



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.

ANNUAL REPORT 2020 Contents 11 01 Message from Board Chairperson 02 Statement by Managing Director 04 Overview 05 Organisational Chart 06 Board of Directors 07 Executive Management & Senior Officers ABOUT US 11 Nature and Scope of Activities 12 Structure 14 Governance 14 Our People ORGANISATIONAL DEVELOPMENTS 37 EXECUTION OF MONETARY FUNCTIONS 37 Currency Management 40 EXECUTION OF FINANCIAL STABILITY 41 EXECUTION OF REGULATORY FUNCTIONS 41 The Regulatory Regime 43 Regulatory Developments 46 Compliance and Enforcement 50 EXECUTION OF CO-OPERATIVE FUNCTIONS 50 Cross-Border Co-operation 50 Local Co-operation 15 INDUSTRY OVERVIEW 15 BANKING AND RELATED SERVICES 22 Money Services, Cooperatives and Building Societies 24 FIDUCIARY SERVICES 24 Trusts 25 Corporate Services 26 INSURANCE 32 INVESTMENTS 32 Funds and Fund Administrators 35 SECURITIES 35 Securities Investments 51 ORGANISATIONAL SUPPORT AND ADMINISTRATION 51 Human Resource Management and Development 52 Information Services 53 Communication and Public Relations FINANCIAL CONTROL MANAGEMENT DISCUSSION AND ANALYSIS 55 Highlights of Achievements 56 Risk Management AUDITED FINANCIAL STATEMENTS SCRUTINY BY PARLIAMENT 96 Enactment of Legislation 96 Freedom of Information Initiative 96 Complaints CROSS GOVERNMENT COMMITMENT AND ADVISORY ACTIVITY FUTURE OBJECTIVES AND OUTLOOK 54 37 55 57 93 94 94 2 CMRAI 2020 Annual Report CMRAI 2020 Annual Report 1 MESSAGE FROM CHAIRPERSON OF THE BOARD OF DIRECTORS The year 2020 was one of the most challenging years in the history of the Cayman Monetary Regulatory Authority International (the Authority) and the financial services industry. Amidst the business operational changes forced upon the Cayman Islands by COVID-19, the Board of Directors worked closely with the management team to protect and strengthen the Authority's overall plans, which included various strategic and regulatory developments. Subsequently, a large volume of legislative amendments was approved by the Board to enable the Authority to meet the economic substance and the Caribbean Financial Action Task Force requirements within the deadline. Continuing the governance work that the Board of Directors commenced in 2019, the Authority developed its first risk register during the 2020 financial year. The risk register also served as the basis for the development of a risk-based audit plan which will ensure that the internal audit function can focus its work on the priority risk areas within CMRAI. Approval was granted for the hiring of a Chief Risk Officer to ensure that the risk management focus will continue to be embedded and sustained throughout all areas of the Authority's operations. Earlier in the year, an online portal was implemented to improve the efficiency and effectiveness of board meetings, as well as reduce the time spent distributing board materials. This has become a valuable feature for directors as it allows a convenient preview of documents. Another area of focus was the implementation of the formal online complaints process, which sought to enable licensees to efficiently report complaints to the Authority, and for the Authority to comply with additional obligations under the Public Authorities Act and the Data Protection Act. As an essential part of its operational developments, and in light of the recent occurring events, the Board also worked together with the management team to revise the Authority's business continuity and disaster recovery plans, both of which include comprehensive provisions to ensure that the Authority can respond to other unplanned events such as earthquakes and pandemics. In this context, I wish to thank the Managing Director and her staff for their continued hard work and dedication during these unprecedented times and over the past 20 years. I also extend much gratitude and appreciation to the industry professionals for complying substantially with the

deadline requirement for filing private funds, especially during a very hectic period. The Board of Directors will continue to work with CMRAI's management team, staff and stakeholders to deliver on our commitment to enhancing regulatory effectiveness, mitigating risks, and highlighting our status as a world class financial centre that is financially safe and sound.

Patricia Estwick 2CMRAI2020 Annual Report The COVID-19 pandemic impacted many regulated entities, with most having to adapt to new ways of working. Needless to say, 2020 was a busy year for the Cayman Islands' financial services industry and the Cayman Monetary Regulatory Authority International (CMRAI) alike. Much of our efforts were geared towards meeting economic substance and CFATF requirements. Significant to these changes were: The implementation of an enhanced supervisory regime for Registered Persons, formerly Excluded Persons, under the Securities Investments Business Act. The enforcement of the Private Funds Act, which resulted in 12,695 new private funds registrations. The Mutual Funds (Amendment) Act which now requires funds, with fifteen investors or less, to be regulated by CMRAI. Prior to the commencement of this Act in February 2020, these funds were exempt from licensing and registration. The Mutual Funds (Annual Returns) (Amendment) Regulations 2020 outlines additional information required by regulated mutual funds, which will assist CMRAI in attaining the requisite information for macro-prudential supervision. Effective October 2020, the Virtual Asset Service Providers Act requires entities wishing to provide such services to be registered with CMRAI. This regulatory framework will be implemented in two phases. The first phase was the registration and notification process, which ended on 31 January 2021 and focused on AML, CFT and CPF compliance, among other key areas of risk. Phase two will include a licensing and approval process that will begin once the appropriate aspects of the Act come into effect. Legislative amendments were also made to the Monetary Authority Act, and the Administrative Fines Regulations including those relevant to other regulated sectors.

Industry Update Despite the challenges faced in 2020, the industry stood strong. According to the latest statistics, there were 24,591 regulated funds as of December 2020, compared to 10,857 the previous year. This significant increase is largely due to the required filing for private funds and limited investor funds, as previously mentioned. According to the 2019 Investments Statistical Digest, Total Gross Assets and Total Net Assets increased by 10% and 8%, respectively. Reported Net Income was US\$451 billion compared to the loss of US\$30 billion the previous year, reflecting a gain in global stock prices and a strong rebound in financial markets. These activities represent a steady growth in overall assets managed by Cayman-based funds, confirming Cayman's position as the leading jurisdiction for establishing offshore investment funds. As of December 2020, there were 1,650 Registered Persons compared to the previously existing 2,198 Excluded Persons. This decrease was attributable to the legislative changes designed to meet the economic substance requirements under the ES Amendment Act, as well as amendments to the Securities Investments Business Act, which STATEMENT BY MANAGING DIRECTOR CMRAI2020 Annual Report³ brought Registered Persons under the full scope of the Authority's supervision, as indicated earlier. The number of securities licensees remained consistent with the previous year. At the end of 2020, there were 110 licensed banks compared to 123 in 2019. Although there has been a decline in licensed banks due to optimisation efforts, activities showed heightened interest in Category A and B licenses. For fiduciary services, there were 349 trusts and corporate service licensed entities, compared to 352 in 2019, resulting in a 0.85% decrease. Since 2019, there was a 6% increase in trust registrants, from 178 to 189, mainly due to a net increase in the registration of private trust companies. With

771 insurance licensees, the Cayman Islands insurance industry also maintained an upward trend and remains the world's leading domicile for healthcare captives and the second largest for captives. In 2020, 36 new international insurance companies were added to the market, compared to 33 in 2019. New insurer formations included 30 captives, 4 insurance-linked securities and 2 Class D reinsurers. 2021 Initiatives Looking ahead, and in line with our organisational objectives, 2021 will be a year with significant infrastructure and human capital investment. Reforming operational structures and supervisory approaches, while identifying and managing risks, will be paramount to our success. Through these efforts, the Authority will continue its work around strengthening AML/CFT compliance and awareness through active engagement with the industry. Similar activities will focus on the second National AML/CFT Risk Assessment, where CMRAI will work with other government and regulatory agencies, and relevant industry participants, to assess money laundering, terrorist financing and proliferation financing risks. Other areas of focus will include continued work on the framework for domestic systemically important deposit taking institutions and the continued implementation of the Basel III framework for banks. The development of a virtual asset framework that captures coin issuances, trading platforms, exchanges and sandboxes will also be a top priority. Definitions on how this new framework fits into the existing regulatory regime will be determined, along with implementing the necessary support infrastructure. Notwithstanding, the Authority will publish, in the short term, high level principles for the conduct of virtual asset business and amendments to the Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing specifically related to virtual asset business. Consultation on other significant supervisory measures will take place later in the year. Other planned enhancements to the regulatory framework in the coming months include the publication of regulatory policies and rules related to: licensing Class B insurers to assist applicants with understanding the Authority's expectations and licensing requirements; establishing the requirements for professional qualifications of relevant persons at insurance companies, brokers, agents and agencies; and cancellation of private funds. Further to the completion of the Private Funds (Annual Returns) Regulations, the Authority will finalise the accompanying Fund Annual Return and Completion Guide for regulated private funds. The Authority also plans to conduct industry consultations on other rules and statements of guidance for physical presence and retention of records by trust and corporate service providers in the short term. Comprehensive self-assessments against core principles in the insurance, banking and securities sectors will also be conducted. The outcome of this exercise will be the driving force for enhancements to supervisory framework for these sectors over the next two to three years. To that end, CMRAI remains committed to its continued robust and balanced regulation of financial services in the Cayman Islands, and in promoting the jurisdiction as a leading international financial services centre.

Cindy Scotland
STATEMENT BY MANAGING DIRECTOR
Our Mission: To protect and enhance the integrity of the financial services industry of the Cayman Islands. Our Vision: A thriving, innovative and well regulated Cayman Islands financial services system and currency that meets applicable international standards and provides value to stakeholders. Principal Functions: 4CMRAI2020 Annual Report 4 Monetary Issue and redeem Cayman Islands currency and the manage currency reserves Regulatory Regulate and supervise financial services businesses, through appropriate legislation and in accordance with policies and procedures, and the issuance of rules and statements of principle and guidance Cooperative Assist overseas regulatory authorities, including executing memoranda of understanding to

assist with consolidated supervision Advisory Provide advice to the Cayman Islands Government on monetary, regulatory and cooperative matters

OVERVIEW CMRAI2020 Annual Report

5 DEPUTY MANAGING DIRECTOR - GENERAL COUNSEL DEPUTY MANAGING DIRECTOR - OPERATIONS DEPUTY MANAGING DIRECTOR - SUPERVISION MANAGING DIRECTOR PUBLIC RELATIONS EXECUTIVE CHIEF POLICY ADVISOR 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 DIVISION ORGANISATIONAL CHART PROJECT MANAGER

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 Director (Non-voting) Dr. Dax Basdeo Barry Kroeger served as a Director until 29 June 2020 Pat Teufel served as a Director until 26 July 2020 Wayne Panton served as Chairman until 4 December 2020

6CMRAI2020 Annual Report BOARD OF DIRECTORS CMRAI2020 Annual Report

7 Managing Director Cindy Scotland Deputy Managing Director - Operations Patrick Bodden Deputy Managing Director - Supervision Anna McLean Deputy Managing Director - General Counsel Andr Mon D sir Head, Investments Heather Smith Deputy Head, Investments Juliette Maynard Deputy Head, Securities Jessica Ebanks Deputy Head, Investments Andrew Graham EXECUTIVE MANAGEMENT & SENIOR OFFICERS Head, Fiduciary Services Rohan Bromfield Deputy Head, Banking Bettina Roth Reinsurance Specialist Peter Fox Deputy Head, Fiduciary Services Leticia Frederick Head, Insurance Ruwan Jayasekera Head, AML/CFT Division Sarah Wheeler Head, Banking Gloria Glidden Deputy Head, Insurance Suzanne Sadlier Deputy Head, AML/CFT Division Judiann Myles Deputy Head, Banking Shakira Cox Deputy Head, Insurance George Kamau Deputy Head, AML/CFT Division Prabhavathi Namburi

8CMRAI2020 Annual Report EXECUTIVE MANAGEMENT & SENIOR OFFICERS Acting Deputy General Counsel Angelina Partridge Head, Compliance Audrey Roe Deputy Head, Policy & Development Alisa Glace Deputy Head, Policy & Development Aaron Unterman Deputy Head, Compliance Jennifer Hydes Legal Counsel Helen Speigel Head, Financial Stability & Statistics Sebastian Goerlich Deputy Head, Compliance Kara Owens Legal Counsel Menelik Miller Chief Financial Officer Gilda Moxam-Murray Head, Policy & Development Rayford Britton Legal Counsel Stephanie Adolphus

9 CMRAI2020 Annual Report EXECUTIVE MANAGEMENT & SENIOR OFFICERS Deputy Chief Financial Officer Tammy Archer Deputy Head, Information Systems Scott MacLaren Special Assistant to the Managing Director Mitchell Scott Public Relations Executive Yvette Cacho Deputy Head (Development), Information Systems David Bennett Head, Human Resources Deborah Musson Internal Auditor Deloris Gordon Head, Currency Deborah Ebanks Deputy Head, Human Resources Tara Abdul-Jabbar Deputy Internal Auditor Kioko Musaya Deputy Head, Currency Dominique Lloyd Head, Information Systems Charles Thompson

10CMRAI2020 Annual Report EXECUTIVE MANAGEMENT & SENIOR OFFICERS CMRAI2020 Annual Report

11 Nature and Scope of Activities Currency Issue and redeem currency notes and coins and manage currency reserves Regulation and Supervision Regulate and supervise licensed and registered financial services businesses

operating in and from the Cayman Islands Local and International Representation Represent the interest of the Cayman Islands at international forums and advising Government on recommendations of those organisations Advise Advise Government on the Authority's monetary, regulatory and cooperative functions; whether such functions are consistent with those discharged by an ORA, including the legislation and regulations of foreign jurisdictions ORA Assistance Provides assistance to overseas regulatory authorities (ORA) and other competent authorities AML Monitoring Monitor and ensure compliance with anti-money laundering regulations ABOUT US Consumer Protection Seek to promote and enhance market confidence and consumer protection through public education initiatives Fiduciary Services Division Ensures the enforcement of prudent practices by professionals in the trust and corporate service industries. Banking Supervision Division Monitors the activities of banks, money service business, building societies, and credit unions. ABOUT US 12CMRAI2020 Annual Report Investments Supervision Division Oversees the activities of fund administrators, and funds operating in and from the Cayman Islands. Securities Supervision Division Solely focused on the regulation of activities relating to securities investment business practitioners. 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, detect problems of compliance with the relevant legislations, and gather information on matters identified as requiring policy considerations. Anti-Money Laundering/ Counter Financing Terrorism Division Develop and implement 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 as well as providing timely feedback to improve industry's AML/CFT compliance thereby reducing the risk exposure of licensees. Financial Stability & Statistics 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. Compliance Division Investigates serious breaches of the regulatory legislations and directing and administering formal enforcement actions taken by the Authority; conducts risk weighted due diligence checks on persons who have applied to act as directors, shareholders, managers, officers and controllers of licensed entities; administers and responds to non-routine requests for assistance received from overseas regulatory authorities. ABOUT US CMRAI2020 Annual Report¹³ Finance Division Facilitates 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. Information Systems Division 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. Currency Division 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. Legal Division Policy & Development Provides legal advice to the Board of Directors, the Managing Director, and all divisions within the Authority. The division has a central role in 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, including civil litigation and drafting legal documents such as directives, memoranda of understanding, and instructions for amendments to existing legislation. Insurance Supervision Division Monitors the activities of domestic and international insurance licensees through an integrated risk based supervisory approach of off-site and on-site supervision. Human Resources Division Manages 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 staff. Focuses on research for financial sector regulation and supervision and provides support mainly to the Authority's supervisory divisions by providing information and advice on policy issues and legislation for the financial sector. Also responsible for the coordination of the development of Rules, Statements of Guidance and Statements of Principle applicable to financial services providers.

ABOUT US

14CMRAI2020 Annual Report Governance

The Government of the Cayman Islands wholly owns the Authority. In accordance with the Monetary Authority Act, 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 Act. 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.

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 2020 has undoubtedly been an unprecedented year, presenting new challenges for human resources and the way in which CMRAI managed its employees. Continuing from 2019, the Authority set out with an aggressive strategic objective to recruit a high calibre of technically sound and experienced talent across all divisions. New benefits and policies that included greater flexible working hours and the option to seamlessly work from home were also introduced. A total of 51 persons were hired in the calendar year 2020 with 41% of these having relocated from overseas or remotely. 26 of these persons were appointed to the regulatory divisions and the On-Site Inspection Unit and 8 joined the Anti-Money Laundering/Counter Financing Terrorism Division. The remaining 17 joined the Managing Director's Office, Compliance, Finance, Human Resources, Information Systems, Legal, Policy and Internal Audit.

Staff by Division

Anti-Money Laundering	18
Banking	24
Internal Audit	2
Compliance	16
Currency	6
Fiduciary Services	16
Finance	7
Financial Stability Division	7
Human Resources	10
Information Systems	25
Insurance	26
Investments	46
Legal	7
Managing Director's Office	12
Onsite Inspection Unit	7
Policy & Development	10
Securities	8
Total	247

ABOUT US

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15 Banking and Related Services Banking

INDUSTRY OVERVIEW

The Banks and Trust Companies Act (2020 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 three 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. 110 Total banking licences Category A Banks 9 Trust Company 44 Category B Banks 101 Money Services Business 5 20 Nominee (Trust) Trust (Controlled Subsidiary) 7 Development Bank 1 Cooperative Credit Unions 2 Building Society 1

CMRAI2020 Annual Report16 Core ObjectivesAchievements Operational resilienceTransition to working from home was seamless, all supervisory work, such as monitoring, applications and dialogue with stakeholders, continued virtually. While a number of other jurisdictions paused their inspection schedule, inspections continued as planned by adjusting physical meetings with licensees to virtual meetings. Supervisory Response to COVID-19 Supervisory response to COVID-19 was proactive and comprehensive, it covered a broad range of activities: Notifications to industry regarding regulatory updates in response to COVID-19 and invitation to approach the Authority with regulatory forbearance and extension requests. Ongoing dialogue bi-laterally with licensees that serve the domestic market as well as multi-laterally with the Cayman Islands Bankers Association (CIBA); Issuance of a survey on deployment of business continuity plans for material Category A , B banks, Money Services Businesses (MSBs) and Cooperative Societies; Completion of a stress testing exercise for both capital and liquidity to inform the Authority s decision-making; Benchmarking of forbearance measures and options against international and regional jurisdictions; and Provision of forbearance on a case-by-case basis. 23.64% 13.64% 1.82% 24.55% 20.91% 15.45% South America Caribbean, Central America & Mexico Middle East & Africa Asia & Australia North America Europe Figure 1: Region of origin of Cayman-licensed Category A and Category B banks, 2020 Table 1: Core objectives and achievements carried out by CMRAI s Banking Supervision Division, 2020 INDUSTRY OVERVIEW

17CMRAI2020 Annual Report Core ObjectivesAchievements Automation of reporting and processes To enhance operational efficiencies, data quality and the resulting analysis, the Authority continues to automate data collection and manual processes. During 2020, a top area of focus was on the migration of the quarterly prudential reporting (QPR) template from the previously used E-Reporting system to the Authority s Regulatory Enhanced Electronic Forms Submission (REEFS). The newly created QPR form is divided into separate schedules and includes the recently implemented leverage ratio reporting. It also has post submission validation rules that will enhance the data quality of the submissions. In addition, an AML risk rating tool was implemented and utilises the inherent risk data submitted by licensees. The output allows the Authority to better align its risk-based AML and prudential supervision. Regulatory Framework Initiatives Issuance of the Basel II Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines with the rollout to commence in 2021. Despite the pandemic, work continued on a number of regulatory initiatives, such as a framework for domestic systemically important deposit taking institutions. Focus on AML/CFT Compliance Continued focus on AML inspections to ensure AML/CFT/CPF and Sanctions compliance of CMRAI licensees. A quarterly review and analysis of cash flow reporting and MSBs remittance data enabled the identification of trends/material changes that affect the AML/CFT/CPF profile of the sector or individual licensees. Finally, output from the AML risk rating tool was analysed and informs the risk-based supervisory plans for licensees. TrainingAs a result of COVID-19 restrictions, and for access of licensees without a physical

presence in the Cayman Islands, the Authority recorded training on the Banking Risk Assessment and on the MSB Risk Assessment. Training videos can be found on the Authority website. Outreach Activities The Authority continues to meet with local, regional and international industry groups to monitor the regulatory and economic landscape. Other outreach activities included the transition to the provision of virtual services, operational adjustments to offer physical retail banking services aligned with government restrictions, updates on moratoria for clients on mortgages and other credit products and effects on provisioning due to the possible deterioration of credit quality as a consequence of the pandemic.

INDUSTRY OVERVIEW CMRAI2020 Annual Report18
 Jurisdiction20162017201820192020% change 2016-2020 Cayman157148133125110-30 %
 Bahamas9585847067-29% Panama9188858375-17.6% Jersey2927262424-17%
 Luxembourg141139136128128-9% Switzerland269257251248246-9% Hong

Kong195191207181178-9% Singapore15915815915617110 % Table 2: Number of bank licences per selected jurisdictions, 2016 - 2020 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 licenced 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 12% from 125 at December 2019 to 110 at December 2020. Figure 2: Number of bank

licences by category, June 2016 December 2020 Dec 2020Dec 2019Dec 2018Dec 2017Jun 2016 165 11111199 122 116 101 137 INDUSTRY OVERVIEW Category A Category B 19CMRAI2020 Annual Report Figure 3: Total Assets and Liabilities of Cayman

Islands-licensed banks, June 2016 December 2020 (measured in US\$ trillions) 1.13 0.91 0.58 0.54 0.61 0.64 0.620.65 0.87 1.14 Jun 2016Dec 2020 Dec 2019Dec 2018 Dec 2017

Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks, June 2016 December 2020 (measured in US\$ trillions) As at 31 December 2020, the jurisdiction ranked fifteenth internationally in terms of cross-border assets, and fourteenth internationally by cross-border liabilities. 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. 1 Assets comprise financial assets only per the Bank for International Settlements (BIS) reporting methodology. 2 Liabilities include Equity Capital per the BIS reporting methodology. Jun 2016Dec 2020Dec 2019Dec 2018Dec 2017 0.93 0.670.67 0.93 1.20 1.15 0.660.66 0.600.60 INDUSTRY OVERVIEW Cross-Border

Liabilities Cross-Border Assets Total Liabilities Total Assets 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 Retail Banking Sector Financial Soundness Indicators indicate that the retail banking sector has remained healthy since 2016. 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 sound asset quality as evidenced by a relatively small percentage of

non-performing loans as a per cent of total gross loans, despite the COVID-19 pandemic.

CMRAI2020 Annual Report20 Domestic Assets and Liabilities in Foreign and Local Currency

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: Domestic Assets and Liabilities of Cayman Islands-licensed banks in Foreign Currency, June 2016 – December 2020 (measured in US\$ millions)

Domestic Sector	Category A	Retail Banks
US\$13.3	Retail banks reported US\$15.5	Retail sector reported liabilities of billion billion in deposits US\$15.5
Retail banks held assets of billion 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.	Jun 2016 Dec 2020 Dec 2019 Dec 2018 Dec 2017

INDUSTRY OVERVIEW 23,827 58,859 Domestic Liabilities Domestic Assets 57,701 17,165 17,684 49,280 50,097 20,842 59,991 19,013 21

CMRAI2020 Annual Report Indicator (%)

2016	2017	2018	2019	2020
Capital Adequacy	Regulatory Capital to Risk-Weighted Assets	19.0	22.2	25.5
Regulatory Capital to Total Assets	10.8	11.5	12.9	13.3
Nonperforming Loans to Total Gross Loans	2.1	1.8	1.6	1.4
Specific Provisions to Impaired Loans (Coverage Ratio)	35.1	42.1	48.7	48.8
Return on Equity (net income to average capital [equity])	13.3	13.0	15.2	18.1
Return on Assets (net income to average total assets)	1.5	1.6	2.0	2.6
Interest margin to gross income	69.9	70.7	73.1	71.5
Non-interest expenses to gross income	50.2	48.7	43.9	41.5
Liquid assets to total assets (liquid asset ratio)	24.5	33.5	32.7	31.8
Capital Adequacy Ratios	The Capital Adequacy Ratios (CAR) for the six retail banks increased from 19% at the year ended December 2016 to 26.6% at the year ended December 2020 (December 2019: 28.5%) and has remained comfortably above the minimum CAR requirement of 10% set by CMRAI. The sector continues to be well-capitalised.			

Asset Quality Nonperforming loans (NPLs) as a per cent of total gross loans for the retail banking sector decreased from 2.1% at the year ended December 2016 to 1.7% at the year ended December 2020 (December 2019: 1.4%). The overall loan book quality and provisioning levels has been fairly stable, and the COVID-19 pandemic has not impacted loan quality significantly. Earnings and Profitability Retail banks experienced a sharp decline in profits, which is significant when compared to the steady increase experienced in the four prior years. The significant decrease in the sector s Return on Equity (ROE) and the Return on Asset (ROA) ratio is due to the pandemic that affected both revenues (lower growth) and expenses (higher provisions, higher operational costs) across the banking sector. Liquidity The ratio of liquid assets to total assets for retail banks increased from 24.5% at the year ended December 2016 to 34.6% at December 2020 (December 2019: 31.8%). Effective 1 June 2019, CMRAI implemented a comprehensive Liquidity Risk Management framework for banks, namely the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and Minimum Liquidity Ratio (MLR). 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%.

Table 3: Financial Soundness Indicators, 2016 – 2020

INDUSTRY OVERVIEW The Financial Action Task Force defines the business of money services business (MSB) 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. CMRAI2020 Annual Report22 Money Services Businesses 6.56.4 8.18.0 7.8 Figure 6: Total remittance outflows and inflows, 2016 - 2020 (measured in US\$ millions) Average remittance outflows posted a small decrease relative to outflows for December 2019 but remained higher than average annual outflows for years 2016 - 2018. Average remittance inflows significantly decreased and resulted in the lowest average annual inflows over the past five years. The decrease in in remittance outflows and inflows is mainly attributed to the COVID-19 pandemic. Notably, remittance outflows posted a marginal decrease because the Cayman Islands was able to re-open the local economy relatively faster than many other countries. CMRAI supervises 3 active money services businesses that cater to the domestic market. 20162018201920202017 INDUSTRY OVERVIEW 23CMRAI2020 Annual Report 60.4% 10.6% 16.1% 53.3% 0.9% 1.5% 6.3% 7.5% 8.9% 21.6% 6.8% 4.2% 1.8% Jamaica United States Other Dominican Republic Philippines Honduras United States Canada Jamaica Philippines Honduras Other United Kingdom Figure 7: Proportion of total remittance outflows Figure 8: Proportion of total remittance inflows INDUSTRY OVERVIEW 24CMRAI2020 Annual Report Fiduciary Services Trusts Pursuant to the Banks and Trust Companies Act (2021 Revision), and the Private Trust Companies Regulations (2020 Revision) (the PTCR), no company is allowed to carry out corporate trust business unless it is licensed or registered by CMRAI. Licence Categories Registration Categories 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 Private Trust Company Registrant authorised to provide trust services to connected persons as defined in Section (2) of the PTCR Trust and corporate service licensed entities 349 Figure9: Number of trust companies by licence category, 2016 - 2020 INDUSTRY OVERVIEW 117117 110 104 100 123 131 131 132 145 60 52 46 51 50 50 61 60 57 59 49 53 45 45 44 20162017201820192020 Trust Licence Restricted Trust Licence Controlled Subsidiaries (Registered) Nominee Trust Licence Private Trust Companies CMRAI2020 Annual Report25 Corporate Services 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. 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 Act (2021 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 Act (2021 Revision). Figure 10: Number of corporate service providers by licence category, 2016 - 2020 Authorisation TypeActive as at 31 Dec 2019 Active as at 31 Dec 2020 Registration - Exemption from licensing - Section 16(1) 101113 Licence - Professional Director5961 Licence - Corporate Director2224 Table4: Director authorisation activity under the Directors Registration and Licensing Act, 2014 (as amended), 2019 - 2020 INDUSTRY OVERVIEW 0 Company Managers Corporate Service Providers 20162017201820192020 26CMRAI2020 Annual Report Insurance The insurance industry in the Cayman Islands has two distinct sectors: Domesticinsurance segment, which provides

insurance to Cayman residents and businesses by locally incorporated or branches of foreign insurers. International insurance segment, which provides insurance for foreign risks by insurers incorporated in 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. Number 1 2 nd largest jurisdiction for captive insurance One of the leading jurisdictions for group captives and insurance linked securities License TypeAs at 31 Dec 2019 Cancelled 1 Jan - 31 Dec 2020 Issued 1 Jan - 31 Dec 2020 As at 31 Dec 2020 Class A270027 Class B, C, D6463036652 Insurance Managers 242123 Brokers230023 Agents454546 Total7653642771

Table 5: Insurance licensing activity, 2019 -2020 US\$956 Domestic gross premiums written and assumed reinsurance premiums of million Figure 11: Cayman Islands domestic licences by category, 2016 2020 INDUSTRY OVERVIEW Class A Insurers Brokers Agents Jun 2016Jun 2017 Dec 2018 Dec 2019Dec 2020 domicile in healthcare captives worldwide CMRAI2020 Annual Report27 Figure 12: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, MotorPropertyLiabilityMarine & Aviation Domestic Health Int I HealthOtherLife & Annuity Grand Total Gross Written Premiums 41,396,076240,854,42750,836,33242,770,241339,807,83337,314,19344,206,42932,150,351829,335,8 Assumed Premiums 3,007,50138,689,33467,608,58511,228,301-1,452,8334,840,691-126,827,245 Reinsurance Ceded 18,326,151198,023,1805,833,410-40,091,065-861,0465,101,096268,235,948 Unearned Premium Adjustment 596,4223,841,244 - 224,096-124,502-12,63227,8614,378,565 Net Earned Premiums 25,481,00477,679,337113,115,39448,173,442299,592,26638,767,02648,173,44227,021,394678,003,3 Commissions Received 5,603,22033,148,993748,667-1,590,270-80,22632,36641,203,742 Total Underwriting Income 31,084,224110,828,330113,593,82053,998,542301,182,53638,767,02648,253,66827,053,760724,761, Net Claims Paid 18,020,99316,004,53553,903,21219,366,791248,324,73442,062,81124,751,9679,998,969432,434,012 Movement in Claim Reserves - 1,957,3337,236,6269,339,816 - 851,502 - 2,514,333 - 506,289 - 1,348,88412,574,97221,973,074 Acquisition Costs 5,398,53328,744,0321,842,459-19,239,696-51,7784,630,02859,906,526 Other Underwriting Expenses 529,6401,026,7213,937,8841,057,00313,285,77499,201223,1391,737,77821,897,140 Total Underwriting Expenses 21,991,83353,011,91469,023,37119,572,292278,335,87241,655,72323,678,00028,941,747536,210,75 Underwriting Profit/Loss 9,092,39157,816,41644,570,44934,426,25022,846,664 - 2,888,69724,575,668 - 1,887,987188,551,155 Figure 12: Coverage provided by domestic Class A insurers, measured by Gross Written and Assumed Premiums, 2019 Table 6: Domestic insurance company statistics by primary class of business, 2019 (measured in US\$) INDUSTRY OVERVIEW 40%3% 6% 5% 5% 12% 29% Health Property Liability Motor Life Marine & Aviation Other Property Life Motor Liability Marine & Aviation Other Health 28CMRAI2020 Annual Report billion premiums; 16.7% increase since 2019 US\$20.9 US\$70.8 billion assets held; 2.7% increase since 2019 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 Act

in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in the Cayman Islands to provide for their risk management needs. 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. A significant number of companies were also formed as Class B(iii) insurers to allow them to write substantial unrelated business. The jurisdiction also saw several commercial reinsurance company formations, both as start-ups and re-domestications from other jurisdictions.

INDUSTRY OVERVIEW International Insurance Segment 652 Cayman-based international insurance companies 36 Portfolio insurance companies 36 New international insurers 139 Segregated portfolio companies CMRAI2020 Annual Report²⁹ Figure 14: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, 2016 - 2020 (measured in US\$ billion)

INDUSTRY OVERVIEW Figure 13: Cayman Islands international (Class B, C, D) insurer licences, 2016 - 2020

Year	Total Premiums	Total Assets
Jun 2016	652	646
Dec 2020	703	696
Dec 2019	709	709
Dec 2018	709	709
Dec 2017	709	709
Jun 2016	13.5	13.5
Dec 2020	57.9	12.3
Dec 2019	61	15.4
Dec 2018	68.7	17.9
Dec 2017	68.9	20.9
Dec 2016	70.8	30

CMRAI2020 Annual Report Figure 16: Cayman-domiciled international insurance companies by location of risks covered

INDUSTRY OVERVIEW North America Worldwide Africa, Asia, Middle East Europe Caribbean & Latin America Pacific Rim

Figure 15 : Cayman-domiciled international insurance companies by Primary Class of Business

Primary Class of Business	Count
Property	200
Professional Liability	146
Life	78
Automobile PD & Liability	64
Products Liability	55
Other Medical Malpractice & Healthcare Worker's Compensation	44
Professional Liability	25
Property General Liability	27
Life	13
Other Products Liability	587
Automobile PD & Liability	29
Automobile PD & Liability	22
Automobile PD & Liability	6
Automobile PD & Liability	6
Automobile PD & Liability	2

CMRAI2020 Annual Report³¹ Whilst the Cayman Islands (re)insurance industry did not lose companies in 2020 due to the pandemic, 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 2020. The pandemic is expected to radically alter the manner in which business is conducted going forward and is highly likely to reshape risk management approach by many businesses including widening utilisation of self-insurance vehicles such as captive insurance companies. Judging by the new company formation activity in 2020, it is likely that the pandemic has accelerated the hardening of the global insurance market. This changing landscape continues to present opportunities to the jurisdiction. 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.

INDUSTRY OVERVIEW 32CMRAI2020 Annual Report Investments Funds and Fund Administrations 11,896 Mutual funds; 8.8% increase Domicile for hedge funds #1 Registered or licensed directors 11,651 Private funds 12,695 Mutual fund

administrators 76 Jan - Dec 2019 Jan - Dec 2020 Authorised Regulated Entities 1,1062,521 Terminated Regulated Entities 1,3621,106 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, administration, providing a principal office in the Cayman Islands, or providing an operator (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 licences allows administration of no more than 10 funds. The Private Funds Act, 2020, which came into effect on 7 February 2020, required all new and existing private funds to register with the Authority by 7 August 2020. INDUSTRY OVERVIEW Figure 17 : Number of Cayman regulated funds by category, 2016 - 2020 Table 7: Regulated mutual funds activity, 2019 - 2020 Registered Master Administered Limited Investor Licensed 2,946 \$ Registered Master Limited Investor Licensed Administered 2016 2020 2019 2018 2017 7,293 7,331 7,654 7,612 7,972 2,840 2,816 2,886 2,988 363 90 331 81 317 75 295 64 294 59 583 CMRAI 2020 Annual Report 33 Total Assets increased by 10% from US\$7.4 trillion to US\$ 8.1 trillion Ending Net Assets increased by 8% from US\$3.9 trillion to US\$4.2 trillion 8,932 regulated mutual funds filed a 2018 Fund Annual Return Form (FAR) with the Authority, representing 82% of all investment funds Totalsubscriptionsand redemptions were down US\$110 billion or 10% and US\$49 billion or 5%, respectively Net outflow of US\$91 billion See 2019 Investment Statistical Digest for full details Delaware Cayman Islands California United Kingdom New York Top 5 investment manager locations (measured by net assets) INDUSTRY OVERVIEW 2019 Investments Statistical Digest Figure 18: Mutual fund administrators by category, 2016 - 2020 84 1 8 1 11 1 12 1 1 18 67 73 75 78 21 Full Restricted Exempted 2016 2017 2018 2019 2020 34 CMRAI 2020 Annual Report According to the December 2020 Eureka hedge Hedge Fund Report, Hedge fund managers recorded their strongest return since 2009. On a year-to-date basis, global hedge funds were up 8.09%, with more than 40% of its underlying constituents having underperformed the global equity market over the first 11 months of 2020. Assets under management for the global hedge funds industry have rebounded increasing by US\$128.0 billion over the past eight months since March 2020. This has come from performance-driven gains of US\$139.8 billion and net investor outflows of US\$11.8 billion. This marks a sharp recovery following a US\$264.1 billion asset decline in Q1 2020. The total size of the industry now stands at US\$2,166.6 billion. Fund managers focusing on cryptocurrencies were up 25.63% in November as tracked by the Eureka hedge Crypto-Currency Hedge Fund Index, supported by the robust performance of Bitcoin which was up 33.45% and trading around its 2017 peak. Looking at year-to-date return, cryptocurrency hedge funds are up 128.60%, trailing behind to Bitcoin which returned 149.81% over the first 11 months of 2020. Jurisdiction 2015% change (15 v 16) 2016% change (16 v 17) 2017% change (17 v 18) 2018% change (18 v 19) 2019 % change (19 v 20) Latest available for 2020* Bahamas 885 2.9% 859 8.8% 783 2.6% 803 3.5% 775 6.3% 726 Bermuda 630 9.1% 567 4.2% 543 3.3% 513 1.0% 508 11.5% 708 BVI 2,037 20.8% 1,614 7.3% 1,499 0.2% 1,502 0.9% 1,489 3.2% 1,527 Ireland 664 6.3% 706 4.7% 739 2.0% 754 1.3% 764 1.9% 808 Jersey 1,320 9.5% 1,195 7.6% 1,104 7.6% 1,020 7.5% 943 7.5% 781 Guernsey 808 2.9% 983 0.7% 976 0.7% 970 .9% 961 1.9% 840 Cayman 10,940 3.2% 10,586 0.3% 10,559 4.1% 10,992 1.2% 10,857 121.5% 24,034 BVI and Guernsey - June 2020; Ireland, Jersey and Bermuda September 2020; Bahamas November 2020. - comprise of AIFs (excluding sub-funds) and exclude UCITS The table above depicts the growth rate of the funds industry in the main jurisdictions where funds are domiciled. Based

on the latest numbers available, the most significant changes were reflected by the Cayman Islands (24,034 up 55% due to the registration of private funds). Jurisdictional Comparisons - Funds Table 8: Number of active funds in the Cayman Islands and other financial jurisdictions for which figures are available, 2015 - 2020 INDUSTRY OVERVIEW CMRAI 2020 Annual Report 35

Securities investment business (SIB) conducted in and from the Cayman Islands includes dealing in securities, arranging deals in securities, managing securities and advising on securities. The Securities Investment Business Act (2020 Revision) (the SIBA) 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 and regulated by the Authority, unless they meet the criteria to be exempt from the licensing requirement, in which case, they are to be registered and regulated as Registered Persons as defined pursuant to schedule 4 and section 5(4) of the SIBA. Entities in these categories conduct SIB exclusively for institutions, high net worth or sophisticated investors. Licences predominantly relate to Broker-Dealers, Securities Managers 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. The amendments to the SIBA, which was gazetted on 16 January 2020 to amalgamate legislative changes within 2019, gave the Authority supervisory, inspection and enforcement powers to more effectively regulate SIB Registered Persons. These registrants were required to apply to the Authority by 15 January 2020 in order to transition to a new category of Registered Person, previously the Excluded Person category. As a result, there was a 25% decrease in registrations over the past year (2019: 2,298; 2020: 1,650), which was primarily due to the legislative changes that have taken effect to meet the economic substance requirements under the ES Amendment Act, which require securities (fund) managers to have physical presence, as well as the SIB Amendment Act that gives the Authority enhanced regulatory oversight of SIB Registered Persons in order to align with AML/CFT requirements for SIB licensees.

36 total SIB licensees 1,650 total SIB Registered Persons INDUSTRY OVERVIEW 36 CMRAI 2020 Annual Report INDUSTRY OVERVIEW Broker/Dealer Securities Manager Market Maker Securities Arranger Securities Advisor Figure 19 : Securities Investment Business licensees by type, 2016 - 2020 licenses are authorised to carry out more than one of the five regulated categories of SIB activities 12 Total SIB licence applications received 2 SIB licences cancelled or revoked 2 SIB licence applications approved 1 SIB licence application refused 25

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 Act (2020 Revision). As at 31 December 2020, the value of the currency reserve assets was CI\$188.8m representing 114.82% 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 60 and following). Execution of Monetary Functions Currency Management ORGANISATIONAL DEVELOPMENTS \$164.4 million total currency in circulation; 17.1% increase since 2019 \$150.9 million notes in circulation \$13.5 million coins in circulation 38 CMRAI 2020 Annual Report Date 2016 2017 2018 2019 2020 30 Jun \$106.9 \$112.2 \$117.9 \$124.1 \$155.4 31 Dec \$115.6 \$119.5 \$126.6 \$140.4 \$164.4 Table 9: Currency in circulation at half year and year-end, 2016-2020 (in CI\$ million) ORGANISATIONAL DEVELOPMENTS Table 10: Number of counterfeit banknotes withdrawn from circulation between 2016 and 2020. Figure 20 : Cayman Islands currency in circulation by month, 2016 - 2020 2016 2017 2018 2019 2020 \$100 37400 \$50 50101 \$25 04000 \$10 00800 \$5 00000 \$1 00000 Total No. of Notes 8111300 Total Dollar Value \$550 \$800 \$530 \$0 50 \$100,000,000 \$140,000,000 \$170,000,000 \$160,000,000 \$150,000,000 \$130,000,000 \$120,000,000 \$110,000,000 May Jun Mar Apr 2020 2016 2019 2018 2017 Jan Feb Jul Aug Sep Oct Nov Dec CMRAI 2020 Annual Report 39

Numismatic Programmes The commemorative \$1 banknote for the 60 th anniversary of the first written Constitution was unveiled at the 2020 National Heroes Day Celebrating Our First Written Constitution held on Monday, 27 January 2020. Each attendee was presented with a \$1 banknote compliments of the Cayman Islands Government with a message from the Honourable Alden McLaughlin, MBE, JP The Premier. The commemorative banknote went into circulation as of 28 January 2020. 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, 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. 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. ORGANISATIONAL DEVELOPMENTS 40 CMRAI 2020 Annual Report 2020 saw the transition of the Statistics Unit, a unit within the Policy & Development Division, to a stand- alone Financial Stability & Statistics Division (FSSD) under the Authority s regulatory pillar. The process was expertly guided through all stages of the approval process by the Human Resources Division, including presentations to the Authority s Job Evaluation Committee and the Project Steering Committee. The approval of the FSSD Strategy & Transition Plan began in late 2020. The division s largest time and effort commitment was expended towards CMRAI s response to the Caribbean Financial Action Task Force s Mutual Evaluation Review of the Cayman Islands Anti-Money Laundering practices. Staff from the division also participated in the installation of a new IT solution for monitoring licensees inherent risk to Money Laundering, Terrorism Financing and Proliferation Financing and licensees control measures for these risks. The division also facilitated multiple Technical Assistance (TA) training missions from the International Monetary Fund s (IMF) Caribbean Regional Technical Assistance Centre to better allow our supervisory divisions to play an active role in assuring their financial sub-sectors and thereby the Cayman Islands financial stability. These workshops primarily focused on stress testing of financial

sub-sectors for the Banking Supervision and Insurance Supervision Divisions. There was also a joint TA on external sector statistics compilation and reporting with the Cayman Islands Economics and Statistics Office. In cooperation with the Banking Supervision Divisions (the BSD) and Information Systems Division, there was a roll out of new supervisory forms such as Net Stable Funding Ratio, Liquidity Coverage Ratio) and Minimum Liquidity Ratio. This new data was on-boarded into analyzable databases and reports. However, the most crucial 2020 project for the Data Management & Business Intelligence Unit has been the migration of BSD s Quarterly Prudential Return from the outgoing e-Reporting platform to the current Regulatory Enhanced Electronic Filing Submission (REEFS) platform, for better data security and reliability. As was done by the preceding Statistics Unit, the new Division continued its international co-operation and reporting to the Bank for International Settlements Locational Banking Statistics, the IMF s Co-ordinated Portfolio Investment Survey and the Financial Stability Board s Non-bank Financial Intermediation exercises. The division will have a three-pillar structure: FINANCIAL STABILITY & STATISTICS DIVISION STATISTICS, COMPILATION & REPORTING GROUP DATA MANAGEMENT & BUSINESS INTELLIGENCE UNIT FINANCIAL STABILITY & MACRO-PRUDENTIAL MONITORING GROUP EXECUTION OF FINANCIAL STABILITY

CMRAI2020 Annual Report⁴¹ EXECUTION OF REGULATORY FUNCTIONS Regulatory Regime The framework for the Authority's regulation and supervision of financial services is made up of several elements. These include the applicable acts 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. Framework Table 11: List of domestic acts and international standards Sector/Entity Type Cayman Islands Acts International Standards/ Memberships All Monetary Authority Act (as amended) and respective regulations Monetary Authority (Administrative Fines) Regulations (2019) Proceeds of Crime Act (as amended) Anti-Money Laundering Regulations (as amended) Terrorism Act (as amended) Public Management and Finance Act (as amended) Companies Act (as amended) and respective regulations Proliferation Financing (Prohibition) Act (as amended) Standards: Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation Memberships: Caribbean Financial Action Task Force (CFATF) Regional Consultative Group for the Americas (Financial Stability Board) Banks, Trusts, Money Services Businesses, Credit Unions, Building Societies, Corporate Services Providers, Company Managers Banks and Trust Companies Act (as amended) and respective regulations Private Trust Companies Regulations (as amended) Money Services Act (as amended) and respective regulations Cooperative Societies Act (as amended) and respective regulations Building Societies Act (as amended) Development Bank Act (as amended) Companies Management Act (as amended) and respective regulations Standards: Basel Core Principles for Effective Banking Supervision Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore Group of Banking Supervisors 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 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. 42CMRAI2020 Annual Report EXECUTION OF REGULATORY FUNCTIONS Sector/Entity Type Cayman Islands Acts International Standards/ Memberships Insurance companies, managers, brokers, agents Insurance Act, (as amended) and respective regulations Standards: International Association of Insurance Supervisors (IAIS) Core Principles of Insurance Regulation Memberships: International Association of Insurance Supervisors (IAIS) Group of International Insurance Centre Supervisors (GIICS) Caribbean Association of Insurance Regulators (CAIR) Mutual funds, Fund Administrators, Securities Investment Businesses (market makers, broker- dealers, securities arrangers, securities advisors and securities managers) Mutual Funds Act (as amended) and respective regulations Securities Investment Business Act (as amended) and respective regulations Directors Registration and Licensing Act, (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 Virtual Asset Service Providers Virtual Asset (Service Providers) Act, (as amended) and respective regulations Private Funds Private Funds Act, (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 6 Issued by the International Association of Insurance Supervisors. The Cayman Islands is a charter member of this association. CMRAI2020 Annual Report 43 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, other relevant authorisations on-going supervision of licensees/ registrants. 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. 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. Copies of all regulatory measures issued by the Authority are available on the CMRAI website. Refer to Regulated Sectors tab. Framework for Virtual Assets The Virtual Asset (Service Providers) Act, 2020 and associated regulations came into effect on 31 October 2020. The Authority participated in the development of the Act and regulations and is continuing to develop this framework. 44CMRAI2020 Annual Report EXECUTION OF REGULATORY FUNCTIONS Table 12: List of regulatory measures issued and updated by the Authority Issued Type of Standard Title Description Feb 2020 Statement of Guidance Guidance Notes (Amendments)

on the Prevention and Detection of Money Laundering and Terrorist financing in the Cayman Islands - (Targeted Financial Sanctions) This Guidance outlines general guidance in relation to Targeted Financial Sanctions. Feb 2020Statement of Guidance Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands - (Assessing Risk and Applying Based Approach) This document provides guidance to Financial Service Providers (FSPs) on applying a risk-based approach to their anti-money laundering/countering terrorist financing (AML/CFT) framework Feb 2020Statement of Guidance Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands - Virtual Asset Providers This amendment of the Guidance Notes outlines the anti-money laundering expectations of virtual asset service providers (VASPs) Feb 2020Statement of Guidance Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands - (Ongoing Monitoring) This document provides guidance to all persons conducting relevant financial business in the Cayman Islands on ongoing monitoring. Jun 2020Statement of Guidance Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands (Guidance Notes of June 5 th , 2020) The Guidance Notes of 5 th June 2020 consolidates the existing Guidance Notes in the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands of December 13 th , 2017 and all related amendments issued by the Authority. Jul 2020RuleRule Segregation of Assets - Regulated - Mutual Funds These Rules outline the Authority s expectation in relation to segregation of assets for Mutual Funds. Jul 2020RuleSegregation of Assets - Registered - Private Funds These Rules outline the Authority s expectation in relation to calculation of net asset values for registered private funds. Jul 2020RuleCalculation of Net Asset Values for Registered Private Funds These Rules outline the Authority;s expectation in relation to calculation of net asset values for registered private funds. CMRAI2020 Annual Report45 EXECUTION OF REGULATORY FUNCTIONS IssuedType of Standard TitleDescription Jul 2020RuleCalculation of Net Asset Values for Registered Mutual Funds These Rules outline the Authority s expectation in relation to calculation of net asset values for registered mutual funds. Jul 2020PolicyExemption from Audit Requirement for a Regulated Mutual Fund This policy sets out conditions where the Authority may exempt a regulated private fund from audit requirements. Sep 2020PolicyLicensing Insurance Brokers, Agents and Agencies This policy sets out criteria on licensing Insurance Brokers, Agents and Agencies. Sep 2020RuleSegregation of Assets - Regulated Mutual Funds These Rules replace the existing Rule - Segregation of Assets for Regulated Mutual Funds. Sep 2020RuleSegregation of Assets - Registered Private Funds These Rules replace the existing Rule - Segregation of Assets for registered Private Funds. Nov 2020Policy 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. Nov 2020PolicyCriteria 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 legislation. Nov 2020Rules and Statement Guidance Market Discipline Disclosure Requirements (Pillar 3) These Rules and Guidance outline disclosure requirements for banks incorporated in the Cayman Islands and regulated by the Authority. Nov 2020Statement of Guidance Non-Fund ArrangementsThis Statement of Guidance provides the Authority s guidance on assessing whether certain arrangements, as outline in the Schedule to the PFL are determined to be a non-fund arrangement. Nov 2020RuleDeregistration of Private Trust Companies This Rule

applies to an entity registered by the Authority as a PTC pursuant to the Private Trust Company Regulations/ Nov 2020 Regulatory Procedure Deregistration of Controlled Subsidiaries and Private Trust Companies This procedure provides clarity and guidance on the Authority's deregistration process for controlled subsidiaries and private trust companies.

46 CMRAI 2020 Annual Report EXECUTION OF REGULATORY FUNCTIONS Compliance and Enforcement Through the Compliance Division, the Authority conducts due diligence on persons/entities 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. The Compliance Division, which is tasked with conducting due diligence on applicants that are referred to it by the regulatory divisions, received 238 such applications during the reporting period of 1 January 2020 - 31 December 2020. Table 13: Due Diligence applications referred to the Compliance Division

Banking	Fiduciary	Insurance	Investments	Securities	Total
45	13	19	18	35	238

Enforcement Based on the nature and seriousness of the breach, the Authority will determine whether and what enforcement action is necessary. The Authority draws its enforcement powers, mainly from the Monetary Authority Act (as amended), Regulatory Acts and the Anti-Money Laundering Regulations (as amended) (the AMLRs), which range from:

- Suspending, revoking or cancelling licences or registrations;
- Imposing conditions;
- Requiring the substitution or removal of a director, operator, senior officer, general partner, promoter, manager or shareholder of a licensee or registrant;
- Suspending or cancelling directors registrations;
- Appointing controllers;
- Appointing advisors;
- Requiring a regulated entity to obtain an independent AML/CFT Audit;
- Imposing administrative fines; and
- Applying to the Grand Court of the Cayman Islands for an order directing that a licensee or registrant be wound up;
- Requiring licensees or registrants to take such action as the Authority reasonably believes necessary; and
- Referring contraventions that result in offences and criminal penalties to the appropriate authorities.

Additionally, the Authority also takes other supervisory actions such as issuing warning notices and supervisory letters. The Authority's Enforcement Manual and Enforcement Manual (Procedure For Administering Administrative Fines Parts I-III) describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the Regulatory Acts and the AMLRs by a regulated entity. 7 Also see page 27 of the Regulatory Handbook. CMRAI 2020 Annual Report 47 EXECUTION OF REGULATORY FUNCTIONS The manual also includes the steps the Authority will follow in the event of non-compliance by a regulated entity. 15 Revocations/Cancellations 1 Winding-up petition 1,369 Warning/breach notices - individuals 2 Administrative Fines totalling CI\$582,717.50 1 Appointment of controllers 1 Imposing conditions 8 Warning/breach notices - entities 6 Directors found not fit and proper !! X Initiated 1,397 enforcement actions, 15 related to AML/CFT and Fitness and Propriety infractions 48 CMRAI 2020 Annual Report EXECUTION OF REGULATORY FUNCTIONS Table 14: Entity list of enforcement actions initiated

Name of entity	Type of authorisation held	Enforcement action	Effective date
CTS Captive Management (Cayman), Ltd.	Insurance Manager Licence	Revoked	30 Dec 2020
Western International Trust company Limited	Trust	Administrative Fines	22 Dec 2020
Premier Assurance Group SPC Ltd.	Class B Insurer	Provisional Liquidation	27 Oct 2020
Cainvest Bank and Trust Limited	Class A Bank	Administrative Fines	10 Nov 2020
Platinum Partners Credit Opportunities Fund International (A), Ltd.	Mutual Fund - Registered	Registration	

Cancelled 13 Oct 2020 Platinum Partners Credit Opportunities Fund International, Ltd. Mutual Fund - Registered Registration Cancelled 13 Oct 2020 Platinum Partners Liquid Opportunity Fund (International) Ltd. Mutual Fund - Registered Registration Cancelled 13 Oct 2020 Platinum Partners Liquid Opportunity Master Fund L.P. Mutual Fund - Registered Registration Cancelled 13 Oct 2020 Premier Assurance Group SPC Ltd. Class B Insurer Controllers Appointed 14 Sept 2020 Focus Administration Limited Mutual Fund Administrator - Full Licence Revoked 8 Jul 2020 Alesia Re, SPC Class D Insurer Licence Revoked 24 Jun 2020 Intrepid Re SPC Class B Insurer Licence Revoked 10 Jun 2020 Atlas Re, SPC Class B Insurer Licence Revoked 10 Jun 2020 Hinduja Bank & Trust (Cayman) Ltd. Banking Class B - Subsidiary Licence Revoked 22 May 2020 Hinduja Bank & Trust (Cayman) Ltd. Trust Licence Revoked 22 May 2020 Focus Administration Limited Mutual Fund Administrator - Full Impose Conditions 22 May 2020 Bridge Global Absolute Return Fund SPC Mutual Fund - Registered Registration Cancelled 20 May 2020 Motor & General Insurance Company Limited Class A External Insurer Licence Revoked 24 Apr 2020 Balkan Investment Opportunity Fund Mutual Fund - Registered Registration Cancelled 21 Apr 2020 KTH Capital Management Limited Mutual Fund Administrator - Restricted Licence Revoked 14 Jan 2020

CMRAI 2020 Annual Report 49 EXECUTION OF REGULATORY FUNCTIONS Table 15: Directors found not fit and proper Name Effective date Mark A. Nordli 13 Oct 2020 Jorge Eduardo Falcon 3 Sept 2020 Leonardo Cornide 3 Sept 2020 Gilbert Pfaeffli 22 May 2020 Samuel Sze Wei Goh 19 May 2020 Nicholas William McDonald 19 May 2020

Litigation A petition was presented to the Grand Court for the winding-up of Premier Assurance Group SPC Ltd. An order for Provisional Liquidation was granted by the court on 27 October 2020. Other Compliance-related Matters Among its duties, the Compliance Division is also tasked with investigating persons or entities that appear to be conducting regulated business without the proper authorisation from the Authority. In addition, in keeping with its mandate to protect the jurisdiction from individuals or entities seeking to reap illegal benefit by false association with the Cayman Islands, the Compliance Division continues to update a list of fraudulent websites, which includes Cayman Islands addresses for various businesses that are not registered or licensed in the Cayman Islands. Local Co-operation CMRAI processed 14 Inter-Agency Requests from local competent authorities CMRAI filed 15 Suspicious Activity Reports with the Cayman Islands Financial Reporting Authority CMRAI received 29 Onward Disclosures from the Cayman Islands Financial Reporting Authority CMRAI made 5 referrals to the Cayman Islands Bureau of Financial Investigation for criminal examination

50 CMRAI 2020 Annual Report Execution of Co-operative Functions Cross-Border Cooperation 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 CMRAI's active participation in international forums. Memoranda of Understanding Multilateral 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.

Assistance to Overseas Regulatory Authorities One of the functions of the Legal Division 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 Regulatory 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. Local Co-operation 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, 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. Financial Crime Investigations Unit The Royal Cayman Islands Police Service created a unit focused on investigating money laundering and predicate crimes conducted internationally and through companies, known as the Cayman Islands Bureau of Financial Investigations (CIBFI). CMRAI signed bi-lateral MOU with the Superintendencia de Bancos Ecuador. 1 Requests for assistance from ORAs 203 ORGANISATIONAL DEVELOPMENTS CMRAI2020 Annual Report51 Organisational Support and Administration Human Resource Management and Development ORGANISATIONAL DEVELOPMENTS Learning and Strategic Initiatives Taking a broader perspective, the focus has been, and will continue to be reskilling, upskilling and strengthening the human capital of the Authority. Tapping into individual s strengths whilst seeking to establish a growth mindset will better allow employees to continually learn and improve, which will ultimately drive productivity, efficiency and performance. The approach to learning and attendance at conferences morphed into an entirely different approach enabling several persons at the same time from within the Authority benefitting from multiple platforms of learning. Several training sessions were facilitated for staff using a web-based platform in the broad areas of anti-money laundering (AML) and bespoke modules created by members of the Authority by the Policy & Development and Anti-Money Laundering/Counter Financing Terrorism Divisions; whilst others were issued and attended by staff in areas relating to AML: Rules and Standards of Guidance Succession Planning Rules and Standards of Guidance Cybersecurity Assessing Risk & Applying a Risk Based Approach (AML) Counter Proliferation Financing Part 1 (AML) Counter Proliferation Financing Part 2 (AML) Amended Guidance on Ongoing Monitoring (AML) Targeted Financial Sanctions (AML) Virtual Asset Service Providers (AML) TF National Risk Assessment Key Findings and Red Flag Indicators (AML) Banking Sector Risk Assessment (AML) Money Services Business Sector Risk Assessment (AML) Trust & Company Service Providers Risk Assessment (AML) Securities Investment Business Licensees Risk Assessment (AML) Securities Investment Business Ex Persons Risk Assessment (AML) Mutual Funds Administration Sector Risk Assessment (AML) Insurance Risk Assessment (AML) Complaints Regarding Regulated Entities Complaints Against the Authority External Partnerships The Cayman Islands Institute of Professional Accountants released courses that were relevant to various divisions, namely Investments Supervision, Legal, Compliance, Policy & Development and Internal Audit. Nine staff members attended

courses in the areas of Private Equity, Insolvency and Restructuring and IFRS/US GAAP Updates. Virtual Conference and Webinar Attendance With the onset of COVID-19, many virtual webinars and conferences were offered from various local and external bodies: The Royal Cayman Islands Police Service, Recovery and Insolvency Specialists Association, Caribbean Regional Technical Assistance Centre, the Association of Certified Anti- Money Laundering Specialists, National Association of Insurance Commissioners Virtual International Fellows Program, International Association of Insurance Supervisors, Bank for International Settlements, Applications Supported by Blocked Amount, Toronto Centre, and CrestCom. Establishment of the Financial Stability & Statistics Division As previously mentioned, the need to meet the requirements for local data collection and international statistics reporting has led to the establishment of the Financial Stability & Statistics Unit into its own Division, made up of existing staff members. This division is responsible for statistics, compilation and reporting, as well as the macro- prudential & monitoring remit. Looking forward to 2021, the Authority continues to strengthen the recruitment of the right calibre of human resources and to enhance learning and development methods for staff, whilst recognising our employees through various staff recognition initiatives. 52CMRAI2020 Annual Report Organisational Support and Administration Information Systems

ORGANISATIONAL DEVELOPMENTS

Under the guidance of its Information Systems Division (the IS Division), CMRAI facilitates 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 schedules tests against the system to ensure business continuity in order to prove that our plans are 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. In 2020, our Disaster Recovery and Business Continuity was tested in full with the necessity to implement a robust remote desktop connection to facilitate the working-from- home policy to adapt to the COVID-19 lockdown, as ordered by the Cayman Islands Government. As minimal staff were deemed essential to come into the office, both in-office systems and remote access were in operation for over six months, indicating that attention to maintenance and security layering were in force for twice as many endpoints than normal. Systems Security Finance industries in general continue to rank number 1 for best targets. Therefore, security continues to be a major focus and with the work-from-home imperative early in the first half of 2020, the IS Division saw all new avenues for attack. However, there was no sudden shift towards remote desktop exploits with a reduction in the usual patterns. With the sudden increase of threats, and the changing attack surfaces, the IS Division is pressing forward with its plans for a Penetration Test to begin in Quarter 1 2021. Meanwhile, progress is being made every day with better added control monitoring that reports exceptions or failures, rather than daily status accounts. Other Accomplishments Ordered, configured and distributed over 200 laptops in record time to meet the demands of the Covid-19 pandemic working-from-home policy. Successfully monitor and manage various network security necessities and respond to helpdesk requests whilst working remotely to ensure service was provided to all staff. New measures were put in place with the addition of new legislation for onboarding some 12,500 Private Funds over a short six-month period. This in essence doubled our entire fund portfolio under supervision. To accomplish this the approval process had to be coded for automation whereby interrogation of attached documents were matched to structured data captured on the application forms and when KPI data matched it was automatically approved and unmatched

forms were sent for manual review. This resulted in approximately a 75- 80% success rate. Changes to the Mutual Funds Act also necessitated the development and deployment of the Limited Investor Fund application form, along with the internal automation including payments via Escrow. Revisions to the Fund regulation led to the update and adoption of the upgrade FAR Form (Version 4). An automated process for FAR Extension requests. Following the commencement of the new Virtual Asset Service Providers (VASP) regulations, various forms and processes were developed to accept registrations within a short deadline, which was successfully met.

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Organisational Support and Administration

Communication and Public Relations Through the Public Relations Unit (the PR Unit)

CMRAI provides communications support to assist in executing its functions and enhancing relationships with internal and external stakeholders, including the general public.

Events and Activities

Much of our communication efforts involved coordinating various initiatives as it related to the changes in business operations forced by COVID-19 and enhanced AML/CFT compliance. This included organising virtual industry events and training, and featured articles for staff and industry newsletters. In recognition of the international nature of CMRAI's stakeholders, the PR Unit assisted in the continued production of a variety of topical online video presentations with a goal to allow stakeholders to access CMRAI's outreach in the manner most convenient and useful to their business. CMRAI also sponsored and participated in the 2020 ACAMS Caribbean Conference by coordinating a promotional video and pre-recorded remarks. The PR Unit also spearheaded CMRAI's participation in the 2020 World Investor Week campaign, which sought to raise awareness about the importance of investor education and promote smart investment strategies, especially in the wake of the global pandemic. In addition to a press release, 15 key messages were crafted to promote financial resilience and help investors make sound decisions. Such messages were disseminated each day (twice a day) during the week-long campaign via CMRAI's LinkedIn and Facebook social media platforms. In total, the posts received over 6,000 views and interactions. Other initiatives included branded online web banners, signature banners, and published newsletter articles.

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 Special Report, Cayman Funds magazine, Captive Review, Cayman Funds Roundtable, and Cayman Captive Roundtable.

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 Insider, quarterly external newsletter -The Navigator, Annual Report and Fact Sheet. The PR Unit also collaborated with key senior staff to produce and disseminate The Anchor as well as the Investments Statistical Digest 2019.

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 and Facebook company page, in addition to frequent updates to the CMRAI website.

Internal Support

The PR Unit worked closely with the various divisions to provide communication support in the form of photographic, graphic design and content development for multiple staff projects and activities, as well as develop formal speeches and presentations for members of CMRAI's senior management team. The PR Unit also continued to monitor and disseminate relevant information, in order to keep staff and Executive Management team abreast of local and international market, regulatory and political developments affecting the financial services industry.

CONTROL Coercive Revenue Collection The Authority collected \$102.7 million in coercive fees from regulated entities on behalf of the Cayman Islands Government, compared to \$102.3 million in the previous year. 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 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, which were recorded at \$10.5 million, CMRAI Transactional Fees were \$4.2 million, Investments were \$3.1 million, Commission Income was \$1.0 million and Other Income was \$0.3 million. Net Income The Authority's net income for the year was \$3.7 million (2019: \$5.8 million), of which \$1 million was allocated to CMRAI's Capital Expenditures Reserve, and \$2.7 million to the general revenue of the Cayman Islands Government. Details of CMRAI's financial position for the year can be seen in the Audited Financial Statements that follow. (See page 60).

Category	2020	2019
Collected million in fees from regulated entities	\$102.7	\$102.3
million total outputs delivered	\$22.6	\$22.6
Net income of	\$3.7	\$5.8

CMRAI 2020 Annual Report 55 Highlights of Achievements MANAGEMENT DISCUSSION AND ANALYSIS Key initiatives conducted in 2020 in support of the Authority's 2018-2020 Strategic Plan and its new 2020-2023 Strategic Plan included: Continued AML/CFT Framework Activity and Enhancements Increased resources and capabilities within the Authority's AML/CFT Division; Continued AML/CFT outreach activities directly by the Authority or in conjunction with the Anti Money Laundering Unit of the Government. Several virtual outreach sessions were conducted during 2020; and Significant contribution to a range of activities as part of the national efforts to demonstrate positive and tangible progress to the Financial Action Task Force (FATF) in addressing effectiveness deficiencies identified in the Cayman Islands Mutual Evaluation Report. Enhancing Efficiency and Effectiveness Through Structural/Functional Reforms Attained and deployed additional resources to carry out AML/CFT supervisory function; Taking into account the strategic direction of CMRAI, the structure of the recently established Financial Stability & Statistics Unit was reviewed with new positions established and others revalued to create a Statistics Division in and of itself (separated from the Policy & Development Division); Continued to execute and refine the risk-based approach to supervision across all supervisory divisions; and Appointed an Interim Chief Risk Officer while commencing recruitment for a successful candidate to fill the post. Collaboration with the Cayman Islands Government and Private Sector The Authority provided input and advice to central Government on various initiatives and legislation, and on working groups including: The Mutual Funds (Amendment) Act 2020; The Private Funds Act, 2020; Securities Investment Business (Conduct of Business) (Amendment) Regulations, 2020; New Money Services Regulations; Bill for the planned regulation of Virtual Asset Service Providers; Various AML/CFT measures tabled in the Legislative Assembly; The Securities Investment Business (the SIB) Act Excluded Persons Re-registration; The Private Funds Bill; The Virtual Asset Service Providers; and The Caribbean Financial Action Task Force Post- Observation Period Report Regulatory Framework Enhancements New and enhanced regulatory framework achievements by the Authority included the development and or enhancement of the framework (which includes any necessary rules, guidance, policies and procedures and information technology) for the following: The implementation of an enhanced supervisory regime for Registered Persons, formerly Excluded Persons, under the SIB Act. The enforcement of the Private Funds Act, which

resulted in 12,695 new private funds registrations. Implementation of the requirements of The Mutual Funds (Amendment) Act which now requires funds, with fifteen investors or less, to be regulated by CMRAI. Prior to the commencement of this Act in February 2020, these funds were exempt from licensing and registration. Implementation of the requirements of The Mutual Funds (Annual Returns) (Amendment) Regulations 2020 outlines additional information required by regulated mutual funds, which will assist CMRAI in attaining the requisite information for macro-prudential supervision. The framework for the implementation of the requirements of the Virtual Asset Service Providers Act, which, effective October 2020, requires entities wishing to provide such services to be registered with CMRAI. CMRAI2020 Annual Report⁵⁶ The purpose of our risk management framework is to strengthen CMRAI's ability to achieve its mission and strategic objectives. Started in 2019, the framework will be implemented in a number of phases over the next several years. The initial phase, commenced in Fall 2019 and completed in August 2020, was to develop a comprehensive risk register, which will itemise significant risks. During 2020, the Risk Committee of the Board (the RCB) met quarterly before the main Board meeting to discuss and address matters such as overview of the Risk Register project and development of a Risk Appetite Statement. Risk assessment and risk management fall under the remit of CMRAI's Executive Management and in light of this, a CMRAI Management Risk Committee (the CMRC) was established to oversee the execution of CMRAI's risk management framework. During 2020, the CMRC was involved in the development of the Risk Register and a Risk Appetite Statement. CMRAI also hired a full time Chief Risk Officer (CRO) who is scheduled to begin work in April 2021 to take over the function now being carried part time by the Interim CRO, who is also the Special Assistant to the Managing Director.

Risk Management MANAGEMENT DISCUSSION AND ANALYSIS CMRAI2020 Annual Report⁵⁷ FINANCIAL STATEMENTS FOR THE FISCAL YEAR-END 31 DECEMBER 2020 58CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁵⁹ AUDITED FINANCIAL STATEMENTS 60CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁶¹ AUDITED FINANCIAL STATEMENTS 62CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁶³ AUDITED FINANCIAL STATEMENTS 64CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁶⁵ AUDITED FINANCIAL STATEMENTS 66CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁶⁷ AUDITED FINANCIAL STATEMENTS 68CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁶⁹ AUDITED FINANCIAL STATEMENTS 70CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁷¹ AUDITED FINANCIAL STATEMENTS 72CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁷³ AUDITED FINANCIAL STATEMENTS 74CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁷⁵ AUDITED FINANCIAL STATEMENTS 76CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁷⁷ AUDITED FINANCIAL STATEMENTS 78CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁷⁹ AUDITED FINANCIAL STATEMENTS 80CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁸¹ AUDITED FINANCIAL STATEMENTS 82CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁸³ AUDITED FINANCIAL STATEMENTS 84CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report⁸⁵ AUDITED

FINANCIAL STATEMENTS 86CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report87 AUDITED FINANCIAL STATEMENTS 88CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report89 AUDITED FINANCIAL STATEMENTS 90CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report91 AUDITED FINANCIAL STATEMENTS 92CMRAI2020 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI2020 Annual Report93

SCRUTINY BY PARLIAMENT CMRAI plays a central role in the fight against money laundering and terrorism financing. As part of its mandate, CMRAI continues to monitor 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 2020 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures. These include: Banks and Trust Companies Act (2020 Revision) Private Trust Companies Regulations (2020 Revision) Building Societies Act (2020 Revision) Companies Act (2020 Revision) Coopera ve Socie es Act (2020 Revision) Freedom of Information Act (2020 Revision) Monetary Authority Act (2020 Revision) Money Services Act (2020 Revision) Money Services Businesses Regulations (2020 Revision) Mutual Funds Act (2020 Revision) Proceeds of Crime Act (2020 Revision) Anti-Money Laundering Regulations (2020 Revision) Securities Investment Business Act (2020 Revision) Enactment of Legislation Freedom of Information total FOI requests received and processed granted full access 0 Complaints Majority of the complaints were addressed and resolved or closed due to non-response from complainant for additional information. 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 83 complaints against licensees, matters, 37 remained open pending further information from the complainant or internal CMRAI discussion and or decision. The remaining requests were excluded from release on the basis that the Freedom of Information Act excludes access to records containing information that may not be disclosed under Section 50 of the Monetary Authority Act. All requests were responded to within 30 days. 85 total complaints received against licensees and/or registrants 83 against the Authority 2 denied as information was publicly available 2 3

94CMRAI2020 Annual Report GOVERNMENT COMMITMENT AND FUTURE OBJECTIVES The Monetary Authority Act (the MAA) 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 legislation is consistent with those of other countries and territories; and advising on the recommendations of international organisations. This MAA 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 are covered in the Regulatory Developments section on page 43. Cross Government Commitment and Advisory Future Objectives and Outlook To support our updated mission and vision statements, and in line with our 2020-2023 Strategic Plan, an agenda for change was developed to address the key areas for management and CMRAI staff to undertake. To drive the required changes over the next three years, four strategic objectives were identified. These 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. An annual operational plan will also be developed based upon an assessment of each initiative against the following criteria to ensure that they are appropriate and achievable: strategic fit potential impact time to implement total cost to implement implementation capacity risks to implementation depth and breadth of change A final list of initiatives will form the change agenda component of our annual operational plans, which will be monitored on a monthly, quarterly and annual basis at various levels of management to ensure the degree to which each initiative is on time, on budget and within scope.

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