and notices; the monthly internal newsletter, the CMRAI Insider; quarterly issues of CMRAI's external newsletter, The Navigator; the Authority's Annual Report; the CMRAI Fact Sheet; and the Insurance Sector Insight. Direct Public Information and Assistance The PR Unit provided information to the public and media via numerous press releases, and frequently responded to media requests and queries from the general public. The Unit also expanded CMRAI's social media presence with regular LinkedIn updates during the period, in addition to regularly updating the CMRAI website, which provides free public access to relevant information. CMRAI Annual Report 2014-15

60 Staff Community Involvement A variety of charitable and community initiatives received support from CMRAI's staff. For example, staff delivered meals for Meals on Wheels, served as advisors for the Junior Achievement programme, and gave career advice at the John Gray High School Careers Day. The various divisions organised donations to a number of charities and deserving causes at Christmas. Staff also completed several community projects organised by the CMRAI Green Team, a group which promotes environmental causes. It is also a matter of great pride that the team entered by the Authority in the Government Football League tournament emerged the winner in 2014. Internal Support PR Unit staff worked closely with the divisions to provide communication support for several external conferences and other activities, and collaborated with the Human Resources Division on activities to promote the well-being of staff. In an effort to keep staff abreast of local and international market, regulatory and political developments, the Unit monitored, collected, and disseminated relevant information.

FREEDOM OF INFORMATION INITIATIVE The Freedom of Information (FOI) Law came into effect across the Cayman Islands Public Service in January 2009, giving members of the public a general right of access to government records, with some exemptions and exclusions that are specified in the law. Because of the nature of CMRAI's work, the FOI Law (in section 3(1)(c)) specifically excludes the release of records and information protected by section 50 of the Monetary Authority Law (2010 Revision). Between July 2014 and June 2015, nine FOI requests were received and processed. Full access was granted to five of the requests. Two requests were denied; the first because the Authority did not hold the requested record, and the second because the information requested was otherwise publically available. In addition, two requests were Internally Reviewed by the Authority. One request was granted in full after the Internal Review process; the second was denied after the Internal Review, and this denial of access was upheld by the Information Commissioners Office.

FINANCIAL CONTROL Finance Division The Finance Division has responsibility for all financial matters relating to budget, fee collection, payroll, and accounts payable, and is responsible for preparation of CMRAI's financial statements and the Purchase & Ownership Agreements between the Cabinet and the Authority. The division's objectives are essentially created by the financial requirements of CMRAI and its stakeholders and the resources available to it. Coercive Revenue Collection The Authority collected \$102.667m in coercive fees from regulated entities on behalf of the Cayman Islands Government for the 2014-15 financial year, compared to \$106.832m for the prior year. CMRAI

Annual Report 2014-15 61 The Authority's Income The Authority depends on the sale of its outputs to the Cabinet of the Government of the Cayman Islands, as one of its main sources of income to meet its obligations. The outputs delivered in 2014-15, for a total of \$6.865m were: The Regulation of the Cayman Islands Currency The Collection of Fees on behalf of the Cayman Islands Government The Regulation of the Financial Services Industry Assistance to Overseas Regulatory Authorities Policy Advice & Ministerial Services In June 2014 the new Directors Registration and Licensing Law came into effect; this provided CMRAI with \$7.853m of income, compared to \$4.499m for the prior year. The other sources of income are from the CMRAI Transactional Fees \$4.971m, Investments \$0.741m, commission and the sale of numismatic items \$0.331m. Net Income The Authority's net income for the 2014-15 financial year was \$0.410m (2013-14 net income \$0.684m), which was allocated to CMRAI's Capital Expenditures Reserves and General Reserves. Details of CMRAI's financial position for the year ending 30 June 2015 can be seen in the Audited Financial Statements that follow.

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