



# 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.

MONETARY AUTHORITY - ANNUAL REPORT 1999 Cayman Islands Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 Contents CONTENTS MISSION STATEMENT2 DIRECTORS AND SENIOR OFFICIALS3 CHAIRMAN S STATEMENT4 MANAGING DIRECTOR S STATEMENT5 SECTORAL OVERVIEW6 Banks and Trust Companies6 Insurance7 Investment Services9 POLICY AND LEGISLATIVE DEVELOPMENTS10 Compendium of Policies10 Licensing policy for Trust Services Providers10 Legislative Changes10 REGULATORY DEVELOPMENTS AND INTERNATIONAL ISSUES12 Regulatory Self-Assessments12 Independence of the Monetary Authority13 Cross Border Supervision13 New Capital Adequacy Framework14 Regulation of Financial Services on the Internet15 CURRENCY OPERATIONS ACTIVITIES16 ADMINISTRATION17 Conferences, Meetings and Seminars17 Training and Development18 Staff Recruitment, Promotions and Other Developments18 Developments in Information Technology and Computer Systems19 Financial Report20 LISTINGS21 APPENDIX A Organisational Chart30 APPENDIX B Relevant Legislation31 FINANCIAL STATEMENTS32 Mission Statement PAGE 2 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 MISSION STATEMENT The Cayman Monetary Regulatory Authority International (the Monetary Authority) is a statutory agency created by the Cayman Islands Government to: " Regulate and supervise the financial services industry in order to maintain a first class financial system. " Safeguard the interests of depositors, trust beneficiaries, policyholders and mutual fund investors from undue loss. " Contribute to public confidence in our financial system by promoting sound corporate governance, prudent business practices and compliance with laws and regulations. " Promote and maintain monetary stability and preserve the value and integrity of the Cayman Islands currency and advise the government on banking and monetary matters. The Authority endeavours to fulfil its regulatory and supervisory mandate having due regard to international standards and the need for operational freedom by financial services providers and for the maintenance of a dynamic and competitive industry. The Authority values a close and harmonious working relationship with all segments of the industry and is committed to maintaining the highest standards and skill in our staff that responds expeditiously and effectively to the challenges posed by an ever-changing financial environment. Directors and Senior Officials PAGE 3 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 DIRECTORS AND SENIOR OFFICIALS AS AT DECEMBER 31 1999 Board of Directors Hon. George McCarthyChairman Sir Vassel Johnson Richard Chalmers Julene Banks Neville GrantManaging Director Michael Austin Senior Officials Neville GrantManaging Director Cindy ScotlandGeneral Manager Anna McLeanDeputy Head of Banking and Trust (Off-Site) Karl AdamsonsDeputy Head of Banking and Trust (On-Site) William McCulloughHead of Insurance Gordon RowellDeputy Head of Insurance Chris CollinsSuperintendent, Health Insurance Don SeymourHead of Investments Dwight CarterDeputy Head of Investments Paul BylesActing Head of Policy and Research Neil GlassonInformation Technology, Manager Chairman s Statement PAGE 4 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 CHAIRMAN S STATEMENT In 1999, global economic and financial conditions improved markedly after the turbulence in Asian markets in 1997/98. During the year, financial market confidence gradually returned to most of the economies affected by the crises. As a result of the positive turnaround in Asian economies, projections for global growth were 3 per cent for 1999. Against the background of an improved global economy in 1999, the Cayman Islands economy continues to expand. Technological advances have led to the rapid development of e-business on a global scale. The government has stated a

commitment to the development of e-business in Cayman and has established an Advisory Board on e-business. The Monetary Authority is involved in the work of this board and is currently examining the regulatory implications for the financial services sector. During 1999, we hosted the XVII Annual Conference of the Caribbean Group of Bank Supervisors and the Annual Meeting of the Offshore Group of Insurance Supervisors. Both proved successful. Participants were able to acquaint themselves with regulators from a different field and the conference provided a forum for the sharing of information on cross-border supervisory issues. Cayman's commitment to cross-border co-operation was underscored by a Memorandum of Understanding (MOU), signed with Brazil in March 1999. In mid year a task force was setup to examine the implementation requirements relating to increasing the powers of the Monetary Authority in line with international best practices. It is expected that the task force will produce a report on the issues to the Government early in 2000. Also in early 2000 the review of financial services regulation in the six Caribbean overseas territories of the UK plus Bermuda, jointly commissioned by the UK Government and the seven territories gets underway. KPMG was appointed in late 1999 to undertake the review, and the Monetary Authority will be participating fully in the process. The year 1999 was a successful one and I would like to use the opportunity as Chairman to extend my appreciation to the management and staff of the Monetary Authority for their dedication and commitment in maintaining safety and soundness in our financial system. The year 2000 promises to be eventful, beginning with the hosting of the United Nations Forum on Offshore Centres in March.

Hon. George McCarthy Chairman Cayman Monetary Regulatory Authority International  
Managing Director's Statement PAGE 5 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 MANAGING DIRECTOR'S STATEMENT

This year the Monetary Authority continued to place emphasis on training as evidenced by numerous local and overseas seminars which staff have attended and has stepped up its recruitment efforts. During the year, a self-assessment was conducted against the international supervisory principles for the banking, insurance and investments industries to determine the extent to which the local regulatory and supervisory framework meets international best practices. From this assessment it was concluded that the Monetary Authority was largely compliant with international best practices, although some further areas for improvement were identified. In our continuing efforts to further enhance the regulatory policy environment, the Policy and Research Division was restructured with a primary mandate to establish and maintain a compendium of regulatory policies for all industries, in addition to its responsibilities in the areas of training and publications. In the case of the latter, a project has been initiated to establish a regular newsletter for the Monetary Authority, which will keep its licensees updated on important regulatory developments. I am grateful for the contributions of Mr William McCullough, Head of Insurance, and Mr Manuel Vasquez, my special assistant who have left the Monetary Authority during the year. I wish them every success in the future. I would also like to welcome Mr Clive Thursby as the new Head of Insurance beginning in January 2000, and Mr Paul Byles, the new Acting Head of Policy and Research who started in July of this year. I would like to extend my thanks to all the staff for their dedication and hard work throughout the year.

Neville Grant Managing Director Cayman Monetary Regulatory Authority International PAGE 6 Sectoral Overview

SECTORAL OVERVIEW Banks and Trust Companies The number of active banking and trust companies at the end of 1999 fell to 571 compared with 587 at the end of 1998. The 2.8% reduction in active licensees was largely due to a spate of mergers and acquisitions in the global financial market. The Monetary Authority has continued to witness an inflow of new licensees with a

total of 23 new Licences being issued during the year. The number of Category A Banks as at December 31st, 1999 was 31, with seven of these active in the retail market. The number of banks with a physical presence was 112. Total external assets and liabilities booked through the banking and trust sector during 1999 was US\$671.7 bn and US\$668.9 bn, respectively. The level of external assets and liabilities reported in 1999 represented marginal increases over 1998, when external assets were US\$648 bn and external liabilities was US\$641 bn. During the year the Monetary Authority took enforcement actions against several institutions, the most notable of these being EuroBank. In May 1999, the Executive Council appointed controllers of the Bank, which held a Category A Banking Licence, to protect the interests of depositors and other creditors of the bank. The appointment was made for regulatory purposes under Section 14 of the Bank and Trust Companies Law. This followed the Monetary Authority's on-site inspection of EuroBank and a subsequent report by Coopers & Lybrand (now PWCs). The Authority's inspection report identified serious weaknesses in the bank's system of controls while the auditors noted that deficiencies in client documentation, including the lack of documentation on in-coming wire transfers, made it difficult for the bank to adhere to the KYC principles. The auditors also identified accounts that gave rise to suspicions of money laundering that warranted the bank and its management being further investigated. In early May 1999, a report from the Financial Reporting Unit (FRU) of the Royal Cayman Islands Police indicated that EuroBank and some of its officers may have been implicated in money laundering activities. An investigation of offences was undertaken by the FRU with the Monetary Authority's assistance and concluded that the bank may have been used to facilitate money laundering in probable contravention of the Proceeds of Criminal Conduct Law. In February 2000 criminal charges were laid against nine persons. In June 1999, the bank was placed into voluntary liquidation. The actions taken in relation to the bank included a freeze on payments to depositors and creditors. At the end of 1999, the liquidators made a preferential payment to depositors for the maximum of CI\$20,000 under Section 162 of the Companies Law. This is the first time that this section of the Cayman Law dealing with preference payments to bank creditors has been invoked since its enactment in 1997.

Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 PAGE 7 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 SECTORAL OVERVIEW Insurance

At December 31, 1999 the total number of Licences on record with the Insurance Supervision Department was 669. This number included 32 Class A (Domestic) Insurance Companies, 497 Class B (Captive) Insurance Companies, 26 Insurance Managers, 23 Insurance Brokers, 62 Insurance Agents and 28 Insurance Sub-Agents. Captive Insurance A captive is an insurance company generally formed to insure or capture the risks of its ownership. In the Cayman Islands they are formed as class B insurance companies. Growth in the number of new Class B licenses slowed somewhat in 1999. This is owed to the continuing mergers and consolidations of larger organisations in the insurance market. Despite the small global decline in the captive insurance industry, the Cayman Islands, at year-end, reported premium writings in excess of US\$2.7 billion and total assets in excess of US\$12 billion. These companies emanate mostly from the USA (82%), followed by the Caribbean and Latin America (6%) and Europe (5%). Since the introduction of the Segregated Portfolio Company Legislation in 1998, 18 Segregated Portfolio Companies have been licensed with over 32 active cells within them. A Segregated Portfolio Company is a single legal entity divided into an unlimited number of cells whose assets and liabilities are legally separated from each other. This permits great flexibility in the allocation of capital between the core and individual cells but the creditors of

an individual cell have no recourse to the assets of another cell. The Segregated Portfolio Company has many potential uses including the formation of rent-a-captives, composites, reinsurers and association captives, as well as providing a mechanism for the segregation of guaranteed and pooled assets in life insurance. Each individual cell is required to submit a business plan to the Monetary Authority for approval before joining the core company. The Cayman Islands have also played an important role in the innovative area of risk securitization and the convergence of the traditional insurance market with the capital markets. Of the total alternative risk financing ( ARF ) vehicles in the world, Cayman has 85% of the market. One purpose of the ARF is to generate additional capacity from the capital markets as opposed to the traditional reinsurance market. This area of captive management is still in the embryonic stages of development but is anticipated to become, much as the captive has, a significant mechanism in the industry.

Total companies by Risk Location	5%	4%	2%	1%	82%	6%
Rent-A-Captive						
Segregated Portfolio Company						
Alternative Financing Vehicle						
Open Market Insurer						
Group Captive						
Association Pure Captive						
Total companies by Category	18%	5%	4%	3%	2%	62%
Domestic Developments						
Domestic insurance business						

increased in 1999, particularly in the area of Health Insurance following the introduction of the Health Insurance Law, 1998. The Insurance Supervision Division has continued its on-site inspection programme for domestic institutions which was started in 1998 and a total of 6 companies had been inspected at year-end. This exercise has resulted in vast improvements in the supervision of the domestic market. Total premiums written in the domestic market in 1999 were in excess of CI\$68 mn and total assets reported were in excess of CI\$70 mn. Another development in the domestic market was the introduction of risk-based capital ( RBC ) requirements for life companies operating in the Cayman Islands. Essentially, RBC is a technique for relating the amount of minimum capital that a company should maintain relative to the various risks to which the company is exposed. Health Insurance 1999 represented the first complete year during which the Health Insurance Law and Regulations, 1997 were in force. The Monetary Authority continued to provide advice and guidance to employers and employees on their duties and rights under this legislation. Together with the Ministry of Health, guidance and explanations of the legislation were provided through publicity in the press, on radio and on television. By year-end a little over 28,000 people in the Islands carried private health insurance representing a considerably higher level of compliance with the legislation than at the previous year s-end. Taken together with some 10,500 persons for whom health care benefits are provided by the Government of the Cayman Islands, in excess of 95% of the population of the Islands now have access to paid medical benefits. The Monetary Authority is responsible for collecting and administering the fund established for payment of medical benefits in respect of uninsurable and partially uninsurable indigents. Supplementary legislation was enacted during 1999 empowering the Director of Health Services to make claims on this fund and the first claims were presented during December 1999, amounting to some CI\$24,000. As at the end of December 1999 the fund stood at CI\$1.8 mn. Additionally the Monetary Authority has powers to act as arbitrator in respect of disputed claims or any questions relating to a Standard Health Insurance Contract. No disputed claims were presented to the Authority for arbitration during 1999.

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Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 SECTORAL OVERVIEW  
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Investment Services Mutual Funds There continues to be phenomenal growth in the mutual funds industry globally. Consequently, in 1999 the

Cayman Islands increased its dominance as the number two offshore mutual fund jurisdiction by eclipsing the vaunted 2,000 mark with assets of US\$210 billion under administration on the Islands. At the end of 1999, there were 2,271 regulated funds, an increase of about 15 per cent reflecting the continued growth of the mutual funds industry in the Cayman Islands. In addition, the total number of Mutual Fund Administrators licences increased by fifteen, thirteen of these being Restricted Mutual Fund Administrators licences, bringing the total number of mutual fund administrators to 176, with exempt licences remaining unchanged.

**Company Managers** During the year the Monetary Authority implemented an on-site inspection programme for company managers. With the current level of resources the initial cycle of inspections will proceed slowly but this is expected to improve once additional staff are in place. During the year, two on-site inspections were conducted. Currently there are 45 company manager Full Licences, an increase of 6% from the previous year. The issuing of exempt licences for company managers was discontinued.

**Policy and Legislative Developments** The Policy and Research Division experienced some structural changes during 1999, with the employment of two additional staff members and the establishment of a formal set of objectives and work agenda. A Division Head was recruited along with an administrative assistant and a Policy and Research Officer. The Policy and Research Division is responsible for (i) the formulation of appropriate policies for the regulation of the financial industry, (ii) production of regular publications of the Monetary Authority, (iii) providing information, whether statistical or otherwise, on the financial sector to external bodies, and (iv) providing internal training seminars for the Authority's staff. This is achieved by monitoring regulatory and industry developments, both domestically as well as internationally.

**Compendium of Policies** During 1999 the Division initiated a project to establish a Compendium of Regulatory Policies for the Monetary Authority. This will provide a set of documented policies for the Banking and Trusts, Investments and Insurance Divisions. An initial set of policies is currently being drafted which includes licensing policies for each industry. The Division will be working with Division Heads, the Board, Executive Council and industry towards formulating this initial set of policies in 2000.

**Licensing Policy for Trust Services Providers** The Authority is in the process of improving the oversight of trust business activity in the Cayman Islands. Towards the end of the year, a draft policy on the licensing of trust services providers was submitted to the Board for review. The objective of this draft policy is to license only applicants who are capable of providing trust services in the Cayman Islands that will be in the public interest. The draft policy proposes a set of criteria against which applications can be judged. In addition, the Authority has recruited a consultant who will be assisting in developing a manual for on-site inspection of trust companies as well as providing expertise on trust business more generally.

**Legislative Changes**

**Company Management Law** In 1999, the Companies Management Law (1998 Revision) was repealed and re-enacted as the Companies Management Law, 1999. It provides for a system of regulation of company managers by the Monetary Authority. The major changes in the new law are highlighted below:

Persons who are licensed under the Companies Management Law are no longer exempt from licensing under the Local Companies (Control) Law (1995 Revision).

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Licensees are not permitted to issue or transfer shares without the prior approval of the Monetary Authority. Licensees are required to seek the approval of the Monetary Authority before the appointment of auditors. The Monetary Authority may require

any licensee which is a company to remove any director or senior officer. The Law now requires licensees to provide a minimum aggregate professional liability insurance coverage of \$1.0 mn with a minimum of \$1.0 mn for each claim.

### Regulation of Non-Bank Financial Institutions

Currently, non-bank financial institutions such as building societies, credit unions or institutions providing money transfer services are not regulated by the Monetary Authority. This sub sector of the financial system is now relatively small but growing in Cayman. In Cayman, there is one building society incorporated under the Building Societies Law and two credit unions incorporated under the Cooperative Societies Law. There are also three money services businesses currently operating and legislation to regulate this area is currently being drafted. Under the current Building Societies Law and the Cooperative Societies Law, the Registrar of Companies is responsible for the supervision of building societies and credit unions. These institutions are required to submit audited financial statements, prepared in accordance with generally accepted accounting principles, to the Registrar at the end of each financial year. Current legislation requires that the Registrar determine whether or not these institutions financial statements conform with certain minimum criteria. Plans are in progress to transfer the supervisory and regulatory powers of the Registrar of Companies under the Building Societies and the Cooperative Societies Law to the Monetary Authority. The focus of supervision will then shift to ensure that these financial institutions operate in a safe and sound manner and that they hold capital and reserves sufficient to support the risks that arise in their business. The change with respect to cooperative societies will only be applicable to credit unions. All cooperative societies that are not credit unions will continue to report to the Registrar of Companies. New legislation is also being drafted for the regulation of money services providers. The new legislation will require such businesses to register with the Monetary Authority and appropriate reporting schedules are also being designed.

### Regulatory Developments and International Issues

#### REGULATORY DEVELOPMENTS AND INTERNATIONAL ISSUES

#### DOMESTIC DEVELOPMENTS

#### Regulatory Self-Assessments

In late 1999, the Monetary Authority conducted a self-assessment against various international regulatory principles for financial services. These included the Basel Core Principles for Effective Banking Supervision, the IOSCO Objectives and Principles of Securities Regulation, and the IAIS Insurance Supervisory Principles. The Core Principles for Effective Banking Supervision have become the most important standard for prudential regulation and supervision and the Cayman Islands have endorsed these as well as similar regulatory principles for investments and insurance business. The Core Principles were issued by the Basel Committee in 1997 and provide, inter alia, a comprehensive framework for effective supervision of banks. They consist of 25 Principles covering all areas of banking supervision and regulation including licensing, prudential regulations, methods of ongoing supervision and obligations of home country supervisors. The International Association of Insurance Supervisors (IAIS) Insurance Supervisory Principles issued in September 1999 are the international standard for insurance supervision. Three additional standards were issued in September 1998 relating to licensing, on-site inspections and supervision of derivatives. The international standards for the supervision and regulation of investment services are based on the Objectives and Principles of Securities Regulation and Disclosure Standards to Facilitate Cross-Border Offering and Initial Listings by Multinational Issuers endorsed by the International Organisation of Securities Commissions (IOSCO) membership in September 1998. The objective of the self-assessment conducted by the Monetary Authority was to determine the extent to which the local regulatory and supervisory framework in the Cayman Islands meets these international best practices. This self-assessment also served a dual role

as a precursor to the FCO Review, which will be conducted during the first half of 2000. The self-assessment confirmed that the Cayman Islands have various regulatory practices and procedures that are consistent with internationally acceptable supervisory and regulatory practices. However, certain weaknesses were identified in the assessment, including: restrictions prohibiting access to banks client information; legislative provisions limiting the extent to which the Monetary Authority can share information for cross-border supervision purposes and weaknesses in the area of enforcement. From this assessment it was concluded that changes to various pieces of financial legislation would be required. In addition, it was concluded that the Monetary Authority would need to increase its human resources in order to continue to improve its standards of financial supervision. These issues are currently being addressed at the appropriate level.

PAGE 12 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 PAGE 13 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 REGULATORY DEVELOPMENTS AND INTERNATIONAL ISSUES Independence of the Monetary Authority

The independence of regulatory bodies is widely accepted as an important pre-requisite for the effective and efficient supervision of financial institutions. The requirement of independence is also supported by the various supervisory principles for financial activity. The government of the Cayman Islands recognises the importance of this aspect of the regulatory framework. To this end, the Governor-in-Council (EXCO), has given its commitment to the granting of greater regulatory autonomy to the Monetary Authority. In this respect, a Task Force was set up in 1999 by the Honourable Financial Secretary to review the issues related to the increased autonomy of the Monetary Authority.

Cross Border Supervision As required by the Basel Committee s Minimum Standards for the Supervision of International Banking Groups and their Cross-Border Establishments and Core Principle 24, the Monetary Authority cooperates and shares information with foreign regulators wishing to review matters with institutions on the Islands. As necessary the Monetary Authority consults with other appropriate bodies. As specified in the Minimum Standards, the opportunity arises at the time of authorisation of a foreign bank to establish an understanding between home and host supervisors as to what information is required by each party and how it can be provided. In some cases, these understandings take the form of a bilateral memorandum of understanding (MOUs) or exchange of letters, which formulate what each party expects from the relationship. Requests for information should set out the information required, the reason for the request and assurances that the information will be kept confidential. In February 1999, a Memorandum of Understanding (MOU) was signed between Brazil and the Cayman Islands for the sharing of supervisory information. Under the MOU, the Brazilian financial regulator is permitted to carry out on-site examination, accompanied by representatives from the Monetary Authority, of Brazilian banks operating in the Cayman Islands. The Monetary Authority has also received requests to enter into MOU s from Bermuda, Columbia, Costa Rica, Ecuador, Isle of Man, Mexico, Panama, Peru, Portugal, and Venezuela. During the year the Monetary Authority also successfully conducted an on-site examination of a locally incorporated financial conglomerate with operations in several Latin American countries.

INTERNATIONAL ISSUES New Capital Adequacy Framework The limitations of the 1988 Capital Accord have become increasingly apparent, particularly the fact that the regulatory measure of bank risk (risk-weighted assets) can differ substantially from actual bank risk. The Basel Committee on Banking Supervision released, in June 1999, for comments a proposal for a new capital adequacy framework. The new proposal seeks to address limitations of the existing framework. The deadline for comments is March 31, 2000. The Basel Committee is



expected to issue a second consultative paper by the end of 2000 or early 2001 with a view to the new Accord being implemented in 2002. While maintaining minimum capital requirements that are comparable across countries, the framework hopes to provide a more comprehensive approach to addressing actual bank risk. The framework is built on three pillars: " regulatory capital requirements that expand upon those in the 1988 Accord; " direct supervisory review of a bank s capital adequacy; and " the increased use of market discipline to encourage sound risk management practices.

**Pillar One: Minimum Capital Requirements** On the first pillar, the Committee s proposal places greater reliance on banks internal processes to set capital. Alternatively, the new capital adequacy framework proposes a refinement to the existing capital framework based on ratings assigned by external credit rating agencies. It is important to note that capital charges for interest rate risk in the banking book and for operational risk (risks due to systems failures) are being considered by the Basel Committee.

**Pillar Two: Supervisory Review** The Committee argues that banks own capital positions should be consistent with their overall risk profiles. Thus, the internal process by which bank management assesses and sets capital should be subject to supervisory review. Such oversight would encourage supervisory intervention if existing capital levels do not provide sufficient protection against bank default. Furthermore, supervisors should be able to require banks to hold capital beyond the regulatory minimum under certain circumstances.

**Pillar Three: Market Discipline** The Committee plans to issue more detailed guidance on the public disclosure of banks capital requirements and risk exposures. The Committee s guiding principle is that increased transparency regarding banks actual risks should permit better monitoring by private investors, which in turn should encourage better bank risk management and capital allocation.

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PAGE 15 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 REGULATORY DEVELOPMENTS AND INTERNATIONAL ISSUES

**Regulation of Financial Services on the Internet** With the expansion of the Internet on a global scale there has been increasing development in the provision of financial services through this new medium. Traditional banking services, insurance products and investments services are increasingly being offered online by financial institutions. With this development, financial regulators are addressing the issue of how the regulatory regime needs to develop further to keep pace with the rapid changes in industry in order to minimise risks to institutions as well as to ensure continued protection of customers. While there are no Cayman Islands-licensed financial service providers currently offering financial services via the Internet, the Monetary Authority has seen an increase in correspondence both from existing licensees and potential new entrants seeking clarity on the regulatory requirements for offering financial services via the Internet. To this end, the Authority is examining the regulatory implications of Internet financial services. The establishment of regulations in this area is likely to evolve along the lines of international best practices. Our Policy and Research Division is currently in active dialogue with a number of other regulators and international organisations to determine the best way forward. Towards the end of 1999 the Division made contact with the Basel Committee s Working Group on the regulation of Internet banking and is liaising with this group to keep abreast of the international standards that might eventually evolve for financial services providers on the internet. We are also examining the current definitions of banking, insurance and investments business to determine whether these are adequate to cover new financial products that will emerge in this electronic age.

**CURRENCY OPERATIONS ACTIVITIES** The Cayman Monetary Regulatory Authority International

continues to be the sole issuing authority of Cayman Islands currency. The Authority, through its department Currency Operations, is responsible for the issue, re-issue, and withdrawal of the Cayman Islands currency notes and coins against the US dollar in its dealings with the seven local retail banks. These banks are British American Bank, Barclays Bank PLC., Bank of Butterfield International (Cayman) Ltd., Cayman National Bank, Scotiabank, CIBC Bank & Trust Company (Cayman) Ltd., and the Royal Bank of Canada. The department is also responsible for administering the sale and redemption of numismatic coins to and from local and overseas collectors. During 1999 the Monetary Authority commissioned the British Royal Mint to design a commemorative numismatic coin to mark the beginning of the new millennium. The reverse side of the \$2 silver coin features a timepiece surrounded by orchid flowers. The design by Christopher N Lawrence F. I. P. G. is elegantly framed by the coin's 12 scalloped edges. At 31 December 1999, currency in circulation (excluding numismatic issues) stood at CI\$56.3 mn (\$51 mn in notes and \$5.3 mn in circulating coins). This represented a 25.66% increase over 1998. This significant increase was attributed to Year 2000 preparedness programmes. This situation was short-lived as by the end of January 2000 there was a 24% decrease in currency in circulation. The Authority was prepared for this year-end increase in demand with stock levels at their highest from a recent printing of the new C/1 series banknotes and by postponing the destruction of mutilated currency, which was held as contingency stock. In 1999 a total of \$7.5 mn of mutilated notes withdrawn from circulation were destroyed. This is lower than the five-year average of \$12.8 mn. It is significantly lower than the 1998 total of \$20.6 mn, which was a result of intensified efforts in the department to maintain a high quality of circulating banknotes. In July 1999, the Monetary Authority issued the \$100 and \$25 versions of the C/1 series family of banknotes. These new notes are an upgraded version of the 1996 B series, and reflect the change in the issuing Authority, from the C.I. Currency Board to the Cayman Monetary Regulatory Authority International, as well as the change in the law under which the notes are issued, Monetary Authority Law, 1996. Like the lower denominations of the C/1 series issued in 1998, these notes have a woven silver metallic security thread, and a turtle water mark highlight that reads CMRAI. Additional security features include a schooner hologram on the \$100 banknote and a gold foil turtle on the \$25 banknote. All indications are that the notes are being widely accepted by the public. Currency Operations would like to extend a special thanks to the Public Works Department of the Cayman Islands Government and to the Royal Cayman Islands Police Service for their invaluable assistance during the year.

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Breakdown of currency in circulation, 1999	
Currency in circulation by month	1995 to 1999
1999 Total	(\$56,256,944)
\$100	42.3%
\$50	13.4%
\$25	17.3%
\$5	4.0%
\$1	6.7%
\$10	6.8%
60	55
50	45
40	35
30	25
20	10
January	February
March	April
May	June
July	August
September	October
November	December
1995	1996
1997	1998
1999	In millions
coins	9.4%

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Administration ADMINISTRATION The main functions of the Administration Division are planning, procurement, development and utilisation of the Authority's human resources. In addition, the division is also responsible for the operational activities of the Authority through planning, directing and monitoring its activities and the implementation of policies, procedures, information systems and functional programmes. Conferences, Meetings and Seminars During the year a number of the Authority's staff attended local and overseas conferences, meetings and seminars. The Monetary Authority was represented at over 42 events. The variety of themes on offer this year were indicative of the complex nature of our

work and the numerous advances in technology. Subject matter included combating anti-money laundering, Central Bank systemisation, Offshore e-commerce and Managing Regulatory Change in a Changing World. The Monetary Authority hosted a two-week seminar in February, which was presented by representatives from the Federal Reserve System. The seminar, entitled Bank Analysis, Credit Risk Assessment and Capital Markets Activities Supervision was attended by junior and middle level analysts from both the Monetary Authority and other Central Banks in the Caribbean and was very successful. In May, the Monetary Authority co-hosted two conferences simultaneously. Although this is not unheard of, it was rather a unique occasion since the attendees were from different sectors, namely insurance and banking. A large number of representatives from a variety of financial centres attended both the XVII Annual Conference of the Caribbean Group of Bank Supervisors and the Annual Meeting of the Offshore Group of Insurance Supervisors. The combination of these two conferences proved a success. It enabled participants to acquaint themselves with regulators from a different field and provided a forum for the sharing of information.

PAGE 18 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 ADMINISTRATION Training and Development

The Monetary Authority endeavours to provide its employees with the opportunity to advance their career and progress within the workplace through the provision of study leave and financial assistance, where applicable. Several of our employees commenced educational programmes during the year, including enrolment on Associates Degree programmes and Masters in Business Administration programmes. The Monetary Authority recognises the importance of acquiring expertise and furthering knowledge in the ever progressive field of supervision and regulation. Throughout the year, several employees undertook training courses with a variety of institutions, including, but not limited to the Federal Reserve Bank of New York, the United States Securities and Exchange Commission and the Ontario Securities Commission. In October Mr Kevin Solomon of the Banking and Trust On-Site Inspection Division was seconded to the Office of Superintendent of Financial Institutions in Toronto for a period of six weeks. During his secondment he participated in a number of inspections and gained invaluable knowledge through on-the-job training.

Staff Recruitment, Promotions and Other Developments

Mr Paul Byles was recruited as Acting Head of the Policy and Research Division. Mr Byles brings with him 12 years previous experience in the financial sector and is also a candidate for a research PhD focusing on financial sector issues. Mr Clive Thursby has been appointed as the new Head of Insurance. Mr Thursby has over twenty years experience of operations in the offshore insurance market and has been involved in the formation and development of captives (including the regulatory interface entailed) in Guernsey, Luxembourg, the Isle of Man and Dublin. Mr Thursby will begin his post in January 2000. As at December 31, 1999, the total staff complement was 48. Eleven employees resigned during 1999 and 14 new employees were recruited. The Monetary Authority aims to be competitive in offering a remuneration package that attracts and retains the right mix of staff. In the competitive field of finance, and in particular the dominance of this field in Grand Cayman, we are faced with significant competition from professional services firms in the private sector.

PAGE 19 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 ADMINISTRATION Developments in Information Technology and Computer Systems

Improvements to BS Form Submissions

A major project that came into full operation during the year was the new Electronic BS system. Once the structure of the Banking division's Balance Sheet submission form was updated and improved by the Policy and Research Division it was the IT Department's responsibility to create a mechanism which

would relieve the banking analysts from the task of having to enter manually the 700 plus fields of information on a quarterly basis. This was achieved by distributing these forms on a relatively simple spreadsheet. Once completed, institutions may return their submissions through , diskette or paper. To date, 81% of institutions have taken the opportunity to submit their data through diskette or . This electronic mechanism allows for the Monetary Authority's database system to validate and process the information automatically with very little manual interaction and no possibility of data entry errors. This new system has enabled the banking analysts to spend more time producing detailed financial reports and less time entering data. A major enhancement to the regulatory information available was the new Directors and Shareholders database. This module has now been fully integrated into the Information System and consolidates information from each of the separate divisions. Much data entry work was required to complete this project. CMRAI Website During March of this year the IT Division acted as project manager for the Monetary Authority's website. Thanks to the full co-operation of the various divisions, the extensive content was delivered to the Internet development company within the prescribed timescale. All technical aspects of this new site are now completed and the site is due to go live early in 2000. The site is widely expected to circumvent the barriers of distance and time by providing a 24-hour shop window into the Monetary Authority's regulatory environment. The site will be cross-platform and is designed to be accessible via all browsers. The site will provide answers to frequently asked questions and empower financial institutions to access information while saving the Monetary Authority time and manpower. Statistical information will also be available on the site plus press releases and the Code of Conduct, amongst other things.

Year 2000 Activities Carried Out in-House With the ever-looming date of 1st January 2000 approaching, it was the primary responsibility of the Information Technology section to apply the numerous software patches to the computer operating systems in use. These renovations were completed by July 1999 giving enough time for these systems to be fully tested in our particular environment. All critical functions running on non-compliant Oracle databases were connected to the latest Microsoft SQL system. This exercise provided the opportunity to lever in numerous value-added services by converting the user interface from a basic character mode system to a 32-bit graphic interface.

PAGE 20 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 ADMINISTRATION Financial Report The annual financial statements of the Authority, as at December 31, 1999 are shown on pages 32 to 44 of this annual report. Total Assets of \$71.5 mn (1998: \$60.3 mn) include \$69.9 mn (1998: \$59.2 mn) of Currency Reserve assets representing investments and current, call and fixed deposits. Short-term investments are comprised of certificates of deposit and US-issued discount notes maturing within one year. Long-term investments are comprised of US treasury notes and mortgage-backed securities. Investment decisions were made in accordance with our principal investment objectives of security, liquidity and income. Total return of 4.7% (1998: 5.7%) was earned in 1999. Total liabilities of \$57.6 mn (1998: \$47.9 mn) include \$56.3 mn (1998: \$44.8 mn) of demand liabilities for currency in circulation which are fully secured by the Currency Reserve assets as required by Section 28(7) of the Monetary Authority Law, 1996, as amended. Total reserves and capital are \$13.9 mn (1998: \$12.4 mn) and the General Reserve is maintained at 15% of demand liabilities as required by Section 6(2) of the Law. Net income of \$3.3 mn (1998: \$3.5 mn) for the fiscal year was mainly due to sound investment decision-making and implementing effective cost reduction techniques. The Board approved the transfer of \$0.05 mn (1998: \$0.31 mn) to the Currency Issue Reserve to provide for future currency reprints and \$1.73 mn (1998: \$0.64 mn) was transferred to the General

Reserve in accordance with Section 6(1) of the Monetary Authority Law. Approval was also given for the transfer of \$0.25 mn (1998: \$0.75 mn) to the Paid-up Capital account. After these transfers, the Authority was still able to exceed its budgetary target by allocating \$1.2 mn (1998: \$1.8 mn) to the General Revenue of the Cayman Islands Government. PAGE 21

Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 Listings

LISTINGS Category A: Aall Trust & Banking Corporation Ltd. Ansbacher (Cayman) Limited Banco Portugues do Atlantico Bank Austria Cayman Islands Ltd. Bank of America National Trust and Savings Association Bank of America Trust and Banking Corporation (Cayman) Limited Bank of Bermuda (Cayman) Limited Bank of Butterfield International (Cayman) Ltd. Bank of Nova Scotia Trust Company (Cayman) Limited, (The) Barclays Bank PLC Barclays Finance Corporation of the Cayman Islands Limited Barclays Private Bank & Trust (Cayman) Limited British American Bank Ltd. Caledonian Bank & Trust Limited Cayman National Bank Ltd. CIBC Bank and Trust Company (Cayman) Limited Coutts (Cayman) Limited Deutsche Bank (Cayman) Limited Dresdner Bank Lateinamerika Aktiengesellschaft HSBC Financial Services (Cayman) Limited IJB Whitehall Bank & Trust Company Julius Baer Bank and Trust Company Ltd. MeesPierson (Cayman) Limited Mercury Bank & Trust Limited Merrill Lynch Bank and Trust Company (Cayman) Limited Morval Bank & Trust Cayman Limited Royal Bank of Canada Royal Bank of Canada Trust Company (Cayman) Limited Scotiabank (Cayman Islands) Ltd. UBS (Cayman Islands) Ltd. Category B: ABC Trust Company Ltd. ABN AMRO Bank (Cayman) Ltd. ABN Amro Bank N.V. ABN AMRO Trust Company (Cayman) Limited Abu Dhabi Commercial Bank Aegis Trust Limited Alexandria Bancorp Limited Allfirst Bank Alliance Short Duration Mortgage Fund Allied Irish Banks, PLC Altajir Bank Amadeus Trust Company Ltd. American Express Centurion Bank American National Bank and Trust Company of Chicago Amex International Trust (Cayman) Limited AmSouth Bank of Alabama Anchor Trust Co. Ltd. Annapolis Diversified Fund Ltd. Arab American Bank Arab Bank PLC Arab Banking Corporation (B.S.C.) Arab Commerce Bank Limited Arabian Express Bank Limited Arctic Trustee Ltd. Argentaria, Caja Postal Y Banco Hipotecario, S.A. Asahi Bank, (The) Asia Commercial Bank Limited ATC Trustees (Cayman) Limited Atlantic Bank of New York Atlantic European Banking Corporation Atlantic Security Bank Atlantico Bank & Trust Australia and New Zealand Banking Group Limited B.I. Bank & Trust, Ltd. B.I. Latin American Fund B.I.I. Creditanstalt International Bank Ltd. BAC International Bank Bahrain Middle East Bank (E.C.) Banc Internacional of Andorra (Cayman) Ltd. Banca Commerciale Italiana Banca Di Roma Banca Monte dei Paschi di Siena S.p.A. Banca Promex Sociedad Anonima Banca Unione Di Credito (Cayman) Ltd. Banco America do Sul S.A. Banco Atlantico S.A. Banco B.I. Creditanstalt S.A. Banco Bandeirantes Grand Cayman Inc. Banco Bandeirantes S.A. Banco Bilbao Vizcaya S.A. Banco Bilbao Vizcaya-Mexico S.A. Banco BMC S.A. Banco BMG S.A. Banco Boavista InterAtlantico S.A. Banco Bozano, Simonsen S.A. Banco BPI, S.A. Banco Bradesco S.A. Banco Colpatria Cayman Inc. Banco Comafi (Cayman) Limited Banco Comercial dos Acores Banco Credibanco S.A. Banco de Credito Nacional S.A. Banco de Galicia (Cayman) Limited Banco de Galicia y Buenos Aires S.A. Banco de la Nacion Argentina Banco de la Provincia de Buenos Aires Banco de Sabadell, S.A. Banco del Atlantico Sociedad Anonima Banco del Centro Sociedad Anonima Banco di Napoli S.p.A. Banco Dibens S.A. Banco do Brasil S.A. Banco do Estado de Sao Paulo S.A. Banco do Estado do Rio de Janeiro S.A. Banco do Estado do Rio Grande do Sul S.A. Banco Economico S.A. Banco Espanol de Credito, S.A. Banco Finantia International Limited Banco Frances (Cayman) Limited Banco General (Overseas), Inc. Banco Inbursa S.A. Banco Internacional de Credito, S.A. Banco Internacional, S.A. Banco Inverlat, S.A. Banco Itau S.A.

Banco Latinoamericano de Exportaciones, Limited (BLADDEX) Banco Lator Cayman Ltd. Banco Mello (Cayman) Ltd. Banco Mercantil Del Norte S.A. Banco Mercantil Finasa S.A. Banco Nacional de Comercio Exterior, SNC Banco Pinto & Sotto Mayor Banco Pontual S.A. Banco Portuges de Investimento, S.A. Banco Privado Portuges (Cayman) Ltd. Banco Real S.A. Banco Republic National Bank of New York (Brasil) S.A. List of active Banks and Trust Companies as at December 31 1999 PAGE 22 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS Banco Rio de la Plata S.A. Banco Safra S.A. Banco Safra (Cayman Islands) Limited Banco Santander Brasil S.A. Banco Santander Central Hispano S.A. Banco Santander Mexicano, S.A. Banco Standard Chartered Banco Totta & Acores Banco Union Sociedad Anonima Banco Urquijo Limited Banco Venezolano de Credito S.A.C.A. Bancolumbia Cayman Bancomer, Sociedad Anonima Bancrecer S.A. Bancredit Cayman Limited Bangkok Metropolitan Bank Public Company Limited BANIF-Banco Internacional do Funchal (Cayman) Ltd. Baninter and Trust Company Bank Austria Aktiengesellschaft Bank Danamon Bank Espirito Santo (International) Limited Bank Hapoalim (Cayman) Limited Bank Hapoalim B.M. Bank Leumi Le Israel B.M. Bank Leumi USA Bank of America, National Association Bank of Asia Public Company, Limited, (The) Bank of Ayudhya Public Company Limited Bank of China Bank of India Bank of Ireland Bank of New York (Delaware), (The) Bank of New York, (The) Bank of New York Trust Company (Cayman) Limited, (The) Bank of Scotland Bank One Dayton, N.A. Bank One, Arizona, National Association Bank One, Colorado, National Association Bank One, Columbus, National Association Bank One, Indiana, National Association Bank One, Kentucky, N.A. Bank One, Louisiana, National Association Bank One, National Association Bank One, Texas, National Association Bank One, Utah, National Association Bank One, Wisconsin BankBoston International BankBoston Trust Company (Cayman Islands) Limited Bankers Trust (Delaware) Banpais, Sociedad Anonima Banque Nationale de Paris Banque Sudameris Bayerische Hypo - Und Vereinsbank AG Bayerische Landesbank Girozentrale BBV Trust Company (Cayman) Limited BCN International Bank Ltd. BCP Bank & Trust Company (Cayman) Limited BCP Finance Bank, Ltd. BCP International Bank Limited BCT Bank International BEAL Cayman Limited Belmont Non-Traditional Holdings Ltd. Bermuda International Finance Limited Bermuda Trust (Cayman) Limited Bessemer Trust Company (Cayman) Limited BFC Bank (Cayman) Ltd. BHD Cayman International Bank BHF-BANK Aktiengesellschaft Biape International Bank Ltd. BIE - Bank & Trust Ltd. BII International Bank (Cayman) Ltd. Blue Seas Trust Company Ltd. BMC Bank and Trust Limited BNC - International (Cayman) Ltd. BNP Private Bank & Trust Cayman Limited BNY Fund Management (Cayman) Limited Boston Safe Deposit and Trust Company Bozano, Simonsen Banking Limited BPA-Overseas Bank Ltd. BPN - Banco Portuges De Negocios, S.A. Branch Banking and Trust Company Branch Banking and Trust Company of South Carolina Branch Banking and Trust Company of Virginia Braseg Overseas Bank Ltd. Brazilian American Merchant Bank Bridge Trust Co. Ltd. Brown Brothers Harriman & Co. Brown Brothers Harriman Trust Company (Cayman) Limited Caixa Economica Montepio Geral Camatruco Ltd. Cambridge Bank & Trust Company Limited Canadian Imperial Bank of Commerce Cantrade Trust Company (Cayman) Limited Caribbean Bank of Exports CARIPLO - Cassa Di Risparmio Delle Provincie Lombarde S.p.A. Carolina First Bank Cayman International Trust Company Limited Cayman National Trust Co. Ltd. Centura Bank Chartered Trust Services Ltd. Chase Manhattan Bank Delaware Chase Manhattan Bank USA, National Association Chase Manhattan Trust Cayman Ltd. Christiania Bank OG Kreditkasse CI Investments Ltd. CITCO Bank and Trust Company Limited Citco Trustees (Cayman) Limited Citibank N.A.

Citicorp Banking Corporation Cititrust (Cayman) Limited Citiventure Private Participations II Limited Clariden Bank and Trust (Cayman) Limited Close Bank & Trust (Cayman) Limited Coastal Cayman Finance Ltd. Codan Trust Company (Cayman) Limited Colville Holdings Limited Comerica Bank - Detroit Commercial Bank (Grand Cayman) Ltd. Commercial Bank of New York Commercial Banking Corporation Commerzbank Aktiengesellschaft Commonwealth Bank of Australia Compass Trust Co. Ltd. Confia S.A. Continental Investment Bank Coral Trust Co., Ltd. Counsel Trust (Cayman) Limited Crediop Overseas Bank Limited Credit Agricole Indosuez Credit Bank and Trust Company Credit Commercial de France Credit Communal de Belgique S.A. Credit Industriel ET Commercial Credit Lyonnais PAGE 23 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS Credit Suisse First Boston Crestar Bank Dafare Limited Dai-Ichi Kangyo Bank, Limited, (The) Dao Heng Bank Limited Darier, Hentsch Bank & Trust Cayman Ltd. Dart Capital Limited DBS Thai Danu Bank Public Company Limited December Trust Company Limited, (The) Decorum, Ltd. Delta Bank and Trust Company, Grand Cayman Den Danske Bank Aktieselskab Den norske Bank AS Deutsche Bank Aktiengesellschaft Deutsche Bank International Limited Deutsche Bank International Trust Co. (Cayman) Limited Deutsche Genossenschaftsbank Deutsche Girozentrale Overseas Limited Dextra Bank & Trust Co. Ltd. Digital Century Fund, Ltd. Discount Bank (C.I.) Limited Discount Bank and Trust Company DLJ Winthrop Trust Company (Cayman) Limited Dresdner Bank Aktiengesellschaft E.C.B. International Bank Eagle Merchant Bank of Jamaica Limited EastWest Trust Company Ltd. Energy Bank (Americas), Ltd. Equitable PCI Bank Cayman Limited Erste Bank Der Oesterreichischen Sparkassen AG EuroBank Corporation (Under Voluntary Liquidation) Euro-American Capital Corporation Limited Eurocredit Bank (Cayman) Euro-Pacific Trust Company Fairheads International Trust Company (C.I.) Limited Federal Bank of the Middle East Limited Ferrier Lullin Cayman Bank & Trust Fiduciary Trust (Cayman) Limited Fifth Third Bank, (The) FIL Bank and Trust Company Limited Finansud International Bank & Trust Corporation Limited Finasa Bank Limited Finibanco, S.A. Firmhold Limited First American National Bank First Bangkok City Bank Public Company Limited First Chicago Trust Company (Cayman) Ltd., (The) First Hawaiian Bank First International Bank of Israel Limited, (The) First Overseas Trading Bank First Pinebank Company, (The) First Security Bank of Utah, National Association First Union Bank and Trust Company (Cayman) Limited Firststar Bank Milwaukee, National Association Fleet National Bank Fordsar (Cayman) Limited Foreningssparbanken AB (Publ). (Swedbank) Free Lodge Limited FTCI (Cayman) Ltd. Fuji Bank, Limited, (The) Future Growth Fund Future Growth Global Fund Ltd. Gaea Trust Company Limited Gefinor Bank Limited Generale Bank Genesis Trust Company Ltd. Givens Hall Bank & Trust Ltd. Global Funds Trust Company GNB Bank Limited Goldman Sachs (Cayman) Trust, Limited Greenland Trust Co. Ltd. Gulf International Bank B.S.C. Habib Bank Zurich (International) Ltd. Hamilton Trust Company Ltd. Harbour Trust Co. Ltd., (The) Heritage Trust Company, Ltd. Hexagon Trust Company (CI) Limited Hibernia National Bank in New Orleans, (The) HongKong Chinese Bank Ltd., (The) Hopkins (Cayman) Limited HSBC Bank Brasil S.A. - Banco Multiplo HSBC Bank Plc HSBC Bank Plc George Town Branch HSBC Guyerzeller Trust Company HSBC International Trustee Limited HSBC Trustee (Cayman) Limited Huntington National Bank, (The) IBT Trust Company (Cayman) Ltd. Icatu Bank (Cayman), Co. Inchauspe Bank Corporation Indosuez Trust Company (Cayman) Ltd. Industrial Bank of Japan, Limited, (The) ING Bank N.V. International Bank for Commerce International Bank of Finance International Discount Trust Limited International Mercantile Bank Limited Intesa Bank Overseas Ltd. Inverbank S.A. Inverworld Bank Ltd. Investcorp

Nominee Holder Limited Israel Discount Bank Limited Israel Discount Bank of New York Itau Bank, Ltd. ITOCHU Trust (Cayman) Limited Johnson Bank Julius Baer Trust Company (Cayman) Ltd. KBC Bank N.V. KeyBank National Association Keystone Trust Company, (The) Kookmin Bank Krung Thai Bank Public Company Limited Landesbank Hessen-Thuringen Girozentrale LaSalle National Bank Latin American Credit Limited Law Debenture Trust Corporation (Cayman) Limited, (The) Leumi Cayman Finance and Trust Corporation LGT Bank in Liechtenstein (Cayman) Limited Li Ka-Shing Castle Trustco Limited Li Ka-Shing Castle Trustcorp Limited Li Ka-Shing Castle Trustee Company Limited Li Ka-Shing Castle Trustee Corporation Limited Li Ka-Shing Unity Trustco Limited Li Ka-Shing Unity Trustcorp Limited Li Ka-Shing Unity Trustee Company Limited Li Ka-Shing Unity Trustee Corporation Limited Liu Chong Hing Banking Corporation, Cayman Lloyds TSB Bank & Trust (Cayman) Limited Long-Term Credit Bank of Japan, Limited, (The) M & I Bank Fox Valley M & I Marshall & Ilsley Bank M&I Bank of Southern Wisconsin PAGE 24 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS M.A. Bank Limited Marcep Overseas Trust Limited Mariza Investment Marmanco Trust Company Limited Matheson Trust Company (Cayman) Limited Mathilde Trust Company Limited, (The) MBNA America Bank, National Association MBT Trustees Ltd. MC International High Return Fund Mediobanca International Limited Mellon Bank N.A. Mena Management Limited Mercantile Bank National Association Merita Pankki OYJ Michigan National Bank of Detroit Middenbank (Cayman Islands) Ltd. Middlefield Trust Company Ltd. Minden Trust (Cayman) Limited Mitsubishi Trust and Banking Corporation, (The) MONY Bank & Trust Company of the Americas, Ltd. Morgan Stanley Dean Witter Trust Company (Cayman) Ltd. Morgan Trust Company of the Cayman Islands Ltd. MTB Bank MTC Company Limited Multi Banking Corporation (Overseas) Limited Multiplic Bank International Nacional Financiera S.N.C. Nakornthon Bank Public Company Limited Natexis Banque National Australia Bank Limited National Bank of Kuwait S.A.K., (The) National City Bank of Indiana National City Bank of Kentucky National City Bank of Michigan/Illinois National City Bank, Cleveland National Westminster Bank PLC Nations Finance (Cayman) Limited Nazeer International Trust Company Limited NCB (Cayman) Limited New Iris Company Limited New Lily Company Limited Nippon Credit Bank, Ltd., (The) Nomura Premium Fund Norddeutsche Landesbank Girozentrale Norfolk and Hampton Bank Norinvest Bank Northern Star Trustcompany Limited Northern Trust Cayman International, Ltd. Northern Trust Company, (The) Norwest Bank Colorado, National Association Norwest Bank Minnesota, N.A. Old Kent Bank and Trust Company Oryx Merchant Bank Limited P.T. Bank Bali P.T. Bank Dagang Nasional Indonesia P.T. Bank Internasional Indonesia TBK P.T. Bank Negara Indonesia (Persero) TBK P.T. Bank Niaga P.T. Bank Pan Indonesia TBK Pacific Bank N.A., (The) Pacific Industrial Bank Painewebber Trust Company (Cayman) Ltd. Paribas PDG Bank (Cayman) Limited Pictet Bank and Trust (Cayman) Ltd. Popular Bank & Trust, Ltd. Portuguese World Bank Produbank Provident Bank, (The) PRS International (Cayman) Limited Prudential-Bache International Trust Company (Cayman) PT Bank Mandiri (Persero) PT Bank Rakyat Indonesia (Persero) Qatar National Bank S.A.Q. QSPV Limited Queensgate Bank & Trust Company Ltd. Quilmes Bank and Trust (Cayman) Ltd. R & H Trust Co. Ltd., (The) Rabobank Nederland Regions Bank Rena Trust Company Limited Republic Bank Trinidad and Tobago (Cayman) Limited Republic International Bank of New York Republic National Bank of New York Republic National Bank of New York (Cayman) Limited Riddick (Cayman) Limited Rimmer (Cayman) Limited ROFIN International Bank and Trust Company Rothschild Trust Cayman Limited Royal Bank of Scotland PLC, (The) Rurik Trust Company (International) Limited Sakura Bank,



Limited, (The) Santander Riobank (Grand Cayman) Sanwa Bank Limited, (The) Sanwa International Trust Company (Cayman) Limited Saudi African Bank SBC Special Transactions Trust Company Limited Schroder Cayman Bank and Trust Company Limited Scotia Mercantile Bank Scudder Floating Rate Fund for Fannie Mae Mortgage Securities Scudder Mortgage Fund Scudder Trust (Cayman) Ltd. Serfin International Bank & Trust Settle Limited Shorman (Cayman) Limited Sintese Global Fund Sistema Banking Corp. Ltd. Skandinaviska Enskilda Banken Smallcap/USA Limited Smith Barney Private Trust Company (Cayman) Limited Societe Generale South and North American Growth Fund, Ltd. Southern Star Bank SouthTrust Bank of Alabama National Association St. George's Trust Company Limited Star Bank, National Association State Street Bank and Trust Company State Street Cayman Trust Company, Ltd. Strategic Trust Company Sudamero Trust Company (Cayman) Ltd. Sul America International Bank (Cayman) Ltd. Sumitomo Bank, Limited, (The) Sumitomo Finance (Asia) Limited Sumitomo Trust & Banking Co. (U.S.A.) Sumitomo Trust & Banking Company Limited Summit Bank Summit Capital Ltd. Summit Capital Portfolio Ltd. Sun Trust Bank, Nashville, National Association SunTrust Bank, Atlanta SunTrust Banks Trust Company (Cayman) Ltd. Surfton (Cayman) Limited Svenska Handelsbanken Swisspartners Trust Company Limited PAGE 25 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS Sydbank A/S Taclaim Trust Company Thai Farmers Bank Public Company Limited Thai Military Bank Public Company Limited The Bank of Tokyo-Mitsubishi, Ltd. The Dundee Bank The Irish Trust Company (Cayman) Ltd. The Siam City Bank Public Company Limited TIFD VIII Cayman Inc. Tokai Asia Limited Tokai Bank, Limited, (The) Toronto - Dominion Bank, (The) Towerbank, Ltd. Trade and Commerce Bank Trade Link Bank Transatlantic Trust Corporation Transcorp Bank TransOcean Bank & Trust, Ltd. Transworld Bank and Trust Limited Tribank International (Cayman) Limited Trident Trust Company (Cayman) Limited Triton (Cayman) Limited Triumph (Cayman) Limited Twenty-First Century Trust Company U.S. Bank National Association UBS AG UBS Trustees (Cayman) Ltd. Unibanco - Uniao de Bancos Brasileiros S.A. Unibank A/S Unicorp Bank & Trust Ltd. Unicredito Italiano S.P.A. Union Bank of California, National Association Union Bank of Hong Kong Limited Union Bank of Israel Ltd. United Bank for Africa Limited United Bank of Kuwait PLC, (The) United Mizrahi Bank Ltd. United States Trust Company of New York United States Trust Company of New York (Grand Cayman) Ltd. Universal Compression Finance Co. Ltd. Universal Trust Company Ltd. Venecredit Bank & Trust, Ltd. Victory (Cayman) Limited Vontobel Bank & Trust Company Ltd. Wachovia Bank, National Association Walbrook International Trust Company Limited Wells Fargo International Limited Wells Fargo Trust Company, Cayman Islands West Caribbean Bank Westdeutsche Landesbank Girozentrale Western International Trust Company Limited Western Oceanic Bank Westpac Banking Corporation Whitney National Bank Wiese Bank International Wing Hang Bank (Cayman) Ltd. Wing Hang Bank Trustee Company (Cayman) Limited Wing Lung Bank Ltd. World Fund Financial Services Worldwide Commercial Bank Ltd. Zions First National Bank PAGE 26 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS Insurance Companies Class A Insurance Companies Aetna Life And Casualty (Bermuda) Ltd. American Home Assurance Company American Life Insurance Company Blue Cross And Blue Shield of Delaware, Inc. British American Insurance Company Ltd. British Caymanian Insurance Company Ltd. Canada Life Assurance Company Capital Life Insurance Company Limited Caribbean Home Insurance Company Limited Cayman General Insurance Company Limited Cigna International Reinsurance Company Ltd. Clico (Cayman) Ltd. Colonial Life Assurance Company Limited Dyll Insurance Company Limited Global Life

Assurance Company Ltd. Great Southern Life Insurance Company Insurance Company of The West Indies Limited, (The) Island Heritage Insurance Company, Ltd. Jackson National Life Insurance Company Jamaica Mutual Life Assurance Society Life of Barbados Limited Lloyds of London MONY Life Insurance Company of The Americas, Ltd. Motor And General Insurance Company Limited N.E.M. (West Indies) Insurance Limited National Life Assurance Company of Canada, (The) Occidental Life Insurance Company of North Carolina Reliastar Life Insurance Company of New York Royal & Sun Alliance Insurance (Bahamas) Ltd. Sirius International Insurance Corp. Class B Insurance Companies A.M. Skier Reinsurance Company Abacus Insurance Limited ABS Insurance Limited Accident & General Insurance Company Ltd. Actis Assurance Segregated Portfolio Company Adamas Limited Advantage Life & Annuity Company SPC Advocate Health Care Insurance Company Affinity 500 Insurance Ltd. Agricultural Risk Insurance Company Ltd. Agrinational Ltd. AIB International Insurance Company Alembic, Inc. Allegheny Health Services Providers Insurance Company Allied Meat Insurance Company Ltd. Alpine Indemnity Limited Alternative Risk Reinsurance Company Limited Amcon Reinsurance, Inc. American Businessowners Assurance Ltd. American Contractors Reinsurance Company, Ltd. American Eagle Insurance Co. Ltd. American Guaranty And Health Care Insurance Company American Health Care Insurance Company American Industries Assurance, Cayman Ltd. American Osteopathic Insurance Co. Ltd. American Professional Assurance Ltd. American Surgeons Insurance Company American Vehicle Insurance Services Americana Excess & Reinsurance Corporation AMFO Members Insurance Company Ltd. Andelssikring Insurance Company Limited Andrea Denise Christian Anglo-Dutch Insurance Company Limited, (The) APIC Insurance Corporation Aquitaine Insurance Company Arbil International Insurance Limited Arch Reinsurance Company, Ltd. Archway Insurance, Ltd. Arrowhead Insurance Company Ltd. Artisans Insurance Ltd. Ashmont Insurance Company Limited Assistance-Re Astra Insurance Company ATG Assurance Company Limited Atlantic And Caribbean Re Atlantic General Insurance Company Atlantic Gulf Insurance Company Atlantic Northern Insurance Company Automobile Dealers Mutual Insurance Company Automation Cayman Insurance Company, Ltd. Avon Insurance Company, Ltd. AWA Insurance Company AZ Reinsurance Limited B.A. Insurance (Cayman) Ltd. BankAmerica Trust And Banking Corporation (Cayman) Bay Primex Insurance Company, Ltd. BCHS Insurance, Ltd. Bearacuda Re Bedford Reinsurance, Ltd. Benchmark Insurance Company Benodet Insurance Ltd. Best Meridian International Insurance Company BHS Insurance Company, Ltd. Biscayne Insurance Company Ltd. Blair International Insurance (Cayman) Ltd. Blodgett Assurance Company Ltd. Blue Eagle Re Blue Horse Limited Bon Secours Assurance Company, Ltd. Bowling Green Insurance (Cayman) SPC, Ltd. Brentwood Indemnity (Cayman) Ltd. Briarwoods Insurance Company Ltd. Britannia Guarantee National Insurance Company British Insurance Company of Cayman Bucap Limited Builders Insurance Company, Ltd. C.M.M.C. Insurance Co. Ltd. Caduceus Indemnity Corporation Ltd. California Livery Insurance Company, Ltd. Canadian Livestock Insurance Company Ltd. Capitol Insurance Company Ltd. Capre Ltd. Cardinal Insurance Company (Cayman) Ltd. Care Insurance Ltd. Caresouth Indemnity Ltd. Caribbean Catastrophe Insurance Ltd. Caribbean Equity Reinsurance Ltd. Carondelet Insurance Ltd. Cascades Insurance Company, Ltd. Castle Insurance Company Ltd. List of active Insurance Companies as at December 31 1999 PAGE 27 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS Caterpillar Assurance Co., Ltd. Cathedral Insurance Company Limited Catmontu Insurance Company Ltd. Caydeaux Insurance Company Ltd. Caydeaux Life Assurance Company Ltd. Cayman Overseas Reinsurance Association

Cayman Reinsurance Group Caymich Insurance Company, Ltd. Caypac Insurance Limited CCHS Indemnity Co. Ltd. CCMSI Reinsurance, Ltd. CCSF Reinsurance Ltd. Centra Indemnity, Ltd. Centra Professional Indemnity, Ltd. Centrum Insurance Company Ltd. Chandler Insurance Company, Ltd. Chaparral Underwriters Ltd. Charabanc & General Insurance Company Ltd. Charger Insurance Group, (The) Chariots of Hire Insurance Company (Cayman) CHC Insurance Company, Ltd. Chic Re Limited CHP Insurance, Ltd. Churchill Casualty Ltd. CHW Insurance Ltd. Clarion Indemnity Ltd. CMH Insurance Company, Ltd. CNA International Life Company SPC, Ltd. Coala Insurance Company Limited Colliers Professional Liability Insurance Company, Ltd. Columbia Reinsurance Company, Ltd. Columbus Insurance Ltd. Commonwealth (Cayman) Insurance Company Limited Commonwealth Professional Assurance Company, Ltd. Community Assurance Company, Ltd. Compass Life Assurance Company Ltd. Comprehensive Allied Reinsurance Services, Ltd. Construction Insurance Company Ltd. Continuous Quality Insurance Company, Ltd. Contractors Reinsurance Corporation Controlled Risk Insurance Company, Ltd. Corinthian Assurance Ltd. Cornerstone Insurance Company Corrugated Insurers Association Crescent Casualty Insurance Company Crestwood Assurance Company, Ltd. Crown Life Insurance Company Crusader International Insurance Company Ltd. CWM Insurance Ltd. Cygnet Reinsurance Company Dahlia Patricia Webb-Barrett Dakotacare Insurance, Ltd. Dallas Reinsurance Company, Ltd. DCHS Insurance, Ltd. Dennison Health Providers Assurance Company, Ltd. DFG Insurance Company Ltd. Dimensions Assurance, Ltd. DMC Insurance Co., Ltd. DNH Reinsurance Company Limited Durlacher Assurance Co. Ltd. Eastbourne Insurance Company Limited Eastern Alliance Insurance Company SPC Edinburgh Insurance Company Electrical Distributors Insurance Company, (The) Electronic Insurers Limited Elgin Professional Indemnity Ins. Inc. Employers Equity Insurance Company Epsilon Insurance Company Ltd. Equipment Assurance Limited Equity International Insurance Company Everest Property Insurance Company Excellus Reinsurance Company (Cayman) Ltd. F & G Overseas Limited F. Boodles Insurance Co. Ltd. FH Assurance Company Financial Assurance Company, Ltd. Fire Arms Insurance Registry (Fair) Ltd. First American Reinsurance Company (Cayman) First Atlantic Reinsurance Ltd. First Employers Insurance Company First Hospital Insurance Company, Ltd., (The) First Initiatives Insurance, Ltd. First International Insurance Company Ltd. Forbes Re-Insurance Company Limited Franciscan Health System Insurance Company Ltd. Franklin International Reinsurance Company Galena Insurance Corporation Gemini Re Ltd. Gencay Property Insurance Company Limited Gentle Winds Reinsurance Ltd. George Town Re. Ltd. Georgia Health Care Insurance Company GHS Insurance Company, Ltd. Ginco Assurance Company Limited Global Contractors Indemnity Ltd. Global Maritime Insurance Limited Global Union Casualty Insurance Co. Gloucester Insurance Ltd. GLP Insurance Company Goshawk Security Insurance Limited Gramercy Place Insurance Limited Grand Reinsurance Ltd. Grande Alliance Co. Ltd. Grayhill Insurance (Cayman) Ltd. Greater Rochester Assurance Company Ltd. Greenleaf Insurance Company, Ltd. Gulf Insurance Company Ltd. H & W Indemnity, Ltd. Hanover Insurance Company Ltd. Harvest Insurance Company Haul Insurance Limited Health Care Assurance Company Ltd. Health Midwest Insurance Company Ltd. Health One Insurance Company, Ltd. Health Professionals Insurance Company, Ltd., (The) Health Risks Limited Health Systems Insurance Ltd. Heritage Reinsurance Company Ltd. Hexagon Insurance Company, Ltd. HF Re (Cayman) Ltd. High Mountain Reinsurance, Ltd. Hillsdale Insurance Corporation Ltd. HN Reinsurance Ltd. Hospital Assurance Company Ltd. HSBC Insurance SPC Ltd. Hudson Indemnity Ltd. ICHEM Reinsurance Company Limited IHC Insurance Co. Inc. Illinois Masonic

Insurance Co. Ltd. IMBI Ltd. IMPA Ltd. Infinity Insurance Ltd. Insignia Management & Finance (Reinsurance) Ltd. Insurance Company of Springfield, Inc. Insurance Security Company Limited Insurco International Ltd. Insure America (Cayman) Limited Intel Health Services Insurance Co Ltd. Intercontinental Casualty Insurance Company International Merchant Insurance Ltd. PAGE 28 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 LISTINGS International Reinsurance Company Ltd. Interregional Reinsurance Company Limited, (The) Investor Brokerage Insurance Incorporated IPRO Insurance Corporation IPT Physicians Insurance Company (Cayman) Ltd. J. Win Insurance Co. Ltd. Jazz Assurance Company Jefferson International Reinsurance Company JHG Insurance Co. Ltd. JKI Indemnity SPC John L. Hinds, Iii Jojodi Insurance Company of Cayman JR Insurance Company Juno Re, Ltd. J-W Reinsurance Ltd. Kathleen Watson KCI Insurance Company Ltd. Keystone Indemnity Insurance Company Kings Reinsurance Company Ltd. KM Insurance Company Ltd. Knight Insurance Company Ltd. Kover Limited L. Gilbraith Insurance Company La Chaine D assurance Limited Labor Ready Assurance Corporation Lake Shore Insurance Co. Lancaster Health Alliance Insurance Company, Ltd. Landis Insurance Company Ltd. Landrin Insurance Corporation Latin American Caribbean Insurance Company Ltd. Latitude 19 Insurance Company Leaven Insurance Company, Ltd. Legacy Insurance Company Libris Indemnity Company Lighthouse Capital Insurance Company LMHS Insurance Company Ltd. Long Beach Insurance Company Louise Insurance Company Ltd. Loyola University of Chicago Insurance Company, Ltd. LTC Insurance Ltd. LTCG Reinsurance, Ltd. MAC Casualty Ltd. Madison of Virginia Insurance Company Ltd. Magalyn V. Ebanks-Simms Majorem Insurance S.P.C. Mariner Offshore Insurance Ltd. MASB-SEG Reinsurance Limited Materials Insurance Company Maturewell Reinsurance Co. (Cayman) Max Insurance Company MD Insurance Company Mecacem Insurance Limited Medical Alliance Insurance Network Ltd. Medical Indemnity Assurance Company Ltd. Medical Insurance Services Ltd. Medicus Insurance Ltd. Medilink Insurance Company, Ltd. Mein Re Ltd. Memorial Professional Assurance Company Merchant Insurance Company Ltd. Meridian Insurance Company Limited Merlin Insurance Company Limited Mesa Assurance Company Ltd. MFC Insurance Co. MH Insurance Company Montgomery Insurance Ltd. Mortgage Insurance Limited Mortgage Re, Ltd. Mosaic Re II, Ltd. Mosaic Re, Ltd. MPN Insurance Company Ltd. MSK Insurance Ltd. MTRMA Reinsurance Ltd. Naico Indemnity (Cayman) Ltd. Namazu Re, Ltd. Natica Insurance Company, Ltd. National Association Reinsurance Company National Contractors Insurance Ltd. National Environmental Insurance Ltd. National Health Care Indemnity Corp. National Insurance Alliance Limited National Physicians Insurance Company National Warranty Insurance Risk Retention Group New England Medical Center Insurance Company New Providence Insurance Company Limited, (The) Newcap Insurance Company, Limited Nexus Limited Nexus Reinsurance Company Nightingale Insurance, Ltd. NOMC Insurance Company, Ltd. Norden Insurance Ltd. Norfolk Insurance Corporation North Bay Reinsurance Ltd., SPC Northeastern Reinsurance, Ltd. Northern California Indemnity Ltd. Northern Prairie Indemnity Limited Northern United Reinsurance Ltd. Northridge Insurance Company Northwest Assurance Company Ltd. Nova Insurance Company Ntent Indemnity Company Nuclear Electric (Cayman) Limited Oakwood Assurance Company Ltd. OB Physicians Insurance Co. Ocean State Insurance Co., Ltd. Old South Security Life Insurance Company Onika Insurance Company Ltd. Onlop Insurance Company Onyx RE, Limited Operators Reinsurance Company Oral Surgeons Reimbursement Fund Ltd. Ormaryd Insurance Company, Ltd. Overseas Indemnity Company Ltd. Overseas Partners (Cayman) Ltd. Pacific Coast Reinsurance Ltd. Pacific Re, Ltd. Palms Insurance Company Limited

PanAmerica Casualty and Surety SPC, Ltd. Pan-American Benefits Insurance Company  
Pan-American International Insurance Corporation Panther Reinsurance Company, Ltd.  
Parametric Re, Ltd. PCS Nitrogen Cayman Limited Peer Insurance Corporation Pegasus  
Insurance Penn Reinsurance Ltd. Philan Insurance Ltd. Phyllis E. Higgins Physicians &  
Surgeons Liability Insurance Company Physicians Assurance Medical Company Physicians  
Mutual Indemnity Corporation Physicians Reimbursement Fund Ltd. Pinnacle Reinsurance  
Company (Cayman) PMA Insurance SPC, Cayman PMA International Insurance, Cayman  
Limited PMCA Liability Insurance Ltd. PMSLIC (Cayman) Ltd. Podia Insurance Limited  
Podiatry Assurance Company Ltd. Potomac Indemnity Company Premium Risk Insurance Co.  
SPC. PAGE 29 Cayman Monetary Regulatory Authority International - ANNUAL REPORT  
1999 LISTINGS Prescriptive Insurance Company, Ltd. Princeton Cayman Liability, Ltd.,  
Segregated Portfolio Company Professional Protective Insurance Ltd. Professional  
Underwriters Corporation Progress Reinsurance Company Ltd. Providers Re PSGHS  
Assurance Company, Ltd. Quality Alliance Assurance Company (Cayman) Ltd. Queensbrook  
Insurance Limited Quest Insurance Co. Ltd. R.C.I. Ltd. R.P.S.L.M.C. Insurance Company Ltd.  
Raffles Insurance Limited RDM Insurance Group Ltd. Red River Reinsurance, Ltd. Republic  
Insurance Company (Cayman) Ltd. Residential Reinsurance Limited Rigel Limited RISC  
International Intermediaries, Ltd. Risk Mitigation Capital Insurance Ltd. Riverview Indemnity  
Company Royal Bank of Canada Reinsurance (Cayman) Limited RT Insurance Company, Ltd.  
S.A. Insurance Ltd. S.O.P. Insurance Ltd. Safety National Re. Safewrite (Cayman Islands)  
Limited Samaritan Insurance Funding Ltd. Sascap Insurance Company Ltd. Saxon Insurance  
Company Limited Scott & White Assurance Ltd. Scottish Annuity & Life Insurance Company  
(Cayman) Ltd. Scottish Annuity Company (Cayman) Ltd., (The) Sectrs 1999-1 Limited  
Selandia Insurance Company Ltd. Selectcare Reinsurance Ltd. Semo Assurance, Ltd.  
Sequoia Insurance Corporation Servanda Insurance Company Signature Insurance Company  
Smacal Reinsurance Company (Cayman) Ltd. Solemar Insurance Ltd. Southeastern  
U.S. Insurance, Ltd. Southwest Professional Indemnity Corporation Southwest Underwriters,  
Inc. Southwestern Dealers Insurance Company Spectrum Insurance Company, Ltd.  
Springland International Assurance Co. SR Earthquake Fund, Ltd. St. Elizabeth Medical  
Insurance Company St. Francis Ltd. St. George Reinsurance Ltd. St. Ives Insurance Company  
Ltd. Stamford Insurance Company Ltd. Standard Fidelity Assurance Co. Ltd. Star Insurance  
Company (Cayman) Ltd. Starboard Indemnity, Ltd. (Cayman) Starwest Insurance Company,  
Ltd. State Reinsurance Co. Ltd. Stella Maris Insurance Company, Limited Summit Insurance,  
Ltd. SunAmerica (Cayman) Insurance Company, Ltd. Sunflower Assurance, Ltd.  
Surginsurance Ltd. Swisspartners Insurance Company SPC Ltd. T.A.C. Insurance Company  
Limited Tailored Risk Assurance Company Ltd. TCH Insurance Company, Ltd. TCR Insurance  
Company, Ltd. Teal Assurance Company Limited Tectonics Insurance Company Ltd.  
Telegraph International Insurance Company Temporary Services Insurance Ltd. Terramar  
Insurance Company, Ltd. Terrapin Insurance Company Testudo Re Cayman, Ltd. Texas  
Health Facility Insurance Corporation Ltd. The Octagon Insurance Group Ltd. The Samuels  
Insurance Group The Transit Alliance Insurance Co. Ltd. Three Lakes Insurance Company  
Ltd. Tiger International Insurance Limited Timberlake Insurance SPC Ltd. Tortuga Casualty  
Company TPG Segregated Portfolio Company (Cayman) Trabaja Reinsurance Company  
Traffic Insurance Ltd. Transpacific Excess Group Trax Insurance Ltd. Tremont International  
Insurance Ltd. Trinity Re 1999, Ltd. Trinity Re, Ltd. Twickenham Insurance Company U.I.B.  
International Insurance Co. Ltd. UMCC Insurance Funding Limited Uneon Re Ltd. Unified  
Reinsurance Co. Ltd. Union Fidelity Insurance Company United Care Insurance Company

United Continental Corporation Ltd. United Insurance Company United Physicians Insurance Company Ltd. United Security Associates Insurance Company United SPC United States Global Reinsurance Ltd. United Trades Insurance Company United Trades Insurance Company One URSA Company Ltd. Ursus Indemnity Corporation US Employers Insurance Inc. Valcap Insurance Company, Ltd. Valence Insurance Co. Ltd. Venzke Insurance Company Ltd. Vista General Reinsurance Limited Viznar Reinsurance Company Limited W & I Indemnity Ltd. Walnut Assurance Company Ltd. Warrander Insurance Company Limited Warranty America Reinsurance Company Water Street Insurance Company Ltd. Waterford Insurance Ltd. Wellington Security International Insurance Company West Coast Reinsurance Ltd. Western International Insurance Company Western Liability Insurance Company Western Pacific Mutual Insurance Co. Ltd. Western Technical Insurance Inc. Westin International Insurance Company Ltd. Westside Insurance Company Whatatu Insurance Company Whitehall Station Insurance Company Ltd. William Penn Insurance Co. Ltd. Wisconsin Health Care Assurance Limited Woodbridge Insurance Company Ltd. WSH Insurance Company Ltd. YHS Insurance Company, Ltd. Zenith Casualty Zurs Reinsurance (Cayman) Ltd.

Appendix A PAGE 30 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 APPENDIX A Organisational Chart Board of Directors Managing Director Executive Assistant General Manager Snr. Admin. Assistant Information Technology Manager Head of Currency Operations Sup. of Health Insurance Scheme Head of Policy and Research Head of Insurance Supervision Special Assistant Head of Investment Services Head of Banking & Trust Accountant Deputy Head of Currency Operations Deputy Head of Policy and Research Deputy Head of Insurance Supervision Deputy Head of Investments Deputy Head of Investments (Enforcement and Securities) Deputy Head of Banking (on-site) Deputy Head of Banking (off-site) 1 Admin. Assistant 1 Receptionist 1 Accounts Officer 1 IT Support Analyst 1 Admin. Assistant 3 Currency Officers 1 Admin. Assistant 2 Senior Policy and Research Officers 1 Policy and Research Officer 1 Admin. Assistant 2 Senior Analysts 1 Analyst 1 Admin. Assistant Chief Analyst 2 Senior Analysts 6 Analysts 1 Admin. Assistant 1 Senior Analyst 4 Analysts 4 Senior Analysts 8 Analysts 1 Admin. Assistant

Appendix B PAGE 31 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 APPENDIX B Relevant Legislation The Monetary Authority Law (1998 Revision) The Banks and Trust Companies Law (2000 Revision) The Companies Management Law, 1999 Misuse of Drugs Law (2000 Revision) The Proceeds of Criminal Conduct Law (1999 Revision) Confidential Relationship (Preservation) Law (1995 Revision) The Mutual Legal Assistance (United States of America) Law (1999 Revision) The Companies Law (2000 Revision) Insurance Law (1999 Revision) The Mutual Funds Law (1999 Revision) The Health Insurance Law (2000 Revision) Financial Statements Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 FINANCIAL STATEMENTS PAGE 32 The Cayman Monetary Regulatory Authority International

CERTIFICATE OF THE AUDITOR GENERAL To the Shareholders and Directors of the Cayman Monetary Regulatory Authority International In accordance with the provisions of Section 35(2) of the Monetary Authority Law (1998 Revision) and Section 45(1) of the Public Finance and Audit Law (1997 Revision), I have audited the financial statements of the Cayman Monetary Regulatory Authority International for the year ended 31 December 1999 as set out on pages 33 to 44. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain

reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion. Opinion In my opinion, the financial statements present fairly, in all material respects, the financial position of the Cayman Monetary Regulatory Authority International as at 31 December 1999 and the results of its operations and its cash flows for the year then ended, in accordance with International Accounting Standards and comply with the Monetary Authority Law (1998 Revision). N K Esdaile Auditor General 24 July 2000 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 BALANCE SHEET 31 December 1999 In Cayman Islands Dollars PAGE 33 BALANCE SHEET 31 December 1999 In Cayman Islands Dollars ASSETS Note 1999 1998 Currency Reserve Assets \$ Short-term Investments 2b, 345,511, 332,444, 141,628 Long-term Investments 2b, 321,116, 509,111, 929,002 Current and Call Deposits 42,123,991 2,057,001 Fixed Deposits 41,145,296 1,090,911 Total Currency Reserve Assets 69,897,128 59,218,542 Other Assets Accounts Receivable 715,859 22,545 Other Receivables and Prepayments 24,659 40,116 Interest Receivable, Local Deposits 4,576 4,184 Interest Receivable, Foreign Deposits 147,987 159,428 Stocks 2f, 523 8,726 210,673 Fixed Assets 649 1,078 637,008 Total Other Assets 1,622,885 1,073,954 TOTAL ASSETS \$ 71,520,013 \$ 60,292,496 LIABILITIES Demand Liabilities, Currency in Circulation 7a 56,256,944 444,754,521 Payable to the CI Government 9b 1,226,656 1,785,966 Other Liabilities and Payables 7b 97,871 1,273,331 Lease Obligation 8-1 115,500 Total Liabilities 57,581,471 47,929,318 RESERVES and CAPITAL General Reserve 9a 8,438,542 6,713,178 Currency Issue Reserve 9c 250,000 650,000 Total Reserves 8,688,542 7,363,178 Paid Up Capital 9d 5,250,000 5,000,000 Total Reserves and Capital 13,938,542 12,363,178 TOTAL LIABILITIES, RESERVES and CAPITAL \$ 71,520,013 \$ 60,292,496 Signed on behalf of the Board, 24 July 2000 George McCarthy, OBE, JP Chairman Cayman Monetary Regulatory Authority International Cindy Scotland General Manager Cayman Monetary Regulatory Authority International The notes on pages 36 to 44 are an integral part of the financial statements Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 INCOME STATEMENT For the year ended 31 December 1999 In Cayman Islands Dollars PAGE 34 Note 1999 1998 INCOME \$ Government Grants 2d 4,530,307 4,000,000 Investment Income 2b 2,595,103 2,802,421 Commission Income 291,326 270,437 Numismatic Income 21,032 6,366 Other Income 6,473 4,785 Foreign Currency Loss 2c (752) (178) Total Income 7,443,489 7,083,831 EXPENSES Salaries and Other Benefits 2,499,848 2,097,589 General and Administrative 546,523 453,606 Lease Rental 8 224,183 223,750 Depreciation 6 269,299 247,912 Official Travel 206,887 125,760 Pension Contributions 10 232,474 201,895 Management and Custody Fees 396,999 88,546 Audit and Professional Fees 17,399 22,955 Staff Training and Recruitment 74,442 101,042 Interest Expense 2e 87,195 19,398 Directors Fees 18,000 13,000 Total Operating Expenses 4,193,249 3,595,453 NET INCOME \$ 3,250,240 \$ 3,488,378 The notes on pages 36 to 44 are an integral part of the financial statements Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 STATEMENT OF CASH FLOWS For the year ended 31 December 1999 In Cayman Islands Dollars PAGE 35 1999 1998 Cash Flows from Operating Activities \$ Net Income 3,250,240 3,488,378 Adjustments for Items Not Involving

Cash: Depreciation 269,299 247,912 Operating Profit Before Working Capital  
 Changes 3,519,539 3,736,290 Interest Receivable 11,049 (156,236) Accounts  
 Receivable (693,314) (12,811) Other Receivables and Prepayments 15,457 33,755 Other  
 Liabilities and Payables (1,175,460) 636,552 Stocks (28,053) 22,668 Cash Generated from  
 Operations 1,649,218 4,260,218 Cash Generated from increase in Demand  
 Liabilities 11,502,423 4,266,003 Cost of Currency Notes Reprint (448,220) (359,548) Net Cash  
 from Operating Activities 12,703,421 8,166,673 Investing Activities Net Purchases of  
 Investments (10,557,211) (9,121,858) Acquisition of Fixed Assets (123,369) (82,113) Net Cash  
 Used in Investing Activities (10,680,580) (9,203,971) Financing Activities Payment of Finance  
 Lease Obligations (115,500) (103,297) Contribution Paid to CI  
 Government (1,785,966) (2,500,000) Net Cash Used in Financing  
 Activities (1,901,466) (2,603,297) Increase/(Decrease) in Cash and Cash  
 Equivalents 121,375 (3,640,595) Movement in Cash and Cash Equivalents Balance at 1  
 January 3,147,912 6,788,507 Increase/(Decrease) 121,375 (3,640,595) Balance at 31  
 December (Note 4) \$3,269,287 \$3,147,912 The notes on pages 36 to 44 are an integral part of  
 the financial statements Cayman Monetary Regulatory Authority International - ANNUAL  
 REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman  
 Islands Dollars PAGE 36 1 Organisation The Cayman Monetary Regulatory Authority  
 International (the Authority ) was established under The Monetary Authority Law, 1996 (the  
 Law ) on 1 January 1997. Under the Law, the primary objectives of the Authority are (a) to  
 issue and redeem currency notes and coins; (b) to promote and maintain monetary stability;  
 (c) to promote and maintain a sound financial system; and (d) to advise the Cayman Islands  
 Government on banking and monetary matters. Prior to 1 January 1997, The Cayman  
 Islands Currency Board (the Board ) was responsible for currency management and the  
 Financial Services Supervision Department ( FSSD ) was responsible for financial services  
 regulation in the Cayman Islands. Under the Law, the Board and FSSD were terminated and  
 their assets, liabilities, reserves and responsibilities transferred and vested in the Authority on  
 1 January 1997. 2 Significant Accounting Policies a Basis of Preparation. The financial  
 statements of the Authority are prepared in accordance with International Accounting  
 Standards and under the historical cost convention. The reporting currency is Cayman Islands  
 Dollars. b Investments. Short-term investments are valued, on a monthly basis, at amortized  
 cost and long-term investments are valued at quoted market value. Unrealized gains or  
 losses are recorded in the income statement. c Foreign Currency. Foreign currency  
 transactions are recorded at the exchange rates prevailing on the date of the transactions:  
 gains and losses resulting from the settlement of such transactions and from the translation of  
 monetary assets and liabilities denominated in foreign currencies are recognized in the  
 income statement. d Government Grants. Income grants are deferred and recognized in the  
 income statement over the grant period. e Fixed Assets. Fixed Assets are stated at historical  
 cost less accumulated depreciation. Depreciation is calculated on the straight-line method  
 over the estimated useful lives of the assets. Rental payments under operating leases are  
 charged to the income statement in equal installments over the period of the lease. Interest  
 costs on borrowings to finance leasehold improvements are expensed. Leases where the  
 Authority assumes substantially all the economic benefits and risks of ownership are  
 classified as finance leases. Finance leases are recognized as an asset and liability in the  
 balance sheet at amounts equal to the fair value at the inception of the lease of the leased  
 property or, if lower, the present value of the minimum lease payments. Repairs and  
 maintenance expenses are charged to the income statement when the expenditure occurs.



Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 37 f

Stocks. Stocks consist of silver bullion arising from the melt-down of numismatic coins and the gold and silver bullion content of the following categories of numismatic coins: coins for resale, museum items and coins awaiting melt-down. Stocks are stated at year-end market values for gold and silver bullion. g Numismatic Coins. The total nominal value of numismatic coins outstanding at 31 December 1999 is \$14,976,371 (1998: \$15,025,063). No liability for redeeming numismatic coins is recognized in the financial statements, since the amount of redemption cannot be reasonably estimated and the probability of material redemption is remote. Redemption costs and sales proceeds are recorded in the income statement as incurred. h Cash and Cash Equivalents. For the purposes of the cash flow statement, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within 91 days from the date of acquisition. Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 38 3 Investments The principal investment objectives of the Authority are security, liquidity and income. The investment portfolio is managed by independent fund managers in accordance with investment guidelines established by the Board of Directors. Management fees are calculated based on the market value of the portfolio and are payable quarterly in arrears. Either party may terminate the agreement with 30 days notice. 31 December 1999/31 December 1998 Summary of Short-Term Investments

Investment Type	31 December 1999	31 December 1998
Certificates of Deposits and Bankers Acceptances	15,344,666	22,474,962
Interest rates	5.90% to 6.14%	
Maturing from	10/1/2000 to 10/3/2000	
Repurchase Agreement Federal Reserve	30,166,666	21,666,666
Interest rate	2.89%	
due maturing	3/1/2000	
Total short-term investments, at amortized cost	45,511,332	44,141,628
Market value of short-term investments	45,516,086	44,142,332
Long-Term Investments		
U.S. Treasury Notes and Mortgage-backed Securities		
Interest rates	5.6% to 8.5%	
Effective maturity date ranging from	11/15/2005 to 12/1/2008	
at market value	21,116,509	11,929,002

Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 39 4 Bank Deposits The Authority maintains current, call and fixed deposits with domestic and foreign banks. Under the Law, domestic deposits cannot exceed 10% of demand liabilities. At 31 December 1999, domestic deposits represent 4.8% (1998: 4.6%) of demand liabilities.

Category	1999	1998
Domestic Deposits	Currency CI\$ CI\$	
Call deposits	KYD 1,031,286	464,876
Call deposits	USD 566,761	504,387
Call deposits	GBP 5,177	4,257
Current deposits	KYD (66,067)	(5,267)
Fixed deposits	USD 1,145,296	1,090,911
Cash on hand	KYD 188,205	
	\$2,682,641	\$2,059,369
Interest is paid on local call and fixed deposits at rates ranging from	1.75% to 5.6875%	(1998: 2.5% to 5.25%)
per annum. Foreign Deposits	Currency CI\$ CI\$	
Investment portfolio, call account	USD 455,756	949,354
Federal Reserve	USD 130,890	139,189
	\$586,646	\$1,088,543
Interest of 4.8% (1998: 4.563%) p.a. is paid on foreign call deposits.		
Deposits with the Federal Reserve are non-interest bearing; however, excess deposit balances are invested daily in repurchase agreements.		

5 Stocks 1999/1998 Currency CI\$ CI\$

Category	1999	1998
Bullion from the melt-down of coins	160,159	150,249
Coins awaiting melt-down	31,825	21,139
Coins for resale	29,031	21,660
Museum items	17,711	17,625
Total Stocks	\$238,726	\$210,673

Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 40 6 Fixed Assets Furniture Leasehold Office Motor & Fixtures Improvements Equipment Vehicle To t a l Original Cost Balance at 1 January 1999: 222,131 422,915 443,945 24,600 1,113,591

Additions:66,66256,707123,369 Disposals: Balance at 31 December  
 1999:288,793422,915500,652 24,6001,236,960 Depreciation Balance at 1 January  
 1999:72,130134,004262,6587,791476,583 Depreciation  
 expense:46,47484,583133,3224,920269,299 Balance at 31 December  
 1999:118,604218,587395,98012,711745,882 Net Book Value Cost at 31 December  
 1999:288,793422,915500,65224,6001,236,960 Accumulated  
 depreciation:(118,604)(218,587)(395,980)(12,711)(745,882) Net Book Value at 31  
 December 1999:\$170,189\$204,328\$104,672\$11,889\$491,078 Net Book Value at 31  
 December 1998:\$150,001\$288,911\$181,287\$16,809\$637,008 Cayman Monetary  
 Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL  
 STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 41 7 Liabilities a  
 Demand Liabilities.Represents the value of circulating currency notes and coins. These  
 liabilities are fully funded by the Currency Reserve assets. Under the Law, the Currency  
 Reserve assets represent external and local assets that: shall only be used to satisfy demand  
 liabilities; shall be segregated from all other assets of the Authority; and shall not be  
 chargeable with any liability arising from any other business of the Authority. At 31 December  
 1999, total demand liabilities comprise: 19991998 \$\$ i. Currency notes in  
 circulation50,987,05539,918,293 ii. Currency coins in circulation5,269,8894,836,228 Demand  
 Liabilities, Currency in Circulation\$56,256,944\$44,754,521 At 31 December 1999, the value  
 of Currency Reserve assets was \$69,897,128 (1998: \$59,218,542) representing 124% (1998:  
 132%) of total demand liabilities. After all demand liabilities are extinguished, any surplus  
 Currency Reserve assets would form, in part, the assets of the General Reserve see Note 9.  
 b Other liabilities.At 31 December 1999, other liabilities include unsettled investment  
 management and custody fees of \$26,016. 8 Lease Obligation The Cayman Islands  
 Government leases the premises used by the Authority under a lease agreement dated 15  
 December 1996. The lease was for an initial period of three years at \$25 per sq. foot, with an  
 option for an additional two years at \$26 per sq. ft, payable monthly in advance. The Authority  
 has taken advantage of this option and has renewed the lease agreement at \$26 per sq. ft.  
 effective December 14, 1999. During 1999 the Authority reimbursed all costs under this  
 agreement, including the modification costs incurred by the lessor to design the building to  
 the Authority s specifications. These modification costs were repaid over three years ending  
 31 December 1999 at an interest rate of 11.25% per annum. Cayman Monetary Regulatory  
 Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS  
 31 December 1999 In Cayman Islands Dollars PAGE 42 9 Reserves and Capital a General  
 Reserve.The Authority maintains a General Reserve in accordance with Section 6(1) of the  
 Law. Under the Law, the General Reserve must be maintained at 15% of demand liabilities to  
 provide additional funding, if necessary, for demand liabilities and obligations arising from  
 other business of the Authority. On 16 March 1998, the Legislative Assembly passed the  
 Monetary Authority (Amendment) (Reserves) Law, 1998 to reduce total reserve requirements  
 from 130% to 115% of demand liabilities. b Reserve Allocation.Under the Law, the net  
 income of the Authority, after provision for all expenditure and reserves, must be allocated  
 such that the Currency Reserve represents at least 100% of demand liabilities and the  
 General Reserve equals 15% of demand liabilities. Any surplus, after complying with these  
 requirements, must be transferred to the General Revenue of the Cayman Islands  
 Government. On April 20 2000, the Board of Directors resolved to transfer \$1,226,656 (1998:  
 \$1,785,966) to the General Revenue of the Cayman Islands Government. The Executive  
 Council of the Cayman Islands Government has committed to increasing the Paid-Up capital

of the Authority to a minimum of \$10 mn by the year 2008, by yearly transfers from surplus, after complying with reserve requirements. c Currency Issue Reserve. A three-year supply of the revised \$50 banknote will be reprinted during 2000. To fund this reprint, an additional amount of \$48,220 (1998: \$312,512) was allocated to the Currency Issue Reserve for the year ended 31 December 1999. The total cost of the reprint will be charged to the Currency Issue Reserve. During the year, a total of \$448,220 (1998: \$359,548) was transferred from the Currency Issue Reserve to fund the 1999 currency reprint. d Capital. The authorised share capital of the Authority is \$100,000,000. The Cayman Islands Government is the sole shareholder and has contributed Paid-Up Capital of \$5,250,000 as at 31 December 1999 (1998: \$5,000,000). General Currency Paid-Up Reserves and Capital: Note Reserve Issue Reserve Capital Balance at 1 January

1999: 6,713,178 650,000 5,000,000 Transfer in: 93,250,240 48,220 250,000 Transfer out: 9(1,524,876)(448,220) Balance at 31 December 1999 \$8,438,542 \$250,000 \$5,250,000  
 Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 43 10

Pensions The Authority and its eligible employees pay contributions to the Public Service Pensions Fund (the Fund). The Fund is administered by the Public Service Pensions Board (the Pensions Board). The Fund has both an underlying defined benefit and defined contribution element. Before 31 December 1999 the scheme underlying the Fund is a defined benefit scheme. Participants joining the Fund after 31 December 1999 have their benefits defined by a defined contribution scheme. A separate actuarial valuation has not been carried out in respect of the Authority and its eligible employees, to determine the extent of any unfunded pension liability and the adequacy of contributions paid to the Fund.

Contributions are therefore made in accordance with pronouncements from the Pensions Board. An actuarial valuation of the entire Fund was carried out as at 1 January 1999, using the projected unit credit method of measuring costs and obligations. The Fund's past service liability was calculated at \$155,647,000. The assets of the Fund at 31 December 1998 were \$40,281,449, leaving an actuarial deficiency of \$115,365,551. The valuation reported that in order to adequately provide for pension benefits accruing to the Fund's defined benefit participants, the normal cost for the year would be 11.50% of emoluments. In order to amortize the actuarial deficiency over 20 years, the annual cost would be a further 18.92% of salary, taking total annual contributions to 30.42% of salary, assuming age 58 as retirement age. During the current year the Authority and its eligible employees each contributed 6% (1998: 6%) of employees' monthly salary. The Authority also contributed an additional 5% of its eligible employees' monthly salary to assist the Fund to finance its past service liability. Taking into account projected new entrants into the defined contribution segment of the Fund, the actuary estimates the annual funding requirement to be around 22% of total pay of all participants, including future entrants, in order to meet projected liabilities for the next 40 years. Defined contribution participants would be credited with only a 12% contribution and the balance (10%) would be applied towards amortizing the past service liability. The main actuarial assumptions used in the 1 January 1999 valuation were: a retirement age of 58 years, inflation rate of 3%, expected rate of return on the Fund's assets of 8%, expected salary and pension increase rates of 5% and 3%, respectively. Other disclosures required by paragraph 120 of IAS 19 cannot be given because a separate actuarial valuation of the Authority and its eligible employees has not yet been completed. The responsibility for the payment of pension benefits to the Authority's eligible employees rests with the Fund and, ultimately with the Cayman Islands Government. Expatriates employed on overseas or local

contracts are not eligible to participate in the schemes underlying the Fund. Such employees receive cash supplements of 12% (1998: 10%) of salary in lieu of pension contributions. The Authority paid \$105,155 (1998: \$76,801) in cash supplements during the year. Cayman Monetary Regulatory Authority International - ANNUAL REPORT 1999 NOTES TO THE FINANCIAL STATEMENTS 31 December 1999 In Cayman Islands Dollars PAGE 44 11

**Financial Instruments Credit Risk.** Financial assets that potentially subject the Authority to credit risk consist principally of current, call and fixed deposits, long and short-term investments, accounts and interest receivable, and other receivables and prepayments. The Authority's current, call, and fixed deposits are placed with high credit quality institutions. Credit risk with respect to long and short-term investments, accounts and interest receivable, and other receivables and prepayments is limited because the Authority only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations. Accordingly, the Authority has no significant concentrations of credit risk.

**Interest Rate Risk.** The Authority's investments and deposits are at fixed interest rates. The ranges of interest rates and maturity dates are presented in Note 3.

**Fair Values.** The carrying amount of current, call, and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, lease obligation, and other liabilities and payables approximated their fair value due to the short-term maturities of these assets and liabilities. The market value of investments is presented in Note 3. The fair values of other assets and liabilities are not materially different from the carrying amounts.