



# 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.

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 2021 Annual Report1 MESSAGE FROM CHAIRPERSON OF THE BOARD OF DIRECTORS  
 Despite varying challenges faced in 2021, the Cayman Islands economy performed well  
 in comparison to other jurisdictions and maintained its reputation as a safe and  
 well-respected financial services centre. Much of this success was due to the work towards  
 increasing the effectiveness of our regulatory regime. While some were externally visible  
 throughout the year, others were less visible, which is usually the operational support that  
 helped to power them. Throughout the year, the Board of Directors stayed true to its  
 commitment to meet statutory requirements and fulfil its mission in improving operational  
 efficiency and effectiveness. The sub-committees of the Board functioned effectively to  
 address matters relating to policy, legislation, audit, finance, governance, human capital,  
 and risk. During the year under review, the Board approved several new policies and  
 amendments to existing policies which allowed the Authority to engage to discharge its  
 partnership responsibilities in industry consultations. As part of its continuing focus on  
 strategic objectives, CMRAI further strengthened its operational capacity with the recruitment  
 of a full-time Chief Risk Officer ( CRO ) to progress the development of the risk management  
 framework and to support training and establishment of an organisational risk awareness  
 culture. CMRAI also continued to enhance its internal audit functions by way of a risk-based  
 internal audit plan to inform the work of the Internal Audit Unit. Plans are also underway for  
 additional staffing and increased opportunities for engagement and close collaboration with  
 management. In line with CMRAI s 2020-2023 Strategic Plan, we are pleased to announce  
 that significant progress has been made. To support the achievement of the four main  
 strategic objectives, 14 strategic initiatives were established with eight initiatives prioritised  
 during 2021 and the remaining initiatives to be undertaken over the next two years. Taking  
 into consideration expansion of its regulatory landscape, CMRAI is focused on improving  
 internal processes for building capacity and capability while seeking to optimize the use of all  
 its assets. CMRAI is making strides in increasing its human capital and enhancing internal  
 operational efficiencies through structure and workflow adjustments and deploying  
 appropriate technological solutions. CMRAI is also working towards improving its stakeholder

engagement strategies which would benefit CMRAI and its stakeholders. I am confident that these efforts undertaken in implementing the Strategic Plan will produce positive results in addressing the risks that we are exposed to and strengthening CMRAI's operations. As our achievements are the main focus of this report, it would be remiss of me not to acknowledge our continued resilience amidst the challenges we confronted with COVID while being able to deal with competing local and international demands. This resilience proved to be the core of our business success. Therefore, on behalf of the Board of Directors, I wish to express thanks to the staff and management of CMRAI for their continued diligent efforts in strengthening the supervision of

2CMRAI 2021 Annual Report MESSAGE FROM  
CHAIRPERSON OF THE BOARD OF DIRECTORS the financial services industry, which was also evident in the successful re-rating of the Financial Action Task Force's  
Recommendations. I look forward to this ongoing collaboration and remain confident that our efforts in 2021, combined with the work over the past two decades, place the Cayman Islands in a strong position for the start of 2022, which will mark CMRAI's 25th anniversary.

Patricia Estwick CMRAI 2021 Annual Report3 X Amidst the continued business operational changes, 2021 proved to be another challenging year for the CMRAI. Nevertheless, we remained resilient and continued our efforts toward meeting the anti-money laundering/combatting the financing of terrorism ( AML/CFT ) requirements, while enhancing our financial services as a prominent industry and economic driver for our islands. This was evident following the successful re-rating as Largely Compliant with Financial Action Task Force's ( FATF ) Recommendation 15 New Technologies, indicating that the jurisdiction is now Largely Compliant or Compliant with all 40 of the FATF Recommendations. As part of these developments, CMRAI observed further refinements to the regulatory landscape with revisions to the Private Funds Act, the Mutual Funds Act, Companies Management Act, the Banks and Trust Companies Act, and the Virtual Asset (Service Providers) ( ) Act. Where appropriate, these revisions also resulted in amendments to the Monetary Authority (Administrative Fines) Regulations, strengthening CMRAI's powers to issue administrative fines for AML/CFT breaches. Since the implementation of the administrative fines regime, we have observed an improvement in the culture of compliance in regulated sectors and entities and look forward to continued cooperation and enhancement in this area. In line with its strategic objectives, CMRAI also reviewed its internal business operations for opportunities to improve efficiencies. As a result, a new Professional Support Services Unit was established. This decision not only allows us to centralise our operational responsibilities, but it also aids divisions to focus on their core functions, while receiving best in class service for the tools and resources needed. To further strengthen its capacity in this area, CMRAI has already engaged expert staff across several divisions while enhancing its technological resources.

Industry Activity In light of the ever-changing business environment, the Cayman Islands continues to be home to a thriving financial services industry. As of December 2021, there were 27,398 regulated funds, compared to 24,591 the previous year. This increase included a growth in the number of both regulated mutual and private funds of 6.9% and 15.6%, respectively. According to the 2020 Investments Statistical Digest, Total Assets increased 9% between 2019 and 2020 from US\$8.104 trillion to US\$8.869 trillion and Ending Net Assets increased by 17% from US\$4.229 trillion to US\$4.967 trillion. Since early 2020, Limited Investor and Private Funds were required to submit financial data using the Fund Annual Return (FAR) and based on the submissions an additional US\$107 billion and US\$2.475 trillion, respectively was reported in Ending Net Assets. Net Income was US\$639 billion compared to US\$451 billion the previous year,

reflecting another consecutive growth in overall assets managed by Cayman-based funds, thus maintaining our position as a leading jurisdiction in offshore investment funds.

Furthermore, to continually enhance efficiency, CMRAI is seeking to improve the submission process STATEMENT BY MANAGING DIRECTOR 4CMRAI 2021 Annual Report for the regulatory returns of private funds by combining the Fund Annual Return and Related Fund Entity forms. CMRAI also plans to introduce an auto review/approval process for mutual funds, which will mirror what is currently in place for private funds. At the end of 2021, there were 48 active securities investment business licensees and 1,692 Registered Persons, compared to the 36 licensees and 1,650 Registered Persons during the same period in 2020. Since Registered Persons now fall under the full scope of CMRAI's supervision, following the enactment of the amended Securities Investments Business Act, such entities have been undergoing consistent AML/CFT and Sanctions inspections, as well as prudential assessments. Additionally, they are subject to fulfilling imposed risk-based conditions or requirements deemed necessary. With the increased risk of illicit cybercrimes worldwide, the virtual asset space also experienced rapid changes over the past few months, which required CMRAI to closely monitor these new vehicles of investment and adopt appropriate supervisory functions. During the year CMRAI received 35 applications for registration, of which 5 were approved. In conjunction with the National Risk Assessment exercise, a sectoral risk assessment was conducted to sufficiently address any gaps or areas of concern. These efforts contributed to Cayman's success in meeting all technical criteria based on FATF's recommended actions, as previously noted. However, in reviewing the registrations, several common deficiencies were identified, such as incomplete applications, insufficient information, and inconsistent supporting documentation, which impacted the smooth processing of the applications. To assist with the completion of the application forms and avoid common errors, guidance was made available via the electronic submission portal.

Despite the decline in licensed banks, the banking sector remained strong. This was due to economic support measures put in place by the Cayman Islands Government, which included the provision of fully guaranteed low-interest loans offered through the Cayman Islands Development Bank to support small businesses impacted by COVID-19, the possibility for individuals to withdraw a limited portion from their private pension funds and provision of stipends to support tourism sector employees. The Government also encouraged Class A retail banks to exercise forbearance and implement a temporary moratorium on foreclosures during 2020 and 2021, avoiding displacement among homeowners. The year ended with 102 licensed banks, compared to 110 in 2020. In late 2021, CMRAI conducted a Thematic Credit Review of nine selected lending institutions and results revealed that loan portfolios were largely well-diversified. Therefore, the impact of the pandemic on some sectors such as tourism and hospitality has not significantly impacted the overall loan portfolios. However, the deficiencies in some lending institutions could be indicative of internal control weaknesses.

The banking stability index, an aggregate indicator that measures the soundness of the domestic retail banks in the Cayman Islands, eased off by an average of 0.91 standard deviations in 2020 compared to 2019, primarily due to the impact of COVID-19. However, capital levels stood strong. For example, the regulatory capital to risk-weighted assets for the banking sector was 35.2% in June 2021, representing a slight deterioration from 38% in 2020. Asset quality remained stable on the backdrop of relatively low earnings and profitability in a low interest rate environment, coupled with increased provisions affected in anticipation of shocks associated with COVID-19. In 2021, the banking stability index improved mainly due to higher levels of capital adequacy and liquidity in the retail banking sector. Reports for the

fiduciary services sector showed that there was a 1% decrease in trusts and company management licensed entities, which STATEMENT BY MANAGING DIRECTOR CMRAI 2021 Annual Report<sup>5</sup> stood at 284, compared to 286 in the previous year. There was also a 2% decrease in trust registrants, from 189 to 185. With 763 insurance licensees, the Cayman Islands insurance industry remains the world's leading domicile for healthcare captives and the second largest for captives. In 2021, 37 new international insurance companies were added to the market, compared to 36 in the previous year. New insurer formations included 34 captives, 2 insurance-linked securities and 1 Class D reinsurer. Overall, the Cayman Islands financial sector remained stable throughout the year, which indicates a positive outlook in 2022.

2022 Planned Initiatives As outlined last year, comprehensive self-assessments against core principles in the insurance, banking, and securities sectors were 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. Consultation documents relating to multiple industry sectors such as corporate governance and internal controls, including virtual assets exchanges and custodians are expected to be released over the coming months. Additionally, it is recognised that the Travel Rule has been a significant challenge for both regulatory authorities and industry globally. CMRAI will, therefore, continue to maintain constant dialogue with industry to ensure compliance in this area. The effective date for the implementation of the Travel Rule for virtual asset services providers is set for mid-2022. Other future initiatives will include the implementation of measures governing the liquidity framework of banks, continued work on building issuance and sandbox frameworks, revisions to the way that re-insurance arrangements and investments strategies are undertaken as well as preliminary research into the enhancement of the securities sector. A key focus will also include the assessment of cybersecurity frameworks which will be conducted through a series of thematic reviews in addition to being assessed through the regular onsite inspections. With identified risks being the common driving force, CMRAI will also continue its vigorous oversight of AML/CFT obligations to promote and safeguard the integrity of the Cayman Islands financial services industry, thus demonstrating the robustness of our regulatory framework. In the coming months, all regulated entities will be asked to provide various information that will help to inform CMRAI's AML/CFT institutional and sectoral risk assessments.

Closing As we embark on 2022, I am excited to announce that this year marks our 25th anniversary. Despite the relentless changes of the financial landscape, CMRAI remains committed to playing its part in contributing to the ongoing success of the jurisdiction, while upholding our position as a globally respected financial services centre of excellence for the next 25 years and beyond.

Cindy Scotland

6CMRAI 2021 Annual Report 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: 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 CMRAI 2021 Annual Report<sup>7</sup> DEPUTY MANAGING DIRECTOR - GENERAL COUNSEL DEPUTY MANAGING DIRECTOR - OPERATIONS DEPUTY

MANAGING DIRECTOR - SUPERVISION MANAGING DIRECTOR PUBLIC RELATIONS UNIT 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 PROFESSIONAL SUPPORT SERVICES UNIT CHIEF STRATEGY OFFICER CHIEF RISK OFFICER 8CMRAI 2021 Annual Report Deputy Chairman Garth MacDonald Managing Director Cindy Scotland Director Judith Watler Chairperson Patricia Estwick Director Henry Smith Director Ormond A. Williams Director Iam Wight Director Johann Moxam Director (Non-voting) Dr. Dax Basdeo BOARD OF DIRECTORS CMRAI 2021 Annual Report9 Managing Director Cindy Scotland Deputy Managing Director - Operations Patrick Bodden Deputy Managing Director - Supervision Anna McLean Head, Investments Heather Smith Deputy Head, Securities Jessica Ebanks Deputy Head, Investments Andrew Graham Head, Securities Heeraman Jowaheer EXECUTIVE MANAGEMENT & SENIOR OFFICERS 10CMRAI 2021 Annual Report Head, Banking Gloria Glidden EXECUTIVE MANAGEMENT & SENIOR OFFICERS Head, Fiduciary Services Rohan Bromfield Reinsurance Specialist Peter Fox Deputy Head, Fiduciary Services Leticia Frederick Deputy Head, Insurance Kara Ebanks Deputy Head, Onsite Inspection Unit Niall McAuliffe Deputy Head, Fiduciary Services Reisan Moiten Head, AML/CFT Division Sarah Wheeler Head, Onsite Inspection Unit Suzanne Sadlier Deputy Head, AML/CFT Division Judiann Myles Deputy Head, Banking Shakira Cox Deputy Head, Insurance George Kamau CMRAI 2021 Annual Report11 Acting Deputy General Counsel Angelina Partridge Head, Compliance Audrey Roe 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 EXECUTIVE MANAGEMENT & SENIOR OFFICERS Deputy Chief Financial Officer Tammy Archer 12CMRAI 2021 Annual Report Public Relations Executive Yvette Cacho Head, Human Resources Deborah Musson EXECUTIVE MANAGEMENT & SENIOR OFFICERS Chief Risk Officer Janique Samson Deputy Internal Auditor Kioko Musaya Deputy Head, Currency Dominique Lloyd Head, Information Systems Charles Thompson Deputy Head, Information Systems Scott MacLaren Special Assistant to the Managing Director Mitchell Scott Internal Auditor Deloris Gordon Head, Currency Deborah Ebanks Deputy Head, Human Resources Tara Abdul-Jabbar Chief Strategy Officer, Prabhavathi Namburi CMRAI 2021 Annual Report13 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 14CMRAI 2021 Annual Report 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 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. ABOUT US 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. CMRAI 2021 Annual Report<sup>15</sup> 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**

**16CMRAI 2021 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 2021**

seemed defined by the COVID-19 pandemic and human resources, as we know it, had no choice but to adjust and become even more nimble with the way in which we operate. Therefore, the Authority focused on aligning its objectives and policy amendments to meet the direction guided by its Strategic Plan. The year welcomed 53 new employees from 11 different nationalities including the Cayman Islands, adding to the ethnic fabric that makes the Authority a unique place of employ. These new hires joined 10 of the 15 divisions, contributing to a calibre of staff enriched with technical prowess and subject matter experts across the organisation. Consequently, the Authority lost 31 staff, majority of whom were hired by other industry organisations. Included in its learning strategy, the Authority strengthened its remit and approach to learning, with a robust plan for learning and awareness. Unfortunately, this training becomes almost a two-edged sword. As we train up our people and increase robust, regulatory needs, CMRAI's knowledgeable and experienced staff become very attractive as a valuable resource to the financial services industry.

**Staff by Division**

Total	269
Anti-Money Laundering	24
Banking	24
Internal Audit	2
Compliance	20
Currency	6
Fiduciary Services	16
Finance	9
Financial Stability Division	9
Human Resources	9
Information Systems	24
Insurance	26
Investments	45
Legal	8
Managing Director's Office	14
Onsite Inspection Unit	9
Policy & Development	12
Securities	11

**ABOUT US Table 1: Number of staff across each division**

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**17 Banking and Related Services Banking INDUSTRY OVERVIEW**

The Banks and Trust Companies Act (2021 Revision), as amended, authorises CMRAI to issue two main categories of banking licences, namely Category A and Category B. Category A banks are allowed to operate both in the domestic and international markets and provide both retail and non-retail services to residents and non-residents. Traditional commercial retail banking services are provided by six of the Category A banks, with the other Category A banks providing investment banking services. Category A banks also offer principal office/authorised agent services to Category B banks that do not have a physical presence in the Cayman Islands. Category B licence permits international banking business with limited domestic activity. The holders of a



Category B licence are primarily used as financial intermediaries to raise funds in the international market to provide capital for parent entities and for the financing of external/cross-border business on their own account in the international market. Licensing Activity Banks continually consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance as a result of global macroeconomic changes and changes in international laws and regulations. Accordingly, we continue to see a decline in the number of banks licenced in the Cayman Islands over the last five years (see Figure 2 below). One (1) new licence was issued during the year, with an observed heightened interest expressed in obtaining Category A and B licenses. The number of banking licensees supervised in the Cayman Islands decreased by 8% from 110 at December 2020 to 101 at December 2021. 101 Total banking licences Category A Banks 10 Trust Company 40 Category B Banks 91 Money Services Business 5 18 Nominee (Trust) Trust (Controlled Subsidiary) 7 Development Bank 1 Cooperative Credit Unions 2 Building Society 1 18CMRAI 2021 Annual Report 23.76% 12.87% 1.98% 23.76% 21.78% 15.84% 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, 2021

INDUSTRY OVERVIEW Dec 2020Dec 2019Dec 2018Dec 2017Dec 2021 137 111111910 116 101 91 122 Category A Category B Figure 2: Number of bank licences by category, June 2016 December 2021 CMRAI 2021 Annual Report19

Jurisdiction20172018201920202021% change 2017-2021 Cayman150135125110101-33% Bahamas8481706765-23% Panama8883837558-34% Jersey2824242421-25% Luxembourg139128128128123-12% Switzerland256248248246241-6% Hong Kong191181181178183-4% Singapore157156156171153-3%

Table 2: Number of bank licences per selected jurisdictions, 2017 - 2021

INDUSTRY OVERVIEW Figure 3: Total Assets and Liabilities of Cayman Islands-licensed banks, June 2017 December 2021 (measured in US\$ trillions) 0.50 0.91 0.58 0.54 0.61 0.64 0.62 0.65 0.87 0.47 Dec 2017Dec 2021 Dec 2020Dec 2019 Dec 2018 Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks, December 2017 December 2021 (measured in US\$ trillions) Dec 2017Dec 2021Dec 2020Dec 2019Dec 2018 0.93 0.670.67 0.93 0.520.52 0.660.66 0.600.60

Cross-Border Liabilities Cross-Border Assets Total Liabilities Total Assets 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. 20CMRAI 2021 Annual Report As at 31 December 2021, the jurisdiction ranked fifteenth internationally in terms of cross-border assets of US\$503 billion, and fifteenth internationally by cross-border liabilities of US\$470 billion booked by banks licensed in the Cayman Islands. Figure 4 provides a comparison of the level of cross-border assets and liabilities booked by banks licensed in the Cayman Islands from December 2017 to December 2021. INDUSTRY OVERVIEW 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 illustrates the assets and liabilities in foreign currencies from December 2017 to December 2021. Figure 5: Domestic Assets and Liabilities of Cayman Islands-licensed banks in Foreign Currency, December 2017 December 2021 (measured in US\$ millions) 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. Dec 2017Dec 2021Dec 2020Dec 2019Dec 2018 15,338 46,735 57,701 17,16517,684 49,28050,097 20,842 59,991 19,013 Domestic Liabilities Domestic Assets CMRAI 2021 Annual Report21 The domestic banking sector remained resilient in the face of the overall marginal 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 As highlighted in Table 3, the FSIs indicate that the retail banking sector remains healthy, while also highlighting the resilience of the Cayman banking sector. 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 impact of COVID-19 pandemic. Domestic Sector Category A Retail Banks US\$13.7 Retail banks reported US\$ 15.6 Retail sector reported liabilities of billion billion in deposits US\$ 15.5 Retail banks held assets of billion

INDUSTRY OVERVIEW Indicator (%)	2017	2018	2019	2020	2021
Capital Adequacy Regulatory Capital to Risk- Weighted Assets	22.2	25.5	28.5	26.6	26.8
Regulatory Capital to Total Assets	11.5	12.9	13.3	11.6	12.1
Nonperforming Loans to Total Gross Loans	1.81	1.61	1.4	1.71	1.8
Specific Provisions to Impaired Loans (Coverage Ratio)	42.14	48.74	48.8	39.04	41.8
Return on Equity (net income to average capital [equity])	13.01	15.21	18.1	7.21	14.1
Return on Assets (net income to average total assets)	1.62	0.2	2.6	1.21	1.7
Interest margin to gross income	70.73	171.5	70.96	66.44	
Non-interest expenses to gross income	48.74	3.94	1.5	69.65	4.14
Liquid assets to total assets (liquid asset ratio)	33.53	2.73	1.8	34.62	8.2

Table 3: Financial Soundness Indicators, 2017 2021 22CMRAI 2021 Annual Report Capital Adequacy Ratios The increase in the capital ratios as at 31 December 2021 is mainly due to the increase in total capital arising from the profits for the year. The CAR continues to remain comfortably above the minimum CAR requirement of 10% required by the BTCA and demonstrates that the sector is well capitalised. Asset Quality The increase in Nonperforming loans ( NPLS ) as a percentage of total gross loans for the retail banking sector is due to a marginal increase in NPLs in the year. However, the overall loan book quality and provisioning levels continues to be fairly stable due to the Cayman Islands strong economic environment and resilience of the sector. Earnings and Profitability Relative to the previous year, the sector reported an increase in profits as the banks and the economy continued to recover from the impact of COVID-19 pandemic which had significantly impacted the 2020 financial performance. As a result of the higher profits, the average Return on Equity ( ROE ) and the Return on Assets ( ROA ) were higher than the previous year. Liquidity The ratio of liquid assets to total assets for retail banks decreased to 28.2% as at 31 December 2021 mainly due to a decrease in cash balances held with group related entities. Effective 1 June 2019, CMRAI implemented a comprehensive Liquidity Risk Management framework for banks, which included the Liquidity Coverage Ratio ( LCR ) and Net Stable Funding Ratio ( NSFR ). All Category A retail banks are required to maintain a minimum LCR and NSFR of 100%. As at 31 December 2021, the average LCR and NSFR for Category A retail banks were 123.64% and 179.04%, respectively. INDUSTRY OVERVIEW CMRAI 2021 Annual Report23 CMRAI supervises three active money services businesses ( MSB ) that cater primarily to the resident domestic market and are predominantly used by the expatriate community to send money to their home countries. The Financial Action Task Force ( FATF ) defines the business of MSBs as financial services that involve the acceptance of cash, cheques, other monetary instruments

or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the [MSB] provider belongs. Money Services Businesses 7.8 261.7 278.2 264.0 234.8 217.7 9.4 6.4 8.1 8.0

Figure 6: Total remittance outflows and inflows, 2017 – 2021 (measured in US\$ millions) Total remittance outflows posted an increase relative to outflows for December 2020 and remained higher than average annual outflows for years 2017 – 2019. Similarly, total remittance inflows increased and resulted in the highest average annual inflows over the past five years. The increase in remittance outflows is due to increased financial support offered to persons continuing to be impacted by the COVID-19 pandemic by their family and friends outside of the Cayman Islands. The remittance outflows posted an increase as a result of the continued relaxation of COVID-19 restrictions and the gradual reopening of the domestic economy resulting in an increased income; hence higher outgoing remittances by expatriates to their home countries. The proportion of remittances by country in figure 7 and figure 8 is consistent with the demographic distribution of the expatriate community in the Cayman Islands which reaffirms that MSBs are predominantly used by the expatriates to send money to their home countries. CMRAI supervises 3 active money services businesses that cater to the domestic market 2017 2019 2020 2021 2018

INDUSTRY OVERVIEW CMRAI 2021 Annual Report 24

INDUSTRY OVERVIEW 59.2% 10.9% 16.3% 54.1% 1.2% 1.7% 6.4% 7.4% 11.8% 17.3% 7.2% 4.4% 2.0%

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 25

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INDUSTRY OVERVIEW 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 383

Figure 9: Number of trust companies by licence category, 2017 - 2021 56 96 110 104 100 143 143 131 132 145 58 43 46 51 43 50 58 60 57 59 49 25 43 45 44

2021 2017 2018 2019 2020

Trust Licence Restricted Trust Licence Controlled Subsidiaries (Registered) Nominee Trust Licence Private Trust Companies 26

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Corporate Services The Cayman Islands holds its own among locations from which corporate/company management services are provided and the sector for the most part remained consistent over the last year. The decrease by 1 corporate services licence does not in itself represent a concerning trend. All providers of corporate services are required to be licensed by CMRAI under the following categories: 1) a companies management licence, which allows the holder to provide company management services as listed in Section 3(1) of the Companies Management 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). Licensed trust companies

are also authorised to provide corporate services. Figure 10: Number of corporate service providers by licence category, 2017 - 2021

Authorisation Type	Active as at 31 Dec 2019	Active as at 31 Dec 2020	Active as at 31 Dec 2021
Registration - Exemption from licensing - Section 16(1)	101	113	129
Licence - Professional Director	596	163	
Licence - Corporate Director	222	418	

Table 4: Director authorisation activity under the Directors Registration and Licensing Act, 2014 (as amended), 2019 - 2021

INDUSTRY OVERVIEW 00 Company Managers Corporate Service Providers Dec 2017 Dec 2018 Dec 2019 Dec 2020 Dec 2021

Companies providing corporate services in and from the jurisdiction 143 27 CMRAI 2021 Annual Report Virtual Asset Service Providers

The Virtual Asset Service Providers ( VASP ) Act was passed in May 2020 to regulate virtual asset activities taking place in or from the jurisdiction. CMRAI has been appointed the supervisory authority for VASPs. The VASP Act is being implemented in two phases. Phase one came into force on 31 October 2020 and focused on the implementation of the AML/CFT compliance, supervision and enforcement, and other key areas of risk. All entities engaged in or that intend to engage, in virtual asset services were required to file applications for registration with CMRAI by 31 January 2021. CMRAI will assess the applicant s AML/CFT/CPF systems and controls, inherent risks, open-source information, and closed source intelligence. Phase two will bring into effect the outstanding sections of the VASP Act, and Regulation is scheduled to commence in 2022. This includes the licensing regimes for virtual asset issuers, exchanges, fintech and sandbox. The Cayman Islands is currently developing the licensing framework, policy and supervisory framework for each. Cayman Islands registered VASPs are also required to comply with the AML/CFT/CPF and Sanctions obligations outlined in the AMLRs. With the increased risk of illicit cybercrimes worldwide, the virtual asset space also experienced rapid changes over the past few months, which required CMRAI to closely monitor these new vehicles of investment and adopt appropriate supervisory functions. During the year CMRAI received 35 applications for registration, of which 5 were approved. In conjunction with the National Risk Assessment exercise, a sectoral risk assessment was conducted to sufficiently address any gaps or areas of concern. These efforts contributed to Cayman s success in meeting all technical criteria based on FATF s recommended actions, as previously noted. However, in reviewing the registrations, several common deficiencies were identified, such as incomplete applications, insufficient information, and inconsistent supporting documentation, which impacted the smooth processing of the applications. To assist with the completion of the application forms and avoid common errors, guidance was made available via the electronic submission portal.

INDUSTRY OVERVIEW VASP applications approved 5 \$ 28 CMRAI 2021 Annual Report Insurance

The insurance industry in the Cayman Islands has two distinct sectors: Domestic insurance 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

Licence Type	Total as at 31 Dec 2020	Cancelled 1 Jan - 31 Dec 2021	Issued 1 Jan - 31 Dec 2021	Total as at 31 Dec 2021
Class A	26	10	25	
Class B, C, D	652	2837	661	

Insurance Managers 211 0 20 Brokers 2300 23 Agents 46105 36 Total 7684037765

Table 5: Insurance

	2020	2021	2020	2021	2020	2021	2020	2021
licensing activity, 2020 -2021 US\$807 Domestic gross premiums written and assumed reinsurance premiums of million as at 31 Dec 2020 Figure 11: Cayman Islands domestic licences by category, 2017 2021 INDUSTRY OVERVIEW 25 23 36 Class A Insurers Brokers Agents Dec 2017Dec 2018 Dec 2019 Dec 2020Dec 2021 domicile in healthcare captives worldwide CMRAI 2021 Annual Report29 Figure 12: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, Figure 12: Coverage provided by domestic Class A insurers, measured by Gross Written and Assumed Premiums, 2020 Table 6: Domestic insurance company statistics by primary class of business, 2020 (measured in US\$) INDUSTRY OVERVIEW 47%4% 4% 4% 5% 7% 29% Health Property Liability Motor Life & Annuity Aviation Other Property Life & Annuity Motor Liability Aviation Other Health MotorPropertyLiability Marine & Aviation HealthOtherTotal Non- Life Total Life & Annuity Grand Total Gross Written Premiums	\$43,791,711	\$234,419,735	\$57,912,876	\$28,266,000	\$375,062,936	\$34,380,772	\$773,834,030	\$33,490,250
Assumed Premiums-	\$28,860	\$38,359,164	\$94,420,708	\$17,828,000	\$1,775,506	\$8,410,554	\$160,765,072	-\$160,765,072
Total Written Premium	\$43,762,851	\$272,778,899	\$152,333,584	\$46,094,000	\$376,838,442	\$42,791,326	\$934,599,102	\$33,490,250
Reinsurance Ceded	\$20,371,686	\$194,734,753	\$7,407,525	-\$39,594,908	\$1,167,838	\$263,276,710	\$5,374,830	\$268,650,000
Unearned Premium Adjustment	\$87,044	\$2,745,203	-\$206,355	-\$34,349	-\$2,420	\$2,657,821	\$11,882	\$2,669,703
Net Earned Premiums	\$23,478,209	\$80,789,349	\$144,719,704	\$46,094,000	\$337,277,883	\$41,621,068	\$673,980,213	\$28,127,300
Commissions Received	\$3,864,879	\$32,731,771	\$2,390,818	-\$1,250,797	\$100,350	\$40,338,615	\$22,844	\$40,361,459
Total Underwriting Income	\$27,343,088	\$113,521,120	\$147,110,522	\$46,094,000	\$338,528,680	\$41,721,418	\$714,318,827	\$28,150,100
Net Claims Paid	\$18,494,806	\$13,377,588	\$45,218,715	\$8,267,000	\$254,841,144	\$7,819,945	\$348,019,198	\$8,804,300
Movement in Claim Reserves	-\$6,335,619	\$7,099,367	\$14,930,032	-\$825,000	\$6,976,809	-\$194,484	\$21,651,105	\$13,300,167
Acquisition Costs	\$3,585,901	\$30,469,928	\$1,551,013	-\$19,367,412	\$67,833	\$55,042,087	\$4,730,473	\$59,772,560
Other Underwriting Expenses	\$269,788	\$1,347,443	\$4,468,098	\$891,000	\$3,681,812	\$425,490	\$11,083,631	\$1,848,469
Total Underwriting Expenses	\$16,014,876	\$52,294,326	\$66,167,857	\$8,333,000	\$284,867,177	\$8,118,784	\$435,796,021	\$28,683,411
Underwriting Profit/Loss	\$11,328,212	\$61,226,794	\$80,942,665	\$37,761,000	\$53,661,503	\$33,602,634	\$278,522,806	-\$557,027

30CMRAI 2021 Annual Report billion premiums; increased by 10.4% since 2020 US\$23.1 US\$75.1 billion assets held; increased by 6.1% since 2020 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 661 Cayman-based international insurance companies 42 Portfolio insurance companies 37 New international insurers 148 Segregated portfolio companies CMRAI 2021 Annual Report

**Figure 14: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, 2017 - 2021 (measured in US\$ billion)**

**INDUSTRY OVERVIEW** Figure 13: Cayman Islands international (Class B, C, D) insurer licences, 2017 - 2021

Year	Total Premiums (US\$ billion)	Total Assets (US\$ billion)
Dec 2021	652	646
Dec 2020	703	696
Dec 2019	661	652
Dec 2018	661	12.3
Dec 2017	661	61
Dec 2017	661	15.4
Dec 2021	661	68.7
Dec 2020	661	17.9
Dec 2019	661	68.9
Dec 2018	661	20.9
Dec 2018	661	70.8

CMRAI 2021 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	198
Professional Liability	148
Life	82
Automobile	66
PD & Liability	57
Products	25
Liability	28
Other	44
Medical Malpractice & Healthcare	13
Worker's Compensation	594
Professional Liability	28
Property	23
General Liability	7
Life	7
Other	2
Products	2
Liability	2
Automobile	2
PD & Liability	2

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Despite the COVID-19 pandemic persisting in 2021, the Cayman Islands international (re)insurance industry showed strong resilience with 2021 recording the highest number of new licences issued since 2016 and the lowest number of licence cancellations since 2018. The global insurance market, particularly the U.S. which is the key source of business for the Cayman Islands international insurance sector continued to harden thus resulting in premium rates increases, contract exclusions, higher deductibles, and reduced coverage. Coupled with the business disruption and uncertainties caused by the ongoing pandemic, this state of the global insurance market is expected to continue, at least in the medium time. As a result, the insurance market in the Cayman Islands is likely to see increased utilisation of captives in the years ahead for self-insurance as captive owners seek to use the vehicle for better management of their risk exposures and cost containment. It is therefore likely that the existing captive insurance companies in the Cayman Islands will broaden their insurance programmes and assume more risks. Increased formations are also likely to occur as new entrants join the captive market in the Cayman Islands. The international insurance market in the Cayman Islands is also expected to continue to diversify to other forms of insurance as witnessed by the licensing activity in the past five years (2017-2021) which has shown a paradigm shift from the traditional self-insurance captive formations to more commercially oriented set ups. On average, about 60% of the new licences granted by the Authority during the five-year period of 2017 to 2021 have been issued to commercial insurance and reinsurance companies conducting open market operations, with just about 40% of new licences being granted to pure captives conducting self-insurance. This trend is expected to continue in the coming years. One area that continue to attract great interest is commercial reinsurance, particularly the life market, as large reinsurers continue to form in the Cayman Islands to reinsure long term life and annuity business ceded by U.S. based carriers. Technology innovations such as digital platforms and insurtech are gaining traction in the

Cayman Islands and several formations have already taken place with licensing of insurance companies leveraging on insurtech and digital investment platforms. This is emerging as another frontier for the Cayman Islands insurance market and will continue to evolve.

**INDUSTRY OVERVIEW 34CMRAI 2021 Annual Report Investments Funds and Fund Administrations** 12,719 Mutual funds; 6.9% increase Domicile for hedge funds #1 Registered or licensed directors 14,929 Private funds; 15.6% increase 14,679 Mutual fund administrators 75 Jan - Dec 2020 Jan - Dec 2021 Authorised Regulated Entities 2,521 1,614 Terminated Regulated Entities 1,429 1,066 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. There are four types of mutual funds regulated pursuant to the Mutual Funds Act (2021 revision), as follows: Section 4(3) or registered fund; Section 4(1)(a) or licensed fund; 4(1)(b) or administered fund; 4(4) or limited investor fund. It should be noted that the Mutual Fund Act was amended in February 2020 to require all new and existing funds, pursuant to section 4(4), of the Mutual Fund Act to register with the Authority by 7 August 2020. The Private Funds Act, 2020, which came into effect on 7 February 2020, required existing private funds to register with the Authority by 7 August 2020, with new funds being required to register at the time of formation.

**INDUSTRY OVERVIEW Table 7: Regulated mutual funds activity, 2020 - 2021** Jan - Dec 2020 Jan - Dec 2021 Authorised Regulated Entities 12,830 2,239 Terminated Regulated Entities 0 276

**Table 8: Regulated private funds activity, 2020 - 2021** \$ CMRAI 2021 Annual Report 35

**INDUSTRY OVERVIEW Figure 17 : Number of Cayman regulated funds by category, 2016 - 2021** 2,946 Registered Master Limited Investor Licensed Administered 2016 2020 2021 2019 2018 2017 7,293 7,331 7,654 7,612 7,972 8,499 2,840 2,816 2,886 2,988 3,198 295 55 672 363 90 331 81 317 75 295 64 294 59 583

**Figure 18: Mutual fund administrators by category, 2017 - 2021** 66 1 9 1 10 1 12 1 18 66 70 76 78 9 2020 2021 2019 2018 2017 36

**CMRAI 2021 Annual Report** Total Assets increased by 9% from US\$8.1 trillion to US\$ 8.9 trillion Ending Net Assets increased by 17% from US\$4.2 trillion to US\$5 trillion 9,621 regulated mutual funds filed a 2019 Fund Annual Return Form ( FAR ) with the Authority Totalsubscriptionsand redemptions were down US\$214 billion or 23% and US\$158 billion or 15%, respectively Net outflow of US\$35 billion See 2020 Investment Statistical Digest for full details Delaware Hong Kong California United Kingdom New York Top 5 investment manager locations (measured by net assets)

**INDUSTRY OVERVIEW 2020 Investments Statistical Digest** According to the December 2021 Eureka hedge Hedge Fund Report, the Eureka hedge Hedge Fund Index was down 1.14% in November 2021, outperforming the global equity market as represented by the MSCI ACWI (Local), which returned -2.03% over the same period, and up 8.36% for the year 2021. Total assets under management decreased by US\$35.3 billion during the month as the sector witnessed performance- based losses of US\$15.9 billion while registering net asset flows of -US\$19.4 billion. The total size of the industry now stands at more than US\$2,409.8 billion. In the fourth quarter of 2021, investors continued to incorporate ethical considerations into their investment decisions within the environmental, social and governance (ESG) framework and related investment strategies ESG investing is still very young and will likely evolve over the next several generations. The first step was changing the mindset, which has clearly been done and continuing to happen. The next logical step is

changing behaviours and that requires active ESG investing. Active ESG (or AESG) investors actively engage with portfolio companies to induce change to better the environment, social aspects and governance. AESG investing will remedy the two major problems with traditional ESG investing. First, it is a completely qualitative analysis of portfolio companies. It does not look at a diverse board and end the analysis there. AESG funds actively and qualitatively analyse boards for not only diversity but engaged, conscientious and experienced directors. All diverse boards are not equal in an AESG investment world. Second, because it is an active and engaged strategy, it does not necessarily look for best-in-class ESG CMRAI 2021 Annual Report<sup>37</sup> companies, but for any companies in which it can make a positive change. Those companies are often below-average ESG companies. For example, investing in an oil and gas explorer and producer and actively persuading the company to convert its operations to renewables does much more for the environment than passively investing in the publicly traded equity of a solar company. Put another way, passive ESG investing is all about not being part of the problem whereas AESG investing is about being part of the solution. Moreover, the process of changing a poor ESG company to a good one is not only more valuable for society than just investing in good ESG companies but creates more value for shareholders as well.

Jurisdiction 2016% change ( 16 v 17) 2017% change ( 17 v 18) 2018% change ( 18 v 19) 2019 % change ( 19 v 20) 2020% change ( 20 v 21) Latest available for 2020\*

Bahamas	859	8.8%	783	2.6%	803	3.5%	775	6.3%	726	0.0%	726
Bermuda	567	4.2%	543	3.3%	513	1.0%	508	11.5%	708	3.01%	820
BVI	1,614	7.3%	1,499	0.2%	1,502	0.9%	1,489	3.2%	1,527	4.22%	1,779
Ireland	706	4.7%	739	2.0%	754	1.3%	764	1.9%	808	0.98%	826
Jersey	1,195	7.6%	1,104	7.6%	1,020	7.5%	943	7.5%	781	0.93%	757
Guernsey	983	0.7%	976	0.7%	970	.9%	961	1.9%	840	1.43%	829
Cayman	10,586	0.3%	10,559	4.1%	10,992	1.2%	10,857	121.5%	24,034	11.41%	27,398

\* - The latest available numbers for 2021 are as at the following period: Bahamas August 2021; Guernsey March 2021; Bermuda, BVI, Jersey and Ireland June 2021. - 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 BVI (1,779 - up 4.22%) and the Cayman Islands (27,398 - up 11.41%, mainly due to new registrations of private funds).

Jurisdictional Comparisons - Funds Table 9: Number of active funds in the Cayman Islands and other financial jurisdictions for which figures are available, 2016 - 2021

INDUSTRY OVERVIEW 38 CMRAI 2021 Annual Report Securities 48 total SIB licensees 1,692 total SIB Registered Persons INDUSTRY OVERVIEW Broker/Dealer Securities Manager Market Maker Securities Arranger Securities Advisor 19 7 28 20 21

Figure 19 : Securities Investment Business licensees by type in 2021

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. Since the amendments to the SIBA, there was a 25% decrease in registrations from the older Excluded Persons regime to the newer Registered Persons which amounted to 1,692 registrations as at 31 December 2021. The decrease in registrations from the older to newer regime of registrants 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. CMRAI 2021 Annual Report<sup>39</sup>

**INDUSTRY OVERVIEW** Securities Investment Business licence applications Registered Persons licence applications 50 Registered Persons licence applications were returned 43 Registered Persons licences cancelled or revoked 133 Registered Persons licence applications approved 4 Registered Persons licence application refused \_ X SIB licence approval applications rescinded 2 SIB licence applications returned 3 SIB licences cancelled or revoked 16 SIB licence applications approved 1 SIB licence application refused 2 \_ X 40

CMRAI 2021 Annual Report CMRAI, through its Currency 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. As at 31 December 2021, the value of the currency reserve assets was CI\$198.1m. 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. Execution of Monetary Functions Currency Management ORGANISATIONAL DEVELOPMENTS \$173.5 million total currency in circulation; 5.5% increase since 2019 \$159.6 million notes in circulation \$13.9 million coins in circulation CMRAI 2021 Annual Report<sup>41</sup> Date 2017 2018 2019 2020 2021 30 Jun \$112.2 \$117.9 \$124.1 \$155.4 \$161.7 31 Dec \$119.5 \$126.6 \$140.4 \$164.4 \$173.5 Table 9: Currency in circulation at half year and year-end, 2017-2021 (in CI\$ million)

ORGANISATIONAL DEVELOPMENTS Table 10: Number of counterfeit banknotes withdrawn from circulation between 2017 and 2021. Figure 20 : Cayman Islands currency in circulation by month, 2017 - 2021 2017 2018 2019 2020 2021 \$100 740016 \$50 01011 \$25 400010 \$10 08000 \$5 00000 \$1 00001 Total No. of Notes 11130028 Total Dollar Value \$800 \$530 \$050 \$1,901 \$100,000,000 \$140,000,000 \$170,000,000 \$180,000,000 \$160,000,000 \$150,000,000 \$130,000,000 \$120,000,000 \$110,000,000 May Jun Mar Apr 2020 2021 2019 2018 2017 Jan Feb Jul Aug Sep Oct Nov Dec 42

CMRAI 2021 Annual Report Despite the continued challenges associated with the COVID-19 pandemic, the Financial Stability and

Statistics Division ( FSSD ) achieved various milestones as it pertains to: Drafting the inaugural edition of the Financial Stability Report ( FSR ), Membership in international organisations, Capacity building, training and development initiatives, Collaboration with the Financial Stability Board s Non-Bank Monitoring Experts Group, Spearheading the preparation of the Banking and Investments Statistical Digests, Database development initiatives and inter- divisional collaboration on financial stability related projects. Going forward, work will commence on the Authority s macroprudential framework inclusive of a comprehensive measure of systemic risk as well as the development of a suite of macroprudential indicators.

Financial Stability Report Initiatives During 2021, work began on CMRAI s inaugural FSR. By the end of the year, work was completed on the Banking Stability Index which will feature in the upcoming FSR. FSSD participated in a CARTAC virtual technical assistance mission during 25-29 October 2021 on FSR Writing the Monitoring and Detection of Systemic Risks . The FSR is planned to be launched by mid-2022. Application for Membership in International Organizations In 2021, FSSD engaged with and gained membership for the Authority in two key international stakeholder organisations. As of 30 December 2021, CMRAI became a full institutional member of the Irving Fisher Committee on Central Bank Statistics (IFC). The IFC brings together statistical experts, economists, and regulators from around the world to discuss and exchange opinions and experiences. Further, with the Cayman Islands heightened vulnerabilities due to climate change, the Authority has also applied for membership in the Network of Central Banks and Supervisors for Greening the Financial System ( NGFS ). Being a member of NGFS will assist in aligning our domestic efforts with the global response in managing climate related risks and feedback loops within our financial ecosystem. The NGFS membership is expected to be accepted in early 2022.

Capacity Building: Training and Development Initiatives In 2021, CMRAI continued to collaborate with IMF and CARTAC on technical assistance and training. The FSSD participated in financial stability trainings offered by IMF through CARTAC covering: Cross Border Position Statistics, Financial Sector Policies, Residential Property Price Index, Climate and Financial Risk and macro stress testing for the insurance sector with COVID-19 scenario combined with other physical risks. Financial Stability Board Non-Bank Monitoring Experts Group (FSB NMEG) The Authority continued to collaborate with the NMEG, actively providing non-bank financial intermediation data to the Basel-based Financial Stability Board (FSB). The FSB monitoring exercise assesses trends and vulnerabilities in NBFi. The latest FSB report covered developments in a period that included the COVID-19 shock and the extraordinary steps taken by official sector authorities to stabilise financial markets and support financing to the real economy. Significantly for the Authority, our reporting coverage to the NBFi exercise increased significantly due to the inclusion of data for two new fund types not previously covered due to regulatory changes that imposed registration requirements on limited investor and private funds for the first time.

EXECUTION OF FINANCIAL STABILITY CMRAI 2021 Annual Report<sup>43</sup> Banking and Fund Investments Statistical Digests In 2021, FSSD, in collaboration with the supervisory divisions and the Public Relations Unit, modernised the Authority s publication and data dissemination method for its flagship statistical publications the Banking Statistical Digests and the Investments Statistical Digest. The publications have been turned from text-based documents to chart packs presented in the web- based Infogram dissemination tool. The new presentation allows industry and other stakeholders to interactively explore the data and download the underlying data for graphs and tables they may be interested in. To assure reproducibility and gain efficiencies, FSSD utilised SQL Server Reporting Services to

automate production of all the tables and graphs used for the production and publication of the Banking Statistical Digest and Investments Statistical Digest. Database Development Initiatives - Inter-divisional Collaboration During 2021, FSSD continued to play a key role in supporting the supervisory divisions in their database and business intelligence development and analysis. The AML Division was assisted with extracting data from a new form for Virtual Assets Service Providers. Further, a new Basel II QPR Mapping Process was carried out by FSSD in collaboration with the Banking Supervision Division and Information Systems Division. Work was also done on the development of quarterly and annual stress testing templates for the Insurance Supervision Division. A new datawarehouse was created to store data extracted from Securities Investment Business forms. National Risk Assessment FSSD staff co-chaired and participated in two of the working groups ( WGs ) authoring the Cayman Islands 2020 National Risk Assessment regarding money laundering, terrorism financing and proliferation financing risk to the jurisdiction. Additionally, FSSD supported other WGs in the National Risk Assessment project by providing vital data and statistics.

**EXECUTION OF FINANCIAL STABILITY 44CMRAI 2021 Annual Report**

**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.

**CMRAI 2021 Annual Report**45 **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

6 Issued by the International Association of Insurance Supervisors. The Cayman Islands is a charter member of this association. 46 CMRAI 2021 Annual Report 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 and 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. Other Regulatory Developments In 2021, the Policy and Development Division conducted comprehensive self-assessments against core principles in the insurance, banking, securities sectors, and trust and company service providers sectors. The outcome of this exercise will be the driving force for enhancements to the regulatory and supervisory framework for the Cayman Islands over the next two to three years. Development of a 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 through the publication of rules, guidance and other measures. CMRAI 2021 Annual Report 47 EXECUTION OF REGULATORY FUNCTIONS Table 12: List of regulatory measures issued and updated by the Authority

Issued	Type of Standard	Title	Description
Feb 2021	Rule	Professional Qualification Requirements for Insurance Companies, Brokers, Agents and Agencies	This Rule sets out the Cayman Monetary Regulatory Authority International s

minimum requirements for professional qualifications of Insurance Agents and relevant persons of Insurance Companies, Brokers and Agencies. Feb 2021 Regulatory Policy Licensing for Class B Insurers This Regulatory Policy sets out criteria for Authority to grant licenses to class B insurers pursuant to section 4 of the Insurance Act. Feb 2021 Statement of Principles Statement of Principles - Conducting Virtual Asset Business This Statement of Principles sets out the general standards by which all persons should conduct virtual asset services, including connected and incidental business. Feb 2021 Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ( AML Guidance Notes ) Virtual Asset Providers AML Guidance Notes revised to include guidance for virtual asset service providers in better understanding and fully implementing AML/CFT obligations. Feb 2021 Regulatory Handbook D1 Dealing with Requests for Assistance from an Overseas Regulatory Authority (ORA ) and D1.1 - Dealing with Requests for Assistance from a Competent Authority This Policy replaces the previous repealed Policy in the Regulatory Handbook entitled D1 Dealing with Requests for Assistance From an Overseas Regulatory Authority (ORA) . Feb 2021 Regulatory Policy: Local Audit Sign-off for Private Funds This Regulatory Policy outlines requirements for local audit sign-off for private funds and documents an auditor s obligations to the Authority. May 2021 Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands Sector Specific Guidance: Securitization AML Guidance Notes revised to include sector specific guidance for securitization applicable to non- insurance SPVs, parties that provide services to SPVs and securitization originators, investment managers, investment arrangers or investment sellers of assets. 48CMRAI 2021 Annual Report As part of its regulatory functions, 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 246 such applications during the reporting period of 1 January 2021 31 December 2021.

EXECUTION OF REGULATORY FUNCTIONS Compliance and Enforcement Table 13: Due Diligence applications referred to the Compliance Division Number of referred due diligence applications Banking81 Fiduciary106 Insurance3 Investments42 Securities14 Total246 Enforcement7

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. 7

Also see page 27 of the Regulatory Handbook. CMRAI 2021 Annual Report 49 EXECUTION OF REGULATORY FUNCTIONS

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. The manual also includes the steps the Authority will follow in the event of non-compliance by a regulated entity.

1307 Revocations/Cancellations 1 Winding-up petition 3 Administrative Fines totalling C\$4,555,407.50 1 Imposing condition 23 Warning/breach notices - entities 9 Directors and shareholders not found fit and proper ! X Initiated 1,335 enforcement actions, 19 related to AML/CFT and Fitness and Propriety infractions 50 CMRAI 2021 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
Alpha Re Limited	Class B (iii) Insurer	Licence Revoked	15 Oct 2021
Seven Mile Securities	Registered Person	Administrative Fines	8 Oct 2021
Global Fidelity Bank, Ltd (in Official Liquidation)	Class B Bank	Licence Revoked	22 Jul 2021
Intertrust Corporate Services (Cayman) Limited	Unrestricted Trust and MFA	Administrative Fines	13 May 2021
Intertrust Corporate Services (Cayman) Limited	Unrestricted Trust and MFA	Imposed Requirements	12 May 2021
Port Royal Reassurance Company SPC, Limited	Class B (iii) Insurer	Licence Revoked	4 May 2021
Premier Assurance Group SPC Ltd. Class B (iii) Insurer	Licence Revoked		19 Apr 2021
Premier Assurance Group SPC Ltd. Class B (iii) Insurer	Official Liquidation		19 Apr 2021
Star Insurance Company (Cayman) Ltd. Class B Insurer	Administrative Fines		25 Mar 2021

Table 15: Directors found not fit and proper CMRAI 2021 Annual Report 51 EXECUTION OF REGULATORY FUNCTIONS

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 19 April 2021. 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. 52 CMRAI 2021 Annual Report

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 The Authority, the Cayman Islands Professional Accountants Association, and the Cayman Attorneys Regulatory Authority, the Registrar of Non-Profit Organisations and the Department of Commerce and Investments have 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, to come to a consensus on a national approach to AML/CFT. Members of the Forum participated in meetings with CFATF and FATF to assist with improving the jurisdiction s follow-up reports. Members of the Forum shared information on thematic reviews, and collaborated on the National Risk Assessment. 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 filed 15 Suspicious Activity Reports with the Cayman Islands Financial Reporting Authority CMRAI received 44 Onward Disclosures from the Cayman Islands Financial Reporting Authority Execution of Co-operative Functions Cross-Border Cooperation ORGANISATIONAL DEVELOPMENTS CMRAI processed 16 Inter- Agency Requests from local competent authorities CMRAI 2021 Annual Report 53 Requests for assistance from ORAs 123 CMRAI made 17 Inter- Agency Requests to local competent authorities CMRAI made 2 referrals to the Cayman Islands Bureau of Financial Investigation for criminal examination ORGANISATIONAL DEVELOPMENTS 54 CMRAI 2021 Annual Report Organizational Support and Administration Human Resource Management and Development ORGANISATIONAL DEVELOPMENTS Learning & Development Learning & Development programmes were facilitated in the areas of leadership, crypto currency, and reinsurance as well as Blockchain currency; and several bespoke courses on soft skills, AMLS, insurance captives and fund administration established and facilitated through CMRAI s Learning & Development Unit along with subject experts from within the Authority. Managing Through COVID-19 The COVID Pandemic had no major impact on the carrying out the responsibilities in the Authority nor the ability to recruit albeit processes were delayed, outside of CMRAI s control. At the same time it brought forward the intended opportunity to offer our employees new options for a work life balance and flexibility through Working From Home or and remote work policies and arrangements. Structural Changes The Human Resources Division underwent a comprehensive review of its processes, structure and functions which resulted in the implementation of a more effective and efficient structure, including the creation of other Units (Professional Services & Support Unit and the Virtual Assets Service Providers Unit) New and revised Human Resource Policies and Procedures including those created to navigate through COVID-19 to keep our staff as safe as possible and to offer as much reasonable support were established. Employee Recognition Staff recognition programmes and employee engagement and recognition initiatives were welcomed and implemented across the Authority through the Employee of the Quarter, the MD s Leadership Award and Staff Recognition Awards for excellence of service to stakeholders and to each other as colleagues. Through diligence, hard work and proven performance, 24 promotions were

earned across the divisions of: Banking, Financial Stability & Statistics, Insurance, Investments, Insurance, Legal, Policy Divisions and the Managing Director's Office. Thomas Jefferson Memorial Scholarship Once again, the Authority was privileged to be able to offer financial assistance to two students for pursuit of studies in the subject areas of Business Management and Public Policy & Administration. It is the intention that on completion of their studies they return to work with the Authority and build a meaningful career. Internships Twelve (12) promising, ambitious young persons were provided an opportunity for on the job learning and internship opportunities across several divisions in the Authority. This is an opportunity that CMRAI welcomes to provide students insight into the operations of the Cayman Monetary Regulatory Authority International and the range of opportunities available to them for a future career with the sole financial services regulatory body.

**Service & Contributions to the Community** The employees of the Authority not only work hard but we believe in giving back to community. Staff volunteered their time and made contributions from public events such as the CMRAI Annual Walk-Run where funds raised have been earmarked for donations to literacy and numeracy initiatives in the Schools across the Islands; and others volunteered of their time during Literacy Week by reading to the children of the primary schools. The Authority believes that learning is life long and begins through having a passion for reading.

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**Organisational Support and Administration**

**Information Systems ORGANISATIONAL DEVELOPMENTS** Under the guidance of its Information Systems 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, tests to ensure business continuity were carried out. Each year, CMRAI 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. Our Disaster Recovery and Business Continuity was tested in full via our robust remote desktop connection to facilitate the working-from-home policy. To facilitate social distancing best practices, staff worked on a rotational method as some days they were in office and other days they were working-from-home, so both in-office systems and remote access were in operation over the entire year, 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 one for best targets. Therefore, security continues to be a major focus. The continuation of the rotational based method of the work-from-home routine allows for new threat opportunities and increases our surface area for attacks. Even with a reduction in the usual threat patterns, there were no major incidents in regards to the shift towards remote desktop exploits and added control monitoring that reports exceptions helped handle the load. A Network Penetration Test was carried out by the local audit firm EY, and according to their report no outside access into CMRAI's network or other systems could be found. This shows the commitment in experienced cybersecurity staff and the in-depth layering of the security products along with the effective NIST framework and policies that CMRAI has adopted. During the 2021 reporting period, the following tasks were accomplished:

**Network Infrastructure** Ordered, configured and implemented 4 new HPE Super-Dome Flex servers which can automatically share resources among themselves depending on their load. Increases in bandwidth and speed were made to our internal internet Wi-Fi links in order to sustain the additional network traffic for more Zoom/WebEx/Teams videoconference communications between staff working-from-home and those in-office along with the increased client meetings due to social distancing best practices. Successfully monitored and managed various network security necessities



and respond to Helpdesk requests for both in-office staff and those working remotely from home. Software Development A new API which allows external access to surface authorised data similar to what is already displayed on the CMRAI website is available for and in use for some other government authorities. Continued updates and revisions for REEFS forms is ongoing that provide solutions from requests as they come in. Updates to our internal client relationship management system are ongoing which will be web-based instead of the client server architecture it currently uses. A new CMRAI ID portal is soon to go live so that industry can just type in a name and verified CMRAI ID number on REEFS forms instead of the multiple fields that are currently required.

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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 continued 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 featured articles/notices for staff, industry and public knowledge and assistance in various training (internal and external) and outreach projects. The PR Unit also spearheaded the content development and production of an investor education subsite webpage, which will be launched in the coming months.

#### External Publications

The PR Unit assisted the Authority's senior management in producing written articles, information gathering and interviews for various publication such as the Cayman Captive Magazine, and Capital Markets, to name a few.

#### CMRAI Publications

As part of its ongoing work, the PR Unit continued to produce and disseminate news releases, notices and advisories; supervisory information circulars, news stories and updates, Annual Report and Fact Sheet via the CMRAI website and social media platforms. The PR Unit also collaborated with key senior staff to produce and disseminate The Anchor, the AML/ CFT Activity Report, Thematic Credit Review Report, as well as the production of the newly designed 2020 Investments Statistical Digest and the 2020 Banking Statistical Digest, both of which will be published in 2022 under an online interactive dashboard. In keeping with the modern use of communications and in assessing our current stakeholder engagement practices, the PR Unit discontinued publication of its quarterly newsletter - The Navigator. This will be replaced by an upcoming web blog page, which will feature written articles, video and audio, along with other topical regulatory updates in more real-time.

#### 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 continued to work 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 was also instrumental in the development and implementation of our newly developed intranet portal - CMRAINet. 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.

### ORGANISATIONAL DEVELOPMENTS

### CMRAI 2021 Annual Report

### 57 FINANCIAL CONTROL

#### Coercive Revenue Collection

The Authority collected \$156.8m in coercive fees from regulated entities on behalf of the Cayman Islands Government, compared to \$102.8m 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, for a total of \$24.6m, 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 \$10.2m, CMRAI Transactional fees \$5.8m, Commission Income \$1.2m, and Investment Income \$0.8m. Net Income The Authority's net income for the year was \$5.7m (2020: \$3.7m), all of which was allocated to CMRAI's Capital Expenditures Reserve. Details of CMRAI's financial position for the year can be seen in the Audited Financial Statements that follow. (See page 60).

Collected million in fees from regulated entities million total outputs delivered \$24.6 \$156.8 Net income of \$5.7 million 58CMRAI 2021 Annual Report Highlights of Achievements  
**MANAGEMENT DISCUSSION AND ANALYSIS** Key initiatives conducted throughout the year in support of the Authority's 2020-2023 Strategic Plan included: Strengthen our capacity and capabilities for the successful delivery of our principal functions Identified challenges in attracting, retaining, and developing staff Developed an action plan for the implementation of new approaches for the attraction and retention of competent and experienced staff with transferable skills Identified certain areas where external resources could be engaged, including automated requirements Identified enhancement needs to the current procurement processes for expediting the commencement of services by external parties/ deployment of technological solutions Enhance the regulatory response to innovations in business models and technologies Conducted a comprehensive internal survey to understand divisional needs and assess the adequacy and effectiveness of current IT systems for the development of a new technologies framework, which is currently in its final stages Reform and retool operational structures and supervisory approaches to better implement a risk-based approach Conducted research, with assistance from external experts, to assess the strengths and weaknesses of existing operational workflows and structure to improve internal efficiencies Develop and implement a renewed framework for effective stakeholder engagement Conducted a comprehensive internal survey to assess the adequacy and effectiveness of current stakeholder engagement practices. Conducted further research on stakeholder engagement best practices among other regulatory bodies

Taking into consideration the information gathered and analysed, a stakeholder engagement framework/principles document is currently underway Other Conducted a sectoral risk assessment to sufficiently address gaps or areas of concern during registration of virtual service asset providers ( s ), and provided submissions on materiality, both of which were decisive to Cayman's successful re-rating as Largely Compliant with Financial Action Task Force's ( FATF ) Recommendation 15 Approved 5 registrations, out of 35 applications received, following the commencement of the Act in 2020, and sent 30 enforcement notices to VASPs Established a new Professional Support Services Unit to centralise our operational responsibilities, and facilitate core functions among divisions Conducted comprehensive self-assessments against principles in the insurance, banking, and securities sectors Issued 6 administrative fines for breaches of the Anti-Money Laundering Regulations ( AMLRs ), and opened 10 further investigations into breaches of the AMLRs, meeting FATF's follow up action, nine months ahead of the required timeframe Drafted and implemented a protocol for information sharing with the Registrar of Companies and published a thematic review of 376 Trust and Corporate Service Providers client files to assess improvement in compliance with BO obligations across the sector

Delivered 159 inspection visits (using virtual technology) and continued vigorous oversight of our regulatory and AML/CFT obligations through 1384 enforcement actions, while maintaining regular contact with licensees, registered persons and industry associations. CMRAI 2021 Annual Report<sup>59</sup> The purpose of CMRAI's risk management framework is to strengthen CMRAI's ability to achieve its mission and strategic objectives. Commencing in Fall 2019, the development of CMRAI's Risk Management Framework began and its finalization and implementation will occur in phases over the next several years. The initial phase commenced with the development of a risk register to assist with the identification and prioritization of significant risk, followed by the establishment of the risk governance structure which includes a CMRAI Management Risk Committee (the CMRC) at the organizational level and a Risk Committee of the Board (the RCB) at the Board level. Both Risk Committees meet quarterly to oversee the development and implementation of CMRAI's risk management framework and activities. In 2021, CMRAI hired a full time Chief Risk Officer (CRO) to work with the Risk Committees in the development of the Risk Management Framework, the monitoring of risk management activities and to facilitate training and development of a risk aware culture. The CRO, alongside the Risk Committees, worked to review the risk registers created in 2019 and validate same with the Division Heads; identifying and prioritising key risks for the 2021/2 environment. Additionally, significant headway was made on the finalisation of CMRAI's Risk Appetite Statement which will be sent to the Board for ratification in early 2022.

Risk Management MANAGEMENT DISCUSSION AND ANALYSIS 60 CMRAI 2021 Annual Report FINANCIAL STATEMENTS FOR THE FISCAL YEAR-END 31 DECEMBER 2021 CMRAI 2021 Annual Report<sup>61</sup> AUDITED FINANCIAL STATEMENTS 62 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>63</sup> AUDITED FINANCIAL STATEMENTS 64 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>65</sup> AUDITED FINANCIAL STATEMENTS 66 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>67</sup> AUDITED FINANCIAL STATEMENTS 68 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>69</sup> AUDITED FINANCIAL STATEMENTS 70 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>71</sup> AUDITED FINANCIAL STATEMENTS 72 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>73</sup> AUDITED FINANCIAL STATEMENTS 74 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>75</sup> AUDITED FINANCIAL STATEMENTS 76 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>77</sup> AUDITED FINANCIAL STATEMENTS 78 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>79</sup> AUDITED FINANCIAL STATEMENTS 80 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>81</sup> AUDITED FINANCIAL STATEMENTS 82 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>83</sup> AUDITED FINANCIAL STATEMENTS 84 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>85</sup> AUDITED FINANCIAL STATEMENTS 86 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>87</sup> AUDITED FINANCIAL STATEMENTS 88 CMRAI 2021 Annual Report CMRAI 2021 Annual Report<sup>89</sup> 90 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>91</sup> AUDITED FINANCIAL STATEMENTS 92 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>93</sup> AUDITED FINANCIAL STATEMENTS 94 CMRAI 2021 Annual Report AUDITED FINANCIAL STATEMENTS CMRAI 2021 Annual Report<sup>95</sup> AUDITED FINANCIAL

STATEMENTS 96CMRAI 2021 Annual Report 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 2021 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 (2021 Revision) Banks and Trust Companies (Licence Applications and Fees) Regulations (2021 Revision Companies Act (2021 Revision) Companies Management Act (2021 Revision) Data Protection Act (2021 Revision) Freedom of Information Act (2021 Revision) Mutual Funds Act (2021 Revision) Private Funds Act (2021 Revision) Standards in Public Life Act (2021 Revision) Virtual Assets (Service Providers) Act, 2020 (Law 14 of 2020), Amended by amending Act, 2020 (Act 59 of 2020), Commencement Order, 2021 (SL 1 of 2021) Virtual Assets (Service Providers) (Savings and Transitional) Regulations, 2021 (SL 2 of 2021) Enactment of Legislation Freedom of Information total FOI requests received and processed granted full access 0 Complaints As in the previous year, the majority of the complaints that the Authority received were against licensees and registrants. There were 3 complaints directed against the Authority that were dealt with in 2021. One was a 2020 complaint that was brought forward and addressed and closed in January 2021 following the provision of a second response to the complainant. The second (informal) complaint from different private sector associations was also addressed in 2021, primarily by way of a face-to-face meeting. The third complaint was still pending as of the end of December 2021 but has since been addresses. The complaints received against licensees 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 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. complaints against the Authority 3 denied as information was publicly available 1 4 SCRUTINY BY PARLIAMENT 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. The majority of the complaints received were addressed and resolved or closed due to non- response from complainant for additional information.

CMRAI 2021 Annual Report97 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 46. Cross Government Commitment and Advisory Future Objectives and Outlook In line with our 2020-2023 Strategic Plan, CMRAI continued to deliver on its four main strategic objectives. 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. In line with these efforts, 14 associated strategic initiatives were identified. Of the 14 initiatives, the Board prioritised the implementation of eight, with the remaining items to be undertaken over the next two years. To ensure effective implementation of each prioritised initiative, separate working groups were established. The work of each group will be monitored on a monthly, quarterly and annual basis. Overall, the Cayman Islands financial sector remained stable throughout the year, which indicates a positive outlook in 2022.

98 CMRAI 2021 Annual Report Key Contacts Anti-Money Laundering Banking Careers Coins and Notes Cooperative and Building Societies Corporate Service Providers Fees Freedom of Information Insurance Investments Money Services Business Trusts Securities Virtual Asset Service Providers SIX, Cricket Square George Town PO Box 10052 Grand Cayman KY1-1001 Cayman Islands : 345-949-7089 Website: