



# 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.

Report 2013-14 iii 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

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CMRAI s Mission

As the primary financial services regulator our mission is to enhance the economic wealth and reputation of the Cayman Islands by fostering a thriving and growing, competitive, and internationally recognised financial services industry through appropriate, responsive, cost-effective and efficient supervision and a stable currency.

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CMRAI Annual Report 2013-14 1 MANAGING DIRECTOR S STATEMENT

During Financial Year 2013-14, efforts continued to strengthen and enhance the

regulatory framework governing the financial services industry of the Cayman Islands, particularly in relation to the banking sector and to the licensing of directors. Regulatory policies for licensing banks and money services businesses were revised. These revisions were designed to better align the licensing process with the latest in regulatory standards and best practices. A Directors Registration and Licensing Law was enacted. This legislation was introduced to close a regulatory gap which existed previously, where there were no licensing or registration requirements imposed on individual persons who acted as directors of entities registered with the Cayman Islands Monetary Authority (the Authority) (CMRAI). In contrast, companies that provided directorship services had to be licensed, while directors of licensees had to be approved by CMRAI. Internally, substantial progress was made on drafting a new Strategic Plan to guide the operations of the Authority for the period 2014-16.

**INDUSTRY ACTIVITY**

**Banking Supervision** Twenty-six regulatory memoranda of understanding were established with other banking regulators since June 2013, and five are currently being negotiated. This reflects the efforts being made to communicate effectively with other regulators, and the Authority's commitment to greater transparency and cooperation. Despite the cancellation of some banking licences during the year, the Cayman Islands remains second behind Switzerland on the list of jurisdictional competitors for the number of banks regulated. Most of the cancellations were due to group restructuring, eliminating the need for a presence in the Islands, or the bank's purpose becoming redundant. The Authority has been active in probing licensees on their status with FATCA preparations, which has become a priority across much of the banking industry and beyond, as deadlines approach.

**Fiduciary Services** The Cayman Islands has been a top international location for the provision of trust services and remains so, with 387 companies providing services in and from the jurisdiction as at 30 June 2014. The jurisdiction also holds its own among locations from which corporate/company management services are provided, and the sector has seen steady growth over the last several years, with 113 such companies active at the end of the financial year. This represents an increase of 4.63% over June 2013.

**Insurance** With regard to international insurance, 28 new entities were added to the Cayman market, bringing the total number of licensees to 764. The premiums generated totalled US\$12.3 billion at 30 June 2014, and the assets held amounted to US\$54.9 billion for the same reporting period. With these figures, the segment also claims a major share of the global insurance market. Worldwide, the Cayman Islands is the second largest domicile for captive insurance companies. Moreover, with 34% of Cayman's captives covering healthcare risks, the jurisdiction is the number one domicile for healthcare captives.

**Investments and Securities** The number of Cayman-authorized funds remains consistently in excess of those of other jurisdictions, with 11,296 funds as of 30 June 2014. These comprised 8,116 registered funds, 2,676 master funds, 395 administered funds and 109 licensed funds. There was only modest growth in the securities investment business, with only two new licence applications approved in the fiscal year. As of 30 June 2014, there were 37 licensed Securities Investment Business holders and 2,109 SIBL Excluded Persons.

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2 **INTERNATIONAL STANDARDS** In order to remain at the forefront of international best practice, the Authority continued its participation in international standard-setting forums. In 2013-2014, the Authority was a member of the Group of International Financial Centre Supervisors (GIFCS) working group, tasked with developing standards for trusts and corporate services providers. The expectation is that they will

become new international standards. A draft report was presented to the GIFCS membership in April 2014, and is expected to be completed by year-end 2014. In June 2014, the Authority was elected as deputy chair of the Group of International Insurance Centre Supervisors (GIICS). 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. In October 2013, the Cayman Islands was re-elected to the Executive Committee of the International Association of Insurance Supervisors (IAIS) for a two-year term, representing the Caribbean and Offshore region.

**ORGANISATIONAL EFFECTIVENESS** The Authority collected \$106.832 million in coercive fees from regulated entities on behalf of the Cayman Islands Government for financial year 2013-14, compared to \$101.659 million the prior year. At 30 June 2014, currency in circulation (excluding numismatic coins) stood at \$81.5 million in notes and \$10.2 million in coins, totalling \$91.7 million. This represents a 5.2% increase from the 30 June 2013 figure of \$87.2 million. Network security continues to be a primary focus for the Authority, 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. In relation to the Directors Registration and Licensing Law, CMRAI s in-house working group designed a new online web application to facilitate the registration and licensing process and acceptance of credit card payments. Our staff is key to the achievement of our objectives, and human resources initiatives undertaken during the year were aimed at enhancing the work environment. The implementation of development plans and a shared responsibility for performance with accountability between managers/supervisors and individual staff members, have led to the recognition of performance through a total of 12 promotions for the fiscal year. Cindy Scotland CMRAI Annual Report 2013-14 3

**ORGANISATIONAL CHART AS AT 30 JUNE 2014 CMRAI Annual Report 2013-14**

**4 BOARD OF DIRECTORS As at 30 June 2014 At 30 June 2014, the Board of**

Directors of the Cayman Monetary Regulatory Authority International comprised six members: Mr. George McCarthy, OBE, JP, Chairman Mr. Linburgh Martin, Deputy Chairman Mrs. Cindy Scotland, Managing Director Mr. Harry Chisholm, Director Professor William Gilmore, Overseas Director Mr. Raul Nicholson-Coe, Director Seated L-R: Deputy Chairman, Linburgh Martin; Managing Director, Cindy Scotland; Chairman, George McCarthy, OBE, JP Standing L-R: Director, Raul Nicholson-Coe; Director, Sara Collins (resigned effective March 31 2014); Director, Harry Chisholm; Overseas Director, Professor William Gilmore. CMRAI Annual Report 2013-14 5

**SENIOR OFFICERS**  
As at 30 June 2014 Managing Director Cindy Scotland Deputy  
Managing Director General Counsel Langston Sibblies, QC Deputy Managing  
Director Operations Patrick Bodden

**SUPERVISORY DIVISIONS**  
Banking Supervision Fiduciary Services

Insurance Supervision

Investments & Securities Head Reina Ebanks  
Deputy Head Sharon Braithwaite Deputy Head Gloria Glidden Head  
Rohan Bromfield Deputy Head Leticia Frederick Acting Head  
Morag Nicol Deputy Head Pedro Reis Head

Heather Smith CMRAI Annual Report 2013-14 6  
**DIVISIONS** Compliance NON-SUPERVISORY Policy & Development

			Legal		
Deputy General Counsel	Legal Counsel		Legal Counsel		Andre Mon D sir
Gail Goring Johnson	Angelina Partridge		OPERATIONS		
	Currency Operations				Finance
	Head Deborah Ebanks		Deputy Head		Shan Whittaker
Financial Officer	Gilda Moxam-Murray				Chief 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		Justine Plenkiewicz	Head	Deborah Musson Deputy
Head Tara Abdul-Jabbar			Head Chuck Thompson		Deputy Head Scott
MacLaren	CMRAI Annual Report 2013-14	7			INDUSTRY OVERVIEW
	CMRAI Annual Report 2013-14	8			BANKING AND RELATED SERVICES

**BANKING** The Sector 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. The jurisdiction remains among the top ten banking centres globally, based on the value of assets and liabilities booked through banks licensed in the jurisdiction. Figure 1: Region of Origin of Cayman-licensed Banks, June 2014 There were 210 banking licensees in the jurisdiction at 30 June 2014 (June 2013:221). These comprised seven retail category A banks, eight non-retail category A banks and 195 category B banks (June 2013:206). Of the 210 licensees, 136 were branches, primarily from the US and Brazil; 55 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 1 . Category A banks are allowed to operate both in the domestic and international markets and provide both retail and non-retail services to residents and non-residents. Traditional commercial retail banking services are provided by seven 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 banks and for the financing of external/cross-border business on their own account in the international market.

1 See Fiduciary Services , beginning on page 16, for further information on trust services. CMRAI Annual Report 2013-14 9 Banking Activity Cayman Islands-licensed banks Total international assets as at June 2014 stood at \$1.399 trillion, and liabilities at \$1.441 trillion. Domestic assets were \$34 billion and liabilities were \$60 billion. As at June 2014, the jurisdiction ranked sixth internationally in terms of external/cross-border assets of \$1.365 trillion (June 2013: \$1.503 trillion) 2 and fifth by external/cross-border liabilities of \$1.347 trillion 3 (June 2013: \$1.487 trillion 4 ) booked from the Cayman Islands. Figure 2: External/cross-border Assets and Liabilities of Cayman Islands-licensed banks, 2009-2014 The Cayman Islands-licensed banks

external/cross-border assets and liabilities have been declining steadily since June 2009 through June 2012. Despite posting a moderate increase in June 2013 the downward trend continued as at June 2014 (see Figure 2). These gradual decreases were most likely influenced by the lingering effects of the financial crisis on international credit markets, contraction of global economic growth, and legislative reforms to provide incentives for onshore banking. The decline in international external/cross-border banking activity is noted by the Bank for International Settlements (BIS) as primarily due to a slowdown in the Euro Area, in particular emerging European markets, which traditionally conduct transactions through the UK and US, who in turn account for the majority of international banking business of the Cayman Islands. 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. 2 Source:

Bank for International Settlements (BIS): Report titled 2A External positions of banks in all currencies vis- -vis all sectors. 3 Source: Bank for International Settlements (BIS):

Report titled 2A External positions of banks in all currencies vis- -vis all sectors, which excludes US\$34 billion in own issues of debt securities which are reported without counterparty country breakdown and is not considered to be cross-border as per recent changes to the reporting methodology by BIS. 4 Source: Bank for International

Settlements (BIS): Report titled 2A External positions of banks in all currencies vis- -vis all sectors, which excludes US\$36 billion in own issues of debt securities which are reported without counterparty country breakdown and is not considered to be cross-border as per recent changes to the reporting methodology by BIS. CMRAI Annual

Report 2013-14 10 Domestic 5 Assets and Liabilities in Foreign Currency 2009 - 2014

In addition to the \$1.365 trillion and \$1.347 trillion in external/cross-border assets and liabilities booked by Cayman-licensed banks as at June 2014, \$34 billion and \$60 billion in foreign currency assets and liabilities were booked in the domestic economy (see Figure 3). This increase in activity in the domestic economy is largely as a result of intra-bank bookings among Cayman-licensed banks for group bank and group non-bank transactions. Figure 3: Domestic Assets and Liabilities of Cayman

Islands-licensed Banks, 2009-2014 Domestic Sector Category A Retail Banks The domestic market continued to be serviced by seven retail banks: Butterfield Bank (Cayman) Limited, Cayman National Bank Ltd., Fidelity Bank (Cayman) Limited, FirstCaribbean International Bank (Cayman) Limited, HSBC Bank (Cayman) Limited, RBC Royal Bank (Cayman) Limited and Scotiabank & Trust (Cayman) Ltd. Six are subsidiaries of international banking groups and the seventh is owned by a financial group headquartered in the Cayman Islands. Of the \$34 and \$60 billion in assets and liabilities booked by category A and B banks in the domestic economy, the domestic retail banks held total assets and deposit liabilities of \$14.6 billion and \$12.8 billion from residents and non-residents. Table 1 shows total assets, loans and deposits for the seven retail banks on a consolidated 6 basis which includes their operations with their group entities operating under the Cayman-licensed bank outside of the Cayman Islands, and resident loans and deposits to the domestic market from their Cayman Islands banking operations.

5 Domestic refers to positions booked by Category A and B banks against entities licensed in the Cayman Islands (and considered legally resident by license) and resident households. 6 Figures are being reported on a consolidated basis to reflect the total legal entity's position. CMRAI Annual Report 2013-14 11 Table 1: Retail Bank figures 2009-2014 (in \$US) Year Total Assets Total Loans of which: Total Deposits of

which: Resident Loans Resident Deposits Jun-09 \$13.3 billion \$6.6 billion \$3.60 billion \$11.5 billion \$6.78 billion Jun-10 \$13.0 billion \$6.5 billion \$3.48 billion \$11.4 billion \$7.28 billion Jun-11 \$17.5 billion \$7.5 billion \$3.57 billion \$15.9 billion \$6.42 billion Jun-12 \$13.6 billion \$7.6 billion \$3.69 billion \$11.8 billion \$6.25 billion Jun-13 \$14.8 billion \$8.4 billion \$3.58 billion \$13.1 billion \$6.26 billion Jun-14 \$14.6 billion \$8.3 billion \$3.59 billion \$12.8 billion \$6.32 billion

Domestic Credit Credit from the retail banks to the domestic market (i.e. resident loans) increased slightly by \$17 million to \$3.593 billion as at June 2014, as compared to \$3.576 billion as at June 2013. This slight increase in credit was dominated by an expansion in lending to commercial private sector businesses of \$124 million, from \$0.946 billion as at June 2013 to \$1.070 billion as at June 2014; while the public sector, households and other financial corporations all recorded a reduction in credit of approximately - \$29 million, -\$73 million and -\$4 million, respectively, as shown in Table 2. This activity is in line with the real economy which is experiencing an increase in Gross Domestic Product (GDP) fuelling loans to businesses, a reduction in public sector debt and a tightening of credit to households, as a result of an increase in non-performing loans driven mainly by the current level of unemployment.

Table 2: Sectoral Distribution of Credit to the Domestic Market 2009-2014 (in \$US)

Sector	Jun-11	Jun-12	Jun-13	Jun-14
Total Resident Loans	\$3.576 billion	\$3.687 billion	\$3.576 billion	\$3.593 billion
Public Sector	\$0.475 billion	\$0.450 billion	\$0.426 billion	\$0.393 billion
Central Government	\$0.367	\$0.343	\$0.340	\$0.317
Public Sector Entities	\$0.108	\$0.107	\$0.086	\$0.076
Private Sector	\$3.095 billion	\$3.237 billion	\$3.154 billion	\$3.200 billion
Commercial Private Sector	\$1.095 billion	\$0.946 billion	\$0.946 billion	\$1.070 billion
Households	\$1.980 billion	\$2.240 billion	\$2.170 billion	\$2.097 billion
Other Financial Corporations	\$0.020 billion	\$0.051 billion	\$0.037 billion	\$0.033 billion

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Table 3: Financial Soundness of the Domestic Retail Banks Table 3 provides a picture of the retail banks financial soundness as at the end of their financial years 2009 through 2013, and at the end of their second quarter 2014 7 . When averaging the data, the financial position of the domestic retail banks is moderately healthy with signs of ongoing difficulties in the asset portfolio as at 30 June 2014. While the ratios do not indicate a return to the years prior to the global financial crisis, signs of improvements can be found within some key indicators. The declines that retail banks have experienced have been marginal, considering the high level of exposure to the residential real estate sector and increase in unemployment. The impact of the economic downturn in the domestic economy is notable in the increase in banks non-performing loans (NPLs). The profitability of Cayman s retail banks has been returning slowly since 2009. Higher net interest margins clearly reflect improving profitability indicators. High capitalisation and ample liquidity underline the stability of the domestic banking system.

Capital Adequacy - The capital adequacy ratio for the seven locally incorporated retail banks averaged 17.7% as at June 2014, and has remained comfortably above the minimum CAR of 15%. This is well in excess of the 8% minimum requirement set by the Basel Committee on Banking Supervision and the 10% set by the Banks and Trust Companies Law (2013 Revision). This is a revelation of the significant capital cushion the domestic retail banks hold in relation to international expectations.

Asset Quality - The ratio of nonperforming loans (net of provisions) to capital has remained at over 10% since 2010. Asset deterioration is driven by loan delinquency in four main sectors, mainly, residential mortgages households, commercial mortgages, retail lending/consumer loans households, and

non-financial corporations industrial and commercial private sector. This is due to general weakness in the overall economy with a high level of unemployment and slowdown in economic activity. Non-performing loans ( NPLs ) NPLs have been averaging in the range of 3.4% to 3.5% for the retail banking sector over the past three years. This is well above the pre-crisis range of 1% to 2%. This is nonetheless a better result when compared to other jurisdictions in the Caribbean where some are seeing their NPLs hit the high teens.

Earnings and Profitability - Cayman retail banks profitability contracted significantly in 2010, reflecting lower interest income and higher operating costs. Since 2010, banks are showing signs of fairly stable profits balanced by a significantly improving interest margin to gross income measure, but offset by increasing non-interest expenses. In the last two years, non-interest expenses have jumped

7 As CMRAI s financial/fiscal year-end is June and banks have different year-ends, figures as at the end of June are captured along with figures from the banks individual year-ends. CMRAI Annual Report 2013-14 13 to around 62% after being stable at 50%. Return on Assets (ROA) and Return on Equity (ROE) have risen to 1% and 8.7%, respectively. Liquidity -

Liquidity has declined for Cayman s retail banks in aggregate - from 48.1% at end-2011 to 31.1% at June 2014. Authorisation Activity Banks continue to consolidate and

restructure in search of cost efficiencies, and improvements in operational risk management and governance. This is reflected in a decline in the number of bank licences issued over the last five years (see Figure 4). The 210 licences held as at June 2014 represent a 4.98% decline from the 221 held as at June 2013. Table 4 shows bank

licensing and termination activity for the fiscal years 2009 to 2014. Figure 4: Number of Bank Licences, by Category, Fiscal Year-end 2009-2014 Table 4: Category A and B Bank activity 2013-2014

Jurisdictional Comparisons As illustrated in Table 5, changes in the number of banks licensed in the listed jurisdictions were relatively static. Cayman and Singapore had the sole declines of 0.94% and 1.24%, respectively, while Panama posted a modest increase. All other jurisdictions remain unmoved since the end of 2013.

251 249 234 220 206 195 18 17 16 15 15 15 0 50 100 150 200 250 300 June 2009 June 2010 June 2011 June 2012 June 2013 June 2014 Category A Category B CMRAI Annual Report 2013-14 14 Table 5: Bank Licence Numbers - Selected Jurisdictions, 2010-2014 Fiscal Year-end (Positive change percentages are increases in nominal values)

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 2014 there were six licences in effect, of which four were actively involved in the remittance business. Remittances sent from the Cayman Islands to other jurisdictions through these entities for fiscal year June 2014 fell marginally to \$174 million from \$178.8 million in 2013. The remittance outflows have been trending downwards since 2008, which can most likely be attributed to the economic slowdown following the 2007-8 financial crisis. Figure 5: Total Remittance Outflows, June 2008 to June 2014

Jamaica remained the largest recipient of remittances from the Cayman Islands in fiscal year June 2014, with 62.3% (June 2013: 64.49%) of the US\$174 million going to that country (see Figure 6). Remittances inflows through the money service providers totalled \$6.9 million (June 2013: \$4.9 million 10), with 43.2% of this amount coming from the United States (see Figure 7).

8 June 2013 figures were revised due to changes in the reporting methodology. 9 June 2013 figures were revised due to change in the reporting methodology 10 June 2013 figures were revised due to change in the reporting methodology 229 224 185 182 179 178 174 120 140 160 180



200 220 240 2008200920102011201220132014 Value of Remittances (US \$ Millions) Years  
 US\$ CMRAI Annual Report 2013-14 15 Figure 6: Proportion of Total Remittance  
 Outflows, Fiscal Year June 2014 Figure 7: Proportion of Total Remittance Inflows, Fiscal  
 Year June 2014

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 2014 remained at four.

JAMAICA 62% HONDURAS 7% PHILIPPINES 13% DOMINICAN REPUBLIC 2% NICARAGUA 2% COLUMBIA 1% GUYANA 1% UNITED STATES 6% OTHER 6% Outflows JAMAICA 16% HONDURAS 2% PHILIPPINES 1% NICARAGUA 1% COLUMBIA 1% TRINIDAD & TOBAGO 1% UNITED KINGDOM 11% UNITED STATES 43% CANADA 10% OTHER 14% Inflows CMRAI Annual Report 2013-14 16

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 Division. There are three licence categories and two registration categories for trust business. These are: Trust the licensee is authorised to carry on the business of acting as trustee, executor or administrator; Restricted Trust the licensee is authorised to undertake trust business only for persons listed in any undertaking accompanying the application for the licence; Nominee (Trust) the 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 382 companies providing these services in and from the jurisdiction as at 30 June 2014. Figure 8 shows the breakdown of trust companies by authorisation type at fiscal year-end, 2010 to 2014. Figure 8: Number of Trust Licences by Category, 2010-2014

Licensed trust companies in Cayman provide trust services. These services 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. 158 152 147 140 132 78 71 71 67 65 73 65 63 59 56 36 56 70 85 91 14 27 39 35 38 0 50 100 150 200 250 300 350 400 450 June 2010 June 2011 June 2012 June 2013 June 2014

Controlled Subsidiaries (Registered) Private Trust Cos. (Registered) Nominee Trust Licence Restricted Trust Licence Trust Licence CMRAI Annual Report 2013-14 17

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 management 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 6 shows trust company authorisation activity for the fiscal year. Overall, the sector remained fairly stable in 2013-14.

Table 6: Trust Authorisation Activity, 2013-2014

Authorisation Type	Active as at 30 June 2013	Terminated 1 July 2013	30 June 2014	Active as at 30 June 2014
Trust Company (Licensed)	138	7	132	138
Trust Company Restricted (Licensed)	67	3	1	65
Nominee Trust (Licensed)	58	2	0	56
Controlled Subsidiaries (Registered)	40	3	6	43
Private Trust Companies (Registered)	85	7	13	91
<b>Total</b>	<b>*388</b>	<b>22</b>	<b>21</b>	<b>387</b>

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 trust companies. The net decline in restricted trust companies since 2008 (see Figure 8) is mainly attributable to licence holders choosing to surrender their licences in order to register as private trust companies. There were a total of 91 private trust companies as at June 2014, with 6 being registered during the fiscal year. It is anticipated that this upward movement in registration will continue.

Jurisdictional Comparisons Table 7 shows the number of licensed trust entities for calendar years 2009 to 2013 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 decline in Cayman's trust licences since 2008 partially reflect the movement of licensees to the new registration categories.

CMRAI Annual Report 2013-14 18 Table 7: Number of Licensed Trust Companies - Selected Jurisdictions, 2009-2013

Calendar Year	end	Jurisdiction	2009	change	2010	change	2011	change	2012	change	2013
Cayman*	315	7%	293	14.3%	251	6.8%	234	3.85%	225	BVI	217
	188	0.53%	189	0%	189	Bahamas	220	4.55%	230	18.67%	273
	245	5.77%	245	0%	245	Bermuda	32	3.12%	31	3.2%	32
	72	6.9%	67	1.49%	68	Guernsey**	197	1.01%	199	8.04%	183
	151	0.66%	150	0.66%	150	Isle of Man	131	0.76%	130	2.3%	127
	181	1.63%	181	0%	181	Jersey**	184	1.63%	181	2.21%	177
	71	4.23%	74	4.23%	74	Turks & Caicos	19	5.26%	18	22.2%	14
	12	0%	12	0%	12	Singapore	37	29.73%	48	4.2	50
	51	0%	51	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. N/A: Figures

not available

**CORPORATE SERVICES** The Sector The Cayman Islands holds its own among locations from which corporate/company management services are provided (see Table 8 for jurisdictional comparisons) and the sector has seen steady growth over the last several years (see Figure 9), with 113 such companies active at 30 June 2014. Figure 9: Number of Company Manager and Corporate Service Provider Licences, 2010-2014

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.

Year	Company Managers	Corporate Service Providers	Total
June 2010	77	82	159
June 2011	86	93	179
June 2012	97	79	176
June 2013	115	160	275
June 2014	120	160	280

Corporate Service Providers Company Managers CMRAI Annual Report 2013-14 19 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 8 shows authorisation activity for company managers and corporate service providers for 2013- 2014. The 113 licences in effect at 30 June 2014 represent an increase of 4.63% over June 2013. Table 8: Companies Management Authorisation Activity, 2013-2014

Authorisation Type	Active as at 30 June 2013	Terminated 1 July 2013	Issued 1 July 2013	Active as at 30 June 2014
Company Manager (Licensed)	93	5	97	95
Corporate Service Provider (Licensed)	15	2	16	19
<b>Total</b>	<b>108</b>	<b>7</b>	<b>113</b>	<b>113</b>

Jurisdictional Comparisons Table 9 shows the number of active corporate services licences for calendar years 2009 to 2013 in the Cayman Islands and in other international financial centres for which figures are available. Table 9: Corporate Services Licence Numbers - Selected Jurisdictions, 2009-2013

Jurisdiction	2009	change	2010	change	2011	change	2012	change	2013
Cayman	84	0%	84	9.5%	92	6.52%	98	12.24%	110
BVI	20	5%	21	14.3%	18	16.67%	21	4.76%	20
Gibraltar	67	10.4	74	2.7%	72	6.9%	67	1.49%	68
Guernsey	197	3.55%	199	8.04%	183	17.49%	151	0.66%	150
Isle of Man	209	3.82%	201	10.9%	179	7.26%	192	9.38%	174
Jersey	184	1.63%	181	2.21%	177	4.52%	185	2.16%	189
Turks & Caicos	43	27.90%	31	3.2%	30	26.7%	22	77.27%	39

Note: Figures provided have been collected from the relevant websites and overseas contacts. N/A: Figures not available \* Jersey, Gibraltar and Guernsey's figures include both trust and company businesses licensed, inclusive of affiliation members. CMRAI Annual Report 2013-14 20

**INSURANCE** The Sector The insurance industry in the Cayman Islands has two distinct sectors: the domestic market, which provides insurance of local risks by locally incorporated companies or those operating as branch operations in Cayman, and the international market, which provides insurance of foreign risks by insurers from within the Cayman Islands. CMRAI, through its Insurance Supervision Division, regulates and supervises all insurance entities operating in and from the Cayman Islands. The Authority provides four classes of licence for insurance

companies: Class A for domestic insurers, Class B for international insurers, Class C for fully funded vehicles, e.g. insurance linked securities and Class D for commercial reinsurers. Class C and D were included during the previous fiscal year with the enactment of the Insurance Law, 2010. CMRAI also regulates insurance managers, brokers and agents 11 . The International (Captive) Segment The industry is dominated by the international segment, comprised primarily of captive insurance companies 12 and their service providers (hence the popular reference to this segment as the captive market). The size of this market is evidenced by the number of insurance companies: 764 at 30 June 2014 (see Figure 10); the premiums generated: US\$12.3 billion total at 30 June 2014, and the assets held: US\$54.9 billion total at 30 June 2014 (Figure 11). Figure 10: Number of Cayman Islands International (Class B, C, D) Insurance Licences, 2010-2014 With these figures, the segment also claims a major share of the global insurance market. Worldwide, the Cayman Islands is the second largest domicile for captive insurance companies. Moreover, with 34% of Cayman's captives covering healthcare risks (see Figure 12), the jurisdiction is the number one domicile for healthcare captives.

11 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, or through representatives, advertising or other means, domestic business on behalf of not more than one insurer ; Insurance Broker - a person (not being an insurer) who negotiates directly or through representatives or other means, contracts of insurance or of reinsurance on behalf of more than one insurer, or for placement with insurers or reinsurers (Insurance Law (2008 Revision) s.2). 12 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.

700 710 720 730 740 750 760 770 June 2010 June 2011 June 2012 June 2013 June 2014  
760 725 731 750 764 CMRAI Annual Report 2013-14 21 Other types of coverage provided by Cayman captives include: general and professional liability, workers compensation, property, auto and product liability, and life and annuity. Figure 11: Total Premiums & Assets of Cayman Islands Class B Insurance Licensees, Fiscal Year-end 2006-2014

Figure 12: Cayman-Domiciled International Insurance Companies by Type of Coverage, 30 June 2014 While the vast majority of companies in the international segment of Cayman's insurance industry are self-insured captives of one type or another, a small number are engaged in commercial operations, providing insurance or reinsurance coverage to non-related entities. Along with insurance companies, the international segment comprises insurance managers. The international insurers originate mainly from North America, with the next largest geographical source being the Caribbean and Latin America, collectively (see Figure 13). The captive industry in Cayman began in the mid-1970s with the medical malpractice insurance crisis in the United States, and was formalized with the introduction of the Insurance Law in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in Cayman to provide for their risk management needs. As a result, Cayman has developed particular expertise in this area. Figure 13: Cayman-Domiciled International Insurance Companies by

Location of Risks Covered, June 2006 June 2007 June 2008 June 2009 June 2010 June 2011 June 2012 June 2013 June 2014 Total Premiums 7.37.57.67.97.59.18.913.512.3 Total Assets 29.232.336.440.242.357.478.982.854.9 0 10 20 30 40 50 60 70 80 90 Value (in Billions) US\$ Automobile P.D. & Liability 2% Credit Life 2% General Liability 10% Life 3% Medical Malpractice Liability 34% Professional Liability 9% Property 12% Workers' Compensation 22% Other 6% CMRAI Annual Report 2013-14 22 30 June 2014

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, which otherwise is unavailable if self-funding retained risk. (The reinsurance market generally provides better rates and conditions than the direct market.) More recently, Alternative Financing Vehicles (e.g. insurance-linked securitization contracts) have been formed to allow reinsurers access to capital markets for catastrophe cover. Segregated Portfolio Companies (SPCs) also called Protected Cell Companies that typically provide captive products for smaller organisations, are also a significant part of the market. During the 2012-13 fiscal year, significant revisions to the Insurance Law were introduced, affecting the solvency and reporting requirements for Class B, C and D insurance licences. These changes to the Insurance Law came into effect on 1 November 2012. Due to the transitional arrangements introduced by law, which were extended during the 2013-14 fiscal year by a further period of eighteen months from 1 May 2014, licensees have until 31 October 2015 to do what is necessary to bring themselves into full compliance with the Law. The Domestic Segment The domestic market comprises insurance companies (both locally incorporated and branches of foreign companies) and intermediaries (brokers and agents). Business is written directly, or through the brokers and agents.

Africa, Asia & Middle East 6 (0.79%) Caribbean & Latin America 24 (3.15%) Europe 14 (1.84%) North America 690 (90.29%) Pacific Rim 2 (0.26%) Worldwide 28 (3.67%) CMRAI Annual Report 2013-14 23 Figure 14: Number of Cayman Islands Domestic Insurance Licences, by Category, Fiscal Year-end 2010-2014

Domestic insurers provide a range of coverage to local policyholders, with health; marine and property being the top three categories, accounting for approximately 82% of premiums written by the sector for calendar year 2013 (see Figure 15). Figure 15: Coverage Provided by Class A Insurers, Measured by Gross Written Premiums, 2013 Calendar Year

Industry Activity At 30 June 2014, there were 926 insurance licensees regulated by the Authority (June 2013: 906). Of these, 723 were class B, 39 were class C, 2 were class D, 27 were class A, 31 were insurance managers, 41 were brokers and 63 were agents. 106 60 58 60 63 34 37 38 40 41 32 32 32 29 31 29 29 27 27 27 0 50 100 150 200 250

June 2010 June 2011 June 2012 June 2013 June 2014 Class A Insurance Companies Managers Brokers Agents Health 41% Property 26% Marine & Aviation 15% Liability 6% Motor 5% Life 5% other 2% CMRAI Annual Report 2013-14 24 Table 10: Insurance Licensing Activity 2013-2014

Licence Type Active as at 30 June 2013 Terminated 1 July 2013 - 30 June 2014 Issued 1 July 2013 - 30 June 2014 Active as at 30 June 2014 Class A 27 0 0 27 \* Class B, C, D 750 14 28 764 Insurance Managers 29 0 2 31 Brokers 40 1 2 41 Agents 60 1 4 63 TOTAL 906 16 36 926 \* The number of Class A insurance companies writing business at 30 June 2014 was 23 as Class A insurer Motor

and General Insurance Company Limited was under controllership, Dyoll Insurance Company Limited has liquidators appointed, and Reliastar Life Insurance Company of New York and Occidental Life Insurance Company of North Carolina were in run-off. Captives

Twenty-eight new entities were added to the Cayman Islands international insurance market during the fiscal year, to bring the total number of licensees to 764. This was achieved amid not so favourable conditions for growth in the global captive industry, mainly due to a prolonged soft market for the medical liability industry, consolidation of healthcare systems in the United States and independent physicians becoming employees of hospital/health systems, partly as a result of healthcare reforms. The degree of uncertainty still surrounding healthcare reforms in the USA could result in hospital systems and other healthcare organisations in the United States taking a wait-and-see approach to determine if their risk management strategies should include captives. This, coupled with the prolonged soft market for the medical liability industry could result in a drop in new healthcare captive formations. However, there is an increased popularity of hedge funds establishing reinsurance captives in offshore jurisdictions, with asset managers realizing that by setting up their own reinsurance operations they could not only achieve substantial returns, but could also attract larger investments from institutional investors such as pension funds. With the Cayman Islands being a leading jurisdiction for hedge funds and the second largest jurisdiction for offshore (re)insurance operations, it is well positioned to build on its expertise to be the domicile of choice for the emerging hedge fund-backed reinsurers. Cayman is already home to hedge fund-backed reinsurance operations and has seen an increased interest from hedge fund administrators/investment managers to set up (re)insurance operations in the Cayman Islands, especially to provide long-term/long-tail, low-severity reinsurance cover. There was a decrease in the number of licences cancelled during 2013-14 (14) compared to 2012-13 (37) and 2011-12 (30). The higher number of cancellations in previous years was mostly reflective of CMRAI's review and cleaning out of a number of licences that had been surrendered in prior years, but not removed from the system. In addition, the cancellations included Special Purpose Vehicles (SPVs) that completed their one-year policy duration. Despite the general soft global insurance marketplace, there was continued demand in 2013-14 for the use of captives, primarily in the areas of medical malpractice liability (the primary class of business for 34% of class B licences at 30 June 2014), workers compensation (22% of licences) and property coverage (12%). The most popular region of origin of Cayman captives continues to be North America, which accounted for 90% of captives at fiscal year-end (see Figure 13). This was followed by Latin America and the Caribbean: 3.2%. With 1.9% of companies covering risk in Europe, that region became the third CMRAI Annual Report 2013-14 25 largest risk location, overtaking Africa, Asia and the Middle East which accounted for 1%, Pacific Rim: 0.3%, and the rest of the world accounted for a combined 3.6%. Table 11: International Insurance Company Statistics by Company Category and Licence Class, 30 June 2014 Among the 764 international insurance companies were 139 segregated portfolio companies under the Companies Law, with a total of 598 segregated portfolios operating within them. Open market insurers accounted for 5% of total international insurance companies active at 30 June 2014. Jurisdictional Comparisons - Captives As shown in Table 12, between 2009 and 2013, most of the jurisdictions for which figures are available experienced very small variations/declines in the number of licences, evidence of the extremely soft commercial insurance

markets. Nevertheless, the Cayman Islands continued prominence as a captive domicile is evidenced by the total number of captive insurance licenses (760) recorded at the end of 2013. This figure represented a 3% growth from the 2012 figure. While other domiciles experienced declines in captive insurance licenses, the Cayman Islands moved towards its 2009 record high of 780 captive insurance licenses. Table 12: Captive Insurance Licence Numbers - Selected Jurisdictions, 2009-2013-Calendar Year-end 2010 Source: Captive Review March 2011: 2011 Survey Top Leading Captive Domiciles. 2011 Source: Captive Review May 2012: 2012 Survey Top Leading Captive Domiciles.

N/A Data not available Domestic Activity In 2013, there were 27 insurance companies operating in the Cayman Islands domestic insurance industry. As depicted in Table 13, total gross written premium (GWP) generated by the insurance companies amounted to CI\$445.0 million, compared to previous year GWP of CI\$402.5 million. Category Total Licences To date % Total Premiums Net Income Net Worth Total Assets Commercial Insurer 39 5.14% 1,164,729,898 54,834,478 1,480,606,726 7,700,543,388 Group Captive 130 17.00% 1,999,415,329 359,475,382 2,992,193,968 5,946,470,913 Pure Captive 415 54.28% 7,322,352,099 969,531,684 6,995,463,840 26,880,222,431 Reinsurance Companies 2 0.26% 918,711,606 280,795,141 292,142,122 6,068,952,647 Segregated Portfolio Company 139 18.18% 686,477,374 28,164,767 710,923,001 4,559,658,223 Special Purpose Vehicle 39 5.14% 241,932,670 -5,232,505 -25,019,521 3,770,648,257 Totals: 764 100.00% 12,333,618,976 1,687,568,974 12,446,310,136 54,926,495,859

Jurisdiction	2009	Change 2010	Change 2011	Change 2012	Change 2013
Cayman	780	5%	738 - 739	- 741	3%
Barbados	N/A	- 242	- N/A	8%	261 - N/A
Bermuda	885	5%	845	2%	862
BVI	831	3%	855	3%	831
Hawaii	285	23%	219	21%	174 - N/A
N/A	- 168	2%	172	- N/A	- N/A
S. Carolina	147	9%	160	4%	153 - N/A
Vermont	560	3%	576	2%	590 - 593
CMRAI Annual Report 2013-14	26	1%	588		

The domestic insurance industry has recorded a GWP growth rate of 10.6% in 2013, compared to 7.1% recorded in 2012. As in the past years, general insurance business, which includes health insurance business, led the market with a share of 94.9% of the total GWP. In 2013, general insurance business recorded premium income of CI\$422.5 million and a growth of 10.1%, compared to CI\$383.7 million and growth of 7.6% in 2012. This growth was largely driven by the increase in Marine & Aviation lines of business. The life insurance market reported negative growth of 0.6% in 2013, compared to negative growth of -3.0% in 2012. A protracted low interest rates environment, stagnant population growth in the Cayman Islands and higher unemployment may have contributed to the negative growth of the life insurance industry. From an insurance standpoint, Cayman's domestic insurance market is a small market with one of the highest insurance penetration rates and insurance density rates in the world. Insurance penetration which is expressed as insurance premium, as a percentage of GDP increased to 16.7% in 2013, from 15.6% in 2012. Insurance density which is stated as the ratio of premium to total population also increased to CI\$7,917 in 2013, from CI\$7,171 in 2012. Among the revisions introduced to the Insurance Law during the 2012-13 fiscal year, were enhanced requirements with regard to the solvency and reporting requirements of Class A insurers. The initial 18-month transitional period introduced by the law to allow the licensees to bring themselves into full compliance with the new capital adequacy and solvency requirements was extended during the 2013-14 fiscal year by a further period of 18 months from 1 May 2014. During the period, CMRAI will continue to work with the insurance industry. Table 13: Domestic

Insurance Company Statistics by Primary Class of Business as at 31 December 2013 (CI\$ 000 ) (based on unaudited financial statements)

	Property	Motor	Health	Liability	Marine	Aviation	Other	Life	Grand Total
Direct premiums	115,043	23,725	181,393	26,155	66,616	9,519	22,590	445,041	
Assumed premiums	0	0	0	0	0	0	0	0	
Ceded premiums	-79,603	-9,687	-31,892	-2,299	-158	-649	3,937	-120,351	
Unearned premium adjustment	-3,629	855	6	89	0	-12	0	-2,691	
<b>TOTAL UNDERWRITING INCOME</b>	<b>31,811</b>	<b>14,893</b>	<b>149,507</b>	<b>23,945</b>	<b>66,458</b>	<b>8,858</b>	<b>18,653</b>	<b>314,125</b>	
Net loss and loss adjustment expenses paid	931	7,230	110,124	5,604	8,196	213	8,366	140,664	
Change in reported outstanding claims	-350	265	4,646	5,806	1,579	18	1,121	13,085	
Change in IBNR	23	-276	4,853	-217	-1	28	0	4,410	
Incurred Loss Sub Total	604	7,219	119,623	11,193	9,774	259	0	148,672	
Acquisition and General Expenses	2,782	2,937	15,551	1,370	158	112	10,015	32,925	
<b>TOTAL UNDERWRITING EXPENSES</b>	<b>3,386</b>	<b>10,156</b>	<b>135,175</b>	<b>12,563</b>	<b>9,932</b>	<b>371</b>	<b>19,502</b>	<b>191,085</b>	
<b>TOTAL UNDERWRITING INCOME (LOSS)</b>	<b>28,425</b>	<b>4,737</b>	<b>14,332</b>	<b>11,382</b>	<b>56,526</b>	<b>8,487</b>	<b>-849</b>	<b>123,040</b>	
Net Investment Income	n/a	n/a	n/a	n/a	n/a	n/a	n/a	13,835	
Other Revenue/(Expenses)	n/a	n/a	n/a	n/a	n/a	n/a	n/a	-10,342	
<b>TOTAL INCOME (LOSS)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>126,533</b>	

CMRAI Annual Report 2013-14 27 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, some 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 13). Despite the decline in new fund authorisations since the credit crisis in 2008, the funds industry remains healthy, with 11,296 total funds as of 30 June 2014, compared to 11,209 as 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 as at June 2014 includes 2,676 master funds that registered as a direct result of The Mutual Funds (Amendment) Law, 2012, gazetted on 10 January 2013. (See Figure 16)

The MFL makes provision for three categories of regulated funds: licensed, administered and registered, and charges the 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 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 interest 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 2011 Investment Statistical Digest, of the 6,917 regulated funds that filed a 2011 FAR with CMRAI, 44% required a minimum initial investment of US\$1,000,000 or greater (see Figure 18).

Figure 16: Number of Cayman Regulated Funds, by Category, Fiscal Year-end 2010-2014

To be authorised as such, an administered fund must have a licensed mutual fund administrator in Cayman providing its principal office. The Mutual Funds Law 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), fund administration (including the calculation of net asset value 9378 9189 8596 8243 8116 1732 2449 2676 427 424 418 400 395 130 128 123 117 109 0 2000 4000 6000 8000 10000 12000 June 2010 June 2011 June 2012 June 2013 June 2014 Licensed Administered Master Registered CMRAI Annual Report 2013-14 28 and/or registrar and transfer agency services), providing a principal office in the Cayman Islands, or providing an operator (i.e., the director, trustee or general partner) to the fund. Two categories of mutual fund administrator licence 13 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 17, Mutual Fund Administrators by Category, 2010-2014. Figure 17: Number of Mutual Fund Administrators, by Category, 2010-2014 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 8,383 regulated funds that had a financial year end in 2012 and that submitted the required Fund Annual Return form via CMRAI's electronic reporting system. 14 These 8,383 funds had total assets of US\$2.5 trillion combined and net assets of US\$1.9 trillion. The 2012 Investment Statistical Digest captured for the first time information specific to master funds and indicated that the Ending Net Assets of the master funds was US\$853 billion, which increased from the Opening Net Assets of US\$744 billion. This increase was due to subscriptions of US\$243 billion, redemptions of US\$220 billion, Dividends of US\$2 billion and Net Income of US\$88 billion. The data indicate that funds overall had a profitable year, with returns on both gross and net assets increasing from 0.6% and 0.8% in 2011, to 5.3% and 7.4% in 2012, 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 as New York, United Kingdom, Connecticut, California and Massachusetts. Cayman remained the primary location from which fund administration services (registrar and transfer service) was provided for these funds. In addition to the factors that facilitate financial services generally from the Cayman Islands, investors and their fund promoters/sponsors primarily form hedge funds in the Cayman Islands in order to benefit from its tax neutral platform, which allows investors from multiple jurisdictions to avoid excessive layers of foreign taxation in addition to their home country tax. This tax neutrality provides a level playing field for all investors, natural persons or institutional, within the complex parameters of existing tax and securities laws that apply to the investors, the management team and the business or investment activities in their multiple home jurisdictions. It does not mean that investors avoid paying taxes. The fact that the MFL does not impose restrictions on investment strategies, limits on leveraging, mandate resident directors or the physical presence of funds service providers in the Cayman Islands, as well as the fact that there is a distinction between the regulation of public funds and that of non-public funds, are other reasons for the growth of the Cayman Islands as a funds domicile.

13 A third authorisation category, exempted, which previously existed, has been discontinued. However, administrators already authorised in this category remain. 14 See CMRAI's Investments Statistical Digest 2012 available on the Authority's website at 92 94 89 88 84 44 37 34 33 30 2 2 2 2 0 20 40 60 80

100 120 140 160 June 2010 June 2011 June 2012 June 2013 June 2014 Exempted Restricted Full CMRAI Annual Report 2013-14 29 Figure 18: Minimum Initial Investment Required by Cayman-Regulated Funds Filing a Fund Annual Return for 2012 Authorisation Activity Funds - Fiscal year to date, 1,653 regulated entities were authorized and 1,674 regulated entities were terminated, compared to 1,635 and 1,209 respectively during the same period in 2013. The total number of regulated funds as at 30 June 2014 was 11,296 (comprising of 8,116 registered funds, 2,676 master funds, 395 administered funds and 109 licensed funds), compared to 11,209 for the same period in 2013 (comprising of 8,243 registered funds, 2,449 master funds, 400 administered funds and 117 licensed funds). Administrators The number of licensed mutual fund administrators decreased during the fiscal year from 123 to 116. There were four new mutual fund administrators licence applications approved and ten licences cancelled during the fiscal year. The trend to downsize through mergers and acquisitions continues. As of 30 June 2014, there were 116 licensed mutual fund administrators (2 Exempted, 84 Full and 30 Restricted), compared to 123 for the same period in 2013. Jurisdictional Comparisons - Funds Table 14 shows the number of active funds for calendar years 2009 to 2013 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 2008 and 2012 largely reflects the impact of the US recession and the continued instability in the global financial markets.

Table 14: Regulated Fund Numbers - Selected Jurisdictions, 2009-2013 Calendar Year-end \* Restatement of number due to enhancements made by Regulator.

Jurisdiction	2009	2010	2011	2012	2013
Bahamas	788	753	713	652	750
Bermuda	1,309	1,181	772	762	698
BVI	2,923	2,951	2,627	2,318	2,238
Dublin	961	1,022	1,121	1,158	1,324
Jersey	1,392	1,388	1,334	9,524	9,438
Cayman	10,841	11,379			

SECURITIES INVESTMENT BUSINESS The Sector Securities investment business activities carried out in and from the Cayman Islands include: dealing in securities, arranging deals, investment management and provision of investment advice. The Securities Jurisdiction % change (09 v 08) 2009 % change (10 v 09) 2010 % change (11 v 10) 2011 % change (12 v 11) 2012 % change (13 v 12) 2013 Bahamas 9.1% 788 4.4% 753 5.3% 713 8.6% 652 15.0% 750 Bermuda 15.5% 1,309 9.8 1,181 34.6% 772 1.3% 762 8.4% 698 BVI 0.6% 2,923 .0 2,951 11.0% 2,627 11.8% 2,318 3.5% 2,238 Dublin 1.4% 961 6.3 1,022 9.7% 1,121 3.3% 1,158 3.2% 1,195 Jersey 12.1% 1,294 .3 1,324 5.1% 1,392 0.3% 1,388 3.9% 1,334 Cayman 3.5% 9,524 0.9 9,438 1.9% 9,258 17.1% 10,841 5.0% 11,379 CMRAI Annual Report 2013-14 30 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 criteria to be excluded from the licensing requirement, in which case they must be registered as excluded persons. Since 2003, when the SIBL regime commenced, the excluded persons category has accounted for the vast majority of SIBL authorisations (see Figure 19). Most of the entities in this category conduct securities investment business exclusively for institutions or sophisticated investors. The majority of the licensees are Category A Banks, or affiliates thereof, that maintain securities investment business licences in order to provide securities investment services to their customers. Figure 19: Number of Regulated Securities Investment Business Entities, 2010-2014 Authorisation Activity The securities investment business continues to show steady growth. Two new licence applications were approved in the fiscal year. As of 30 June 2014, there

were 37 licensed Securities Investment Business holders and 2,190 SIBL Excluded Persons, compared to 34 and 2,064 respectively during the same period in 2013.

2414 1936 2035 2064 2190 28 31 32 34 37 0 500 1000 1500 2000 2500 3000  
June 2010 June 2011 June 2012 June 2013 June 2014 Licensees Excluded Persons  
(Registered) CMRAI Annual Report 2013-14 31

ORGANISATIONAL DEVELOPMENTS CMRAI Annual Report 2013-14 32

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.

STRATEGIC GOALS CMRAI completed a three-year strategic plan approved by the Authority's Board of Directors. In summary, the strategic priorities were: 1. to further modernise regulation and enhance supervision in order to ensure that Cayman keeps on par with the evolving international regulatory standards and best practices that are relevant to our business; 2. to intensify CMRAI's international cooperation and involvement so as to: ensure that the Authority does its part in maintaining the safety and sound regulation of the international financial system; enable Cayman to continue to contribute to the development of international rules and standards that affect this jurisdiction, and to enhance the jurisdiction's reputation; 3. to facilitate the Government and private sector's efforts to further develop the Cayman Islands as an international financial centre, and 4. to increase CMRAI's effectiveness and cost-efficiency. CMRAI Annual Report 2013-14 33 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, HSBC 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 2014, the value of the currency reserve assets was CI\$102.624 million (2013: \$97.930 million) representing 111.88 per cent (2013: 112.26 per cent) 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 57 and following).

**Issue and Redemption of Currency**

**Currency in Circulation - At 30 June 2014**, currency in circulation (excluding numismatic coins) stood at \$81.5 million in notes and \$10.2 million in coins, totalling \$91.7 million. This represents a 5.2% increase from the 30 June 2013 figure of \$87.2 million. Table 15 shows currency in circulation at fiscal and calendar year-end from 2010 to 2014. Figure 20 shows currency in circulation by month from 2010 to 2014.

**Table 15: Currency in Circulation at Fiscal and Calendar Year-end, 2010-2014 (in CI\$m)**

DATE	2010	2011	2012	2013	2014
30 June	78.4	84.9	88.7	87.2	91.7
31 December	85.2	89.7	94.0	96.2	

**2010 New Family of Banknotes** The \$100 banknote is the only denomination of the D Series which remains to be put into circulation. CMRAI Annual Report 2013-14 34

**Figure 20: Cayman Islands Currency in Circulation by Month: 2010-2014**

**Counterfeit Detection** A total of 11 forged banknotes was detected and withdrawn from circulation in 2013-14, compared to 24 detected and withdrawn in the prior fiscal year. Table 16 shows the number of forged banknotes, by denomination, which were withdrawn from circulation in each of the six-month periods between 1 July 2010 and 30 June 2014.

**Table 16: Counterfeit Cayman Islands Currency Notes Recovered, July 2010-June 2014**

	2010	2011	2012	2013	2014	Total No. of Notes	Total Dollar Value
\$100	5	8	7	0	0	4	3
\$50	0	10	5	1	1	2	1
\$25	0	19	23	1	4	7	0
\$10	0	7	2	7	2	2	4
\$5	0	0	0	0	0	0	0
\$1	0	0	0	0	0	0	0
\$500	2,495	\$1,595	\$95	\$170	\$715	\$390	\$120

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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 Monetary Regulatory Authority International and regulated sectors operated as at 30 June 2014 are shown in Table 17. Copies of all rules, statements of guidance and policies

and procedures issued by the Authority are available on the CMRAI website. The regulatory measures issued during the 2013-14 fiscal year are listed in Table 18. Table 17: The Cayman Monetary Regulatory Authority International Regulatory Framework (as at 30 June 2014) Sector/ Entity type CI Law International Standards / Memberships All Monetary Authority Law (2013 Revision), and amendment Proceeds of Crime Law (2008) Money Laundering Regulations (2013 Revision), and amendment Terrorism Law (2011 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 Revision), and Standards: Basel Core Principles for Effective Banking Supervision 15 Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore

15 As promulgated by the Basel Committee on Banking Supervision CMRAI Annual Report 2013-14 36 amendment Money Services Law (2010 Revision), and regulations Cooperative Societies Law (2001 Revision), and regulations Building Societies Law (2010 Revision) Development Bank Law (2004 Revision) Companies Management Law (2003 Revision), and regulations Group of Banking Supervisors 16 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 17 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 (2013 Revision), amendment and regulations Securities Investment Business Law (SIBL) (2011 Revision), amendment and regulations Directors Registration and Licensing Law, 2014 Directors Registration 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

16 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. 17 Issued by the International Association of Insurance Supervisors (The Cayman Islands is a charter member of this association. CMRAI Annual Report 2013-14 37 and Licensing (Registration and Licensing) Regulations, 2014 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 within their sectors. They are also

responsible for the on-going supervision of licensees/registrants, and make 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 consideration.

**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 a sector-specific Statement of Guidance (SOG) on corporate governance for regulated mutual funds to better align with standard setters enhanced requirements. The Authority also issued a new Regulatory Procedure on approval and notification of changes with respect to Class B, C and D Insurers and Portfolio Insurance Companies. Class A insurers are currently excluded from the ambit of the procedure. The measures and their descriptions are listed in Table 18.

When Issued	Type of Standard	Title
December 2013	Guidance	Statement of Guidance for Regulated Mutual Funds
January 2014	Procedure	Regulatory Procedure: Approval and Notification of Changes-Class B, C and D Insurers and Portfolio Insurance Companies

The purpose of the SOG is to provide the governing body of a regulated mutual fund and its operators (as defined in the Mutual Funds Law (2013 revision)) with guidance on the minimum expectations for the sound and prudent governance of the regulated mutual fund. The SOG sets out the key corporate governance principles pertaining to the Governing Body and Operators of a regulated mutual fund. The SOG was gazetted in December 2013.

The Regulatory Procedure was amended in January 2014 to provide clearer guidance to licensees on what changes to a licensee's business plan require the Authority's prior written approval versus those that require prior notification. Additionally, a new Insurance Law, 2010 and the Insurance (Amendment) Law, 2013 were passed to create two additional types of licences and a new class of registrants. Given the significant changes made in the Insurance Law from the old law, the existing regulatory procedure was outdated and needed to be updated to include information for Classes C and D insurers and Portfolio Insurance Companies.

**Other Regulatory Developments**

Directors Registration and Licensing Law, 2014, and Directors Registration and Licensing (Registration and Licensing) Regulations, 2014. The Directors Registration and Licensing Law, 2014 and its Regulations entered into force in June 2014.

The Law confers certain duties and powers on the Authority for the registration and/or licensing of persons acting as directors. This Law only applies to directors of companies that are: registered under the Mutual Funds Law as a regulated mutual fund (2013 Revision); or companies falling under section 5(4) AND paragraphs 1 and 4 of the Fourth Schedule of the Securities Investment Business Law (2011 Revision). CMRAI facilitates the registration and licensing of directors via an online portal. The Director Gateway as it is called, is in line with the Authority's objectives to gradually phase out manual filings by licensees and registrants. Electronic filing of Directors information is an essential element to improving data quality and of significant importance to the Authority effectively carrying out its mandate under the Monetary Authority Law. Alternative Investment Fund Managers Directive (AIFMD) The AIFMD, which introduced a unified regulatory regime for alternative investment fund managers and funds within in the European Union and the wider European Economic Area (EEA), came into force in July 2013. Following discussions with the European Securities and Markets Authority regarding the signing of a cooperation arrangement with securities regulators in the EEA, the Authority signed twenty-seven memoranda of understanding which all entered into force on 22 July 2013. The Authority is continuing to examine ways in which its regulatory framework can be enhanced to better support those Cayman- domiciled funds and fund managers that wish to market in the EEA for the purpose of the AIFMD. Basel II Implementation CMRAI completed the first part of its implementation of the Basel II framework in the Cayman Islands on 1 January 2011, when Pillar 1 became effective. The Basel II framework applies to both categories A and B banks that are locally incorporated in the Cayman Islands. On 1 April 2013, the filing of ICAAP documents became effective for banks with a financial year-end of 31 December. All other banks filed within four months of their respective fiscal year end. The filing of ICAAP documents with the Authority is now in full effect and CMRAI is incorporating the filed documents into its assessment of banks in order to further enhance its supervision. Bank Holding Companies In 2011, the Authority had recommended to the Cayman Islands Government that changes be made to the Banks and Trust Companies Law that would allow the Authority to exercise greater oversight of bank holding companies and to supervise Cayman-based banking groups. These proposed changes were aimed at aligning the Authority's supervisory regime with the Basel II capital requirements. Having worked with Government's Legislative Drafting Department during 2012-2013 to finalise draft revisions proposed for the Banks and Trust Companies Law, the revisions were sent to Cabinet for approval. CMRAI Annual Report 2013-14 39

Anti-Money Laundering The Cayman Islands anticipates an assessment by the Caribbean Financial Action Task Force as part of the Fourth Round of Mutual Evaluations. The jurisdiction was last assessed in the 2007. In anticipation of the assessment, the Authority will be working in conjunction with the Cayman Islands Government to ensure the country is in compliance with the new 40 Recommendations on Combating Money Laundering and the Financing of Terrorism and Proliferation, as issued by the Financial Action Task Force (FATF) in February 2012. In particular, the Authority will play an integral role once the Government commences research for the National Risk Assessment (NRA) in line with the new Recommendation 1 of the FATF Standards. The NRA calls on countries to identify, assess and understand the money laundering and terrorists financing risks they face. This exercise will commence in late 2014. 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 18 . The Compliance Division, which is tasked with conducting due diligence on applicants that the regulatory divisions refer to it, received 196 such applications during the 2013-2014 fiscal year. This compares to 226 during 2012-13. The breakdown of the applications for 2013-14 and 2012-13, by division, is shown in Table 19. Table 19: Due Diligence Applications Referred to the Compliance Division, 2013-14 with 2012-13 Comparison

Enforcement CMRAI s Enforcement Manual 19 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 12 formal enforcement actions during 2013-14 (compared to 44 during 2012-13). Table 20: lists the formal enforcement actions initiated 20 .

18 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: 19 The Enforcement Manual:Address: 20 See the Regulatory and Enforcement Notices section of CMRAI s website. Address: Banking Fiduciary Insurance Investments Total Applications as at 30 June 2013: 77 97 10 42 226 Applications as at 30 June 2014: 71 86 1 38 196 CMRAI Annual Report 2013-14 40

Table 20: Formal Enforcement Actions, 2013-2014

Name of Entity	Type of Authorisation Held	Enforcement Action	Effective Date
Dynamic Systems Allocation Fund Limited	Registered Fund Registration	Cancelled	Oct 30, 2013
Primasia Korea Growth Fund	Registered Fund Registration	Cancelled	Oct 30, 2013
Select Capital Limited	Administered Fund Registration	Cancelled	Oct 30, 2013
The Osprey Group of Funds Limited	Registered Fund Registration	Cancelled	Oct 30, 2013
Saadgroup Financial Services Company Limited	Class B Bank Controllers	Appointed	Nov 28, 2013
Saad International Bank Limited	Class B Bank Controllers	Appointed	Nov 28, 2013
Shimoda Emerging Europe Fund	Registered Fund Registration	Cancelled	Jan 21, 2014
The Shimoda Russia Renaissance Fund	LDC Registered Fund Registration	Cancelled	Jan 21, 2014
Offshore Risk Management (CI) Ltd.	Insurance Broker Licence	Revoked	Mar 14, 2014
AR Asia Private Ventures Limited	Administered Fund Registration	Cancelled	Mar 25, 2014
Azure Energy Fund (C.I.), Ltd.	Registered Fund Registration	Cancelled	Apr 29, 2014
HTS Derivative Investment Fund	Registered Fund Registration	Cancelled	Apr 29, 2014

Litigation: There was no litigation with regards to enforcement actions during the 2013-14 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 give Cayman addresses for various businesses which are not registered or licensed in the Cayman Islands. 21

The complete list can be viewed in the Enforcement/ Information and Alerts section of the



website: Address: CMRAI Annual Report 2013-14 41 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. 22 During this period, CMRAI signed twenty-eight bi-lateral MOUs. These are listed in Table 21. Table 21: International Information Exchange and Cooperation Agreements Concluded, 2012-2013

Agreement	Effective Date	Partner Authority
Memorandum of Understanding	22 Nov 2013	Finanzdienstleistungsaufsicht of Germany (BaFin) -
Memorandum of Understanding	22 Nov 2013	Financial Superintendence of Colombia -
Memorandum of Understanding	26 Aug 2013	Financial Market Authority of Austria -
Memorandum of Understanding	26 Aug 2013	Hungary Financial Supervisory Authority -
Memorandum of Understanding	22 Jul 2013	Bulgaria Financial Supervision Commission -
Memorandum of Understanding	12 Jul 2013	Czech National Bank -
Memorandum of Understanding	12 Jul 2013	Denmark Financial Supervisory Authority -
Memorandum of Understanding	12 Jul 2013	Estonia Financial Supervision Authority -
Memorandum of Understanding	12 Jul 2013	Finland Financial Supervisory Authority -
Memorandum of Understanding	12 Jul 2013	France Financial Markets Authority -
Memorandum of Understanding	12 Jul 2013	Greece Hellenic Capital Bank -
Memorandum of Understanding	12 Jul 2013	Bank of Lithuania -
Memorandum of Understanding	12 Jul 2013	Iceland Financial Supervisory Authority -
Memorandum of Understanding	12 Jul 2013	Central Bank of Ireland -
Memorandum of Understanding	12 Jul 2013	Latvia Financial and Capital Market Commission -
Memorandum of Understanding	12 Jul 2013	Liechtenstein Financial Market Authority -
Memorandum of Understanding	12 Jul 2013	Luxembourg Financial Sector Supervisory Committee -
Memorandum of Understanding	12 Jul 2013	Malta Financial Services Authority -
Memorandum of Understanding	12 Jul 2013	The Netherlands Authority of the Financial Markets -
Memorandum of Understanding	12 Jul 2013	Norway Financial Supervisory Authority -
Memorandum of Understanding	12 Jul 2013	Poland Financial Supervision Authority -
Memorandum of Understanding	12 Jul 2013	Portugal Securities Market Commission -
Memorandum of Understanding	12 Jul 2013	Romania Financial Supervisory Authority -
Memorandum of Understanding	12 Jul 2013	Slovak Republic National Bank of Slovakia -
Memorandum of Understanding	12 Jul 2013	Sweden Financial Supervisory Authority -
Memorandum of Understanding	12 Jul 2013	Cyprus Securities and Exchange Commission -
Memorandum of Understanding	12 Jul 2013	United Kingdom Financial Conduct Authority -
Memorandum of Understanding	12 Jul 2013	Belgium Financial Services and Markets Authority -

22 International agreements: 2f22c9a\_18\_108\_184\_1. Local agreements: 2c9a\_18\_110\_178\_1 CMRAI Annual Report 2013-14 42 Assistance to Overseas Regulatory Authorities CMRAI Annual Report 2013-14

43 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 Regulatory Authority (ORA) 23 - 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 154 requests for assistance from ORAs during the 2013-14 financial year, compared to 175 requests during 2012-13, and 119 during 2011-12.

International Initiatives Involving CMRAI

Group of International Financial Centre Supervisors (GIFCS) In 2013-2014, the Authority was a member of the GIFCS working group tasked with developing a new international standard for trusts and corporate services providers. The draft report was presented to the GIFCS membership in April 2014, and is expected to be completed by year-end 2014.

Financial Stability Board Regional Consultative Group for the Americas (RCGA) Since 2013, the Authority has participated in 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 has been asked to continue the shadow banking monitoring exercise through to 2015.

International Association of Insurance Supervisors (IAIS) 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. The Authority participated in various IAIS initiatives during the year, including 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.

a. IAIS Solvency and Actuarial Subcommittee (SSC) In 2012, at the special request of the National Association of Insurance Commissioners (NAIC), which chairs the IAIS Solvency and Actuarial Subcommittee, the IAIS requested permission from CMRAI to create an additional seat on the subcommittee to allow the 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

23 Procedure- Dealing with Requests for Assistance from an Overseas Regulatory Authority: Appendix D1 (page 32) of the Regulatory Handbook Appendices. Address: CMRAI Annual Report 2013-14 44 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 as 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 32<sup>nd</sup> annual conference held in June 2014, the Cayman Monetary Regulatory Authority International 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 (2013 Revision). The MLRO filed 5 suspicious activity reports (SARs) with the FRA during 2013-14, compared to 5 filed during 2012-13. The FRA made 46 onward disclosures during 2013-14 to the Authority, pursuant to the MOU between the FRA and CMRAI. This compares to 28 made by the FRA during 2012-13. CMRAI assesses all onward disclosures to determine if further investigation and regulatory action are required.

**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. CMRAI Annual Report 2013-14 45

The measures implemented or in development during 2013-14 are covered in the Regulatory Developments section of this report, beginning on page 36.

**Assistance on TIEA and OECD Matters** As part of its advisory and cooperative

mandate, CMRAI representatives on the Tax Information Exchange Agreements (TIEA) also participate, along with their Government counterparts, on the Organisation for Economic Cooperation and Development's (OECD) Global Forum on Transparency and Exchange of Information Steering Group and Peer Review Group. Cayman is a member of both groups.

AND ADMINISTRATION HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

Human Resources Division Recruitment, Staffing, Service The Human Resources Division continues to build on the platform that supports our employees (Executive Management, Divisional Managers, Supervisors and all other Staff). The importance of strengthening the existing staff complement such that our team members identify with CMRAI as the work environment with which to build a career in financial services regulation is at the forefront of the strategy of Human Resources. As the organisation continues to enhance its supervisory regime, the importance of recruiting the right staff remains a strong component of this formula. A number of factors are taken into consideration and these include but are by no means limited to: requisite qualifications/certifications, a proven track record and relevant, current work experience, maturity, the right attitude and approach to responsibilities. Ideally, for the regulatory divisions, it is highly advantageous to already have experience from within an environment of financial services supervision. As one of the strategic partners to the organisation, the Human Resources Division carries out five main functions: 1) Employee Services (which includes employee relations, compensation & contract administration, benefit plan administration, attendance, and liaison with the Government's Immigration Department and the National Workforce Development Agency); 2) Recruitment; 3) Learning and Development (performance management & reward and management development); 4) Mail, Courier and Reception, and 5) Facilities/Security (covering all facility-related issues, parking, security, conferences and special event planning). By taking a systems approach to strategy, the HR Division establishes its operational plans and actions by seeking the best ways in which to fulfil the expectations of the Board and Executive Management through CMRAI's strategic plan; and further, keeping abreast of the known needs of the Management of the Authority, balanced with a proactive approach to employee relations. Recruitment and Staffing The composition of the total staff complement remained a steady 88% Caymanian, complemented by international employees from Barbados, Canada, India, Jamaica, Kenya, Portugal, South Africa, Sri Lanka, St. Vincent and the Grenadines, Trinidad and Tobago, the United Kingdom, the United States of America and Zimbabwe. The breakdown of the organisation's populace by division is depicted in the table below.

Table 22: Staff Numbers by Division as at 30 June 2014, with June 2013 Comparisons

Division	Actual staff numbers at 30 June 2014	Actual staff numbers at 30 June 2013
Banking	24	24
Compliance	13	12
Currency Operations	7	7
Fiduciary Services	9	12
Insurance	19	15
Investments and Securities	39	42
Legal	9	9
Managing Director's Office	8	8
Finance, Information Systems and Human Resources (Operations)	28	30
Policy & Development	12	13
TOTAL	168	172

CMRAI Annual Report 2013-14 47 Employee Services 2012 2013 brought revisions to the performance review process to facilitate a shared approach, with appraiser and appraisee, establishing goals and objectives that are in line with the overall strategy of the organisation. This past year, the process has been enhanced for our managers (HOD & DHODs) by outlining specific competencies at the managerial and supervisory levels this, to underpin the technical skills with required managerial capabilities. It is the belief of the HR Division

that feedback is paramount to strengthening performance, bringing about desired change in behaviour and improved practices. Following the training that took place last year with Middle Management at the senior and chief levels, valuable feedback relevant to all levels of management was received that led to the establishment of Focused Support Group sessions. These are small groups of CMRAI managers and supervisors (Seniors, Chiefs, Deputies and Heads) that convene informally to receive and share feedback and approaches to the people management aspects of their teams. The main areas identified that are often challenging have been communication, performance feedback, succession planning, ensuring the development of team members, recognising good performers and managing disciplinary concerns. The vision for these group sessions is that they will facilitate feedback being filtered horizontally as well as vertically on the main issues raised and brought forward within the right forums to strengthen working relationships.

**Financial Assistance in the Field of IT:** To assist with the attraction of young Caymanians in the field of Information Technology and specifically programming an area that tends not to be studied by IT students in Cayman schools, a Junior Programmer Analyst role in the Information Systems Division was established in December 2013, the purpose of which is to attract and to hire a young Caymanian to eventually become a programmer as well as to establish a career and to grow with CMRAI. Criteria for the incumbent are: (i) an Associate's Degree in the field of computer science/studies; (ii) the right skillset to undertake additional studies; (iii) the aptitude, based on college transcript and any previous work experience, to assume the required certifications for a programming qualification. The incumbent would be hired as a full-time employee by CMRAI with a contract detailing the role, its expected responsibilities (job duties and certificates to be undertaken), the mutual obligation to CMRAI with the Authority fully financially supporting the identified certifications.

**Learning and Development** In support of our recruitment philosophy, that in an ideal world, CMRAI seeks candidates who may have experience from within an environment of financial services supervision, our learning and development approach is underpinned with the application of development plans, an approach that was established approximately five years ago and one that is continuously enhanced and referenced in support of promotions. The implementation of development plans and a shared responsibility for performance with accountability between managers/supervisors and individuals, has led to the recognition of performance through a total of 12 promotions for the fiscal year. We believe in having succession from within to build regulatory experience and to recognise the career paths of our employees who are seeking to establish or to enhance their career path with CMRAI. Unfortunately, however, CMRAI is challenged, as are other regulatory bodies, in having an attractive calibre of trained and experienced staff who are approached by the Industry. By the same token, this is not always a negative effect because we are able to benefit from persons who left CMRAI with good experience, who gain additional exposure to industry and who we like to see return to contribute that growth and additional experience from industry. This is the third year since formulating and implementing the CMRAI Internal Regulatory Training Programme (the Programme). It encompasses a series of risk-based regulatory workshops facilitated by various CMRAI regulatory employees of all levels. The Human Resources Division will be seeking to source external experts for various technical areas that would be relevant to CMRAI and incorporate their approach to training into the Programme with a view to partnering with these same members of the financial industry and CMRAI presenters in an ongoing training/learning relationship. There was a doubling of

the number of internally led courses for this year. On the regulatory side, all levels of staff reviewed the approach to supervision incorporating an enhanced risk assessment methodology. With the intended enhancements to the Programme, there will be more technical modules being facilitated. CMRAI Annual Report 2013-14 48

Table 23: Learning and Development Programme Statistics, 2013-2014

Course Type	Total Held	Total Attendance
Internal Courses	8	163
External Presenters	8	163
Internal Courses Leader Led	34	458
Internal Web Seminar Courses	29	161
External Local Events	31	117

Regional and International Regulatory Conferences - The Managing Director attended the 38th conference of the International Organisation of Securities Commissions, whilst that for the International Association of Insurance Supervisors was attended by the Deputy Head of Policy & Development; with a Chief Analyst from the Insurance Supervision Division attending the American Society for Healthcare Risk Management forum. The Head of the Banking Division accompanied by a Chief Analyst in the Division, ably represented CMRAI at the 32nd Caribbean Group of Banking Supervisors. The Chief Human Resources Officer attended the Caribbean & Latin America Conference on Talent Management. A part of the identification for attendance at conferences (locally or overseas) involves identifying the method of knowledge/information transfer whether by a written summary report, inter-division presentation, small panel discussion or Management Committee Update.

Summer Internships For the Summer of 2013, CMRAI was pleased to have been able to offer 12 students real work experience beyond what is usually considered mundane summer tasks for interns. Our internship experiences (from a few weeks to the entire Summer), were afforded to individuals attending the last year in high school right through to those already enrolled in university. One intern shared her experience and said: I have learned to...be precisely accurate with numbers...be responsible to arrive to work on time, and...to get the work done within a deadline. The experience has changed the way I see things, and allowed me to develop new skills and to work maturely and responsibly on my own. An intern at university level shared that having a BA in Accounting and Finance he... wasn't sure which direction I wanted to go with my career... The internship allowed him to... set clear goals and objectives that helped me develop from a student into a working young man. Through these opportunities and relationships, CMRAI feels that the internships serve as an invaluable avenue to educate and to expose young persons to career options that they may not otherwise have had an opportunity to explore and to consider towards a longer term career.

2010 Scholarship Recipient - Miss Shanaz Whittaker, the first recipient of the Thomas Jefferson Memorial Scholarship afforded through CMRAI, successfully graduated with her Bachelor of Science Degree in Management and has been placed in the Investments & Securities Division as an Analyst. Miss Whittaker was also a recipient of many CMRAI internship opportunities during her studies. Candidates will be interviewed for consideration for the 2014 Thomas Jefferson Scholarship Award.

Staff Community Involvement The CMRAI Green Team was reinstated in April 2014 and set two immediate goals: to encourage environmental responsibility at CMRAI, and to contribute to creating a more environmentally-sustainable Cayman. With these two goals in mind, on 2 May, the Green Team launched a newspaper recycling programme, collecting old newspapers for donation to the Humane Society. The second initiative - the recycling of aluminium cans, is presently on hold as CMRAI is on the waiting list to receive recycle bins from the Department of Environmental Health. The Green Team is led by CMRAI's Public Relations Assistant.

High School Career Fair In February, CMRAI participated in the first Career Fair

hosted by the Clifton Hunter High School. The main purpose of the event was to have companies representing industries in Cayman meet with the years 9, 10 and 11 students. The overall goal of the event was to assist the students in determining their possible career interests, and to answer any questions they may have had. CMRAI's booth shared information about the history and structure of the Authority, as well as vacancies along with necessary pre-employment requirements. Information about the Thomas Jefferson Memorial Scholarship was also shared. CMRAI representatives took this as another opportunity to plant that seed of awareness amongst the students to inform them on regulation of financial services as a possible field of study. CMRAI Annual Report 2013-14

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#### 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 2013-2014 year again exceeded the Industry Standards and were above the 99.8% realm. The division continued to provide high availability, security, and reliability of information technology systems and services during 2013-2014. Our system availability for the first half of 2014 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 2013-2014**

**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.

**CMRAIConnect Enhancements** are continually being made to this product, as we strive to automate more requests from Industry in order to improve turnaround time on licensee applications and communication between CMRAI and Industry.

**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 will soon have additional online communications with CMRAI via some new Internet web applications. Development of a new system called REEFS which stands for Regulatory Enhanced Electronic Forms Submission is underway, and is being coordinated with the successful tender bid of a third party vendor namely the SQL Power Group. Industry will be able to submit various new applications and change requests of existing licences along with mandatory financial filings via a new online web portal. Notifications will be centralized in the portal for each entity showing the progress and workflow of submissions that have been accepted, until they ultimately receive an approval or refusal.

**Directors Registration Portal** In order to facilitate the new Directors Registration law, CMRAI's in-house working group has designed a new online web application to facilitate the registration process and acceptance of credit card payments. This system is expected to register many thousands of directors and provide improved governance attributes.

#### COMMUNICATION AND PUBLIC RELATIONS

The Public Relations (PR) Unit, a part of the Managing Director's Office, provides communications support to, and on behalf of, CMRAI in order to help the Authority execute its functions and enhance relationships with stakeholders and other members of 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** The Authority mounted a

booth at the 2014 Cayman Captive Forum, an annual event where industry experts converge to discuss the most pressing issues relating to the insurance industry. A newly-acquired trade show floor display helped to enhance CMRAI's image at the conference. CMRAI also participated in the Campbell's Fund Focus, another annual conference which focuses on topical issues in the funds industry. Outreach efforts to schools were in the form of participation in the Clifton Hunter High School's careers fair, where students got the opportunity to interact with the Authority's staff representatives and learn about CMRAI's career options at CMRAI.

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In addition, CMRAI was one of the host organisations for the school's Take Your Child to Work programme, during which two students were assigned to the Banking Supervision Division and the PR Unit. Again during this reporting period, summer interns were accommodated in various divisions. We received visits from high-level delegations, including Nigeria's Finance Minister and the Chair of Transparency International, which held meetings with CMRAI Senior Management. External Publications and Media Liaison Among the publications for which the Authority provided editorial copy were: Cayman Funds, Global Regulatory Outlook, Cayman Finance magazine, and Global Banking & Financial Policy Review 2014/15. In addition, senior members of staff were interviewed by publications such as Captive Review and Nikkei Inc., and responded to several media enquiries, e.g. Asian Investor, Private Banker International magazine. CMRAI Publications The Investments and Securities Division and the PR Unit collaborated on the production of the Investments Statistical Digest 2012. The PR Unit continued to produce and disseminate news releases and notices; the quarterly issues of CMRAI's external newsletter, The Navigator, and the Authority's Annual Report. The CMRAI Fact Sheet and the Insurance Sector Insight were given vibrant redesigns. Direct Public Information and Assistance The PR Unit provided information and other assistance on a regular basis to interested members of the public, Cayman government agencies, and persons in industry who contact the Authority from time to time. The unit also maintained CMRAI's website, which remains a primary source of public information on the Authority. CMRAI ventured into the social media arena, with approval being given for a LinkedIn company page. Regular updates to the page were made by the PR Unit. Staff Community Involvement CMRAI's staff lend their time to a variety of charitable initiatives, and contribute to community assistance projects through the use of proceeds from dress-down days. At Christmas, donations were made to a number of charities and deserving causes. Internal Support PR staff monitored, collected, and disseminated internally, relevant external information on market, regulatory and political developments taking place locally and internationally. A monthly newsletter, CMRAI Insider, was introduced in July 2013 to share information about staff achievements and developments at the Authority.

**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 2013 and June 2014, eight FOI requests were received and processed. Full access was granted to three of the requests. Partial access was granted to one of the requests because part of that request was publically available. Three requests were denied under section 3(1)(c) of the FOI Law, and one request was deferred in full after an Internal Review by the Authority's Managing



Director. 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 & CMRAI Annual Report 2013-14 51 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 \$106.832 million in fees from regulated entities on behalf of the Cayman Islands Government for the 2013-14 financial year, compared to \$101.659 million for the prior year. This increase in collections was mainly attributed to the new revenue measures implemented by the Government in 2012- 13.

The Authority s Income The Authority depends on the sale of its outputs to the Cabinet of the Government of the Cayman Islands, as its main source of income to meet its obligations. The outputs delivered in 2013-14, for a total of \$9.865 million 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 \$4.499 million of income. The other sources of income are from the CMRAI Transactional Fees \$4.740 million, Investments \$0.398 million and commission and the sale of numismatic items \$0.396 million. Net Income The Authority s net income for the 2013-14 financial year was \$0.684 million (2012-13 restated: net loss (\$0.188 million)), which was allocated to CMRAI s Capital Expenditures Reserves and General Reserves. Details of CMRAI s financial position for the year ending 30 June 2014 can be seen in the Audited Financial Statements that follow.

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