



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.

1 ANNUAL REPORT 2019 OUR MISSION To protect and enhance the reputation of the Cayman Islands as an International Financial Centre by fully utilising a team of highly skilled professionals and current technology, to carry out appropriate, effective and efficient supervision and regulation in accordance with relevant international standards and by maintaining a stable currency, including the prudent management of the currency reserve. OUR VISION Committed to continually enhancing the Cayman Islands Monetary Authority's position as a financial services regulator of EXCELLENCE, consistent with the jurisdiction's standing as a leading International Financial Centre. The Cayman Monetary Regulatory Authority International (CMRAI or the Authority) began operations on 1 January 1997. It was established as a body corporate under the Monetary Authority Law, which was brought into force on that date. In March 2003 the Authority became operationally independent under the Monetary Authority Law (2003 Revision). The Authority has four principal functions: Monetary - The issue and redemption of Cayman Islands currency and the management of currency reserves. Regulatory - The regulation and supervision of financial services, the monitoring of compliance with money laundering regulations, the issuance of a regulatory handbook on policies and procedures and the issuance of rules and statements of principle and guidance. Cooperative - The provision of assistance to overseas regulatory authorities, including the execution of memoranda of understanding to assist with consolidated supervision. Advisory - The provision of advice to the Government on monetary, regulatory and cooperative matters.

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1 MESSAGE FROM CHAIRMAN OF THE BOARD OF DIRECTORS

Continually delivering on our principal functions and ensuring that the Authority is seen as a reputable and successful regulator of the financial services industry is a top priority for CMRAI. During the reporting period, several initiatives were undertaken in this regard, despite fluctuating developments of the global financial industry. Among these was the completion of the CMRAI Board Effectiveness Review in April 2019, which contributed to the obligations of the Board under Section 26(k) of the Public Authorities Law. This review resulted in the formation of a Board Governance Working Group, responsible for the implementation of the recommended requirements. Expanding on this

initiative, the Board subsequently approved the use of an online portal in December 2019, which has significantly improved the efficiency and effectiveness of Board meetings. In late 2019, the Board also granted approval for a risk assessment framework and a risk register to coincide with a similar requirement issued by CMRAI to the industry. In conjunction with this, a risk sub-committee of the Board was established including the appointment of an interim Chief Risk Officer to ensure appropriate governance of significant risks and related opportunities. During the year, an Internal Auditor was also hired and joined the Authority in September 2019. Another important achievement was the development of a three-year Strategic Plan. Following a series of planning workshops with relevant stakeholders, CMRAI management team, other executive staff, and members of the Board, a CMRAI working group was established to assess proposed initiatives identified for the strategic objectives. The 2020-2023 CMRAI Strategic Plan will include updated mission and vision statements, newly identified values, a delivery model, and four main strategic objectives, each of which will be delivered through a set of appropriate, aligned, and attainable initiatives over the next three years. I wish to commend the management team and staff for their expertise and dedication persistent throughout the entire organisation. On behalf of the Board of Directors, I look forward to working together to deliver on our strategic objectives, and report on areas where progress has been made. As part of the Authority's commitment in increasing the effectiveness of our regulatory regime, the Board will continue to provide support to the management team and staff of CMRAI while ensuring that the Cayman Islands remains a steady and compliant jurisdiction for financial services.

Wayne Panton 2 BLANK PAGE CMRAI 2019 Annual Report 3

For the past two decades, the Cayman Islands has maintained its status as a world leader in financial services. Much of this success is due to its robust regulatory framework and collective efforts in ensuring compliance with international standards. Industry Update As the jurisdiction's chief financial services regulator, the Authority is pleased to report that, as of 31 December 2019, the industry continues to excel in various areas. The Cayman Islands is home to 125 licensed banks and, as of September 2019, was ranked 13th internationally in terms of cross-border assets and 14th in terms of cross-border liabilities according to international banking statistics compiled by the Bank for International Settlements. Although there has been a decline in the number of licensed banks, as such entities continue to adapt their business models and optimise structures to increase revenues and efficiencies, the remaining population of active banks comprises branches or subsidiaries of well-established international financial institutions with strong balance sheets, capitalisation and sound funding access. The domestic retail banking sector has also exhibited relative stability, in terms of composition and offered services. Nonetheless, access to the international markets through correspondent banking relationships continues to be a challenge for some of the smaller banks and money service businesses as US correspondent banks continue to de-risk. CMRAI, in partnership with other local, regional and international stakeholders, remains actively engaged in dialogue to identify a long-term solution to this issue. In the past 12 months, we have seen a steady growth in overall assets managed by Cayman-based funds. A comprehensive legal and regulatory framework, along with the availability of skilled and reputable professional services providers, contributes to the jurisdiction's continued success as the premier domicile of choice for funds. As at 31 December 2019, the total number of regulated funds was 10,857 compared with 10,992 in the previous year. There were ebbs and flows during 2019 but the numbers were higher than expected in the last quarter of the year resulting in an overall strong finish. Though a small

decline, we see this as a positive indication of a rebound in the funds sector. Additionally, the Cayman Islands has been a top international location for the provision of trust services and remains so with 397 companies licensed/registered to provide these services in and from the jurisdiction. With 764 total insurance licensees, the Cayman Islands remains the world's leading domicile for healthcare captives and the second largest for captives. Since the previous report, 41 new insurer licenses (including Portfolio Insurance Companies) and three insurance intermediary licenses were added to the market. Collectively, these factors augur well for a positive economic outlook for 2020 and years to come.

Financial Assessment Review Update Fully delivering on our commitment in addressing the concerns reflected in the Caribbean Financial Action Task Force's (CFATF) report, CMRAI adopted **STATEMENT BY MANAGING DIRECTOR 4** a number of fundamental changes to enhance the jurisdiction's Anti-Money Laundering/Countering Financing of Terrorism (AML/CFT) regime and increase the effectiveness of implementing the recommendations of the CFATF report. These included a significant increase in the number of AML/CFT on-site inspections, the establishment of a dedicated AML/CFT Division, development and distribution of various regulatory measures, and the implementation of an enhanced data collection and analysis to increase the Authority's understanding of inherent money laundering and financing of terrorism risks. Throughout the year, CMRAI hosted a number of AML/CFT outreach sessions covering various regulated sectors, including the production and distribution of online video presentations to relevant licensees and industry professionals. CMRAI also played an integral role in providing sound advice to central government on various legislative matters arising from recommendations in the CFATF report among other regulatory enhancements. Closing CMRAI remains committed to providing full support to the government to ensure the reputation of these islands as a leading financial services centre, and responsible member of the international financial community, remain unassailable. Overall, 2019 was filled with multifaceted ground-breaking initiatives that brought about many challenges; however, it was also a year of growth and accomplishments. Once again, I express sincere thanks and appreciation to the staff and Board of Directors for their undying commitment in helping to build a sustainable platform for new legislation and repositioning CMRAI to meet these demands over the past year. Your contributions made thus far reiterate our commitment to enhancing our position as a financial services regulator of excellence. With that, I am confident that CMRAI will continue to play an active role in the jurisdiction's efforts in protecting and enhancing the integrity of the financial services industry of the Cayman Islands.

Cindy Scotland
STATEMENT BY MANAGING DIRECTOR Enhanced Structural/Functional Reforms
Creation of Financial Stability & Statistics Unit Optimise Efficiency of Resources
Development of strategic facilities plan Implement Human Resources Enhancements
Update of numerous HR policies New risk-based training activities Recruitment of learning and development specialist Enhanced Regulatory Framework Development of various Rules and Statements of Guidance to remedy AML/CFT deficiencies
Enhancements to the regulation of the securities and investment business sector. AML/CFT Framework Enhancements Significant increase in AML/CFT on-site inspections
Enhancements to data collection and analysis Participation in and host of AML outreach sessions Operational and Technology Enhancements REEFS enhancements to carry out more automated functions Launch of Escrow payment function of REEFS Other
Promotion and enhancement of market confidence, consumer protection and reputation of Cayman Islands Explored options for more durable banknote paper Advice to

Government on legislative initiatives 2019 STRATEGIC PLAN MILESTONES COMPLETED
CMRAI2019 Annual Report5 ORGANISATIONAL CHART DEPUTY MANAGING DIRECTOR
- GENERAL COUNSEL DEPUTY MANAGING DIRECTOR - OPERATIONS DEPUTY
MANAGING DIRECTOR - SUPERVISION MANAGING DIRECTOR PUBLIC RELATIONS
EXECUTIVE SPECIAL ASSISTANT TO THE MANAGING DIRECTOR ANTI-MONEY
LAUNDERING DIVISION SECRETARY TO THE BOARD COMPLIANCE DIVISION
CURRENCY DIVISION BANKING SUPERVISION DIVISION FREEDOM OF INFORMATION
MANAGER FINANCE DIVISION FIDUCIARY SERVICES DIVISION LEGAL DIVISION
HUMAN RESOURCES DIVISION INSURANCE SUPERVISION DIVISION SECURITIES
SUPERVISION DIVISION POLICY AND DEVELOPMENT DIVISION INFORMATION
SYSTEMS DIVISION INVESTMENTS SUPERVISION DIVISION ONSITE INSPECTIONS
UNIT BOARD OF DIRECTORS INTERNAL AUDITOR FINANCIAL STABILITY &
STATISTICS UNIT 6 BOARD OF DIRECTORS

As at 31 December 2019, the Board of Directors of the Cayman Monetary Regulatory Authority International were as follows:

Chairman Wayne Panton Deputy Chairman Garth MacDonald Managing Director Cindy Scotland Director George (Theo) Bullmore Director Pat Teufel Director Barry Kroeger Director Judith Watler Director Patricia Estwick Director Henry Smith Ex-Officio Member Dr. Dax Basdeo

CMRAI2019 Annual Report7 EXECUTIVE MANAGEMENT & SENIOR OFFICERS
Managing Director Cindy Scotland Deputy Managing Director - Operations Patrick Bodden
Deputy Managing Director - Supervision Anna McLean Head, Investments Heather Smith
Head, Fiduciary Services Rohan Bromfield Deputy Head, Fiduciary Services Leticia Frederick
Deputy Head, Investments Juliette Maynard Head, Banking Gloria Glidden Deputy Head,
Banking Shakira Cox

As at 31 December 2019, the Executive Management and Senior Officers were as follows: Deputy Head, Securities Jessica Ebanks Deputy Head, Banking Bettina Roth Deputy Managing Director - General Counsel Andr Mon D sir Deputy Head, Investments Andrew Graham Head, Insurance Ruwan Jayasekera

8 EXECUTIVE MANAGEMENT & SENIOR OFFICERS Head, Compliance Audrey Roe Head, Human Resources Deborah Musson Deputy Head, Human Resources Tara Abdul-Jabbar Special Assistant to the Managing Director Mitchell Scott Deputy Head, AML Division Judiann Myles Head, Information Systems Charles Thompson Public Relations Executive Yvette Cacho Head, Currency Deborah Ebanks Chief Financial Officer Gilda Moxam-Murray Deputy Head, Information Systems Scott MacLaren Senior Legal Counsel Angelina Partridge Legal Counsel, Helen Speigel Legal Counsel, Menelik Miller Deputy Chief Financial Officer Tammy Archer Internal Auditor Deloris Gordon Deputy Head, Insurance Suzanne Sadlier Reinsurance Specialist Peter Fox Head, On-site Inspection Unit Kenton Tibbetts Head, Policy and Development Rayford Britton Deputy Head, AML Division Prabhavathi Namburi Deputy Head, Compliance Jennifer Hydes Head, Financial & Stability Unit Sebastian Goerlich Deputy Head (Development), Information Systems David Bennett Acting Deputy Head, On-site Inspection Unit Kara Owens Legal Counsel, Stephanie Adolphus

CMRAI2019 Annual Report9 ABOUT US Nature and Scope of Activities The Authority is generally responsible for:

- the issue and redemption of currency notes and coins;
- the management of the currency reserve;
- the regulation and supervision of financial services business;
- the monitoring of compliance with the anti-money laundering regulations;
- the provision of assistance to overseas regulatory authorities;
- advising Government on the Authority's monetary, regulatory and cooperative functions;
- advising Government whether the Authority's regulatory functions and cooperative functions are consistent with functions discharged by an overseas regulatory authority;
- advising Government whether the

regulatory laws are consistent with the laws and regulations of foreign jurisdictions; and representing the interest of the Cayman Islands at international forums and advising Government on recommendations of those organizations. Structure The Authority carries out its day-to-day activities through its divisional infrastructure together with the Managing Director's Office. The divisions are listed as follows: Supervisory Through the application of a risk based approach the five supervisory divisions aims to promote and maintain a sound financial system. The Supervisory Divisions are engaged in vetting applications for prospective licensees, ensuring ongoing compliance with the regulatory framework and recommending enforcement action where appropriate. The Divisions engage with international regulators and standard setting bodies to inform CMRAI's supervisory and regulatory processes. Banking Supervision Division The Banking Supervision Division regulates the activities of banks, money service business and non-bank deposit taking institutions through an integrated risk based supervisory approach of off-site and on-site supervision and by ensuring compliance with regulatory laws, regulations, rules and statements of guidance and with the anti-money laundering regime of the Cayman Islands. Fiduciary Services Division The goal of the Fiduciary Services Division is to promote and maintain a sound financial system by monitoring the activities of licensees through integrated off-site and on-site supervision and by ensuring the enforcement of prudent practices by professionals in the Trust and Corporate Service industries, in accordance with applicable regulatory laws, and regulations. Insurance Supervision Division The Insurance Supervision Division actively monitors the activities of domestic and international insurance licensees through an integrated risk based supervisory approach of off-site and on-site supervision and by ensuring compliance with applicable regulatory laws, regulations, rules and statements of guidance and with the anti-money laundering regime of the Cayman Islands. Investments Supervision Division The Investments Supervision Division (formerly Investments and Securities Division) regulates and oversees the activities of fund administrators, and funds operating in and from the Cayman Islands, through integrated off-site and on site supervision to promote and maintain a sound financial system by ensuring the enforcement of applicable laws and regulations. The following content will highlight activities of the Authority during the financial reporting period from 1 January - 31 December 2019. 10 ABOUT US Structure Cont d Securities Supervision Division The Securities Division is focused on the regulation of activities relating to securities investment business practitioners. The division regulates and oversees the activities of licensees and registrants operating in and from the Cayman Islands, through integrated off-site and on site supervision to promote and maintain a sound financial system by ensuring the enforcement of the applicable regulatory laws and regulations. On-site Inspection Unit On-site supervision involves inspections and supervisory visits at licensees place of operation both in the Cayman Islands and overseas. These inspections can be full-scope, or may be limited to specific areas of the licensee/registrant's operations. The objectives of the inspection process are to understand the licensee's business activities and operating environment, to detect problems of compliance with the relevant laws and/or regulations, and to gather information on matters identified as requiring policy considerations. Non-Supervisory Anti-Money Laundering Division The Anti-Money Laundering (AML) Division is responsible for developing and implementing the Authority's anti-money laundering/counter financing of terrorism (AML/CFT) supervisory and regulatory strategy while ensuring an efficient and effective operation that meets or exceeds international standards. The strategic purpose of the AML Division is to enhance

the role and credibility of the Authority, as the main anti-money laundering supervisor for the financial services industry as well as providing timely feedback to improve industry s AML/CFT compliance thereby reducing the risk exposure of licensees. Compliance Division The Compliance Division s primary responsibilities are investigating serious breaches of the regulatory laws and directing and administering formal enforcement actions taken by the Authority; conducting risk weighted due diligence checks on persons who have applied to act as directors, shareholders, managers, officers and controllers of licensed entities, and administering and responding to non-routine requests for assistance received from overseas regulatory authorities. Currency Division The Authority, through its Currency Operations Division, is the sole issuing authority for Cayman Islands currency. The division is responsible for the issue, re-issue, and withdrawal of Cayman Islands circulating currency notes and coins against the United States dollar, dealing with the local retail banks. The division also administers the sale and redemption of numismatic coins to and from local and overseas collectors. Financial Stability & Statistics Unit Supporting the Authority s supervisory divisions, the Financial Stability & Statistics Unit was established in April 2019 to assist in the provision of responses, of both a statistical and non-statistical nature on the financial sector, to various international and domestic organisations. Finance Division The Finance Division has responsibility for all financial matters relating to budget, annual licence fee collection, payroll, and accounts payable. The division is also responsible for preparation of the Monetary Authority s financial statements and the Purchase & Ownership Agreements between the Cabinet of the Cayman Islands Government and the Authority. The division s objectives are essentially created by the financial requirements of the organisation and its stakeholders and the resources available to it. Human Resources Division The Human Resources Division has responsibility for all employee matters relating to recruitment, employee training and development, as well as the administration of personnel policies, procedures and practices for the effective functioning and well-being of CMRAI s staff. The division s objectives are largely driven by the human resource needs of the organisation and the resources available to the unit to carry out identified strategies. Information Systems Division The Information Systems Division is responsible for the maintenance of the Authority s existing information and telecommunications systems, the planning and implementation of new systems and developments relating to these. Legal Division The Legal Division provides advice to the Board of Directors, the Managing Director, and all the divisions within the Authority. The division has a central role in all cases involving the provision of formal assistance to overseas regulatory authorities, and provides support on all aspects of the Authority s responsibilities for combatting money laundering and terrorist financing. The division aims to ensure that the Authority s procedures permit it, at all times, to act within the spirit and to the letter of the regulatory laws, and that all laws are kept under review to ensure that they remain effective. The division assists with civil litigation and drafting legal documents such as directives, memoranda of understanding, and instructions for amendments to existing legislation, and assists in the review of applications for licensing from financial institutions. Information requests submitted under the Freedom of Information initiative are handled by the Legal Division. Policy & Development Division The Policy & Development Division focuses on research in the area of financial sector regulation and supervision. The division has a cross-functional role and provides support mainly to the Monetary Authority s five supervisory divisions: Banking, Insurance, Investments, Securities and Fiduciary, by providing information; advice on policy issues, and recommendations on required changes to policy and legislation for the financial sector. The division is responsible

for the co-ordination of the development of Rules, Statements of Guidance and Statements of Principle applicable to financial services providers to ensure that they are well regulated in accordance with, where applicable, international standards such as the Basel Core Principles for Banking, the International Organisation of Securities Commissions, and the International Association of Insurance Supervisors. The division also assists in devising recommendations for change to financial services legislation. A key aspect is research of international developments and initiatives; analysis of the impact on the local financial services industry; and formulation of appropriate responses for consideration by the Authority. The Government of the Cayman Islands wholly owns the Authority. In accordance with the Monetary Authority Law (the MAL), the Governor appoints CMRAI s Board of Directors, including its Managing Director. In its relations with the Government, the Authority channels its communications through the Financial Secretary and the Minister of Financial Services and Home Affairs. Funding CMRAI is a statutory authority under the Public Management and Finance Law. As such, the Legislative Assembly must approve its two-yearly expenditure budget and funding. The Authority is subject to an annual statutory audit. The Government funds the Authority by purchasing specified services as agreed in the Authority s two- yearly purchase agreements with the Government. CMRAI2019 Annual Report

11 Governance ABOUT US Structure Cont d 12 ABOUT US Administration

The Authority s Board of Directors is responsible for the policies and general administration of the affairs and business of the Authority. The Managing Director is responsible for the day-to-day administration of the Authority. The Authority has set out, in its Regulatory Handbook, the policies and procedures that it follows in performing its regulatory and cooperative functions.

Our People Table 1: Detailed list of total staff complement as at 31 December 2019.

Division	Staff
Total	214
Anti-Money Laundering	6
Banking	25
Internal Audit	1
Compliance	14
Currency	5
Fiduciary Services	11
Finance	8
Human Resources	9
Information Systems	18
Insurance	23
Investments	43
Legal	6
Managing Director's Office	10
Onsite Inspection Unit	13
Policy & Development (includes Financial Stability & Statistics Unit)	15
Securities	7

As part of our ongoing mandate, the Human Resources (HR) Division continued to increase recruitment efforts to source the right technically sound, calibre staff required for all areas of the Authority with specific focus on the AML, supervisory, technical needs of the organisation. Following the jurisdiction s assessment by the Caribbean Financial Action Task Force (CFATF), the Mutual Evaluation Report indicated that it was essential for the Cayman Islands to demonstrate significant improvements in the ability to meet FATF expectations to strengthen its effectiveness especially in the areas of enhanced risk-based approach to supervision of financial services for the Islands and more specifically, in the AML/CFT regime. For CMRAI, these objectives also feed into the overall strategic plan. During the year, 31 new persons were hired to join the organisation, 21 of whom were Caymanians. Of the 31 recruits, 19 were for the regulatory divisions, 7 for technical support in law, compliance, policy and statistics and 5 for other operational areas (Human Resources, Finance, Information Systems and an Internal Auditor). The core members for the newly established AML Division were successfully onboarded before the end of 2019. Total staff complement as at 31 December 2019 was 214 with the organisation enjoying the benefits of a rich multicultural working environment inclusive of 17 different countries.

Governance Cont d INDUSTRY OVERVIEW Banking and Related Services

The Banking Supervision Division (the BSD) regulates and supervises all banking entities, trust companies, nominee (trust) companies and trust (controlled subsidiary) companies that have a banking licence, as well as money services businesses operating in

and from within the Cayman Islands. Table 3 highlights the licensees supervised by the BSD. Cooperative societies conducting credit union business, building societies and development banks are not required to be licensed in the Cayman Islands, but are entities created by statute and supervised by CMRAI. As at December 2019, CMRAI supervised two cooperative credit unions, one building society and one development bank. During the reporting period, the BSD had a number of core objectives and achievements, some of which are shown in Table 2 below. Table 2: Core objectives and achievements, 2019

Continued on next page CMRAI regulates and supervises entities operating in and from within the Cayman Islands such as banks, bank and trust companies, money service businesses, building societies and credit unions. Core Objectives/Achievements Ongoing Supervision

The BSD continues to execute its mandate of appropriate, effective and efficient supervision of its Licensees. The supervision methodology has been enhanced by the adoption of a revised Risk-Based Supervisory Framework. In line with this methodology, the BSD has completed 37 risk-assessments for its licensees, with a project plan in place to complete the remainder of risk assessments in fiscal 2020. Basel III

As part of the Authority's Basel III roadmap, the Rules and Guidelines Liquidity Risk Management were implemented in Q2 2019. As a result, Category A retail banks have been reporting Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) since June 2019. Category B banks and non-retail Category A banks have been reporting Minimum Liquidity Ratio (MLR) since June 2019. In addition, the Rules and Guidelines Basel III Leverage Ratio were gazetted in March 2019 with an implementation date of 1 December 2019. The reporting template for the Leverage Ratio is currently being automated and is scheduled to be rolled out in Q2 2020.

CFATF MER Response: Cash Flows

As part of the Authority's action plan in response to the Caribbean Financial Action Task Force (CFATF) Mutual Evaluation Report (MER), the BSD developed a Cash Flow Return (CFR) to expand the data capture and analysis of incoming and outgoing cash flows of the jurisdiction. The BSD rolled out the CFR to all banks retroactively for 2018 and going forward starting Q1 2019. Banking 13

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INDUSTRY OVERVIEW Banking Cont'd Continued from previous page Table 2: Core objectives and achievements, 2019 Core Objectives/Achievements CFATF MER Response: AIR and ARC submissions

To further augment the granularity of AML data for Licensees, the Authority rolled out an annual detailed submission requirement for AML Inherent Risk (AIR) and AML Risk Controls (ARC). This detailed data enabled a comprehensive analysis that informed the Banking Sector Risk Assessment as well as the Supervisory Engagement Plan.

CFATF MER Response: AML Inspections

The BSD has significantly increased its focus on AML/CFT onsite inspections from prior years, resulting in 65 AML inspections being completed during 2019.

CFATF MER Response: Sector Risk Assessments

The Banking Sector Risk Assessment as well as the Money Services Sector Risk Assessment were revised and incorporated into the Combined Sector Risk Assessment that is available on the Authority's website.

Outreach/Training Activities

The BSD has increased its outreach activities to Licensees, with a training session held in September 2019 for Banks, Trusts and Corporate Service Providers on the Risk Based Approach. Training material is posted on the Authority's website to allow Licensees without a physical presence in the Cayman Islands to benefit from the training.

Outreach Activities

The BSD continues to meet with local, regional and international industry groups to monitor the regulatory and economic landscape. Topics that are discussed include correspondent banking relationships, observance of changes and potential impact of those changes on the jurisdiction. Additional discussions are being held on international accounting standards such as IFRS 9 and their

implications. The Sector The Banks and Trust Companies Law (2018 Revision), as amended, authorises CMRAI to issue two main categories of banking licences, namely Category A and Category B. Category A banks are allowed to operate both in the domestic and international markets and provide both retail and non-retail services to residents and non-residents. Traditional commercial retail banking services are provided by six of the Category A banks, with the other Category A banks providing investment banking services. Category A banks also offer principal office/authorised agent services to Category B banks that do not have a physical presence in the Cayman Islands. Category B licence permits international banking business with limited domestic activity. The holders of a Category B licence are primarily used as financial intermediaries to raise funds in the international market to provide capital for parent entities and for the financing of external/cross-border business on their own account in the international market. There were 125 banking licences in the jurisdiction at 31 December 2019 (31 December 2018: 133), down from 133 banking licences at 30 June 2019 (30 June 2018: 147). See Table 3. As at 31 December 2019, there were six retail Category A banks, three non-retail Category A banks and 116 Category B banks. INDUSTRY OVERVIEW Banking Cont d Table 3: Supervised banking licences, June 2018 - December 2019

Licensees	Jun-18	Dec-18	Jun-19	Dec-19
Category A Bank	11	11	11	10
Category B Bank	136	122	123	116
Money Services Business	5	5	5	5
Trust Company	6	5	4	5
Nominee (Trust)	23	21	21	20
Trust (Controlled Subsidiary) (Registered)	6	7	7	15

CMRAI 2019 Annual Report Figure 1: Region of origin of Cayman-licensed banks, 2019

Licensing Activity Global changes in laws and regulations have had an impact on the number of banks licensed in the Cayman Islands. Banks have continued to consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance. This has been noted in the steady decline in the number of banks licensed in the Cayman Islands over the last five years (see Figure 2 below). The number of banking licensees supervised in the Cayman Islands decreased by 6% from 133 at December 2018 to 125 at December 2019. Table 3 illustrates the number of banking licences from June 2015 to December 2019. Of the 125 licensees, 77 were branches, primarily from North America, South America, Asia and Australia and Europe, 34 were subsidiaries, and 14 were banks privately owned or affiliated to another bank or a financial institution in their group. The majority of the banks licensed in the Cayman Islands are branches or subsidiaries of established international financial institutions conducting business in international markets. As shown in Figure 1, the largest concentrations of banks licensed in the Cayman Islands are from North America. 16

INDUSTRY OVERVIEW Banking Cont d Figure 2: Number of bank licences by category, June 2015 - December 2019

Jurisdiction	2015	2016	2017	2018	2019	% change 2015-2019
Cayman	179	157	148	133	125	-30%
Bahamas	96	95	85	84	70	-27%
Panama	93	91	88	85	83	-11%
Jersey	32	29	27	26	24	-25%
Luxembourg	14	31	41	13	9	-10%
Switzerland	27	32	26	9	25	-9%
Hong Kong	19	19	15	19	12	-9%
Singapore	15	8	15	8	15	-1%

Figure 4 provides a comparison of the level of cross-border assets and liabilities booked by banks licensed in the Cayman Islands from June 2015 to December 2019. INDUSTRY OVERVIEW Banking Cont d Banking Sector Assets 1 and Liabilities 2 Total assets and liabilities (cross-border positions in domestic and foreign currency, domestic positions in foreign currency and domestic positions in local currency) as at 31 December 2019 stood at US\$663 billion and US\$662

billion, respectively. Total assets and total liabilities decreased from US\$672 billion and US\$674 billion, respectively, reported at 31 December 2018 (30 June 2019: US\$681 billion and US\$682 billion, respectively). Figure 3: Total Assets and Liabilities of Cayman Islands-licensed banks, June 2015 – December 2019

1 Assets comprise of financial assets only per the Bank for International Settlements (BIS) reporting methodology. 2 Liabilities include Equity Capital per the BIS reporting methodology. 3 Domestic Assets refers to positions booked by Category A and B banks with entities licensed in the Cayman Islands (and considered legally resident by licence) and resident households. Of the total assets in the sector at 31 December 2019, cross-border assets and liabilities in domestic and foreign currency of US\$640 billion and US\$610 billion, respectively, were booked internationally with non-residents, which was a decrease from the US\$652 billion and US\$622 billion, respectively, reported at 31 December 2018 (June 2019: US\$659 billion and US\$631 billion, respectively). As at 31 December 2019, the jurisdiction ranked fourteenth internationally 3 in terms of cross-border assets of US\$640 billion, and twelfth internationally 3 by cross-border liabilities of US\$610 billion booked by banks licensed in the Cayman Islands.

CMRAI2019 Annual Report17 INDUSTRY OVERVIEW Banking Cont d Subsequent to the global financial crisis, cross-border assets and liabilities reported by banks licensed in the Cayman Islands have been on a steady decline. Branches of foreign banking institutions operating in the Cayman Islands reported a significant reduction in intra-bank assets and liabilities with parent entities as a result of international regulatory changes, which have provided an incentive to hold overnight deposits onshore and to meet liquidity requirements. Global restructuring and continued cost cutting efforts are also attributable to the decline. Domestic Assets and Liabilities in Foreign and Local Currency Of the total assets in the sector at 31 December 2019, domestic assets and liabilities in foreign currency of US\$20.8 billion and US\$50.1 billion, respectively, were booked locally with other Cayman Islands licensed entities. Domestic assets in foreign currency increased from US\$17.7 billion reported in December 2018 (June 2019: US\$19.8 billion) and foreign liabilities in foreign currency increased from US\$49.3 billion reported in December 2018 (June 2019: US\$48.7 billion). The domestic assets and liabilities in foreign currency positions are largely interbank exposures with Cayman Islands licensed Category B banks and other financial intermediaries and intra-bank positions. Also included in these positions are Category A banks lending to the resident domestic sector, which largely consists of residential mortgages, commercial private sector lending and loans to other financial intermediaries, namely investment funds. Figure 5 illustrates the assets and liabilities in foreign currencies from June 2015 to December 2019. Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks, June 2015 – December 2019

18 INDUSTRY OVERVIEW Banking Cont d Figure 5: Domestic Assets and Liabilities of Cayman Islands-licensed banks in Foreign Currency, June 2015 – December 2019 Domestic assets and liabilities in local currency of US\$2.3 billion and US\$2.5 billion, respectively, were booked locally as at 31 December 2019. This is fairly consistent with the June 2019 numbers of US\$2.2 billion and US\$2.2 billion, respectively and the December 2018 numbers of US\$2.3 billion and US\$2.1 billion, respectively. The majority of these domestic positions were loans and deposits with domestic households and non-financial private sector corporations. Domestic Sector Category A Retail Banks The domestic market continues to be serviced by six retail banks (December 2018: six and June 2018: six), who held assets of US\$15.9 billion as at December 2019 (December 2018: US\$14.7 billion and June 2019: US\$15.0 billion). Of the US\$16.0 billion of assets booked by the retail banks, US\$4.4 billion

were positions with residents and US\$11.6 billion were positions with non-residents. As at 31 December 2019, the retail banks reported US\$8.5 billion of deposits from residents and US\$4.3 billion of deposits from non-residents. Credit contraction resulted from the reduction in lending to the commercial households, other financial Corporations and non-financial commercial sector. The domestic banking sector remained resilient in the face of the overall decline in total assets and liabilities of the entire banking sector. Banks continue to be funded by retail deposits as a stable source of funding; strongly demonstrating that commercial and retail customers continue to have confidence in the soundness of the domestic banking sector.

Financial Soundness Indicators (FSIs) Retail Banking Sector As highlighted in Table 5, the FSIs indicate that the retail banking sector has remained healthy since 2015. The sector has an average capital adequacy ratio (CAR) well in excess of the 8% minimum requirement set by the Basel Committee on Banking Supervision and an improvement in the quality of assets as evidenced by the decline in non- performing loans as a per cent of total gross loans.

Capital Adequacy Ratios (CAR) The CAR for the six retail banks increased from 18.9% at the year ended December 2015 to 28.5% at the year ended December 2019 (December 2018: 25.5%) and has remained comfortably above the minimum CAR requirement of 10% set by CMRAI. The sector is maintaining a healthy capital adequacy ratio.

19CMRAI2019 Annual Report INDUSTRY OVERVIEW Asset Quality

Nonperforming loans (NPLs) as a per cent of total gross loans for the retail banking sector decreased from 2.5% at the year ended December 2015 to 1.2% at the year ended December 2019 (December 2018: 1.6%). The overall loan book quality and provisioning levels improved fairly stable with compensating gains and losses across the different banks.

Earnings and Profitability Retail banks continue to show signs of stable profits. The sector's Return on Equity (ROE) increased significantly from 11.2% for the year ended December 2015 to 16.7% at the year ended December 2019 (December 2018: 15.3%). The Return on Asset (ROA) ratio increased from 1.3% for the year ended December 2015 to 2.3% for the year ended December 2019.

Liquidity The ratio of liquid assets to total assets for retail banks increased from 25.7% at the year ended December 2015 to 32% at December 2019 (December 2018: 32.7%). Effective 1 June 2019, CMRAI implemented a comprehensive Liquidity Risk Management framework for banks, including the minimum standards for funding liquidity, namely the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Minimum Liquidity Ratio (MLR) and all Category A retail banks are required to maintain a minimum LCR and NSFR of 100%. All Category B banks and Category A non-retail banks are required to maintain a minimum MLR of 15%.

Banking Cont d Table 5: Financial Soundness Indicators, 2015 2019

Indicator (%)	2015	2016	2017	2018	2019
Capital Adequacy Regulatory Capital to Risk- Weighted Assets	18.9	19.0	22.2	25.5	28.5
Regulatory Capital to Total Assets	10.5	10.8	11.5	12.9	13.6
Asset Quality					
Nonperforming Loans to Total Gross Loans	2.5	2.1	1.8	1.6	1.2
Specific Provisions to Impaired Loans (Coverage Ratio)	33.5	35.1	42.1	48.7	50.8
Earnings and Profitability					
Return on Equity (net income to average capital [equity])	11.2	13.3	13.0	15.3	16.7
Return on Assets (net income to average total assets)	1.3	1.5	1.6	2.0	2.3
Interest margin to gross income	69.7	69.9	70.7	73.1	74.9
Non-interest expenses to gross income	54.0	50.2	48.7	43.9	42.1
Liquidity					
Liquid assets to total assets (liquid asset ratio)	25.7	24.5	33.5	32.7	32.0

20 Figure 6: Total remittance outflows and inflows, 2015 2019

Money Services Businesses CMRAI supervises three active money services businesses (MSB) that cater primarily to the resident domestic market. The Financial Action Task Force (FATF) defines the business of MSBs as financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of

value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the [MSB] provider belongs. Remittance outflows from the Cayman Islands to other jurisdictions through these entities for the year ended December 2019 amounted to US\$264.0 million, a 12% increase from US\$234.8 million in December 2018. In comparison, remittance inflows to the Cayman Islands amounted to US\$8.1 million for the year ended December 2019, a small increase from US\$8 million for the year ended December 2018.

INDUSTRY OVERVIEW Figure 6 illustrates the average remittance outflows and inflows from December 2015 to December 2019. Average remittance outflows continued an increasing trend between December 2015 and December 2019. The increase in remittance outflows was driven by demand in the sector. Remittance inflows have increased by 34% over the same period of December 2015 to December 2019. As noted in Figure 7 below, Jamaica remained the largest recipient of remittances from the Cayman Islands during the year ended December 2019, with 57% (December 2018: 57% and June 2019: 57%) of the US\$264.0 million flowing to Jamaica. The Philippines, Honduras and the United States of America constitute a further 29% of remittance outflows. 21CMRAI2019 Annual Report

INDUSTRY OVERVIEW Money Services Businesses Cont d Figure 7: Proportion of total remittance outflows, December 2019 As highlighted in Figure 8 below, the United States of America is the source of half of all remittance inflows into the Cayman Islands, with 47% of all remittance inflows (December 2018: 49% and June 2019: 47%). Jamaica also represents a relatively high percentage of remittance inflows, with 12% of all remittances flowing in from Jamaica. Figure 8: Proportion of total remittance inflows, December 2019 22

INDUSTRY OVERVIEW Fiduciary Services Trusts The Sector Corporate trust business carried out in and from the Cayman Islands is regulated pursuant to the Banks and Trust Companies Law (2018 Revision) (the BTCL), and the Private Trust Companies Regulations (2013 Revision) (the PTCR). The BTCL defines trust business as the business of acting as trustee, executor or administrator, and no company is allowed to carry on such business unless it is licensed or registered by CMRAI. CMRAI's Fiduciary Services Division has regulatory and supervisory responsibility for authorised trust services companies that do not have a banking licence. Those with a banking licence are regulated and supervised by the Banking Supervision Division. There are three licence categories and two registration categories for trust business. These are: Trust licensee authorised to carry on the business of acting as trustee, executor or administrator; Restricted Trust licensee authorised to undertake trust business only for persons listed in any undertaking accompanying the application for the licence; Nominee (Trust) licensee authorised to act solely as the nominee of a trust licensee, being the wholly-owned subsidiary of that licensee; Controlled Subsidiary- registrant authorised to provide trust services including the issuing of debt instruments or any other trust business connected with the trust business of its parent that holds a Trust Licence; and Private Trust Company - registrant authorised to provide trust services to connected persons as defined in Section 2(2) of the PTCR. Licensed and registered trust services companies in Cayman provide trust services, which include traditional discretionary family trusts, wherein families use the trust structure to manage and structure their wealth and effect succession and estate planning. Some trusts are set up to allow professionals to efficiently manage significant wealth to benefit families, charities, and other persons or causes for several generations. Assets settled in trust are typically held in an underlying company and the trust (through the trustee) holds the shares in that company. These structures are established to

be compliant with the laws, regulations and rules of all applicable jurisdictions whilst affording the client the comfort and the peace of mind that the settled assets are safe and will be managed in accordance with the agreed terms of the trust deed. Private Trust Companies are companies established for the sole purpose of engaging in trust

CMRAI regulates and supervises trust entities operating in and from within the Cayman Islands such as company managers, corporate service providers and all trust companies not having a banking licence and credit unions. 23CMRAI2019 Annual Report INDUSTRY OVERVIEW Trusts Cont d Figure 9: Number of trust companies by licence category, 2015 - 2019 business for assets settled by connected persons meeting very specific criteria (mainly familial relationship). This type of arrangement is often used in planning and managing the wealth of high net worth families. Trusts and trust companies are also used in capital markets and structured finance arrangements, usually by large institutional clients such as institutional asset managers, large investment banks and wealth managers etc. These institutions see the benefit of utilising a Cayman Islands structure because the jurisdiction is creditor friendly, has innovative legislation that is beneficial to the efficiency of transactions and Cayman vehicles are well reputed, recognised and respected worldwide.

Authorisation Activity The Cayman Islands has been a top international location for the provision of trust services and remains so, with 397 companies providing these services in and from the jurisdiction as at 31 December 2019. Figure 9 shows the breakdown of trust companies by authorisation type and its activity from 2015 - 2019. Overall, the sector remained fairly stable for the past several years. Prior to the enactment of legislation in 2008 for the registration of private trust companies, the licensed restricted trust company category had been largely used to establish private trust companies. The net decline in restricted trust companies since 2008 is mainly attributable to the increased availability of the registered private trust companies as a service provider option. Following the decrease in the registration and renewal fees from CI\$7,000.00 to CI\$3,500.00, which came in effect for 2020, it is anticipated that this upward movement in private trust registrations will continue.

24 INDUSTRY OVERVIEW Corporate Services The Sector The Cayman Islands holds its own among locations from which corporate/company management services are provided and the sector saw steady growth over the last year. All providers of corporate services are required to be licensed by CMRAI under the following categories: 1) a companies management licence, which allows the holder to provide company management services as listed in Section 3(1) of the Companies Management Law (2018 Revision) or; 2) a corporate services licence, which allows the holder to provide only the corporate services specified in Section 3(1)(a) through (e) of the Companies Management Law (2018 Revision). Licensed trust companies are also authorised to provide corporate services.

Authorisation Activity Figure 10 shows that there was no net change from 2018 to 2019, with 140 corporate service companies active as at 31 December 2019. Figure 10: Number of corporate services providers by licence category, 2015 - 2019 25CMRAI2019 Annual Report INDUSTRY OVERVIEW Corporate Services Cont d For the period of 1 January through 31 December 2019, Table 6 shows there was a decrease in the companies management licences by eight and an increase by nine for a net total of 116 companies management licensees. There was also a decrease in the corporate services licences by one and none issued for a net total of 24. Currently, the total number of active licences for this sector is not indicative of a particular trend. Table 6: Companies management authorisation activity, 2018 - 2019 The Cayman Islands enacted the Directors Registration and Licensing Law, 2014, (the DRLL) which gives CMRAI certain authorisation and supervisory responsibilities in

respect of natural and corporate directors of mutual funds and certain entities that are registered under the Securities Investment Business Law. Table 7 shows the number of authorisations recorded in respect of applications made under the DRLL. Table 7: Companies management authorisation activity, 2018 - 2019

Authorisation Type	Active as at 31 Dec 2018	Terminated 1 Jan - 31 Dec 2019	Issued 1 Jan - 31 Dec 2019	Active as at 31 Dec 2019
Computer Manager (Licensed)	115	89	116	142
Corporate Service Provider (Licensed)	251	0	0	251
Total	140	89	116	140

Registration - Exemption from licensing - Section 16(1) 112101 Licence - Professional Director 5559 Licence - Corporate Director 2622 26

INDUSTRY OVERVIEW Insurance

The insurance industry in the Cayman Islands has two distinct sectors: the domestic insurance segment, which provides insurance to Cayman residents and businesses by locally incorporated or branches of foreign insurers, and the international insurance segment, which provides insurance for foreign risks by insurers incorporated in the Cayman Islands. The Authority, through its Insurance Supervision Division, regulates and supervises all insurance entities operating in and from within the Cayman Islands. The Authority provides four main classes of insurer licences for (re)insurance companies, namely Class A licence for domestic insurers, Class B licence for international insurers to carry on insurance and/or reinsurance, Class C licence for fully collateralised international insurers, e.g. Insurance Linked Securities (ILS) and catastrophe bonds, and Class D licence for large open-market reinsurers. Class B licence is subdivided into three subcategories, namely Class B(i), B(ii) and B(iii) depending on the level of related business. CMRAI also regulates intermediaries, namely Insurance Managers, Insurance Brokers and Insurance Agents. The International Insurance Segment CMRAI regulates and supervises insurance entities operating in and from within the Cayman Islands such as insurance companies and insurance brokers, managers and agents. The Cayman Islands insurance industry is dominated by the international segment comprised primarily of international insurers including captive insurance companies and their Insurance Managers. The total number of Cayman-based international insurance companies decreased from 703 at the end of 31 December 2018 to 646 as at 31 December 2019 (see Figure 11). During the year, the Authority undertook an exercise to reconcile the statistics to more accurately reflect the active number of licensees, hence the drop in the total number of international insurers. However, the year saw the addition of 33 new international insurers, making 2019 the fourth consecutive year to record 33 or more new insurers. Whilst traditional captives including healthcare captives continued to be formed, the jurisdiction saw an increased diversity of new insurance companies in 2019. A significant number of companies were formed as Class B(iii) insurers to allow them to write significant unrelated business. In addition, there were a number of commercial reinsurance company formations in the Cayman Islands, both as start-ups and re-domestications from other jurisdictions. Premiums generated US\$18 billion and assets were held at US\$68.9 billion (see Figure 12). With these figures, the segment also claims a major share of the global insurance market positioning the Cayman Islands as the second largest domicile for captive insurance companies.

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INDUSTRY OVERVIEW Insurance

Figure 12: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, 2015 - 2019

Figure 11: Number of Cayman Islands international (Class B, C, D) insurer licences, 2015 - 2019

Year	Jun-15	Jun-16	Dec-17	Dec-18	Dec-19
Number of licences	27	28	28	28	28

28 INDUSTRY OVERVIEW Insurance

With 33% of Cayman's captives covering medical malpractice risks (see Figure 13), the jurisdiction is the leading domicile for healthcare captives. The risks underwritten by

international (re)insurers originate mainly from North America, with the next largest geographical source being the Caribbean and Latin America collectively (see Figure 14). The international insurance segment in Cayman began in the mid-1970s with the medical malpractice insurance crisis in the United States of America and was later formalised with the introduction of the Insurance Law in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in the Cayman Islands to provide for their risk management needs. As a result, Cayman has developed particular expertise in this area. Figure 13: Cayman-domiciled international insurance companies by Primary Class of Business, 2019 The Cayman Islands remains the second largest offshore jurisdiction in terms of the number of international insurers including captives, and is the leading jurisdiction for healthcare and group captives. 29CMRAI2019 Annual Report

INDUSTRY OVERVIEW Insurance Figure 14: Cayman-domiciled international insurance companies by location of risks covered, 2019 Over the years, corporations have made increasingly extensive use of captives as part of their overall risk management function, reducing the premium they pay for commercial coverage by insuring a portion of their risk through a captive insurance programme. In addition to expanded coverage availability and flexibility, and better risk management, reasons for the formation of captives include cost reduction and stabilisation, improved cash-flow, and access to the reinsurance market. With the introduction of the Segregated Portfolio Companies (SPC) framework, that typically provides insurance coverage for smaller organisations, Cayman became a leading jurisdiction for group captives. As at 31 December 2019, there were 128 SPCs with over 600 segregated portfolios operating within them. More recently, amendments were made to the insurance law to introduce Portfolio Insurance Companies (PIC) under the SPC structure. As at 31 December 2019, there were 27 PICs registered in the Cayman Islands. 30

INDUSTRY OVERVIEW Insurance Figure 15: Number of Cayman Islands domestic licences by category, 2015 - 2019 Figure 16: Coverage provided by Class A insurers, measured by Gross Written and Assumed Premiums, 2019 The Domestic Insurance Segment The domestic insurers provide a range of coverage to local policyholders, with health and property insurance being the top two categories; accounting for approximately 70% of the gross premiums written by the sector for the calendar year ended 31 December 2019 of US\$944 million(see Figure 16). 31CMRAI2019 Annual Report

License Type	As at 31 Dec 2018	Cancelled 1 Jan - 31 Dec 2019	Issued 1 Jan - 31 Dec 2019
Class A	271	102	4
Class B, C	1024	6	46
Total	1295	108	50

Managers263124 Brokers263023 Agents463245 Total82810036764

INDUSTRY OVERVIEW Insurance Table 8: Insurance licensing activity 2018 - 2019 Cayman's Insurance Industry Activity At 31 December 2019, there were 764 licensees under supervision of the Insurance Supervision Division of the Authority. The number of licensees under supervision as at 31 December 2019, and the number of new licences issued and cancelled during the 12-month fiscal year ended 31 December 2019, are given in Table 8 below. The International Insurance Segment Activity The Cayman Islands continues to remain the second largest offshore jurisdiction in terms of the number of international insurers including captives, behind Bermuda, and the leading jurisdiction for healthcare and group captives. During the reporting period of 1 January 31 December 2019, 33 new insurance companies were added to the Cayman Islands international insurance market. Growing competition among captive insurance domiciles, especially the captive domiciles in the United States and consolidation in the healthcare captive industry in the United States posed challenges to the Cayman Islands international market in 2019 in terms of the total number of Cayman based insurers.

However, the changing landscape continues to present opportunities. As examples, hospitals acquiring physician practices have been considering setting up new captives or expanding existing captives; possibility of physicians and practices teaming up to form large provider groups and establish captive insurance companies for professional liability and other risks; for those mid-sized companies in the United States who are looking for health care options, captive insurance is one option. Technologies such as digital platforms, smart contracts, artificial intelligence, telematics, drones, and blockchain have already started to transform the insurance industry, including its products and services and their delivery. Technological innovation will demand versatile and efficient insurance vehicles such as captives to provide insurance solutions to them. 32 INDUSTRY OVERVIEW Insurance Table 9: Domestic insurance company statistics by primary class of business as at 31 December 2018 (CI\$ based on audited financial statements) The Domestic Insurance Segment Activity The domestic insurance sector provides a number of products such as motor insurance, property insurance, health insurance, liability insurance, marine insurance, term life and credit life insurance, investment-linked products, annuities etc. As depicted in Table 9, total gross written premium and reinsurance assumed premium generated by the domestic insurance companies as at 31 December 2018 amounted to CI\$748.9 million. As in the past years, general insurance business, which includes health insurance business, led the market with a share of 97%. PropertyMotorLiability Marine & Aviation Domestic Health Int l HealthOtherLife & Annuity Grand Total Gross Written

Premiums

185,425,12934,013,03389,814,57735,897,397250,588,36286,715,32442,141,58324,353,589748,948,9 Reinsurance Ceded

129,552,41214,275,4793,323,014033,860,1000812,6773,894,809185,718,490 Unearned Premium Adjustment -1,229,813-173,94551,1680-5,2500199,0960-1,158,744 Net Earned

Premiums:

54,642,90419,563,60886,542,73135,897,397216,723,01286,715,32441,528,00220,458,780562,071,75 Commissions Received 23,429,4694,383,442529,04402,209,941060,950030,612,845 Total

Underwriting Income:

78,072,37323,947,05087,071,77535,897,397218,932,95386,715,32441,588,95220,458,780592,684,60 Net Claims/ Benefits Paid

34,121,70215,935,18936,802,93232,938,909187,611,79831,809,52013,286,1318,688,946361,195,125 Movement in Claim Reserves

-21,870,413-4,145,2647,997,008-20,521,747-423,762913,7473,752,7696,046,746-28,250,917 Acquisition Costs

18,349,7773,992,0501,169,168786,03615,286,117201,159169,7333,351,79243,305,833 Other Underwriting Expenses

2,289,062262,0132,320,85703,835,776001,245,0219,952,728 Total Underwriting Expenses: 32,890,12916,043,98848,289,96513,203,198206,309,92832,924,42517,208,63219,332,504386,202,76

Underwriting Profit/Loss:

45,182,2447,903,06238,781,81022,694,19912,623,02553,790,89924,380,3201,126,276206,481,835 Other Income11,209,199 Other Expenses41,847,979 Net Income Before Taxes 175,843,054

33CMRAI2019 Annual Report INDUSTRY OVERVIEW The Sector The total number of funds as at 31 December 2019 was 10,857, compared to 10,992 for the same period 2018, a decrease of 1.2%. The Cayman Islands also continues to surpass other fund domiciles in terms of total numbers (see Table 10). The number of funds as at 31 December 2019 includes 7,612 registered funds, 2,886 master funds, 295 administered funds and 64

licensed funds (see Figure 17). Investments Funds and Fund Administrations

CMRAI regulates and supervises hedge fund entities operating in and from within the Cayman Islands such as funds and fund administrators. Figure 17: Number of Cayman regulated funds by category, 2015 - 2019 Mutual fund administrators must be authorised by CMRAI to carry out mutual fund administration, which is defined as providing any of the following services for a fund: management (including control of the fund's assets), administration, providing a principal office in the Cayman Islands, or providing an operator (i.e. the director, trustee or general partner) to the fund. A full mutual fund administrator licence allows the holder to provide administration to an unlimited number of funds, whereas a restricted mutual fund administrator licence allows administration of no more than 10 funds. Figure 18 outlines the mutual fund administrators by category, for the period 2015-2019. 34 INDUSTRY OVERVIEW Investments Figure 18: Number of mutual fund administrators by category, 2015 - 2019 The draft 2018 Investments Statistical Digest (the Digest) indicates that total gross assets of regulated funds increased by 0.41% from US\$6.9 trillion in 2017 to US\$7.3 trillion in 2018 and ending Net Assets decreased by 3% from US\$4.40 trillion in 2017 to US\$3.92 trillion in 2018. It should be noted that of the total number of regulated funds in 2018, 9,372 regulated funds filed a 2018 Fund Annual Return Form (FAR) with the Authority, (2017: 9,323) representing 85% of all investment funds. The draft Digest further reported that total subscriptions of US\$1.049 trillion were 12% lower than in 2017 and total redemptions of US\$1.079 trillion were 11% lower. Dividends/Distributions of US\$36 billion were paid with Net Loss reported at US\$30 billion. The reason for the decline is that markets sold off sharply in the fourth quarter of 2018, broadly across asset classes, amid growing signs of a slowing global economy and rising concerns about US-China trade tensions and tightened financial conditions in the fourth quarter of 2018. The top five investment manager locations, as measured by net assets, are held by managers in Delaware, New York, United Kingdom, California and Hong Kong. As also reported in the draft Digest, the Cayman Islands remained the primary location from which fund administration services (NAV Calculation and registrar and transfer agency (RTA)) were provided for to regulated funds. According to research conducted in relation to mutual funds, the pace of change in the US mutual fund industry has been rapid, and that has created both challenges and opportunities for firms to adapt quickly to remain relevant. Four key areas have been identified to be key for firms to stay competitive in the fast-changing environment and these are strategic positioning, technology transformation, value for money and battle for 35CMRAI2019 Annual Report INDUSTRY OVERVIEW Investments talent. Despite pressures on profitability, investments in top talent are essential to ensure the ability to transform firms and drive success. The ability to deliver an innovative, technology-enabled, and seamless client experience will continue to create value for both investors and managers. Adoption of integrated platforms that manage all activities - investments, distribution, reporting, operations, and regulatory compliance will make firms competitive and efficient. Successful firms will be those that gain better insights by using artificial intelligence, robotic process automation, data and analytics. Authorisation Activity Funds For the reporting period of 1 January to 31 December 2019, 1,016 regulated entities were authorised and 1,362 regulated entities were terminated. For the previous fiscal year ending 31 December 2018, there were 1,291 authorisations and 850 terminations. The total number of regulated funds as at 31 December 2019 was 10,857 (comprising 7,612 registered funds, 2,886 master funds, 295 administered funds and 64 licensed funds) compared to 10,992 for the same period in 2018 (comprising 7,654 registered funds, 2,946

master funds, 317 administered funds and 75 licensed funds). Administrators The number of licensed mutual fund administrators continued to decrease during the reporting period. The Authority did not receive any new mutual fund administrator applications, and 8 licences were cancelled during the reporting period. The Authority continues to process shareholding changes for mutual fund administrators, as the trend continues within the fund administration industry towards consolidation into a few large global players. At 31 December 2019, there were 81 licensed mutual fund administrators (70 Full, 10 Restricted and 1 Exempted), compared to 89 for the fiscal year ending 31 December 2018. Directors Since the introduction of the Director Registration and Licensing Law (the DRLL), there has been a positive upward trend in the registration and licensing of directors of covered entities. A covered entity being a company which is a Registered Person subject to schedule 4 of the Securities Investment Business Law or a regulated mutual fund under the Mutual Funds Law. As of December 2019, there were 12,783 directors, registered or licensed pursuant to the DRLL, compared to 13,708 directors in 2018. The draft 2018 Investments Statistical Digest (the Digest) indicates that total gross assets of regulated funds increased by 0.41% from US\$6.9 trillion in 2017 to US\$7.3 trillion in 2018 and ending Net Assets decreased by 3% from US\$4.4.0 trillion in 2017 to US\$3.92 trillion in 2018. It should be noted that of the total number of regulated funds in 2018, 9,372 regulated funds filed a 2018 Fund Annual Return Form (FAR) with the Authority, (2017: 9,323) representing 85% of all investment funds. 36 Jurisdictional Comparisons - Funds Table 10 shows the number of active funds for calendar years 2012 to 2018 in Cayman and other financial jurisdictions for which figures are available. As the figures demonstrate, the number of Cayman- authorised funds remains consistently in excess of the other jurisdictions.

INDUSTRY OVERVIEW Table 10: Regulated fund numbers for selected jurisdictions, 2013 - 2019 *Note: the latest available numbers for 2019 are as at the following period: Bahamas - May, Bermuda Sept, BVI March, Ireland Sept, Jersey June and Guernsey Sept

Investments Jurisdiction	2013	% change (14 v 13)	2014	% change (15 v 14)	2015	% change (15 v 16)	2016	% change (16 v 17)	2017	% change (17 v 18)	2018	% change (18 v 19)	Latest available for 2019*
Bahamas	750	10.7%	830	6.6%	885	2.9%	859	8.8%	783	2.6%	803	3.5%	775
Bermuda	698	7.3%	647	2.6%	630	9.1%	567	4.2%	543	3.3%	513	1.0%	508
BVI	2,238	4.3%	2,142	4.9%	2,037	20.8%	1,614	7.3%	1,499	0.2%	1,502	0.9%	1,489
Ireland	700	5.3%	663	0.2%	664	6.3%	706	4.7%	739	2.0%	754	1.3%	764
Jersey	1,334	0.8%	1,323	1.9%	1,320	9.5%	1,195	7.6%	1,104	7.6%	1,020	7.5%	943
Guernsey	1,088	3.7%	1,048	3.4%	1,012	2.9%	983	0.7%	976	0.7%	970	.9%	961
Cayman	11,379	3.2%	11,010	0.6%	10,940	3.2%	10,586	0.3%	10,559	4.1%	10,992	1.2%	10,857

37CMRAI2019 Annual Report INDUSTRY OVERVIEW Securities The Sector Securities investment business (SIB) conducted in and from the Cayman Islands includes dealing in securities, arranging deals, investments management and provision of investment advice. The Securities Investment Business Law (2019 Revision) (the SIBL) provides for the regulation of persons engaged in these activities in or from the Cayman Islands, including market makers, broker- dealers, securities arrangers, securities advisors and securities managers. Such persons must be licensed by the Authority, unless they meet the criteria to be excluded from the licensing requirement, in which case, they are to be registered as Excluded Persons or as Registered Persons. The Excluded Persons registrations continued to account for the vast majority of SIBL registrations between January to June 2019. However, the SIB Amendment Law (June 2019), enacted in June 2019 in response to various evolving global standards and initiatives applicable to the jurisdiction, give the Authority

supervisory, inspection and enforcement powers to more effectively regulate entities that currently fit within the existing category of SIB Excluded Persons. These registrants are required to apply to the Authority by 15 January 2020 in order to transition to a new category of Registered Person, which category is applicable to broadly the same group of entities as currently falls under the Excluded Person category. As at 31 December 2019, eighty-eight (88) new Registered Person applications and three hundred seventy-eight (378) re-registrations as Registered Persons had been received. Entities in these categories conduct SIB exclusively for institutions, high net worth or sophisticated investors.

Authorisation Activity Licensees-For the reporting period 1 January to 31 December 2019, no licence applications were approved; of the thirteen (13) applications received, six (6) were refused, one (1) was returned, and four (4) were withdrawn. In the same period, two (2) licences were cancelled or revoked, compared to 2018 in which nine licence applications were approved and five licences were cancelled. Existing Licences predominantly relate to Broker-Dealers and/or Market Makers who offer foreign exchange trading and over the counter contracts for differences to retail, institutional and/or professional clients in varied countries. At 31 December 2019, there were 36 SIB licenced holders, compared to 38 for the fiscal year ending 31 December 2018.

Excluded Persons / Registered Persons-As at 31 December 2019, there were 2,198 Excluded Persons, compared to 2,926 at the same date. CMRA is responsible for the regulation of persons carrying on securities investment business, including market makers, broker-dealers, securities arrangers, securities advisors and securities managers, in or from the Cayman Islands.

38 Securities Investments INDUSTRY OVERVIEW Securities Figure 19: Securities Investment Business Licensees, 2015 - 2019 Figure 20: Securities Investment Business Excluded Persons, 2015 - 2019

In 2018. This represents a 25% decrease in registrations over the past year. There were an additional sixty-three (63) Registered Persons. In order to continue to conduct SIB in 2020, Excluded Persons are required to re-register as Registered Persons; however, the total number of Registered Persons is expected to be approximately 1650 or 25% less than the number of Excluded Persons in 2019. This appears to be primarily due to the entities not wanting to be captured as a relevant entity under the International Tax Co-operational (Economic Substance) Bill, 2018 which would be applicable to a Registered Person if it acts in the capacity of a discretionary manager of an investment fund.

39CMRAI2019 Annual Report Securities Investments Cont d ORGANISATIONAL DEVELOPMENTS Execution of Monetary Functions Table 11: Currency in circulation at half year and year-end, 2015 - 2019 (in CI\$m)

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

Currency Reserve Management CI currency is issued on demand only against US currency at the rate of one CI dollar per 1.20 US dollars. It is repurchased on demand with US dollars at the same rate. The currency in circulation is backed by the currency reserve assets in accordance with Section 32 of the Monetary Authority Law (2018 Revision). As at 31 December 2019, the value of the currency reserve assets was CI\$160.969m (31 December 2018 \$142.368m) representing 114.68% (31 December 2018: 112.45%) of total demand liabilities (i.e. currency in circulation). Full details on the

currency reserve assets, including specifics on the performance of the investments and cash and cash equivalent deposits that comprise the currency reserve assets, can be found within the Annual Financial Statements (page 56 and following). Issue and Redemption of Currency At 31 December 2019, currency in circulation (excluding numismatic coins) stood at \$127.5m in notes and \$12.9m in coins, totalling \$140.4m. This represents a 10.9% increase from the 31 December 2018 figure of \$126.6m. Table 11 shows currency in circulation at half year and year-end from 2015 to 2019. Figure 20 shows currency in circulation by month from 2015 to 2019.

Date	2015	2016	2017	2018	2019
31 Dec	107.7	115.6	119.5	126.6	140.4

40 ORGANISATIONAL DEVELOPMENTS Execution of Monetary Functions Figure 21:

Cayman Islands currency in circulation by month, 2015 - 2019 Counterfeit Detection No forged banknotes were detected and withdrawn from circulation during 1 January 31 December 2019, compared to 13 detected and withdrawn in the prior fiscal year of 1 January 31 December 2018. Table 12 shows the number of forged banknotes, by denomination, which were withdrawn from circulation between 2015 and 2019.

Numismatic Programmes The silver commemorative coin for 60th Anniversary of the Cayman Islands Coat of Arms sold out in less than 48 hours, and due to a public outcry Cabinet requested additional coins. As the coin had a limited mintage of 250, Cabinet approved a second version of the coin with a mintage of 350 which was received in February 2019. The second coin has the Coat of Arms depicted on the obverse side and the 60th Anniversary logo in partial colour with the rope and text Our Coat of Arms in gold on the reverse. During the Celebrate Cayman Constitution Weekend, one of the second version coins was presented to Mr. Arley James (AJ) Miller, the last living Vestryman of the 1959 Assembly, at a special commemorative Town Hall ceremony. In addition to the commemorative coins, Cabinet requested that CMRAI issue a commemorative \$1 banknote for the 60th anniversary of the first written Constitution. The note is the same colour and design as its existing counterpart, with four differences. The first is that the new notes will bear the Celebrate Cayman 60 Years Our First Constitution logo, 41CMRAI2019 Annual Report ORGANISATIONAL DEVELOPMENTS Execution of Monetary Functions Table 12:

Counterfeit Cayman Islands currency notes recovered, 2015 - 2019	2015	2016	2017	2018	2019
\$100	33	74	\$500	50	10
\$250	0	40	\$1000	0	80
\$500	0	0	\$5000	0	0
\$1000	0	0	\$10000	0	0
Total No. of Notes	28	113	0	0	0

Total Dollar Value \$200\$550\$800\$530\$0 which is located to the left of the Coat of Arms. The second change is the signature of the current Minister of Finance the Hon. Roy McTaggart along with that of CMRAI's Managing Director, Mrs. Cindy Scotland has been relocated to the right of the Queen's effigy. The third change is that the magnetic thread running from top to bottom of each note has been replaced with a new security feature, a 4 mm wide RAPID micro-optic security thread of purple colour demonstrating a dynamic wave effect when the note is tilted. The fourth change is a distinctive serial number depicted with Q/2 - Q being the identifier for special occasions such as this. The Premier will announce the issuance of the commemorative \$1 banknote at the 2020 Heroes Day Celebrations which will honour the Pioneers who contributed to the creation of the first written Constitution of the Cayman Islands along with the women who fought for the right to vote as well as those who stood in the 1959 general election. The banknote was printed by Crane Currency in December 2019 and will go into circulation following the Premier's announcement. CMRAI continues to explore significant milestones in our country's history, which may serve as viable subjects for commemorative coins. Suggestions are welcomed but cautioned that they may not all be taken on board. Obverse side Reverse side 42 ORGANISATIONAL DEVELOPMENTS

Execution of Financial Stability Function The 2007-2008 Global Financial Crisis and its long-lasting fallout, highlighted for national and international financial regulators the importance of regulation and supervision which targeted simultaneously the stability of individual firms, their national financial systems as well as the global financial system. CMRAI's response to the crisis and the revealed systemic risks of financial institutions interconnectedness was to recognise the need for a Macro-prudential Unit. An additional contribution was made by the Caribbean Regional Technical Assistance Centre's (CARTAC) Technical Assistance (TA) mission in 2017 and related TA report titled Establishing a Financial Stability Function at CMRAI and Developing Financial Health and Stability Indicators for the Investment Funds Industry in the Cayman Islands, which argued explicitly that such a macro-prudential supervision framework, and its continuous monitoring and output, could only be achieved by a standalone unit or division. Statistical functions related to the Authority's co-operation with international organisations such as the International Monetary Fund, Financial Stability Board and Bank for International Settlements had hitherto been carried out by the Statistics Unit of the Policy & Development Division. A plan to break out the Statistics Unit from the Policy & Development Division to serve as the cornerstone of a new Financial Stability & Statistics Unit (the FSSU) was initiated in 2018. A Head of the unit was recruited and appointed in April 2019. During the reporting period 1 January - 31 December 2019, the FSSU has been called upon to utilise its existing skillsets in database design and report building to support the supervisory divisions and the newly created Anti-Money Laundering (AML) Division in reinforcing the Authority's measures and meeting and exceeding the standards set by the Financial Action Task Force and the Caribbean Financial Action Task Force. Customised Assessment of Inherent Risk (the AIR) and Assessment of Risk Controls (ARC) forms were also created to facilitate a risk-based approach to AML/CFT supervision. From the AIR and ARC databases, the required input files for a software application were used to identify AML/CFT risk. The FSSU has also contributed to enhancing the Authority's risk-based prudential supervision by aiding in the design, roll-out to licensees, data onboarding and summary reporting of new reporting forms. In co-operation with the Banking Supervision Division, FSSU successfully rolled out the Cash Flow Reporting, Liquidity Coverage Ratio, Minimum Liquidity Ratio and Net Stable funding Ratio forms. One aspect of the Authority's international co-operation is facilitation of CARTAC TA missions, designed to enhance both the supervisory capabilities of the Authority as well as its technical and financial stability function. In 2019, the FSSU facilitated three such CARTAC training visits to CMRAI, which covered areas such as Financial Stability Indicators and Stress Testing of domestic insurers, Stress Testing of domestic banks and external sector statistics. As part of FSSU's support function to the Authority's supervisory divisions, some of its work involves provision of anonymised sample datasets to CARTAC experts, while helping divisions to analyse prudential data and advise on technical approaches to data access and stress testing models. Looking ahead, and in line with the Authority's international co-operation and input into global financial stability monitoring efforts, three new areas will be formed under the FSSU: a Statistics, Compilation & Reporting Group, a Data Management & Business Intelligence Unit, and a Financial Stability & Macro-prudential Monitoring Group.

ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions The framework for the Authority's regulation and supervision of financial services is made up of a number of elements. These include the applicable laws and regulations passed by the Government of the Cayman Islands; and Rules, Statements of Principle/Guidance Policies and Procedures issued by the Authority as detailed in the Regulatory Handbook and other manuals.

Regulation and supervision are carried out in accordance with internationally accepted standards where these exist and are appropriate for the jurisdiction. The domestic laws and international standards under which CMRAI and the regulated sectors operate as at 31 December 2019 are shown in Table 13. Regulatory Regime Framework Table 13: CMRAI's regulatory framework as at 31 December 2019 Continued on next page Sector/ Entity type Cayman Islands Law/International Standards / Memberships All Monetary Authority Law (as amended) and respective regulations Monetary Authority (Administrative Fines) Regulations (2019) Proceeds of Crime Law (as amended) Anti-Money Laundering Regulations (as amended) Terrorism Law (2018 Revision) Public Management and Finance Law (as amended) Companies Law (as amended) and respective regulations Proliferation Financing (Prohibition) Law (2017 Revision) Standards: Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation Memberships: Caribbean Financial Action Task Force (CFATF) Regional Consultative Group for the Americas (Financial Stability Board) 45CMRAI2019 Annual Report ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions Table 13: CMRAI's regulatory framework as at 31 December 2019 Continued on next page 4 As promulgated by the Basel Committee on Banking Supervision. 5 The working group comprised representatives of various offshore financial centres, the FATF, IMF and OECD as well as representatives of four G7 countries. The statement was disseminated to the fiduciary sector via the Society of Trust and Estate Practitioners (STEP) and the Company Managers Association and was accepted locally. 6 Issued by the International Association of Insurance Supervisors. The Cayman Islands is a charter member of this association. Sector/ Entity Type Cayman Islands Law International Standards / Memberships Banks, Trusts, Money Services Businesses, Credit Unions, Building Societies, Corporate Services Providers, Company Managers Banks and Trust Companies Law (as amended) and respective regulations Private Trust Companies Regulations (as amended) Money Services Law (as amended) and respective regulations Cooperative Societies Law (as amended) and respective regulations Building Societies Law (as amended) Development Bank Law (2018 Revision) Companies Management Law (as amended) and respective regulations Standards: Basel Core Principles for Effective Banking Supervision 4 Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore Group of Banking Supervisors 5 Memberships: Group of International Finance Centre Supervisors (formerly Offshore Group of Banking Supervisors) Caribbean Group of Banking Supervisors Association of Supervisors of Banks of the Americas Insurance companies, managers, brokers, agents Insurance Law, (as amended) and respective regulations Standards: International Association of Insurance Supervisors (IAIS) Core Principles of Insurance Regulation 6 Memberships: International Association of Insurance Supervisors (IAIS) Group of International Insurance Centre Supervisors (GIICS) Caribbean Association of Insurance Regulators (CAIR) 46 Sector/Entity Type Cayman Islands Law International Standards / Memberships Mutual funds, Fund Administrators, Securities Investment Businesses (market makers, broker-dealers, securities arrangers, securities advisors and securities managers) Mutual Funds Law (as amended) and

respective regulations Securities Investment Business Law (as amended) and respective regulations Directors Registration and Licensing Law, (as amended) and respective regulations Standards: International Organization of Securities Commissions (IOSCO) Offshore Group of Collective Investment Schemes Supervisors (OGCISS) Memberships: Offshore Group of Collective Investment Schemes Supervisors Caribbean Group of Securities Regulators IOSCO ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions Regulation and Supervision The Banking Supervision Division, Securities Supervision Division, Fiduciary Services Division, Insurance Supervision Division and Investments Supervision Division (collectively referred to as the supervisory divisions) are responsible for processing and making recommendations on applications for licences and other relevant authorisations for the provision of those financial services falling within their sectors. They are also responsible for the on-going supervision of licensees/registrants and making recommendations for enhancements to the supervisory regime where appropriate. Supervision of licensees is carried out off-site and on-site. Off-site supervision is continuous, involving the analysis of quarterly prudential returns and annual audited statements, supplemented with prudential meetings. On-site supervision involves limited and full-scope inspections both in the Cayman Islands and overseas. The objectives of the inspection process are to understand the licensee's business activities and operating environment, to detect problems of compliance with the relevant laws and/or regulations, and to gather information on matters identified as requiring policy considerations. Regulatory Developments Rules, Guidelines and Policies The Policy and Development Division is responsible for the continuous development of the financial services regulatory framework within the Cayman Islands in accordance with international standards. Its cross-functional role supports and advises the Authority's senior management, the five supervisory divisions and the Compliance and Legal Divisions. The division's development and advisory role entails research of international developments and initiatives; analysis of the impact on the local financial services industry; formulation of appropriate options for consideration by the Authority and providing policy advice to the Authority, including recommendations during the industry consultation process. In addition, the division assists in the provision of responses, of both a statistical and non-statistical nature, on the financial sector to various international and domestic organisations. The regulatory measures issued in 2019 are listed in Table 14. Copies of all regulatory measures issued by the Authority are available on the CMRAI website.

When issued	Type of Standard	Title	Description
Feb 2019	Policy	Licensing	Insurance Broker or Agent / Agency This policy documents the criteria the Authority uses for the licensing of Insurance Brokers, Agencies and Agents pursuant to the Insurance Law (as amended).
Feb 2019	Guidance	Market Conduct	Trust and Corporate Service Providers This Guidance provides Trust and Corporate Service Providers with guidelines relating to market conduct to ensure the fair treatment and protection of clients engaging in the business of Trust and Company Management.
Feb 2019	Guidance	Succession Planning	This Guidance outlines the Authority's expectation in relation succession planning and provides guidance to licensees on the same.
Feb 2019	Guidance	Recruitment and Selection Standards	for Trust and Corporate Service Providers This Guidance outlines the criteria for Trust and Corporate Service Providers to apply in relation to the recruitment, selection and competence of employees.
Feb 2019	Rule and Guidance	Basel III Leverage Ratio	This Rule and Guidance outlines the Basel III Leverage Ratio requirements which applies to all banks licensed by the Authority. These measures were implemented in December 2019.
Feb 2019	Policy and		

Procedure Assessing Fitness and Propriety The Policy describes the criteria the Authority uses to determine whether persons applying to act in a controlled position are fit and proper. The Procedure documents the method the Authority uses to assess the fitness and propriety of persons who have applied to perform a controlled function. Feb 2019 Policy Criteria for Approving Changes in Ownership and Control The Policy describes the criteria to approve changes in ownership, shareholdings and control for the purposes of the relevant laws.

ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions Table 14: List of all regulatory measures issued and updated by CMRAI in 2019. Continued on next page 48

When Issued Type of Standard Title Description May 2019 Policy Licensing Class C Insurance Companies This Policy sets out the criteria the Authority will apply to assess applications for the grant of a Class C Insurance Company Licence in accordance with the Insurance Law (as amended). Aug 2019 Guidance Notes Prevention and Detection of Money Laundering Terrorist Financing in the Cayman Islands Section 14 of the Guidance Notes on the Prevention and Detections of Money Laundering was amended to include a section on Proliferation Financing. Dec 2019 Rule and Statement of Guidance Actuarial Valuations The Rules and Statement of Guidance on Actuarial Valuations are intended to establish minimum requirements in addition to providing guidance to applicable regulated entities on actuarial valuation reports in accordance with the Insurance Law (as amended). Continued from previous page Table 14: List of all regulatory measures issued and updated by CMRAI in 2019 ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions

Anti-Money Laundering and Counter Terrorist and Proliferation Financing As referenced in Table 14, the following amendments were made to the Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing in the Cayman Islands (the GNs).

1. A new section (Section 14) was inserted in the GNs on Proliferation and Proliferation Financing. This area includes sub-sections on the domestic legislation relating to the proliferation of financing; the difference between proliferation financing and money laundering; the challenges associated with identifying proliferation financing; and obligations of financial service providers when screening clients for proliferation financing.
2. The Authority also consulted with industry and the Ministry of Finance on proposed amendments to the following sections of the GNs on: Assessing Risk and Applying a Risk Based Approach Ongoing Monitoring Targeted Financial Sanctions Securitization Virtual Asset and Virtual Asset Service Providers Assessment by the Group of International Finance Centre Supervisors In 2019, the Authority was assessed by the Group Other Regulatory Developments 49 CMRAI 2019 Annual Report ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions of International Finance Centre Supervisors against the standard on the regulation of Trusts and Corporate Services Providers. The standard sets out expectations for regulators in areas such as licensing, corporate governance, conduct, administration, and financial crime and international sanctions. This is the jurisdiction's first evaluation of compliance to the standard. It is anticipated the Authority will be in receipt of the assessor's report by Q2 2020. Basel III Implementation Also highlighted in Table 14 the Authority issued a Rule and Guidance on Basel III Leverage Ratio. The Rule and Guidance outlines the liquidity and leverage ratio requirements for all banks licensed by the Authority. The requirements came into effect in December 2019. Compliance and Enforcement As part of its regulatory functions, the Authority conducts due diligence on persons who have applied to act as directors, shareholders, managers, officers and controllers of licensed entities; investigates serious breaches of the regulations, and where necessary, takes enforcement action. Due Diligence

In carrying out due diligence, the Authority follows its Regulatory Policy Assessing Fitness and Propriety and Procedure Assessing Fitness and Propriety 7 . The Compliance Division, which is tasked with conducting due diligence on applicants that the regulatory divisions refer to it, received 279 such applications during the reporting period of 1 January to 31 December 2019. A breakdown of the due diligence requests by regulatory division is reflected in Table 15. Enforcement In the event CMRAI has identified a breach or deficiency, CMRAI will work with the respective licensee or registrant in an attempt to resolve/ rectify the identified regulatory issue(s). However, based on the nature and seriousness of the breach, CMRAI will determine whether and what enforcement action is necessary. CMRAI draws its enforcement powers, mainly from the Monetary Authority Law (MAL), regulatory laws and Anti-Money Laundering Regulations (AMLRs), which range from: Suspending, revoking or cancelling licenses or registrations; Imposing conditions; Requiring the substitution or removal of a director, officer, general partner, manager, shareholder, or equivalent; Appointing controllers; Appointing advisors; Requiring a regulated entity to obtain an independent AML/CFT audit; DivisionNumber of due diligence applications Banking84 Fiduciary110 Insurance31 Investments30 Securities25 Total279 Other Regulatory Developments Cont d 7The Regulatory Policy: Fitness and Proprietyand theRegulatory Procedure - Fitness and Propriety. Also see information on Fitness and Propriety at page 27 of the Regulatory Handbook. Table 15: Due diligence applications referred to the Compliance Division during 2019 50 ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions Imposing administrative fines; and Requiring a regulated entity to take any action specified by CMRAI. Additionally, CMRAI also takes other supervisory actions such as issuing warning notices, supervisory letters and making referrals to the Director of Public Prosecutions (DPP) and the Royal Cayman Islands Police Services Financial Crime Investigations Unit (RCIPS FCIU). CMRAI s Enforcement Manual and Enforcement Manual 8 (Procedure For Administering Administrative Fines Parts I-III 9) describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the regulatory laws and AMLRs by a regulated entity. The manual includes the steps the Authority will follow in the event of non-compliance by a regulated entity. The Compliance Division and the Legal Division are responsible for the exercise of enforcement action, under the authorisation of CMRAI s Board of Directors. The Authority initiated 25 formal enforcement actions during 1 January 31 December 2019, 17 of which were related to AML/CFT and Fitness and Propriety (F&P) infractions. As shown in Table 16 below, the 25 enforcement actions included 8 revocations/cancellations, 1 Controllershship, 1 Winding Up-petition, the imposition of requirements/conditions as enforcement actions on 2 licensees, and 5 enforcement actions against directors under the Directors Registration and Licensing Law (DRLL). The other 8 enforcement actions comprise of 5 Administrative Fines Breach Notices and 3 Warning Notices. 8The Enforcement Manual 9The Enforcement Manual (Procedure for Administering Administrative Fines Parts I-III) 51CMRAI2019 Annual Report Sector Revocations / Cancellations Appointment of Controllers Winding Up Petitions Cease and Desist /Requirements/ Conditions Actions Under the DRLL Admin Fines Breach Notices Warning Notices Totals Banking00000505 Fiduciary10010002 Insurance20000013 Investments500050212 Securities01110003 Totals811255325 Table 16: Status of enforcement actions undertaken Table 17: Entity list of formal enforcement actions initiated in 2019 11 *Note: Not all enforcement actions are published ORGANISATIONAL DEVELOPMENTS Execution of Regulatory Functions 10 Director Registration was suspended effective 13 June 2019. 11 See theEnforcement Noticessection of CMRAI s

website. 52 Name of Entity Type of Authorisation Held Enforcement Action Effective Date
 First Financial Insurance Brokers Ltd. Insurance Broker Licence Revoked 30 Jan 2019
 Management Plus (Cayman) Limited Company Manager Licence Licence Revoked 28 Mar
 2019 APAM Protected Asset Management Unit Trust Registered Fund Registration
 Cancelled 12 Mar 2019 Maxam Absolute Return Fund Limited Registered Fund Registration
 Cancelled 12 Mar 2019 Aphelion Offshore Fund, Ltd. Registered Fund Registration
 Cancelled 15 May 2019 Oliver-Barret Lindsay Registered Director Registration Cancelled 13
 Jun 2019 L.A. Capital Management, Ltd. Registered Fund Registration Cancelled 18 Jun
 2019 OneTRADEX Ltd. Securities Full Controllers Appointed 18 Jul 2019 OneTRADEX
 Ltd. Securities Full Provisional Liquidation 6 Sep 2019 Roland Frederick Kaehler 10
 Registered Director Registration Cancelled 28 Oct 2019 Mark R Graham Registered
 Director Registration Cancelled 28 Oct 2019 John David Geraci Registered
 Director Registration Cancelled 28 Oct 2019 Agavero Insurance Limited Class B Insurer s
 Licence Licence Revoked 29 Nov 2019 KTH Capital Limited Registered Fund Registration
 Cancelled 27 Dec 2019 ORGANISATIONAL DEVELOPMENTS Execution of Co-operative
 Functions The provision of assistance to overseas regulatory authorities is one of CMRAI s
 principal functions. Such international cooperation takes place primarily through the
 exchange of information, facilitated through Memorandums of Understanding (MOUs), other
 agreements and through the Authority s active participation in international forums.
 Memoranda of Understanding MOUs and similar agreements establish a common
 framework for mutual assistance and cooperation between CMRAI and other regulatory
 bodies. These agreements identify the type of supervisory and enforcement information that
 may be exchanged and the mechanism to exchange the information. In this way, they
 enhance the existing working relationships between the authorities. Copies of the current
 MOUs and cooperation agreements are available on the CMRAI website. During the
 reporting period, CMRAI signed one bi-lateral MOU. This international agreement was
 concluded on 5 March 2019 with the State of Utah Insurance Department. Assistance to
 Overseas Regulatory Authorities One of the Legal Division s functions is to advise on, and
 coordinate responses to, requests for assistance from overseas regulatory authorities
 (ORAs). The division works closely with the other divisions, particularly Compliance, to
 ensure that requests are handled in a timely and efficient manner, and that they conform to
 the requirements of the MAL, the Handbook and relevant procedures. The Compliance
 Division assists primarily on those requests where CMRAI does not have the information
 within its files and where external parties must be approached to obtain it. The division
 assesses the request from the ORA, prepares the direction and serves it on the relevant
 party. The division then reviews any information provided by the party to assess whether
 direction was complied with and provides the information to the requesting overseas body.
 During the 2019 reporting period, CMRAI handled a total of 123 requests for assistance from
 ORAs. RCIPS Financial Crimes Investigations Unit The Royal Cayman Islands Police
 Services (RCIPS) Financial Crimes Investigations Unit (FCIU) was recently created to focus
 on investigating money laundering and predicate crimes conducted internationally and
 through companies. The Authority expects that increased dialogue with the FCIU will
 enhance our regulatory functions. Cross-Border Cooperation 53 CMRAI 2019 Annual Report
 Litigation A petition was presented to the Grand Court for the Winding up of OneTRADEX
 Ltd. An order for Provisional Liquidation was granted by the court on 6 September 2019.
 Other Compliance-related Matters Among its duties, the Compliance Division is also tasked
 with investigating persons or entities that appear to be conducting regulated business without

the proper authorisation from CMRAI. In addition, in keeping with its mandate to protect the jurisdiction from individuals or entities seeking to reap illegal benefit by false association with the Cayman Islands, the Compliance Division continues to update a list of websites which give Cayman addresses for various businesses that are not registered or licensed in the Cayman Islands. 12 A list of Fraudulent Websites can be viewed in the Enforcement section of CMRAI's website.

ORGANISATIONAL DEVELOPMENTS

Local Co-operation

Money Laundering Reporting

CMRAI's Money Laundering Reporting Officer filed 10 suspicious activity reports with the Financial Reporting Authority (FRA) during the period of 1 January 31 December 2019. The FRA made 26 onward disclosures during reporting period of 1 January 31 December 2019 to CMRAI, pursuant to the Memorandum of Understanding (MOU) between the FRA and CMRAI. The Division also processed 15 Inter-agency requests from local competent authorities pursuant to the Inter-Agency Multilateral MOU. Additionally, in 2019, CMRAI made referrals to DPP/ RCIPS in three instances.

AML/CFT Supervisors

In conjunction with the Department of Commerce and Investment, the Registrar of Non-Profit Organisations, the Cayman Islands Professional Accountants Association, and the Cayman Attorneys Regulatory Authority (a committee of the Cayman Islands Legal Professionals Association), the Authority has formed the Supervisors Forum (the Forum). The role of the Forum is to provide a national-level platform for AML/CFT supervisors to discuss common issues relating to regulation, enforcement, risks, trends and other matters. Members of the Forum discuss issues that arise from carrying out their AML/CFT functions, in order to come to a consensus on a national approach to AML/CFT. Members of the Forum, including the Authority, participated in training on the FATF Recommendations and Immediate Outcomes in June 2019, as well as CFATF training targeted to supervisors on FATF Immediate Outcome 3 in January 2020. The Forum has developed policies on open-source information sharing and is developing further mechanisms for cooperation. 54

During the 2019 reporting period, CMRAI's Money Laundering Reporting Officer filed 10 suspicious activity reports with the Financial Reporting Authority.

ORGANISATIONAL DEVELOPMENTS

Organisational Support and Administration

In addition to the focus on recruitment of technically competent and experienced staff, the twelve months of the fiscal year focused on the strengthening of partnerships with external (local and overseas) parties for the facilitation of training and workshops. CMRAI Internal Presentations Staff were afforded development opportunities for speaking engagements through internal presentations in various forums to varied audiences both locally and internationally. Staff learned about reinsurance basics, new guidance for initiatives on regulations and anti-money laundering/countering financing of terrorism (AML/CFT), key principles of risk-based supervision and the details of CMRAI's Risk-Based Supervisory Methodology and Assessment Tools. CMRAI External Presentations Presentations were made to the students of Kent State University and a local graduating High School Economics class, focused on providing a broad overview of the core functions and operations of CMRAI and Cayman's currency, allowing them to consider CMRAI as a future place of employment. During the reporting period, regulatory experts from CMRAI contributed to several significant projects, including various external training exercises and events. These include: the Cayman Islands Fund Administrators Association Hedge Fund presentation, the AML/Compliance & Financial Crime Conference, including presentations for working groups such as SIBL Excluded Persons re-registration, Private Funds Bill, and Virtual Asset Service Providers. Partnerships - Local Through the long established, strong working

relationship with the Cayman Islands CFA Society, CMRAI's regulatory staff attended a learning session that focused on core ethics in regulation. Staff also benefited from various soft skills and technical trainings offered by Innovative Management and Professional Training and the Cayman Islands Chamber of Commerce. Local audit firm PwC imparted knowledge and experience as it relates to International Financial Reporting Standard 17.

AML Training During 2019, 54 AML/CFT/CPF training sessions were attended by 145 CMRAI staff, primarily from the Anti-Money Laundering Division, supervisory divisions and Onsite Inspection Unit. CMRAI also hosted a five-day Financial Action Task Force Training and Research Institute Standards Training Course in September 2019. The event brought together 50 representatives from CMRAI, other domestic AML/CFT agencies as well as the CFATF member countries. CMRAI staff from the Legal Division contributed to various industry outreach sessions on AML/CFT, administrative fines, and the risk-based approach to supervision.

Partnerships Overseas CMRAI benefits from having a seat on multiple overseas international and regional working groups and bodies including the Caribbean Group of Banking Supervisors, the International Association of Insurance Supervisors, the Financial Stability Board, International Organization of Securities Commissions and the Group of International Financial Centre Supervisors. FED Training Staff from the regulatory divisions benefited from attending the Risk-Focused Supervision & Risk Assessment Seminar which was facilitated by representatives of the US Federal Reserve. The week-long intensive seminar covered credit risk Human Resource Management and Development

55CMRAI2019 Annual Report ORGANISATIONAL DEVELOPMENTS Organisational Support and Administration modelling and examination techniques, operational risk assessment and examination techniques, and market and liquidity risk assessment and examination techniques. Ongoing Development Staff from the regulatory divisions increased their technical proficiency in the areas of AML and finance management via the Certified Anti-Money Laundering Specialist certifications and individual Chartered Financial Analyst level exams. Looking forward to 2020, the Authority will focus on recruitment of the right calibre human resources and enhanced learning and development methods for staff.

Information Services The goal of the Information Systems Division (the IS Division) is to facilitate CMRAI's business practices in a secure and resilient manner, utilising information and communications technology.

Disaster Recovery Prior to the start of the hurricane season, the IS Division completed tests against the system to ensure business continuity, which proved successful. Each year, the division assembles all requested improvements from the previous year's test and incorporates those that will provide value, resilience and increased efficiencies into its current plan and operations. Systems Security Security has become a major item for CMRAI including a prime focus for the IS Division. Significant upgrades have been made in monitoring the various layers of threat prevention and detection that are already in place. The ability to mesh all security logs from servers and security appliances, which provide alerts to possible security threats, has enabled the Authority to react faster to potential issues. CMRAI continues to be a targeted entity. During the reporting period, there were thousands of attempts of very basic scans against our systems, including spam emails each day and phishing attempts. As the Authority seeks to enhance its filtering, fewer scams reach the intended user. As it relates to untargeted general phishing emails, CMRAI's security systems averages over 50,000 emails per month that are blocked before the users were to receive them. The division continues to conduct awareness exercises for CMRAI staff in the form of simulated phishing emails which are crafted from real-life cases. The results of these exercises show that the all divisions need

continual training to enhance its awareness efforts against a variety of threats. To help facilitate immediate plans, the division introduced online training that is now mandatory for all new employees. The training videos discuss and demonstrate phishing exercises, the dangers of surfing the Internet, company policy regarding use of CMRAI computers and more. Similar training is offered to existing staff who fail the random phishing exercises.

Network Team Accomplishments During 1 January 31 December 2019 reporting period, the IS Division Network Team accomplished the following tasks: Office relocation logistics to architect, configure and implement a completely new network infrastructure to manage and move over 200 servers and related firewalls, switches and routers from Elizabethan Square to Cricket Square requiring new underground fibre cables and wiring closets in multiple buildings and floors to accommodate over 200 staff. Human Resource Management and Development Cont'd 56 Migrated infrastructure equipment to all new 10GB backbone network bandwidth with 40GB connectivity between Citrus Grove Disaster Recovery Centre and Cricket Square. Implemented new all flash drive SAN storage technology for improved resiliency. Updated most staff computers (95% complete) to Microsoft Office 365. Configured and implemented additional physical appliances and virtual server security layers of defence to improve cybersecurity posture. Due to a potential age threat, isolated a legacy server from internet facing to be visible only to the internal network. Temporary measures are in place to continue to accept filings from industry and process internally. This was necessary as these types of filings require new processes that are only available in the new release of one of our public facing applications. Instituted a new employee training system called Knowbe4 which essentially sends an email to all new employees where they are automatically enrolled into an online training course for cybersecurity. In 2020 it will be extended to include custom training for all CMRAI related products used by staff.

Standardised all external certificates to comply with an initiative championed by Google to restrict the use of compromised encryption protocol.

Development Team Accomplishments Below is a list of achievements by the IS Division Development Team during 1 January 31 December 2019: Work commenced for the research and integration of a risk assessment software into CMRAI's existing systems which will seek to incorporate a platform to view assess risk assessment results via a single pane of glass. Implemented an automatic balance draw-down using online Escrow feature for new Regulatory Enhanced Electronic Forms Submission (REEFS) applications and Change Request transactions, which saves industry users from having to submit a cheque for each item. Total transaction count was 42,015 with total amount collected \$136,041,108 for renewal payment fees. See Table 18 for a total number of transactions for REEFS Escrow payments collected for new applications and registrations. Improved Directors portal updates to further streamline director surrenders and terminations. Updated CMRAI's registered entity electronic database - MARS to integrate and capture data from Directors Registration and Licensing Law (DRLL) from the director surrenders and terminations. Over 20 new inherent risk forms for REEFS were designed, coded, tested and published using existing in-house resources. See Tables 19 and 20. Identified a new technical writer role to document both network and development needs to continue strengthening the NIST framework. Created a new in-house written help desk application, as the previous one expired and purchase price increased. Implemented a new Secure File Transfer Platform ShareFile for staff to collaborate with industry participants on large documents exchange. Directors Registration Portal As per normal practice, the 2018 Director Registration requirements were published to the portal in early December 2017. An email was also sent to industry advising that

they were ready for payment. ORGANISATIONAL DEVELOPMENTS Organisational Support and Administration Information Services Cont d 57CMRAI2019 Annual Report Table 18: Transactions for REEFS Escrow payments collected for new applications and registrations during 2019 ORGANISATIONAL DEVELOPMENTS Organisational Support and Administration Information Services Cont d Table 19: REEFS forms developed in-house and submitted by industry during 2019 Continued on next page Transaction TypeNo of Transactions Mutual Funds138 Master Funds62 SIBL Registered Person13 TOTAL213 Form CodeForm Description Submitted AIR-157-01AML/CFT Inherent Risk - Banking 132 AIR-157-10AML/CFT Inherent Risk - Fiduciary 233 AIR-157-14AML/CFT Inherent Risk - Insurance 676 AIR-157-26AML/CFT Inherent Risk - Investments 63 AIR-157-75AML/CFT Inherent Risk - Securities2,190 ARC-158-01AML/CFT Risk Controls - Banking132 ARC-158-10AML/CFT Risk Controls - Fiduciary229 ARC-158-14AML/CFT Risk Controls - Insurance686 ARC-158-26AML/CFT Risk Controls - Investments28 ARC-158-75AML/CFT Risk Controls - Securities2,187 CFR-044-99Cash Flows Return974 RBQ-045-99Risk Based Approach Questionnaire1,146 58 Form CodeForm DescriptionSubmitted APP-101-69AIFMD Notification EU Connected Mutual Fund8 APP-101-70AIFMD Notification EU Connected Fund Manager1 EUF-152-69Request AIFMD Attestation for EU Connected Mutual Fund22 EUM-153-70Request AIFMD Attestation for EU Connected Fund Manager4 APP-101-75Application for SIBL Registered Person197 RRP-160-75Application to Re-Register under SIBL as a Registered Person1,471 FDF-040-99Foreclosure Disclosure45 IND-038-58Class D Insurer Annual Return9 INS-047-56Insurance Survey286 LCR-042-99Liquidity Coverage Ratio (LCR)42 MLR-041-99Minimum Liquidity Ratio (MLR)366 NSF-043-99Net Stable Funding Ratio (NSFR)42 QPR-048-01Quarterly Prudential Return125 TOTAL11,294 ORGANISATIONAL DEVELOPMENTS Organisational Support and Administration Information Services Cont d Continued from previous page Table 19: REEFS forms developed in-house and submitted by industry during 2019 Table 20: REEFS forms submitted by quarter by industry across all regulatory divisions during 2019 Form Type Q1 2019Q2 2019Q3 2019Q4 2019TOTAL Financial Return 1,78910,3977,6112,71122,508 New Application/Registration 2,7215563487264,351 Change Request 1,7841,9431,4801,7006,907 TOTAL 6,29412,8969,4395,13733,766 59CMRAI2019 Annual Report ORGANISATIONAL DEVELOPMENTS Organisational Support and Administration Communication and Public Relations The Public Relations Unit (the PR Unit) forms part of the Managing Director s Office. The Unit provides communications support to, and on behalf of, CMRAI in order to assist the Authority in executing its functions and enhancing relationships with stakeholders and the public. These efforts are augmented by the activities of CMRAI s management, the Human Resources Division and other divisions, as well as through staff-led initiatives. Events and Activities Throughout the year, the PR Unit expended much of its efforts in helping to coordinate various AML/CFT outreach initiatives for various stakeholders and regulated entities, focusing on risk and context. This included organising in-person industry events and training, coordinating CMRAI staff participation at similar external events, dissemination of invitations to relevant licensees and stakeholders via social media and mass , and featured articles for the Authority s staff and industry newsletters. In recognition of the international nature of CMRAI s stakeholders, the PR Unit facilitated the production of a variety of topical online video presentations (currently available on the CMRAI website) with a goal to allow stakeholders to access CMRAI s outreach in the manner most convenient and useful to their business. PR staff also aided with the planning and execution of the Authority s third annual Charity Walk/Run and successfully led two

additional events hosted by CMRAI: 1) Group of International Finance Centre Supervisors Meeting; and 2) Financial Services Student Mixer. The PR Unit also assisted the Insurance Supervision Division in coordinating CMRAI's participation at the Cayman Captive Forum hosted by the IMAC which included panel discussions, opening remarks at the event, a media television interview, and arrangement of the CMRAI informational booth. External Publications The PR Unit assisted the Authority's senior management in producing written articles, information gathering and interviews for publication such as Cayman Captive magazine, Hedge Fund Week Cayman Report, Captive Insight magazine, The Banker Magazine's IFC Ranking, Cayman Finance magazine, Cayman Fund magazine, Captive Review, The Journal: Global Banking and Financial Policy Review, Captive Insurance Times Domicile Guidebook 2020, and the Business Insurance Rankings and Directory Survey of Captive Domiciles. CMRAI Publications As part of its ongoing work, the PR Unit continued to produce and disseminate news releases, notices and advisories; supervisory information circulars; the monthly internal newsletter, the CMRAI Insider; quarterly issues of CMRAI's external newsletter - The Navigator; the Authority's Annual Report; and the CMRAI Fact Sheet. The PR Unit also collaborated with key senior staff to produce and disseminate the Authority's newest industry outreach newsletter, the Anchor, which seeks to focus on facts, developments and trends relating to the ever-evolving subjects of anti-money laundering, countering the financing of terrorism/proliferation financing and sanctions. In addition, the PR Unit collaborated with the Investments Supervision Division on the production of the Investments Statistical Digest 2018, and with the Policy & Development Division on the Banking Statistical Digest 2018. Direct Public Information and Assistance The PR Unit regularly responded to local, regional and international media requests. Regular updates were also posted to the Authority's LinkedIn company page during the period, in addition to frequent updates to the CMRAI website. 60 ORGANISATIONAL DEVELOPMENTS Organisational Support and Administration Through its organisational support and communication efforts, the Authority continues to enhance relationships with staff, its licensees, industry stakeholders, international and local media, as well as the general public. Data Protection Law The Data Protection Law (2017) (the DPL) came into effect on 30 September 2019 in the Cayman Islands and introduces a principle-based approach to protecting the personal data and sensitive personal data of data subjects (i.e. living individuals). All data controllers and data processors are obligated to comply to the DPL. However, due to the nature of CMRAI's work, exemptions to certain data protection principles and data subject rights apply in some instances. CMRAI will continue to improve systems, processes and policies for compliance to the DPL. In an effort to widen our audience reach and enhance CMRAI's profile, the unit also created a new CMRAI Facebook page. Internal Support PR staff worked closely with the various divisions to provide communication support in the form of photographic, graphic design and content development for various external conferences and printed/electronic material. The PR Unit also helped to develop formal speeches and presentations for members of CMRAI's senior management team. The PR Unit continued to monitor, collect, and disseminate relevant information, in order to keep staff and Executive Management team abreast of local and international market, regulatory and political developments. 61 CMRAI 2019 Annual Report FINANCIAL CONTROL Financial Control The Finance Division has responsibility for all financial matters relating to budget, fee collection, payroll, and accounts payable, and is responsible for preparation of CMRAI's financial statements and the Ownership & Purchase Agreements between the Cabinet of the Government of the Cayman Islands (the Cabinet)

and the Authority. The division's objectives are essentially created by the financial requirements of the Authority and its stakeholders and the resources available to it.

Coercive Revenue Collection The Authority collected \$102.3m in coercive fees from regulated entities on behalf of the Cayman Islands Government for the year ended 31 December 2019, compared to \$104.5m for the prior period of 1 January - 31 December 2018.

The Authority's Income The Authority depends on the sale of its outputs to the Cabinet, as one of its main sources of income to meet its obligations. The outputs delivered in the year ended 31 December 2019, for a total of \$18.4m were:

- The Regulation of the Cayman Islands Currency
- The Collection of Fees on behalf of the Cayman Islands Government
- The Regulation of the Financial Services Industry
- Assistance to Overseas Regulatory Authorities
- Policy Advice & Ministerial Services

The Authority's other sources of income are from the Directors' Registration and Licensing Fees \$10.5m, CMRAI Transactional Fees \$4.3m, Investments \$3.6m, Commission Income \$0.9m and Other Income \$0.3m.

Net Income The Authority's net income for the year ended 31 December 2019 was \$5.8m (31 December 2018: \$8.4m) of which \$0.8m was allocated to CMRAI's Capital Expenditures Reserve, and \$5m to the general revenue of the Cayman Islands Government. Details of CMRAI's financial position for the year ended 31 December 2019 can be seen in the Audited Financial Statements that follow.

The Authority collected \$102.3m in coercive fees from regulated entities on behalf of the Cayman Islands Government for the year ended 31 December 2019, compared to \$104.5m for the prior period of 1 January - 31 December 2018.

62 MANAGEMENT DISCUSSION AND ANALYSIS

Notable achievements related to the Authority's 2018-20 Strategic Plan include those outlined below.

Enhance efficiency and effectiveness through structural/functional reforms A key component of these reforms was addressing the need for a Macro-prudential Unit through the creation of the Financial Stability & Statistics Unit (the FSSU). As previously mentioned, the FSSU focuses on research in the area of financial stability and macro-prudential supervision and has a cross-functional role. FSSU also assists the Authority's supervisory divisions by providing statistical support with survey designs, forms, databases and business intelligence tools, and through the collection and compilation of survey responses and data sets not collected by supervisory divisions.

Another important structural enhancement for the Authority was the creation of the Anti-Money Laundering Division - a division dedicated to the monitoring and supervision of entities to ensure compliance with AML and CFT requirements. The rationale for establishing a separate supervisory department follows international best practice where it is necessary to have a distinct supervisory strategy to combat ML and TF.

Optimise efficiency of resources by developing (and implementing) a comprehensive medium and long-term facilities plan In anticipation of future growth, the Authority developed a strategic facilities plan that resulted in a move to its new offices in Cricket Square. This move allows CMRAI to better deliver on its principal functions and ensure that we are seen as a reputable and successful regulator of financial services.

Implement Human Resources enhancements During 2019, the Authority's HR efforts included updating numerous HR policies. Training activities included sessions on the new risk-based methodology, administrative fines and AML/CFT. The process to enhance the Authority's learning and development programme through the recruitment of a learning and development specialist also commenced in 2019 with the successful candidate expected to be onboarded early in 2020.

Implement regulatory framework enhancements Regulatory framework activities in 2019 included:

- Development of and consultation on a draft Rule and Statement of Guidance on cybersecurity;
- Comprehensive revision of the prior

consultation drafts of the Rule and Statement of Guidance on Actuarial Reports; Drafting of, and consultation on, sections of the AML Guidance Notes covering securitisation, proliferation financing and targeted financial sanctions; Developing a paper on the gaps in the regulatory framework for credit unions and building societies and making proposals to Government for legislative amendments to remedy these deficiencies; Development of and consultation on revised AML/CFT Guidance Notes sections on risk assessments, ongoing monitoring, and virtual asset service providers; and Reviewing legislative bills to establish a virtual asset service provider supervisory framework. Implementation of numerous AML/CFT Framework Enhancements In addition to establishing the AML Division, the Authority's AML/CFT efforts included: A significant increase in the number of AML/CFT onsite inspections; Enhancements to the collection and analysis of data, facilitated in part by recent legislative amendments, to better inform the Authority's understanding of the inherent money laundering and the financing of terrorism risks present in each sector; and Participation in and hosting of AML outreach sessions for a cross section of regulated entities. Implementation of operational and technology enhancements As CMRAI continues to improve its operational and technology functions, enhancements were made to the Authority's online submission portal, REEFS. The system was updated to carry out more automated functions, which has brought about noted improvements in the delivery and management of information. Another milestone was the launch of the escrow payment section of the REEFS system for authorised financial services industry users. Highlights of Achievements 63 CMRAI 2019 Annual Report MANAGEMENT DISCUSSION AND ANALYSIS Highlights of Achievements Other Initiatives conducted in support of the Authority's 2018-20 Strategic Plan included promoting and enhancing market confidence, consumer protection and the reputation of the Islands as a financial centre to satisfy statutory obligations. This involved numerous activities such as more speaking engagements (locally and overseas), meetings with local financial industry associations, conducting Counterfeit Detection Awareness training in partnership with the RCIPS Financial Crime Unit, visits to other regulators, participation in various standard setting and or influential organisations including the FSB's Regional Consultative Group for the Americas. As previously mentioned, the Authority also hosted a meeting of the Group of International Financial Centres in November 2019. Activities relating to the Cayman Islands currency included exploring options for the use of more durable banknote paper such as printing the 60th Anniversary of our First Constitution commemorative banknote using new Endurance Paper. The Authority also played an important role in advising central Government on matters relating to the proposal, review and refinement of the various legislative initiatives arising from the MER recommendations, the jurisdiction's EU substance obligation, creation of a Regulatory Sandbox for Fintech among other initiatives such as: -A proposal for the issuance of a new law that will regulate automated payment and settlement systems locally and amendments to The Monetary Authority Law, should the Authority be chosen as the regulatory body for such payment and settlement systems; and -Collaborating with the Ministry of Financial Services and Home Affairs to monitor and assist where possible with the issue of correspondent banking. In anticipation of future growth, the Authority developed a strategic facilities plan that resulted in a move to its new offices in Cricket Square. This move allows CMRAI to better deliver on its principal functions and ensure that we are seen as a reputable and successful regulator of financial services. 64 MANAGEMENT AND DISCUSSION ANALYSIS Risk Management CMRAI began the process of implementing a formal risk management framework in 2019. The purpose of this framework was to

strengthen CMRAI's ability to achieve its mission and strategic objectives. The framework will be implemented in a number of phases over the next several years. The initial phase to develop a comprehensive risk register, which will itemise significant risks, commenced in Fall 2019. A Risk Committee of the Board was established to carry out the certain functions on behalf of the Board. The key mandate of the committee is to: facilitate the establishment of a robust process for identifying, managing and monitoring critical risks within CMRAI; oversee the execution of the risk management policies and procedures and ensure that they are continuously improved in keeping with changes in the business environment; and oversee the conduct of risk management assessments, review these results and report critical risk matters to the Board. Risk assessment and risk management fall under the remit of CMRAI's Executive Management, where they are responsible for: Developing formal risk management policies and procedures; Establishing suitable structures and roles to implement approved risk management policies and procedures; Ensuring that their assigned business functions are carried out in compliance with the established risk tolerances and risk appetites levels; Managing risks including measuring risk exposures and establishing appropriate internal controls to mitigate risks; Providing continuous risk management training and development to increase awareness and sensitize staff to the importance of risk management to the delivery of the Authority's mission. In light of this, a Risk Management Committee was established to oversee the execution of CMRAI's risk management framework by bringing together a cross-disciplinary team to provide a holistic approach to the identification, assessment and mitigation of risks to CMRAI's mission and to support Executive Management in promoting risk awareness and sound risk management practices across CMRAI. Following last year's report, Table 21 provides an updated list of risk management initiatives for 2019.

65CMRAI2019 Annual Report	MANAGEMENT AND DISCUSSION ANALYSIS	Risk Management	Key Risks Faced By Ministry/Portfolio	Status	Actions To Manage Risk	Financial Value of Risk	Continuing negative impact of the economic downturn	On-going	Regular monitoring of the performance and composition of the Investment Portfolio.	Implementing cost savings measures.
Unquantifiable;	(Poorer performance on the Investment Portfolio)	Loss and absence of critical staff	On-going	Enhanced and proactive training, succession planning, reward and recognition programmes, regular performance assessments and salary reviews.	Unquantifiable	Limited resources resulting in an inadequate implementation of the appropriate regulatory framework and supervision processes.	(In addition to having a strong legal framework, policies and practices; successful regulation of financial services is still heavily reliant on experienced and high calibre human resources in sufficient numbers and an effectual information systems and technology infrastructure.)	This in turn places the Islands reputation at stake from an inability to supervise financial services at the level required of an international regulator. Some improvement as resources have increased, including particularly in the AML/CFT area. Resources are still insufficient however, and will be further stretched once CMRAI assumes (pending) additional supervisory responsibilities. Continue to work along with Government with respect to legislative framework and budget. Continue regular review of systems and processes and take full advantage of IS technology to achieve highest efficiency. Amend CMRAI's organizational structure. Facilitate more focused HR soft skills training for persons. Take full advantage of the online learning portals for all regulatory staff. Establish partnerships with local professionals and firms to conduct subject matter expert training. Outsource tasks/projects where efficient and or necessary.	Unquantifiable	Table 21: An updated list of risk

management initiatives undertaken during 2019 Continued on next page 66 MANAGEMENT AND DISCUSSION ANALYSIS Risk Management Table 21: An updated list of risk management initiatives undertaken during 2019 Continued on next page Key Risks Faced By Ministry/Portfolio StatusActions To Manage RiskFinancial Value of Risk Further impairment to the reputation of the Cayman Islands could impact the stability of the Cayman economy including the loss of Government revenues, potential failure of financial institutions in the Cayman Islands, financial losses for consumers and unemployment. On-going Maintain recruitment efforts (to expediently fill vacancies and new positions. Continue to develop and implement proposals on enhancement measures to attract and retain highly qualified and experienced persons. An inadequate regulatory framework that leads to a threat to the Islands reputation with significant potential dangers. e.g. insufficient legislation, rules and or policies required to promote and ensure a sound financial system through effective regulation, supervision and risk management of the financial sector) can lead to: Unsafe and unsound practices or activities that pose risks to the financial system; Failures of financial entities or unfavourable (international or peer) assessments that would impact the stability of the Cayman economy. On-going with some improvement as there have been several recent needed new laws or revisions / amendments to legislation and other regulatory measures. However, other legislative and other regulatory proposals are pending Enhance framework by: Continuing the internal CMRAI process in identifying and developing proposals and recommendations or, if within ambit, implementing measures for addressing areas for legislative and other regulatory requirements changes. Continue to work along with Government with respect legislative framework and budget. Retain and build on existing technical expert knowledge and expertise and attract new high calibre staff to ensure proactive oversight and enforcement. Unquantifiable Increasing responsibilities with insufficient corresponding enhancement of resources limits CMRAI s ability to On-going (resources have increased but so have regulatory and supervisory obligations) Continue to work along with Government with respect to legislative framework and budget. Continue regular review of systems and processes and Unquantifiable 67CMRAI2019 Annual Report Key Risks Faced By Ministry/Portfolio StatusActions To Manage RiskFinancial Value of Risk carry out effectively and comprehensively the responsibilities of its regulatory functions. take full advantage of IS technology to achieve highest efficiency. Outsourcing tasks/projects where efficient and or necessary. Defer (relatively) less critical work. Failure to achieve and stay current with Industry developments, requirements, and standards (due to inadequate funding and or resources) resulting in: Inability or impaired ability in identifying and analysing risk trends at both the individual financial entity and system wide level. Negative impact on jurisdiction reputation as a leading IFC. On-going (resources have increased but utilised for other regulatory functions or tasks) Continue involvement in and assessment of new or revised international regulatory standards by: Sending high-level delegations to meetings of IOSCO, IAIS, Basel, GFICS, CGBS, GICIS, ASBA and FSB. Continuing to develop a cadre of CMRAI Personnel with specialised knowledge, skills and experience capable of proactive engagement with standard setters and other regulators. Amending CMRAI s organizational structure to enable a greater focus and efficiency in identifying, analysing and addressing developments. Unquantifiable Continued scrutiny and demands by international and or regional organizations or individual foreign jurisdictions, such as the G20, EU and the United States and misinformed allegations from these and other institutions (e.g. Tax Justice Network) can harm the reputation of the jurisdiction and On-goingContinue dialogue with, and engagement in the

work of, standard-setting bodies and international and regional organisations. Send high-level delegations to meetings of IOSCO, IAIS, Basel, GFICS, CGBS, GICIS, ASBA and FSB. Conduct visits to key jurisdictions

UNQUANTIFIABLE MANAGEMENT AND DISCUSSION ANALYSIS Risk Management Table 21: An updated list of risk management initiatives undertaken during 2019 Continued on next page 68

Key Risks Faced By Ministry/Portfolio Status Actions To Manage Risk Financial Value of Risk consequently threaten business activity. The global review and advancement of regulatory standards, whether prudentially sound or flawed and overreaching, can negatively impact the islands financial industry e.g. financial stability measures, de-risking and impact on correspondent banking relationships, AIFMD. On-going Close oversight of, and dialogue with, (impacted) local industry and interaction with other jurisdictions and international organizations to share experiences and develop solutions. Unquantifiable Emerging trends, Market risks and developments can have a potential impact on regulated industries/institutions that in turn could require increased oversight/ regulation by CMRAI (e.g. technology, information security, cyber-crime, Money Laundering and Terrorist Financing, outsourcing, financial innovation, de-risking by correspondent banks. On-going Be better informed of new or developing market trends and financial innovation by, inter-alia, leveraging experienced senior staff and CMRAI s membership and participation in standard setting bodies, international and regional and local organisations, regulatory associations, conferences, international and regional regulatory bodies etc. Also, by keeping abreast of developments via media, training, etc. Unquantifiable Increased competition from other jurisdictions (potential risk to market confidence & sound financial system). On-going Monitor and analyse jurisdictional developments. Develop proposals for enhancing or amending regulatory regime for implementation and or submission to Government for its consideration. Unquantifiable

MANAGEMENT AND DISCUSSION ANALYSIS Risk Management Table 21: An updated list of risk management initiatives undertaken during 2019 Continued from previous page 69

CMRAI 2019 Annual Report FINANCIAL STATEMENTS FOR THE FISCAL YEAR-END 31 DECEMBER 2019 70 71

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AUDITOR GENERAL S REPORT To the Board of Directors of the Cayman Islands Monetary Authority Opinion I have audited the financial statements of the Cayman Islands Monetary Authority (the Authority), which comprise the statement of financial position as at 31 December 2019 and the statements of comprehensive income, statement of changes in reserves and contributed capital and statement of cash flows for the year ended 31 December 2019, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 35. In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2019 and its financial performance and its cash flows for the year ended 31 December 2019 in accordance with International Financial Reporting Standards. Basis for Opinion I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor s Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion. Emphasis of Matters outlined in Note 15 to the financial statements, the Public Authorities Law (2020 Revision), Section

47-Terms and conditions and remuneration of staff came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter. Responsibility of Management and Those Charged with Governance for the Financial Statements Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal controls management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Authority's financial reporting process. : (345) - 244-3211 Fax: (345) - 945-7738 3rd Floor, Anderson Square 64 Shedden Road, George Town P.O.Box 2583 Grand Cayman, KY1-1103, Cayman Islands 73CMRAI2019 Annual Report

AUDITOR GENERAL'S REPORT (continued) Auditor's Responsibility for the Audit of the Financial Statements My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also: Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern. Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation. I have undertaken the audit in accordance with the

provisions of section 60(1)(a) of the Public Management and Finance Law (2018 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identified during my audit. Patrick Smith, CPA Acting Auditor General 15 September 2020 Cayman Islands 74 75 CMRAI 2019 Annual Report The accompanying notes form an integral part of these financial statements. 31 December 31 December Note 2019 2018 \$000 \$000

INCOME

Services Provided to The Cayman Islands Government 11a 18,439 16,333
Directors Registration and Licensing Fees 10,535 10,984 CMRAI Transactional Fees 4,315 4,510
Investment Income 3,612 2,507 Commission Income 999 926 Numismatic Income 132 -
Realised Gain on Investments 134 - Other Income 219 TOTAL INCOME 38,168 35,279

EXPENSES Salaries and Benefits 131 9,670 18,793 Other Operational Expenses 123,657 3,597
Professional Fees 1,888 503 Accommodation 141,064 1,374 Pension Expenses 9a 1,281 1,479
Depreciation and Amortisation 682 481 5 Utilities 408 400 Training and Conferences 408 552
Official Travel 327 203 Realised Loss on Investments -450 Net Loss on Numismatic Items -26
Expected Credit Loss IFRS 9-7 Depreciation expense- Right-of-use Asset 109 37-
Interest expense- Lease Liability 101 60- TOTAL EXPENSES 30,624 28,199

INCOME FOR THE YEAR before: -7,544 7,080 OTHER COMPREHENSIVE INCOME (LOSS)

Items that may be reclassified to Profit or Loss in subsequent periods
Net Gain on Debt Securities at Fair Value 831 404 Expected Credit Loss 4c 36 Items that will
not be reclassified to Profit or Loss in subsequent periods
Remeasurement of Defined Benefit Pension Liability 9a (157) 604
Remeasurement of Defined Benefit Healthcare Liability 9c, 13 (2,391) 264 (1,714) 1,278

TOTAL COMPREHENSIVE INCOME FOR THE YEAR 5,830 8,358 CAYMAN ISLANDS MONETARY AUTHORITY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019 (in Cayman Islands Dollars) 76 The accompanying notes form an integral part of these financial statements. General Reserve Currency Issue Reserve Capital Expenditures Reserve Operational Expenditures Reserve Contributed Capital \$000 \$000 \$000 \$000 \$000

BALANCE AT 01 Jan 2019 21,896 375 10,560 402,328 Transfers in :
From Income for the Year 5,000 -830 - From Capital Expenditures Reserve 4,292 - - -
From Operational Expenditures Reserve 40 - - - Transfers out : Contribution Payable to CI GOVT (5,000) - - -
Change in Policy IFRS 15 (Note 5(b)) (646) - - - Provision IFRS 9 - - - -
Capital Purchases - - (4,292) - - Operational Expenses - - - (40) -

BALANCE AT 31 December 25,582 375 7,098 -2,328 General Reserve Currency Issue Reserve Capital Expenditures Reserve Operational Expenditures Reserve Contributed Capital \$000 \$000 \$000 \$000 \$000

BALANCE AT 01 Jan 2018 21,495 375 7,548 1032,328 Transfers in : From Income for the Year 5,000 -2,080 -
From Other Comprehensive Income for the year - -1,278 - -
From Capital Expenditures Reserve 346 - - - From Operational Expenditures Reserve 63 - - -
Transfers out : Contribution Payable to CI GOVT (Note 8(c)) (5,000) - - - -
Fixed Assets Purchased - - (346) - - Provision IFRS 9(8) - - - - Operational Expenses - - - (63) -

BALANCE AT 31 December 21,896 375 10,560 402,328 31 December 2018 CAYMAN ISLANDS MONETARY AUTHORITY STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL

For the year ended 31 December 2019 (in Cayman Islands Dollars) 31 December 2019 77 CMRAI 2019 Annual Report The accompanying notes form an integral part of these financial statements. 31 December 31 December Notes 2019 2018 \$000 \$000

CASH FLOWS FROM OPERATING ACTIVITIES Comprehensive Income for the Year 5,830 8,358
Adjustments for: Depreciation and Amortisation 682 481 5 Depreciation -

Right-of-use Asset 10937- Interest Expense-Lease Liability 10160- Loss /(Gain) on
 Defined Pension Benefits 9270(324) Loss on Defined Health Care Benefits 3,107475 (Gain)/
 Loss on Expected Credit Loss (5)1 Net Unrealised Gain on
 Fair Value of Financial Investments (826)(404) Decrease/(Increase) in Interest Receivable-
 Currency Reserve Assets 175(312) (Increase) in Interest Receivable- Operating Assets (7)-
 Increase in Accounts Receivable (559)(1,390) (Increase)/Decrease in Other Receivables and
 Prepayments (588)625 (Decrease)/Increase in Unearned Income- Directors Registration and
 Licensing Fees (356)367 Decrease in Unearned Income- CMRAI Transactional Fees (63)(47)
 Increase in Other Liabilities and Payables 808262 Increase in Stocks 7(269)(1,105)
 Increase in Demand Liabilities 8a13,7607,065 NET
 CASH PROVIDED BY OPERATING ACTIVITIES 23,19814,386 CASH FLOW USED
 IN INVESTING ACTIVITIES Acquisition of Property, Equipment and Intangible Assets
 6(4,292)(346) Net Purchase of Financial Investments Currency Reserve Assets (5,542)(1,054)
 Net (Gain)/ Loss on Fair Value of Sales and Maturities of Financial Investments (134)450
 Net purchase of financial investments Operating Assets 4a(15,603)- NET CASH USED IN
 INVESTING ACTIVITIES (25,571)(950) CASH FLOWS USED IN FINANCING ACTIVITIES
 Lease Liability Payments 10(1,034)- Dividend Paid to CI Government (5,000)- NET CASH USED
 IN FINANCING ACTIVITIES (6,034)- (DECREASE) / INCREASE IN CASH AND
 CASH EQUIVALENTS (8,407)13,436 CASH AND

CASH EQUIVALENTS, BEGINNING OF THE YEAR 100,84787,411 CASH AND
 CASH EQUIVALENTS, END OF THE YEAR 4b92,440100,847 (in Cayman Islands Dollars)

CAYMAN ISLANDS MONETARY AUTHORITY STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 78 CAYMAN ISLANDS MONETARY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019 1.

Organisation and Objectives The Cayman Monetary Regulatory Authority International (the Authority) was established under the Monetary Authority Law, 1996 on 1 January 1997. Under the Monetary Authority Law (2018 Revision) (the Law (2018 revision)), the primary functions of the Authority are: - To issue and redeem Cayman Islands currency notes and coins and to manage the Currency Reserves To regulate and supervise the financial services business To provide assistance to overseas regulatory authorities, and To advise the Cayman Islands Government on regulatory matters. As at 31 December 2019 the Authority has 214 employees (31 December 2018: 217). The Authority is located in Cricket Square, George Town, Grand Cayman, Cayman Islands.

2. Significant Accounting Policies
 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a) Basis of Preparation Statement of compliance The financial statements of the Authority are prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared on the accrual basis under historical cost convention except for defined benefit pension and healthcare liability (Note 9). When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

b) Foreign Currency Translation Functional and presentation currency The reporting currency is Cayman Islands dollars. All financial information is rounded to the nearest thousand dollars, except as otherwise indicated. Transactions and balances 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 recognised in the statement of comprehensive income. Assets and liabilities are translated at the exchange rate in effect at the date of the statement of financial position. c)

Use of Estimates and Judgements The preparation of financial statements, in conformity with IFRS, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the reporting period and in any future periods that are affected by those revisions.

79 CMRAI 2019 Annual Report CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019 Significant

Accounting Policies (continued) d) Financial Instruments Financial instruments initial recognition and subsequent measurement A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Authority's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. All debt instruments are classified as "Hold to collect and sell" and recognised at fair value through OCI. Accounts receivables are measured at the transaction price determined under IFRS 15. Cash and Cash Equivalents are classified as amortised cost at the adoption date of the standard. The Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Authority commits to purchase or sell the asset. Classification and measurement Financial assets are classified in four categories: Financial assets at amortised cost (debt instruments); Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments); Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or Financial assets at fair value through profit or loss. All debt instruments are subsequently measured at fair value with gains and losses arising due to change in the fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019 Significant Accounting Policies (continued) Financial Instruments (continued) Derecognition A financial asset is derecognised when: The rights to receive cash flows from the asset have expired; or The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained

substantially all the risks and rewards of the asset, but has transferred control of the asset. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Impairment of financial assets The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risks since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risks since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). For accounts receivables, the Authority applies a general approach in calculating ECLs. For debt instruments at fair value through OCI, the Authority applies the low credit risk simplification. At every reporting date, the Authority evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Authority reassesses the credit rating of the debt instrument. In addition, the Authority considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Authority's debt instruments at fair value through OCI comprises solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Authority's policy to measure ECLs on such instruments on a 12-month basis.

Financial liabilities Initial recognition and measurement Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities comprise accounts and other payables, accrued expenses and notes and coins in circulation. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019
Significant Accounting Policies (continued) Financial Instruments (continued) Subsequent measurement

Financial liabilities at fair value through profit or loss Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Derecognition A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

e) **Cash and Cash Equivalents** For the purposes of the statement of cash flows, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within three months from the date of acquisition.

f) **Stock of Notes and Coins for/in Circulation** The stock of unissued currency notes is stated at cost of production. Only the cost of notes issued into circulation is expensed, on a first in, first

out basis. All associated cost such as shipping, handling and insurance are expensed immediately. When currency is issued, the face value of the currency is also recognised as a liability within the Demand Liabilities, Currency in Circulation g) Stocks of Numismatic Items Stocks consist of gold and silver bullion arising from the melt-down of numismatic coins (the gold and silver bullion content of the following categories of numismatic coins: coins for resale, museum items and coins awaiting melt-down). Bullion stocks are stated at year-end market values for gold and silver bullion and unrealised gain/loss are recorded in the statement of comprehensive income. h) Numismatic Coins in Circulation The total nominal value of numismatic coins outstanding as at 31 December 2019 is \$14,490k (31 December 2018: \$14,490k). No liability for redeeming numismatic coins is recognised 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 statement of comprehensive income as incurred. i) Property and Equipment Property and equipment are stated at historical cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset

carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Authority and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income in the financial period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019 Significant Accounting Policies (continued) Property and Equipment (continued) Depreciation is charged to the statement of comprehensive income on the straight-line method to allocate the cost of each asset over their estimated useful lives as follows:- Furniture and Fixtures 5 years Motor Vehicle 5 years Office Equipment 5-7 years Computer Hardware 3-5 years Leasehold Improvements the shorter of the term of the lease and the useful life. The assets useful lives are reviewed and adjusted where appropriate. Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net

disposal proceeds and the carrying amount of the asset) is recognised in the statement of comprehensive income in the period the asset is derecognised. j) Intangible Assets Intangible assets are identifiable non-monetary assets without physical substance. The Authority's intangible assets comprise externally acquired computer software. Costs associated with maintaining computer software programmes are charged to the statement of comprehensive income in the financial period in which they are incurred. All of the Authority's intangible assets have a finite life. Amortisation is calculated using the straight-line method to allocate the cost of each asset over their estimated useful lives which is estimated to be three to ten years. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate. k) Employee Benefits Pension Plans The Authority makes pension contributions for its eligible employees to the Public Service Pensions Fund, which is administered by the Public Service Pensions Board. The Fund has both a defined benefit and a defined contribution element. There are a small number of employees who participate in other private plans, which are all defined contribution schemes. Under defined contribution plans, the Authority pays fixed contributions and has no obligation to pay further contributions if the fund does not have sufficient assets to pay employee benefits relating to employee

service in the current and prior periods. The Authority recognises contributions to a defined contribution plan when an employee has rendered services in exchange for those contributions. A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the statement of financial position date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows.

Remeasurements as a result of experience adjustments and the changes in actuarial assumptions are recognised in other comprehensive income.

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019
Significant Accounting Policies (continued)
Employee Benefits - Pension Plans (continued)
Obligations for contributions to defined contribution and defined benefits pension plans are recognised as pension expense in the statement of comprehensive income as incurred. Other Benefits Other employee benefits include maternity leave, sick leave, and vacation days. Vacation days accumulate and vest and therefore a liability is accrued each year.

l) Allocation of Profits Under Section 9 and 10 of the Law (2018 revision), the net profits of the Authority, after provision for all expenditure and reserves, shall be allocated such that the Currency Reserve Assets represent at least 100% of Demand Liabilities and the General Reserve represents at least 15% of Demand Liabilities. Any surplus not allocated in accordance with the above shall be transferred to the General Revenue of the Cayman Islands Government.

m) General Reserve The Authority maintains a General Reserve in accordance with Section 8 of the Law (2018 revision), to provide additional funding if necessary, for Demand Liabilities and obligations arising from other business of the Authority. In accordance with section 8 of the Law (2018 revision) the General Reserve shall represent at least 15% of Demand Liabilities. As at 31 December 2019, the General Reserve was \$25,582k (31 December 2018: \$21,896k) equating to 18.22% (31 December 2018: 17.29%) of Demand Liabilities.

n) Currency Issue Reserve The Currency Issue Reserve was adjusted as the stock of notes printed prior to 2003 was all issued into circulation. The Currency Issue Reserve as at 31 December 2019 was \$375k (31 December 2018: \$375K).

o) Capital and Operational Expenditures Reserves Under Section 9 of the Law (2018 revision), the net profits of the Authority for any financial year shall include, but shall not be limited to, the income from the investments of the Authority, and the profit from the sales of investments belonging to the Authority, and shall be determined by the Authority after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as it may consider desirable. The Capital Expenditures Reserve has been established for the implementation and acquisition of key capital projects. The Operational Expenditures Reserve will fund the operating costs associated with these key projects.

p) Contributed Capital The authorised capital of the Authority is \$100 million; with The Cayman Islands Government being the sole subscriber. In 1998, the Government made a commitment to increase the Contributed Capital of the Authority to a minimum of \$10 million by yearly transfers of approximately \$0.5 million from Operating Surplus.

In December 2009, Section 7(5) of the Monetary Authority Law (2008 Revision) was amended by the Monetary

Authority (Amendment Law, 2009), to allow Cabinet to vary the amount of paid-up capital held by the Authority, and where the capital is reduced any excess shall be transferred by the Authority to the Government.

In June 2010 the Cayman Islands Government withdrew \$8.250 million. Contributed Capital as at 31 December 2019 was \$2.328 million (31 December 2018: \$2.328 million). 84

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Significant Accounting Policies (continued) q)

Revenue Recognition The Authority adopted IFRS 15 (Revenue from Contracts with

Customers) from 1 January 2018. The new standard was applied using the

modified retrospective method, with the cumulative effect recognised in general reserves on 1 January 2018. This core principle is delivered in a five-step model framework which are: (1)

Identify the contract with a customer; (2) Identify the performance obligations in the contract;

(3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognise revenue when the Authority satisfies a performance

obligation. The Authority's main source of income is derived from the services it provides to

the Government of the Cayman Islands. The Authority's other sources of income are

generated from Directors Registration and Licensing Fees (DRL fees), CMRAI transactional

fees, its investments, bank balances, and other currency transactions. To be compliant with the

Directors Registration and Licensing Law, 2014, and therefore deemed to be fully registered,

Directors are required to file an annual registration (prescribed form) and pay the fee by 15

January. DRL fees received (for current and prior years) are recognised as revenue in the

year that the Director has fully registered for those years. Penalties for late

registrations are recognised as revenue in the year in which they are received. Any

DRL or CMRAI transactional fees received in advance of the year for which they are earned,

are recorded as unearned revenue and subsequently recognised as revenue for the pertinent

year. Commission Income is recognised as earned on redemption of currency in circulation.

Rendering of Services (Services provided to the Cayman Islands Government and CMRAI

Transactional Fees) are recognised as revenue when the related service is rendered. Net Loss

or Gain on Numismatic Items bullions stocks are stated at year-end market values.

Numismatic coins sales and expenses are accounted for with the revaluation gain/loss.

Investment Income and other sources of income are accrued as earned. r) IFRS

16 Leases (Effective for annual periods beginning on or after 1 January 2019) The Authority

applied IFRS 16 from 1 January 2019 using the modified retrospective approach, under which

the cumulative effect of initial application is recognised in general reserves at 1 January 2019.

Accordingly, the comparative information presented for 2018 is not restated and is presented

as previously reported.

The objective of IFRS 16 is to report information that (i) faithfully represents lease transactions and (ii) provides

a basis for users of the financial statements to assess the amount, timing, and uncertainty of

cash flows arising from leases. To meet the objective, the Authority has recognised assets and

liabilities arising from its lease agreements. 85 CMRAI 2019 Annual Report

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Significant Accounting Policies (continued) IFRS 16

Leases (continued) On transition to IFRS 16, the Authority elected to use the exemptions

under IFRS 16 for its short-term leases with Montpelier Properties and did not recognize any

assets and liabilities on those. The Authority had two leases which transitioned to a

right-of-use asset at 1 January 2019. Previously, the Authority classified the lease agreements

as an operating lease under IAS 17. On transition, lease liabilities related to leased premises that

commenced as of 1 January 2019 were measured at the present value of the remaining lease payments, discounted at the Authority's incremental borrowing rate as at 1 January 2019. The right-of-use asset was recognised at an amount equal to the lease liability. The impact of transition to IFRS 16 is summarized below:

1 January 2019 \$'000
 Right-of-use asset 527
 Lease liability 527

2.1 Changes in Accounting Standards/IFRS
 The Authority is not aware of any new standards and interpretations issued that the Authority reasonably expects to have an impact on disclosures, financial position, or performance when applied at a future date.

3. Financial Risk Management

a) Financial instruments at fair value. The fair value of investments, hold to collect and sell as per Note 2 (d) is classified using a fair value hierarchy that reflects the significance of the inputs disclosed in making the measurements: Level 1 quoted prices in active markets Level 2 inputs are observable either directly or derived from quoted prices Level 3 no observable inputs. The fair value hierarchy requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

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 NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019
 Financial Risk Management (continued)

	Level 1	Level 2	Level 3	Total
Investments, Hold to collect and sell at fair value as at 31 December 2019	\$88,858	\$88,858	\$0	\$177,716
Investments, Hold to collect and sell at fair value as at 31 December 2018	\$66,752	\$66,752	\$0	\$133,504

The Authority is exposed to interest rate risk, credit risk, liquidity risk, and market risk as a result of holding financial instruments. The following is a description of those risks and how the Authority manages its exposure to them.

b) Interest Rate Risk
 The Authority is subject to interest rate risk on the cash placed with local and international institutions which attracts interest. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The Authority's investments are at fixed interest rates. Volatility in market interest rates not only affect the return on investments, but also the discount rate used to measure funding valuations and pension liabilities. Interest rate risks, in terms of investment returns, are mitigated primarily by investing in fixed income instruments that are relatively easy to divest and the avoidance of derivatives. No interest payments are charged to customers on late payments on accounts receivable.

c) Credit risk
 Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation (IFRS 7). The Authority manages credit risk by adhering to the Authority's investment guidelines for its Currency Reserves Assets which establishes counterparty concentration limits and minimum standards that each counterparty must attain. 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 is limited as the Authority only transacts business with counterparties it believes to be reputable and capable of performing their contractual obligations.

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 NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019
 Financial Risk Management (continued)

	31 December 2019	31 December 2018
Investments, Hold to collect and sell	\$68,665,828	\$66,752,875
Cash and cash equivalents	\$24,921,488	\$24,921,488
Overnight repurchase agreements	\$80,583,655	\$92,440,847

d) Liquidity risk.

Liquidity risk is the risk that an entity will have difficulties in meeting its financial obligations (IFRS 7). Liquidity risk is managed on a basis which generally requires the Authority to hold assets of appropriate quantity and quality to meet all its obligations as they fall due. The Authority's investment guidelines for its Currency Reserve Assets are, in order: security, liquidity, and income. Accordingly, the Authority believes that it is not exposed to any significant level of liquidity risk. e) Market risk. Market risk is the risk that the fair value or cash flow of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks (IFRS 7). The ranges of interest rates and maturity dates are presented in Note 4. The carrying amount of call accounts, fixed deposit accounts, interest receivable and other liabilities approximated their fair value due to the short-term maturities of these assets and liabilities. The fair value of investments is presented in Note 4. The fair values of other assets and liabilities are not materially different from the carrying amounts. Readily available markets enable the determination of fair values. 88

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. Currency Reserve and Operating Assets

Sections 32(8) of the Law (2018 revision) mandate the preservation of Currency Reserve Assets, separately from all other assets of the Authority. These assets are to be used to fund the Authority's currency redemption obligations. (See Note 8.) They shall not be used to satisfy liabilities arising from any other business of the Authority. After all Demand Liabilities are extinguished, any surplus Currency Reserve Assets would form, in part, the assets of the General Reserve. (See Note 2 m.) Under the Law (2018 revision), sections 32(2) and 32(6) respectively, the Currency Reserve Assets consist of external assets (not less in value than an amount equivalent to ninety percent of Demand Liabilities) and local assets (not to exceed ten percent of Demand Liabilities). Under 32(4) local assets shall be in value not less than the difference, if any, between the amount of its total demand liabilities and the value of external assets. As at 31 December, the value of Currency Reserve Assets was \$160,969k (31 December 2018: \$142,368k) representing 114.68% (31 December 2018: 112.45%) of total Demand Liabilities. The value of external assets equated to 109.37% (31 December 2018: 107.27%) while the value of local assets as at 31 December 2019 equated to 5.30% (31 December 2018: 5.18%) of Demand Liabilities. Currency Reserve Assets comprise the following:

a) Investments The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial assets were acquired. The investments are actively traded, classed as hold to collect and sell, and meet the principal investment objectives of the Authority - security, liquidity, and income. The investment portfolio is managed by independent fund managers in accordance with investment guidelines established by the Board of Directors of the Authority, in accordance with the Law (2018 Revision). 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 thirty days' notice.

Long-term Investments. U.S. Treasury Notes and U.S. Government Sponsored Enterprise (GSE) stated at market value, with interest rates ranging from 1.75% to 4.75% and maturity dates between 04 February 2021 and 20 May 2049. Included in long-term investments are three securities totalling \$6,927k (31 December 2018 - four totalling \$8,571k) with maturity dates over ten years. These securities are of the class for which the average life shall be used in place of maturity, under the investment guidelines.

31 December 2019	31 December 2018
Range of maturities \$000 \$000	
1-5 years	59,933
6-10 years	47,380
Over 10 years	2,040
	38
	6,927
	8,571
	68,900
	55,989

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Currency Reserve and Operating Assets (continued) Investments (continued) Short-term Investments Currency Reserve AAA Corporate Bond maturity date 15 March 2020 and Fixed Deposit maturity date 16 June 2020. 31 December 2019 31 December 2018 \$000\$000 U.S. Treasury Notes-9,482 AAA Corporate Bonds 1,794 1,281 Fixed Deposit 2,561 - Total Short-term Investments 4,355 10,763 Short-term Investments Operating AAA U.S. Treasury Bills dates 02 January 2020 14 May 2020. 31 December 2019 31 December 2018 \$000\$000 U.S. Treasury Bills 11,521 - Fixed Deposit 4,082 - Total Short-term Investments 15,603 - All investments are measured at fair value, designated as such upon initial recognition. b) Cash and Cash Equivalents The Authority maintains current, call and fixed term deposits with domestic and foreign banks. Under the Law (2018 revision), domestic deposits (as part of the Currency Reserve Assets) cannot exceed 10% of Demand Liabilities. As at 31 December 2019, domestic deposits were \$4,552k (31 December 2018: \$3,831) representing 3.24% (31 December 2018: 3.03%) of Demand Liabilities. Interest was earned on domestic call accounts at a rate of 0.01% during the period ended 31 December 2019 (31 December 2018: 0.01%). The domestic fixed deposit earned interest at rates ranging between 1.45% to 2.37% during the period ended 31 December 2019 (31 December 2018: 0.99% to 2.37%). The Federal Reserve call account balance is non-interest bearing; however, the excess balances are invested daily in a repurchase agreement. Interest is calculated on the average daily balance of the foreign investment call account. During the period ended 31 December 2019 no interest was earned (31 December 2018: \$0). Overnight repurchase agreements for terms of one business day are acquired through buyback transactions with the US Federal Reserve to earn an overnight interest rate. 90 CAYMAN ISLANDS MONETARY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019 Currency Reserve and Operating Assets (continued) Cash and Cash Equivalents (continued) Holding 31 December 2019 31 December 2018 Currency \$000\$000 i) Operating Assets Current KYD(96)(117) Savings KYD 2,380 2,968 Savings USD 6,323 10,308 CI Cash on Hand 261 243 Total Current and Call Deposits 8,868 13,402 Fixed Deposits KYD-15,872 8,868 29,274 Holding 31 December 2019 31 December 2018 ii) Currency Reserve Assets Currency \$000\$000 Domestic Deposits Savings KYD 1,005 975 Savings USD 984 348 Foreign Deposits Federal Reserve Bank USD 250 213 Investment Portfolio USD 750 1,947 Federal Reserve Repurchase Agreement @ 2.45% USD 80,583 65,583 Total Call Deposits 83,572 69,066 Domestic - Fixed Deposits USD-2,507 83,572 71,573 92,440 100,847 Total Cash and Cash Equivalent - Currency Reserve Total Cash and Cash Equivalent - Operating Assets Total Cash and Cash Equivalent

c) Financial Instruments The IFRS 9 significant accounting policies applied in the current period are described in Note 2. Cash and cash equivalents All classes of cash and cash equivalents as disclosed in Note 4 are classified as amortised cost under IFRS 9 at the adoption date of the standard. The ECLs for cash and cash equivalents balances were insignificant. Investment securities Debt instruments under IFRS 9, are classified as hold to collect and sell and measured at FVOCI and amortised cost. The ECLs for short and long-term investments balances were insignificant. Receivables Receivable as disclosed in Note 5 are classified as amortised cost under IFRS 9 at the adoption date of the standard. The ECLs for these receivables were insignificant. 91 CMRAI 2019 Annual Report

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019 5. Receivables and Prepayments a) Aged profile of Accounts Receivable The creation and release of provision for impairment of receivables has been included in Other Operating expenses (Note 12) in the statement of

comprehensive income. Receivables are written off where there is no reasonable expectation of recovery. Indicators that there is reasonable expectation of recovery include amongst others, the failure of a debtor to engage in a repayment plan with the Authority, and failure to make contractual payments for a period greater than 120 days past due.

31 December 2019 31 December 2018 \$000 \$000 Output Income 3,560,722 CMRAI Transactional Fees 251,530 Directors Registration and Licensing Fees - 647 Accounts Receivable, net 3,811,899

b) Change in accounting policy for Directors Registration and Licensing fees In 2019 there was a change in accounting policy by which the enforceable rights and obligation between the Authority and the Director is created upon the annual declaration in the prescribed form and payment of the fee as this is the time when it is probable that the Authority will collect the fee. By doing this, the parties to the contract have met the five attributes to constitute the relationship a contract. DRL fees received (for current and prior years) are recognised as revenue in the year that the Director has fully registered for those years. Therefore, no receivable has been booked for collections subsequent to 2019 year end from directors that were registered after the year end as in previous years. The change to the prior year receivable was corrected through the reserve.

c) Other Receivables and Prepayments 31 December 31 December 2019 2018 \$000 \$000 Prepayments 694,441 Receivable-Lease Allowance Fit-out 351- Other Receivables 1,835 Accrued Interest-Operating Assets 4,235 Employee Advances 31,108,512

31 December 2019 31 December 2018 Period Outstanding Days \$000 \$000 1-30 2,378,891 31-60 1,433,361 61-90 -- >90-647 3,811,899 92

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

6. Property, Equipment, and Intangibles Furniture & Fixtures Leasehold Improvement Computer Equipment Hardware Office Equipment Motor Vehicle TOTAL TANGIBLE Intangible GRAND TOTAL Original Cost \$000 \$000 \$000 \$000 \$000 \$000 \$000 \$000 Balance as at 31/12/2017 970,182 1,852,568 234,595 5,050,645 Additions 6-26 319-288 583,461 Disposals (1)----(1)-(1) Balance as at 31/12/2018 975,182 2,115,587 234,882 5,108,990 Accumulated Depreciation and Amortisation Balance as at 30/12/2017 830,968 1,539,458 233,818 3,122,940 Depreciation and Amortisation for the year 891,562 2,440-509 306,815 Relieved on disposals (1)----(1)-(1) Balance as at 30/12/2017 918,124 1,763,498 234,326 3,428,754 Net Book Value as at 31/12/2018 575,835 289-556 1,680,236 Furniture & Fixtures Leasehold Improvement Computer Equipment Hardware Office Equipment Motor Vehicle TOTAL TANGIBLE Intangible GRAND TOTAL Original Cost \$000 \$000 \$000 \$000 \$000 \$000 \$000 \$000 Balance as at 31/12/2018 975,182 2,115,587 234,882 5,108,990 Additions 683,267 292,172 0,427,913 4,292,292 Disposals (838)(1,182)-(241)(23)(2,284)-(2,284) Balance as at 31/12/2019 820,326 72,407 363,206,877 5,121,199 Accumulated Depreciation and Amortisation Balance as at 31/12/2018 918,124 1,763,498 234,326 3,428,754 Depreciation and Amortisation for the year 921,692 513 315,462 788,241 Relieved on disposals (838)(1,182)-(241)(23)(2,284)-(2,284) Balance as at 31/12/2019 172,112 0,142 901,258 83,706 6,294 Net Book Value as at 31/12/2019 648,315 639,373 194,289 1,415,704

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

7. Stocks 31 December 31 December 2019 2018 \$000 \$000 Bullion from the melt-down of coins 493,427 Coins for resale 269,239 Museum items 84,718 46,737 Inventory of unissued currency notes and coins 2,894,734 Total Stocks 3,740,347 The amount of inventory recognised as expensed during the period amounted to \$564k (2018: \$576k).

The Bullion stocks are stated at year-end market values for gold and silver bullion and held with a third party.

8. Liabilities

a) Demand Liabilities Demand Liabilities represents the face value of currency notes and coins in circulation. These liabilities are fully funded by the Currency Reserve Assets. Total Demand Liabilities comprise:

	31 December 2019	31 December 2018
Currency notes in circulation	\$127,501,114	\$114,372,372
Currency coins in circulation	\$12,868,12,237	\$12,237,609
Total Demand Liabilities	\$140,369,126,609	\$126,609,94

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

Liabilities (continued)

b) Other Liabilities and Payables

	31 December 2019	31 December 2018
Unearned income - Director Registration Fees	\$3,324,680	
Unearned income - CMRAI Transactional Fees	\$91,155	\$263,243
Other accruals	\$897,191	\$400,332
Pension Payables	\$93,740	\$204,508
Other Payables	\$24,699	\$5,088
Total Other Liabilities and Payables	\$4,626,665	\$663,172

As at 31 December 2019, Other Payables included unsettled investment management and custody fees of \$13k (2018: \$10k).

c) Net profit allocation In 2018 the Board approved to pay over \$5,000k of the net profit to the General Revenue of the Cayman Islands Government in accordance with Section 9 and 10 of the Law (2018 revision). During the year ended 31 December 2019, the net profit allocation of \$5,000k was paid over to the Cayman Islands Government during the year. In 2019 the Board approved to pay over \$5,000k of the net profit to the General Revenue of the Cayman Islands Government in accordance with Section 9 and 10 of the Law (2018 revision).

9. Post-Employment Benefits

a) All Pension Plans Public Service Pension Plan Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the Fund), and other private sector pension plans. The Fund is administered by the Public Service Pensions Board (the Pensions Board) and is operated as a multi-employer plan. Prior to 1 January 2000, the Fund operated as a defined benefit (DB) plan. With effect from 1 January 2000, the Fund had both a DB and a defined contribution (DC) part, with participants joining after 1 January 2000 becoming members of the defined contribution element only. Using the Projected Unit Credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 13% in the Actuarial Valuation as of 01 July 2005 for the purposes of establishing required contribution rates towards the Public Service Pensions Fund. This rate included a 1% for the cost of all of the benefits that are provided over and above those related to the participant's total account balance. The Authority pays this 1% for all employees. Under the Public Service Pensions (Contribution Rates) Regulations, 2016, this 1% was changed to 0% for the Defined Benefit plans and to 0.4% for Defined Contribution plans. In the 01 January 2017 actuarial valuation of the Public Service Pensions Plan for funding purposes, the Authority's prescribed employer contribution rates have been established at 8.6% for DB participants and 6.4% for DC participants. For some employees in the defined benefit plan, the Authority pays both the employer and employee contributions.

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

Post-Employment Benefits (continued)

All Pension Plans (continued)

The Plans are funded at rates of:

	31 December 2019	31 December 2018
Defined Contribution Plans Employee	6.6%	6.4%
Defined Benefit Plans Employee	6.6%	6.6%
Employer	8.6%	8.6%

The Actuary to the Pensions Board has valued the Fund as at 31 December 2019. The defined contribution part of the Fund is not subject to actuarial valuation due to the nature of the benefits provided therein. The total amount recognised as a pension expense for the period ended 31 December 2019 was \$1,438k (31 December 2018: \$875k). The actual amount of pension expense relating to the defined benefits for staff should also

include the effect of any changes in the actuarial determined liability. Pension expense is the expense under IAS 19, inclusive of service cost, amortisations and net interest. Current service cost represents the pension cost to the Authority associated with the financial year benefit accruals and is net of any participant contributions.

	31 December 2019	31 December 2018
Public Service Pension Board Defined Benefit	218	238
Public Service Pension Board Defined Contribution	596	541
Private Pension Plans	294	285
Defined Benefit Pension cost	1,132	80
Total Pension Expense All Plans	1,281	479
Remeasurement of DB Liability in OCI	157	(604)
Total Pension Expense	1,438	875

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

Post-Employment Benefits (continued) b) Defined Benefit Pension

The actuarial position is as follows:

	31 December 2019	31 December 2018	30 June 2019	30 June 2018
Net Present Value of Funded Obligation	(12,292)	(9,882)	(11,167)	(12,201)
Fair Value of Plan Assets	12,235	10,095	11,056	9,071
Funded Status	(57)	213	(111)	(3,130)
Net Asset/(Liability)	(57)	213	(111)	(3,130)

(861) Component of defined benefit pension cost 31 December 2019 31 December 2018 \$000\$000 Current service cost 300363 Interest expense on DBO 415391 Interest income on plan assets (429)(391) Defined benefit cost included in P&L 286363 Remeasurements (recognised in other comprehensive income) Effect of changes in demographic assumptions (47)(92) Effect of changes in financial assumptions 2,458(1,711) Effect of experience adjustments (67)362 (Return) on plan assets (excluding interest income) (2,187)837 Total remeasurements included in OCI 157(604) Total defined benefit cost recognised in P&L and OCI 1443(241) Employer Contributions (173)(83) Total net defined benefit cost recognised in P&L and OCI 270(324) Reconciliation of defined benefit pension liability 31 December 2019 31 December 2018 \$000\$000 Previous year net defined benefit liability (213)111 Defined benefit cost included in P&L 286363 Total remeasurement included in OCI 157(604) Employer contributions (173)(83) Net defined benefit (asset)/liability 57(213) 97CMRAI 2019 Annual Report CAYMAN ISLANDS MONETARY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

Post-Employment Benefits (continued) Defined Benefit Pension (continued) Change in defined benefit pension obligation 31 December 2019 31 December 2018 \$000\$000 Defined benefit obligation at end of prior year 9,882 11,167 Current service cost 300363 Interest expense 415391 Transfers between Other Participating employers (530)(435) Benefit payments from plan asset (202)(246) Plan participant contributions 8383 Remeasurements:- Effect of changes of demographic assumptions (47)(92) Effect of changes of financial assumptions 2,458(1,711) Effect of experience adjustments (67)362 Defined benefit obligation at end of year 12,292 9,882 Change in fair value of plan assets 31 December 2019 31 December 2018 \$000\$000 Fair value of plan assets at end of prior year 10,095 11,056 Interest income 429391 Employer contributions 17383 Plan participant contributions 8383 Transfers between Other Participating employers (530)(435) Benefit payments from plan assets (202)(246) Remeasurements:- Return on assets (excluding interest income) 2,187(837) Fair value of plan assets at end of year 12,235 10,095

Composition of Plan Assets The composition of the total plan assets managed by the PSPB, as at 31 December 2019 and 31 December 2018, was as follows: - 31 December 2019 31 December 2018 %%

	31 December 2019	31 December 2018
Global equity securities	79	79
Debt securities	20	20
Cash	11	11
Total	100	100

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in accordance with IAS 19. The Authority has a present value net defined healthcare benefit obligation of \$10,102k at the end of the financial year 31 December 2019 (31 December 2018: \$6,995k). Change in defined benefit healthcare obligation 31 December 2019 31 December 2018 \$000 \$000 Defined benefit obligation at end of prior year 6,995,520 Current service cost 427,501 Interest expense 304,238 Cash flows - Benefits from employer (15)- Remeasurements: - Effect of changes of demographic assumptions 1,056(26) Effect of changes of financial assumptions 1,782(1,115) Effect of experience adjustments (447) 877 Defined benefit obligation at end of year 10,102,995

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

Post-Employment Benefits (continued) Defined Benefit Healthcare (continued)
Components of defined benefit healthcare cost 31 December 2019 31 December 2018 \$000 \$000 Current service cost 427,501 Interest expense on DBO 304,238 Interest income on plan assets -- Defined benefit cost included in P&L 731,739 Remeasurements (recognised in other comprehensive income) Effect of changes in demographic assumptions 1,056(26) Effect of changes in financial assumptions 1,782(1,115) Effect of experience adjustments (447) 877 Total remeasurements included in OCI 2,391(264) Total defined benefit cost recognised in P&L and OCI 3,122,475 Reconciliation of defined benefit healthcare liability 31 December 2019 31 December 2018 \$000 \$000 Net defined benefit liability 6,995,520 Defined benefit cost included in P&L 731,739 Total remeasurement included in OCI 2,391(264) Cash Flows - Employer direct benefit payments (15)- Net defined benefit liability 10,102,995 Defined benefit obligation total 10,102,995

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

Post-Employment Benefits (continued) Defined Benefit Healthcare (continued) Actuarial Assumptions The principal actuarial assumptions used to determine benefit obligations at 31 December 2019 is as follows: 31 December 2019 31 December 2018 % Weighted-average assumption to determine defined benefit obligation Discount Rate for defined benefit obligation 3.604.55 Healthcare cost trend rates Immediate trend rates 5.005.00 Ultimate trend rate 5.005.00 Weighted-average assumption to determine defined benefit cost Discount Rate for defined benefit cost 4.553.85 Net interest cost rate 4.353.65 Discount rate for service cost 4.603.90 Rate for interest on service cost 4.603.85 Healthcare cost trend rates Immediate trend rates 5.005.00 Ultimate trend rate 5.005.00

31 December 2019 31 December 2018 \$000 \$000 Sensitivity analysis Change in defined benefit obligation Effective discount rates - 25 basis points 638,427 Effective discount rates basis points (592)(436) Healthcare cost trend rates - 100 basis points (2,085)(1,405) Healthcare cost trend rates basis points 2,756,845 Mortality assumption % (451)(284) Expected cash flows for following year Expected employer contributions 4,215 Expected total benefit payments Year 1 4,215 Year 2 5,237 Year 3 6,845 Year 4 8,261 Year 5 10,872 Next 5 years 93,474

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

10. Lease of premises Accommodation The Authority has the following: - i. Office Accommodation Leases with Cayman Islands Government effective 1 July 2011 on a year-to-year lease at an annual cost of CI\$47k and Common Area Maintenance (CAMs) of CI\$205k. ii. Office Accommodation Leases with Cricket Square Ltd. effective 1 June 2019 for ten (10) years at a cost per square foot of US\$45 for rent; iii. Office Accommodation Leases with Cricket Square Three Ltd. effective 1 September 2019 for ten (10) years at a cost per square foot of US\$40 for rent; and iv. Storage Agreement with Rosseau

Ltd. At a monthly cost of CI\$6.7k rent and CI\$0.6k CAMs effective 1 June 2019. Business Continuity Leases As a part of its Business Continuity Plan the Authority has the following agreements:- i. An agreement with the DRC (Cayman Islands) Limited for dedicated seats effective 1 July 2017 for a period of three years at a monthly cost of US\$17k; ii. An agreement with the DRC (Cayman Islands) Limited for dedicated suite effective 1 September 2018 for a period of five years at a monthly cost of US\$6.6k; and iii. An agreement with the Brac Informatics Centre effective 1 April 2019 at a monthly cost of CI\$6.9k for a five-year period. These leases have now been transitioned from operating leases under IAS 17 to on-balance sheet leases under IFRS 16 as noted in 2r). The future obligations as of 1 January 2019 have been capitalised as a right-of-use asset and lease payments are now reflected as an amortisation of the asset. The right-of-use asset and the lease liability are reflected in the financial statements as follows: Right-of-use asset 31 December 2019 \$000

Balance at Commencement date 10,960 Depreciation charge for the year (937)

Balance at 31 December 2019 10,023 Lease liability 31 December 2019 \$000

Balance at Commencement date 10,960 Interest Expense 160 Lease payments (1,034)

Balance at 31 December 2019 10,086 CMRA 2019 Annual Report 103

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Lease of premises (continued) Lease liabilities at 31

December 2019 are repayable as follows: Future minimum lease payments (undiscounted)

Interest Present value of minimum lease payments \$000 \$000 \$000 Less than one

year 1,577 (319) 1,258 Between one and two years 1,315 (276) 1,039

More than two years 8,903 (1,114) 7,789 11,795 (1,709) 10,086 Amounts recognised in the

Statement of Comprehensive Income 2019 \$000 Interest on lease liabilities 160 Depreciation

of right-of-use asset 937 Expense relating to short-term leases (included in Note 14

Accommodation) 998 Principle elements of Lease Payments 1,033 The total cash outflows

for leases in 2019 was \$2,032k. 11. Related Party Transactions a) Services Provided to the

Cayman Islands Government The Authority acts as the Government

custodian of the Cayman Islands currency as well as collector of license and other fees (these fees

do not form a part of the Authority's revenue) and the regulator and supervisor of the financial

services business. One of the Authority's main sources of revenue is from the services

provided to the Cayman Islands Government, which is used to cover the Authority's recurrent

expenditure. Commencing in the year ended 30 June 2007 the Authority's capital expenditure

was funded from the Capital Expenditures Reserve, which was created from an allocation of

the surplus for the year ended 30 June 2006; previously capital expenditure was funded by

means of a Government grant. At the end of each financial year, the Authority contributes to

the Government's net operating surplus after fulfilling Reserve requirements. b) Directors

The Board of Directors of the Authority is appointed by Cabinet and consisted of the Managing

Director (MD) and nine directors as at 31 December 2019 (seven directors as at 31 December

2018). The fees of \$175k (2018: \$149k) relates to payments made to the directors only. c) Key

Management Personnel For the purposes of IAS 24 disclosure the MD is included in the

number and cost of the Senior Management Team. The total number of personnel on the

Senior Management Team was 20 in the current period (2018: 18) and salaries & other benefits

expensed in 2019 was \$3,357k (2018: \$2,928k). 104

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019 Related Party Transactions (continued) d) Services

Provided by Government Entities The Authority obtained various goods and services from

other departments/entities of the Cayman Islands Government, at prevailing market

prices on an arm's length basis, in the current period in the amount of \$434k (2018: \$519k).

12. Other Operating Expenses 31 December 2019 31 December 2018 \$000 \$000

Other expenses 1,432 1,223 Maintenance and software licences 1,061 945 Currency

Stock issues and related expenses 604 597 eMerchant Discounts 248 258 Directors Fees 175 149

Management and Custody Fees 746 7 Business Continuity 633 58 Total 3,657 3,597

13. Salaries and Benefits 31 December 2019 31 December 2018 \$000 \$000

Salaries and Allowances 17,148 16,306 Medical Expense 1,806 1,748

DB Healthcare Expense 716 739 19,670 18,793

Remeasurement of DB Healthcare liability in OCI 2,391 (264) 22,061 18,529

14. Accommodation As of 31 December 2019, total accommodation expense including conference room and parking was \$1,064k (2018: \$1,374k). Under IFRS 16 lessees may elect not to recognise

assets and liabilities for leases with a lease term of 12 months or less. Included in the

accommodation expense is \$964k for the Authority's month to month agreement with

Montpelier Properties Ltd. This agreement was determined to be a short-term lease. Also

included in the accommodation expense is \$34k for Rosseau Ltd. for the remaining months of the storage lease which expired 31 May 2020.

CAYMAN ISLANDS MONETARY AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2019

15. Contingent Liabilities Section 47 of The Public Authorities Law (the PAL) Section 47 of the PAL came into

effect on 1 June 2019. The section requires public authorities to use the same salary scale as

determined by Cabinet and requires the remuneration of employees of a public authority to be

adjusted to reduce any differences between the public authorities' and public services' salary

grades. The Cayman Islands Government's Portfolio of the Civil Services had not completed

its evaluation of the Authority's salary grade versus that of the public service. As such,

management could not adjust for the impact of section 47 of the PAL in these financial

statements. Management is also unable to derive an estimate of the potential impact of

the evaluation on its financial statements and as such, no resultant provisions have been made

in these financial statements.

16. Subsequent events a) COVID-19 Pandemic On 30 January 2020 the World Health Organization

declared the 2019 coronavirus disease outbreak ("COVID-19") as a public health emergency of

international concern. As part of the sanitary measures that have been adopted to face this

situation, they include, among others, the restriction of movement of people and the closing of

borders, which is expected to significantly affect economic activity and markets in general.

On 22 March 2020, the Cayman Islands Government closed the air and sea port borders of the

Cayman Islands to non-essential travel. The global and local measures put in place to contain

the spread of COVID-19 have caused significant disruption to business and economic activity.

While the disruption is currently

expected to be temporary, the financial effects on the Authority will depend on factors such as (a) the

duration and spread of the outbreak, (b) the restrictions and advisories from Government, (c) the

effects on the financial markets, and (d) the effects on the economy overall, all which are highly

uncertain. At the date of publication of the financial statements, it is not possible to measure the

financial, economic, and operational effects on the Authority as a result of this health crisis at

this time.

b) Office Accommodation In July 2020, the Authority signed a Variation to Lease for

additional office accommodation with Cricket Square Ltd. Between 1 January 2020 and the date

of issuance of these financial statements, there have been no other subsequent events that

would materially affect these financial statements.

105 CMRAI 2019 Annual Report The Authority plays a central role in the fight against money

laundering and terrorism financing. As part of its mandate, CMRAI continues to monitor those

issues which have an impact, or

potential impact, on the jurisdiction. Amongst the measures taken are the enactment of appropriate legislation and internal regulatory reforms. During the 2019 reporting period, several legislative documents were tabled in the Legislative Assembly, most of which related to anti-money laundering and financial terrorism procedures. For a list of legislative documents implemented during the 2019 period, please see the Laws and Regulations section of our website.

Freedom of Information Initiative The Freedom of Information Law (FOI Law) was originally enacted over a decade ago, with some amendments. Because of the nature of CMRAI's work, the FOI Law (in Section 3(1)(c)) specifically excludes the release of records and information protected by Section 50 of the Monetary Authority Law (the MAL). In 2019, CMRAI received and processed six requests. No requests were granted full access. One request was denied on the basis that CMRAI did not hold the requested record, and one on the basis that the information was already available in the public domain. The remaining four requests were excluded from release on the basis that the FOI Law excludes access to records containing information that may not be disclosed under Section 50 of the MAL. All requests were responded to within 30 days.

Complaints Pursuant to Section 6(2)(f) of the the MAL, CMRAI is obliged to recognise the need for transparency and fairness. One aspect is through the process of resolving complaints, which we take seriously while treating complainants with courtesy and sensitivity. CMRAI is concerned with addressing two main types of complaints: 1. Complaints against the Authority - The way in which CMRAI carries out its functions under the MAL and other regulatory laws including the conduct of CMRAI's management, employees or persons acting on its behalf in the purported exercise of such functions, or the way in which CMRAI has acted or omitted to act; and 2. Complaints against licensees Any issues or discrepancies connected with the operations or management of licensees (or persons operating without a proper licence). Procedures and steps that CMRAI adheres to upon receiving complaints are available on our website at [www.cmra.gov.sg](#). As at 31 December 2019, CMRAI received a total of 26 complaints, which comprise 19 complaints against licensees and/or registrants and seven complaints against the Authority, majority of which were addressed and resolved or (in one case) withdrawn. The complaints received against licenses and registrants were across several sectors, namely banking, investments (mutual funds), insurance and securities. The nature of such complaints ranged from lack of or untimely receipt of information from the licensee or registrant, fund redemption issues, disagreement over balances or charges, and dissatisfaction with the ways account and or funds were being handled including possible misconduct or fraud. Of the 19 complaints against licensees, eight matters, most of which were received in the fourth quarter of 2019, remained open pending further information from the complainant or internal CMRAI discussion and or decision. Of the seven complaints filed against the Authority, one remained open having been subject to communications between CMRAI and the complainant and further internal CMRAI discussions.

SCRUTINY BY PARLIAMENT

Freedom of Information and Complaints

106 Future Objectives and Outlook To support our mission and to work towards achieving our vision, a number of change agenda goals have been identified to address key areas and activities. Strategic objectives of the Authority that will drive the required changes over the next three to four years are: 1. Strengthen our capacity and capabilities for the successful delivery of our principal functions; 2. Enhance the regulatory response to innovations in business models and technologies; 3. Reform and retool operational structures and supervisory approaches to better implement a risk-based approach; and 4. Develop and implement a renewed framework for effective stakeholder engagement. Each strategic

objective will have several underlying initiatives with some of the important ones being: Explore and implement new approaches for the attraction and/or development and retention of competent and experienced staff with a transferable range of skills. Explore and implement creative approaches to the use of external resources to better carry out our operations. Review /Evaluate the strengths and weaknesses of the existing operational structure and provide recommendations for changes where warranted. Review / Evaluate the existing supervisory approaches with respect to ensuring the Authority is performing its functions in the most consistent, efficient and cost-effective manner. Enhance the regulatory framework and supervisory practices to, where applicable, meet evolving micro and macro prudential, crime prevention and cooperative standards. Despite the challenges that the jurisdiction may face, the Authority will continue to deliver on its principal functions and endeavour to ensure that CMRAI is seen as a reputable and successful regulator of financial services. The MAL requires CMRAI to advise the Government on monetary, regulatory and cooperative matters. This includes providing advice as to whether CMRAI's functions are consistent with those discharged by overseas regulators; whether the regulatory laws are consistent with the legislation of other countries and territories; and advising on the recommendations of international organisations. This Monetary Authority Law also requires CMRAI to consult with the local private sector on the proposed issuance or amendment of rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees; statements of guidance concerning the requirements of the money laundering regulations; and rules or statements of principle or guidance to reduce the risk of financial services business being used for money laundering or other criminal purposes. Through its involvement with overseas regulatory authorities, participation in local and international forums, and interaction and consultation with local and overseas market participants, CMRAI is able to stay abreast of developments relevant to the local financial services sector, and the concerns of the industry, and to advise the Government based on the information gathered. CMRAI also carries out its own research and assessment, including cost-benefit analyses of all new regulatory measures it proposes, and makes recommendations to the Government accordingly. Advice to the Government is provided through meetings, participation in various Government groups and through written reports and submissions, including financial sector legislative proposals (draft bills and regulations) and Cabinet papers. The measures implemented or in development during 2019 are covered in the Regulatory Developments section of this report, beginning on page 50.

Cross Government Commitment and Advisory GOVERNMENT COMMITMENT AND FUTURE OBJECTIVES 107CMRAI2019 Annual Report 108 Key Contacts Anti-Money Laundering Banking Careers Coins and Notes Cooperative and Building Societies Corporate Service Providers Fees Freedom of Information Insurance Investments Money Services Business Trusts Securities SIX, Cricket Square George Town PO Box 10052 Grand Cayman KY1-1001 Cayman Islands : 345-949-7089 Website: