



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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Annual Report1 MESSAGE FROM BOARD OF DIRECTORS CHAIR Over the past year, the Cayman Islands Monetary Authority (CMRAI or the Authority) has made significant progress towards increasing the effectiveness of our regulatory regime, with the Cayman Islands financial services industry keeping pace with international and commercial standards. This was validated by the successful re-rating on our technical compliance by the Financial Action Task Force (FATF), resulting in the jurisdiction being considered as largely compliant or compliant with all 40 of FATF's Recommendations. Much of this success was due to the work of CMRAI and the Board of Directors moving parallel to the organisation. Throughout the year, the Board stayed true to its commitment to provide oversight with regards to the implementation of CMRAI's strategic objectives, most of which related to internal operational efficiencies and improved work-life balance options for all staff, making CMRAI an employer of choice. In this regard, the Board approved several new policies to offer flexible yet sustainable employee benefit programmes. These included enhanced maternity and paternity leave advantages, a compressed work week, an extended paid sabbatical leave programme for approved senior management, work from home arrangements along with increased personal and mental health days. CMRAI also continued to enhance its risk management framework through the development of a risk appetite statement, which will aid in making decisions from a risk-based approach, while addressing various key components to mitigate threats. Additionally, this initiative gives the Board a clear sightline into the evolving risk levels of each sector, including CMRAI's own internal controls, adding to the fresh perspectives that have served us well in the past. Taking into consideration its regulatory response to the ever-changing business environment and the emerging technological trends, CMRAI focused on maintaining a steady progress of addressing automation needs with a plan to further improve resources in 2023. With a philosophy to remain responsive and accessible, the Board has always valued the open and regular dialogue CMRAI has maintained with industry. In 2022, the Board prioritised the need to redevelop effective engagement strategies between CMRAI and industry stakeholders, as emerging trends continued to affect the traditional regulatory landscape. We are, therefore, proud to report the completion of CMRAI's first-ever stakeholder engagement framework and accompanying guidance manual, which sets the tone for fostering a sound communication

culture. As CMRAI observes its 25th anniversary, these achievements are a prominent reminder that CMRAI is poised to build on its efforts to ensure that the Cayman Islands maintains its world status as a flexible and innovative leader of the financial services industry. As part of my final year as Board Chair, I applaud and congratulate the management and staff of CMRAI for their continued diligent efforts in strengthening the supervision of the financial services industry for the past 25 years. CMRAI 2022 Annual Report² MESSAGE FROM BOARD OF DIRECTORS CHAIR During the year, as part of the Board's remit, a number of regulatory measures were amended and approved, which assisted with strengthening the supervision of the financial services industry. Special thanks to my fellow Board members for your support and the opportunity to serve as Chair for the past two years. I wish you every success in the future and trust that the Board will continue to carry out its responsibilities to the highest standard. To the Cayman Islands Government and all other industry stakeholders, thank you for your commitment and valuable expertise over the course of another challenging year. I look forward to the Authority going from strength to strength and remain confident of its contribution towards a common vision of being a globally respected financial services centre of excellence. Patricia Estwick CMRAI 2022 Annual Report³ X The year 2022 was an important milestone for CMRAI, as it celebrated its 25th anniversary. Our performance this year was not only a reflection of our progress in one year, but also of the achievements made over the past two and a half decades. Notwithstanding the challenges, CMRAI remained resilient throughout the year and continued our efforts towards assiduously meeting the anti-money laundering and combating the financing of terrorism (AML/CFT) requirements, while enhancing our financial services as a prominent industry and economic driver for our islands. As part of these developments, CMRAI observed further refinements to the regulatory landscape with revisions to rules, statements of guidance among various policies and legislative amendments. Some of these included the implementation of disclosure requirements for regulated banks. This work originally began in 2020 but was broadened based on continued extensive consultation with the banking sector. These measures will seek to provide guidance to applicable banks about key areas including external attestation, applicability of Liquidity Coverage Ratio and Net Stable Funding Ratio, liquidity disclosures and the deadlines for regulatory filings. The rule and regulatory procedure for the cancellation of funds were also amended to expand the scope of applicability for termination requirements to both mutual and private funds and to improve the efficiencies for termination by clarifying the requirements and timelines for such applications. During the year, CMRAI created a rigorous procedure to assess virtual asset service providers (VASP) applicants against their AML/CFT and cyber security policies and procedures, as well as conduct fitness and propriety checks and review intelligence and public information. Another area of focus was the integration of a blockchain analytics software to support the supervisory process for VASPs. This tool allows the Authority to enhance our understanding of VASPs risk profiles, monitor transaction history and any current news, irrespective of trade names, transaction volumes, regulated status and global operations across several jurisdictions. With emerging risks and trends, and the introduction of new products and services, risk assessments across various sectors also continued, which resulted in a total of 1,103 assessments completed in 2022, compared to 929 in the previous year. The Authority also conducted 88 AML/CFT inspections for licensees or registered persons in the insurance, investments, fiduciary, securities and banking sectors. Through these channels, we have seen a strong response

from industry, with levels of compliance improving in most sectors, and increasing levels of resource being applied by financial institutions to AML/CFT risk mitigation. STATEMENT BY MANAGING DIRECTOR 4CMRAI 2022 Annual Report In light of the ever-changing business environment, the Cayman Islands continues to be home to a thriving financial services industry. Licensing and registration trends across most sectors indicated no major changes throughout the year. One exception is the funds industry. As of December 2022, there were 28,849 regulated funds, compared to 27,398 the previous year. This increase included a growth in the number of both regulated mutual and private funds since the enforcement of the Private Funds Act. Although the effects of the Ukraine war and negative global conditions have slowed the demand for new fund launches, the numbers have remained consistent during the past two years. At the end of 2022, there were 47 active securities investment business licensees and 1,654 Registered Persons, compared to the 48 licensees and 1,692 Registered Persons in 2021. With the increased risk of illicit cybercrimes worldwide, the virtual asset space also experienced rapid changes over the past year, which requires CMRAI to increase monitoring of these vehicles. During the year, 43 VASP applications were received, 18 of which were confirmed as registered entities, compared to 35 applications received and 5 approved entities in 2021. The banking sector experienced a minimal decline in licensed banks over the last five years with 94 licensed banks as of December 2022, compared to 102 in 2021. Overall, there was no significant concern expected in the short-term and medium-term due to the sector's strong capital base and no material changes in the composition of services offered by domestic retail banks. Reports for the fiduciary services sector showed that there was a 1% decrease in trusts and company management licensed entities, which stood at 280, compared to 284 in the previous year. With approximately 669 insurance licensees, the Cayman Islands insurance industry continues to be resilient and remains the world's leading domicile for healthcare captives and the second largest for captives broadly. The international insurance industry continues to be resilient, with a steady number of new licenses added to the market. A topic of interest to the Authority is cybersecurity and as such in 2022, the Authority undertook a thematic cybersecurity review for Class B banks, securities investment business licensees or registrants and Class A insurers. An industry circular letter will be issued soon to highlight the main observations noted during the review as well as entailing industry best practices in this area. Overall, the Cayman Islands financial sector remained stable throughout the year, which indicates a positive outlook in 2023. Rounding out these developments, the Cayman Islands continue to make progress with our AML/ CFT measures and adherence to international standards. These evolving standards remained a major focus for the jurisdiction, and since the last follow up assessment, I am pleased to report continued improvement towards meeting economic substance and enhancing our supervisory framework to comply with the Financial Action Task Force (FATF) recommendations. In February 2021, the FATF determined that the Cayman Islands had made sufficient progress on 60 of the 63 Recommended Actions outlined in the 2017 Mutual Evaluation Report. Of the remaining 3, FATF confirmed that progress had been partly made, with follow up actions required for sanctions, enforcement and prosecutions. Through active engagement with FATF, and by latest October 2022, the jurisdiction successfully demonstrated tangible progress with two of these follow up actions, specifically the application of STATEMENT BY MANAGING DIRECTOR CMRAI 2022 Annual Report5 STATEMENT BY MANAGING DIRECTOR sanctions and administrative fines to ensure that breaches are effectively remediated. With work already underway, the jurisdiction is

hopeful that the remaining follow up action, investigations and prosecutions for money laundering, will be satisfied and that the Cayman Islands will be removed from FATF's Grey List in the near future. Regardless of this timeline, and what may occur, it is important to emphasise that CMRAI, and the Cayman Islands as a whole, has built an AML/CFT compliance framework to last, robust enough to be scrutinised by future evaluations by international standard setters and agile enough to adapt to changing risks. This legacy will hopefully ensure that the right kind of business continues to flourish in Cayman for generations to come. As we celebrate our 25th anniversary, I wish to compliment the management and staff for the hard work and dedication exhibited throughout the year. The Authority stands proud to play key role in the country's financial sector, CMRAI remains committed to its robust and balanced regulation of financial services, while promoting the Cayman Islands as an international financial centre of choice. Cindy Scotland CMRAI 2022 Annual Report⁶ 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: Monetary 4 Cooperative 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 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 2022 Annual Report⁷ 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 2022 Annual Report Managing Director Cindy Scotland Director Judith Watler Chairperson Patricia Estwick Director Ormond A. Williams Director Ian Wight Director Johann Moxam Director (Non-voting) Dr. Dax Basdeo BOARD OF DIRECTORS The appointment term for Garth MacDonald and Henry Smith (not pictured above) ended on 29 March 2022. CMRAI 2022 Annual Report⁹ Deputy Head, Banking Paul Onsakia Managing Director Cindy Scotland Deputy Head, Securities Jessica Ebanks Acting Deputy Managing Director - General Counsel Angelina Partridge Deputy Head, Investments Gaone Dube Deputy Managing Director - Operations Patrick Bodden Head, Securities Heeraman Jowaheer Deputy Managing Director - Supervision Anna McLean EXECUTIVE MANAGEMENT & SENIOR OFFICERS Head, Banking Gloria Glidden Head, Fiduciary Services Rohan Bromfield Deputy Head, Fiduciary Services Leticia Frederick Deputy Head, Fiduciary Services Reisan Moiten ¹⁰CMRAI 2022 Annual Report EXECUTIVE MANAGEMENT & SENIOR OFFICERS Reinsurance Specialist Peter Fox Deputy Head,

Insurance Kara Ebanks Head, AML/CFT Sarah Wheeler Deputy Head, AML/CFT Jennifer Smith Deputy Head, AML/CFT Megan Powell Deputy Head, Banking Shakira Cox Deputy Head, Banking Abubakar Nyanzi Deputy Head, Insurance George Kamau Acting Deputy General Counsel Helen Speigel Senior Legal Counsel Stephanie Adolphus Senior Legal Counsel Jodie Woodward Senior Legal Counsel James Elliott CMRAI 2022 Annual Report11 Head, Compliance Audrey Roe Deputy Head, Policy & Development Paul McAllister Deputy Head, Compliance Jennifer Hydes Head, Financial Stability & Statistics Sebastian Goerlich Deputy Head, Compliance Kara Owens Chief Financial Officer Gilda Moxam-Murray Head, Policy & Development Rayford Britton EXECUTIVE MANAGEMENT & SENIOR OFFICERS Deputy Chief Financial Officer Tammy Archer Deputy Head, Compliance Judiann Myles Legal Counsel Renee Caudeiron Legal Counsel Leroy Whorms, Jr. Chief Human Resources Officer Deborah Musson 12CMRAI 2022 Annual Report Public Relations Executive Yvette Cacho Deputy Chief Human Resources Officer Eric Webster EXECUTIVE MANAGEMENT & SENIOR OFFICERS Chief Risk Officer Janique Samson Head of Professional Support Services Tina Harris Deputy Head of Internal Audit Kioko Musaya Deputy Head, Currency Dominique Lloyd Head, Information Systems Charles Thompson Head of Internal Audit Deloris Gordon Head, Currency Deborah Ebanks Chief Strategy Officer, Prabhavathi Namburi Deputy Head, Information Systems Scott MacLaren CMRAI 2022 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 2022 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 2022 Annual Report¹⁵ 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 2022 Annual Report 25 YEAR TIMELINE After Hurricane Ivan, CMRAI back up and running on 20 September. CMRAI adopted new mission statement. 2004 2007 2005 - 2006 New banknotes issued. CMRAI Managing Director selected for International Honor: International Association of Business Leaders. Queen's 80th Birthday collector coins released. Launched collectors coin set as part of 10th Anniversary. Hosted regional Central Bank legal seminar. 2008 Implemented new rules for retail funds. Information exchange agreement implemented with Washington State. 2002 - 2003 Introduced Securities Investment Business Act. Cindy Scotland Appointed Managing Director. Introduced Regulations to the Securities Investments Business Act. 1997 1998 2001 1999 - 2000 CMRAI commenced operations with six divisions: Administration, Banking and Trust, Supervision, Investment Services, Policy and Research. Monetary Authority Act Enacted. Developed code of practice under the Process of Criminal Conduct Act. Amendments to the Companies Act to permit segregated portfolio companies. Issued 1997 commemorative numismatic coin. Signed Cross-border Cooperation Memorandum with Brazil. Proceeds of Criminal Conduct Law Enacted; Monetary Authority Law, Banks, and Trust Companies Act Amendments. New

divisions formed: Legal, Compliance, Fiduciary Services. Recognised by OECD as a cooperative jurisdiction. Changes to Banks and Trust Companies Act related to 'Fit and Proper' criteria for applicants and licensees and share transfers for licensees may be granted.

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17 25 YEAR TIMELINE 2016 - 2017 2020 - 2021 2018 - 2019 2022 2014 - 2015 2009 2010 - 2011 2013 2012 Gained full IOSCO Membership. Established bilateral ties with Malta Financial Services Authority. Launch of Thomas Jefferson Memorial Scholarship. CMRAI and US Federal Banking Regulators Reach Cooperation Agreement. Established Bilateral ties with Dubai Financial Services Authority. Reinforced commitment to International Cooperation with Turks and Caicos. CMRAI and United States Securities and Exchange Commission (US SEC) entered in a Memorandum of Understanding. Enforcement of Cayman Islands Insurance Law as amended. Financial Stability Board confirmed Cayman as a jurisdiction with strong adherence to international standards. Signed Memorandum of Understanding with EU financial services regulators. Unveiled Second Queen's Jubilee commemorative coin. Announced commemorative 10th Anniversary Heroes Day coin. Issued two coins as part of the Royal Mint's Commonwealth 25 coin collection. Signed gender equality pledge. Launched CI National Museum 25th Anniversary silver coin. Signed Memorandum of Understanding with Gibraltar. CMRAI and Abu Dhabi Global Market FRSA sign MOI on bilateral cooperation. Unveiling of CMRAI 20th Anniversary coin. Hosted IOSCO conference for securities regulators. Signed MOU with Insurance Commissioner Group. Hosted first Financial Services Student Mixer. PFA, Virtual Asset Services Providers Act enacted. Amendment to the MFA. Cayman Islands becomes fully compliant with all 40 FATF Recommendations. Joined NGFS. Became an approved ACCA employer.

18 CMRAI 2022 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

Since inception on 1 January 1997, CMRAI has been regarded as a steadfast cornerstone that provides responsible oversight of the financial industry in the Cayman Islands. Our renowned success is partly due to the teamwork approach we uphold each day, together with our strong support structure. We also invest in our people by offering well-rounded personal and professional development opportunities through career advancement, training, and staff recognition, while encouraging a family-oriented environment. As part of the ethnic fabric that makes CMRAI a unique place of employ, our staff complement is made up of over 21 nationalities across various regions: Caribbean, North America, Africa, United Kingdom, and India. The year, we onboarded 36 new employees, all of whom contribute to protecting and enhancing the integrity of the Cayman Islands financial services industry.

ABOUT US

Table 1: Number of staff across each division

Division/Office	Staff
Anti-Money Laundering	24
Banking	19
Internal Audit	2

Compliance 21 Currency 6 Fiduciary Services 17 Finance 9 Financial Stability 9 Human Resources 10 Information Systems 19 Insurance 24 Investments 41 Legal 10 Managing Director's Office 11 Onsite Inspection 11 Policy & Development 11 Professional Support Services 4 Securities 11 Total 259

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INDUSTRY OVERVIEW

The Banks and Trust Companies Act (2021 Revision) (the BTCA), 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. For the domestic market, Category A retail banks can provide services to retail and non-retail clients whereas Category A non-retail banks can provide services to resident clients not conducting business in the Cayman Islands. However, Category A Non-retail banks can also provide services to employees and other licensees. Both Category A retail and non-retail banks can provide services to international clients without restrictions. Category A banks can 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 licensed in the Cayman Islands over the last five years (Figure 2). However, there is also sustained interest in obtaining banking licences with one (1) new Category A licence issued during the year and one (1) Category B licence issued at the onset of 2023. The number of banking licensees supervised in the Cayman Islands decreased by 7% from 101 at December 2021 to 94 at December 2022.

Category	Dec 2021	Dec 2022
Total banking licences	101	94
Category A Banks	11	11
Trust Company	37	37
Category B Banks	83	83
Money Services Business	5	5
Nominee (Trust) Trust (Controlled Subsidiaries)	7	7
Development Bank	4	4
Cooperative Credit Unions	2	2
Building Society	4	4

CMRAI 2022 Annual Report 23.40% 13.83% 2.13% 21.28% 22.34% 27.02%

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, 2022

Region	Dec 2021	Dec 2020	Dec 2019	Dec 2018
Category A	122	119	101	101
Category B	91	83	116	116

Figure 2: Number of bank licences by category, December 2018 - December 2022

Jurisdiction	2017	2018	2019	2020	2021	% change 2017-2021
Cayman	150	135	125	110	101	-33%
Bahamas	84	81	70	67	65	-23%
Panama	88	83	83	75	58	-34%
Jersey	28	24	24	24	21	-25%
Luxembourg	139	128	128	128	123	-12%
Switzerland	256	248	248	246	241	-6%
Hong Kong	191	181	181	178	183	-4%
Singapore	157	156	156	171	153	-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 (measured in US\$ trillions)

Year	Total Assets	Total Liabilities
Dec 2018	0.488	0.65
Dec 2022	0.50	0.47
Dec 2021	0.54	0.58
Dec 2020	0.61	0.64
Dec 2019	0.62	0.449

Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks (measured in US\$ trillions)

Year	Cross-Border Liabilities	Cross-Border Assets	Total Liabilities	Total Assets
Dec 2018	0.67	0.66	0.66	0.93
Dec 2022	0.51	0.50	0.60	0.60
Dec 2021	0.60	0.60	0.52	0.52
Dec 2020	0.52	0.52	0.52	0.52
Dec 2019	0.52	0.52	0.52	0.52

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. 22CMRAI 2022 Annual Report As at 31 December 2022, the jurisdiction ranked sixteenth internationally in terms of cross-border assets of US\$488 billion, and seventeenth internationally by cross-border liabilities of US\$449 billion booked by banks licensed in the Cayman Islands. Cross-border activity increased early in 2022 and was partially offset by licence surrenders later in the year. Figure 4 provides a comparison of the level of cross-border assets and liabilities booked by banks licensed in the Cayman Islands from December 2018 to December 2022.

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 2018 to December 2022.

Figure 5: Domestic Assets and Liabilities of Cayman Islands-licensed banks in Foreign Currency (measured in US\$ millions)

	Dec 2018	Dec 2019	Dec 2020	Dec 2021	Dec 2022
Domestic Assets	15,126	54,037	49,289	17,684	20,842
Domestic Liabilities	50,097	59,991	19,013	46,735	15,338

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.

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

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.

Domestic Sector

Category A Retail Banks US\$13.6 billion in deposits US\$15.1 billion

Retail banks reported US\$15.6 billion in deposits US\$15.1 billion held assets of billion

INDUSTRY OVERVIEW

Indicator (%)	2018	2019	2020	2021	2022
Capital Adequacy Ratio	25.6	28.5	26.6	26.7	30.3
Regulatory Capital to Risk-Weighted Assets	13.1	13.3	11.6	12.0	14.6
Asset Quality	1.8	1.5	1.6	1.8	1.8
Non-performing Loans to Total Gross Loans	44.9	47.5	40.1	40.5	43.1
Earnings and Profitability	13.7	16.8	5.2	11.1	13.4
Return on Assets	1.9	2.4	0.6	1.4	2.0
Interest margin to gross income	74.2	72.4	71.8	67.6	75.1
Non-interest expenses to gross income	71.6	62.5	29	71.0	64.7
Liquidity	32.4	31.0	34.8	28.6	32.9

Table 3: Financial Soundness Indicators

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Capital Adequacy Ratios

The CAR increased from 26.7% as at 31 December 2021 to 30.3% as of December 2022 while the ratio of regulatory capital to total assets increased from 12.0% in December 2021 to 14.6%. The increase in the capital ratios is mainly due to the increase in total capital arising from the profits for the year which is reflected in the increase in Return on Assets from 1.4% as of December 2021 to 2.0% as of December 2022. The CAR continues to remain comfortably above the minimum CAR requirement of 10% required by the BTCA and demonstrates that the sector is well capitalized.

Asset Quality

Nonperforming loans (NPLs) as a percentage of

total gross loans for the retail banking sector remained flat at 1.8% for the year ended December 2022. 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 continued report increases 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 of December 2022 from 28.6% for the year ended 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 2022, the average LCR and NSFR for Category A retail banks were 136.00% and 185.50%, respectively signifying the resilience in the liquidity and funding profiles of the Retail Banks in the Cayman Islands. INDUSTRY OVERVIEW CMRAI 2022 Annual Report²⁵

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

Figure 6: Total remittance outflows and inflows, 2018 – 2022 (measured in US\$ millions)

Year	Total remittance outflows (US\$ millions)	Total remittance inflows (US\$ millions)
2018	234.8	264.0
2019	261.7	278.2
2020	277.2	277.2
2021	8.1	6.4
2022	9.4	9.8

2019 2020 2021 2022 Inflows Outflows 26 CMRAI 2022 Annual Report INDUSTRY OVERVIEW 57.6% 2.1% 17.8% 52.6% 5.9% 13.7% 14.2% 2.9% 7.0% 2.2% 2.7% 4.5% 7.4% Jamaica United States Nicaragua Other Dominican Republic Philippines Honduras United States Philippines Other United Kingdom Canada Jamaica

Figure 7: Proportion of total remittance outflows Figure 8: Proportion of total remittance inflows CMRAI 2022 Annual Report²⁷ INDUSTRY OVERVIEW

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 389 Figure 9: Number of trust companies by licence or registration category 56 95 110 104 100 143 145 131 132 145 58 42 46 51 51 50 56 60 57 59 49 25 43 45 44 20222018201920202021 Trust Licence Restricted Trust Licence Controlled Subsidiaries Nominee Trust Licence Private Trust Companies 28CMRAI 2022 Annual Report 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 Authorisation Type Active as at 31 Dec 2019 Active as at 31 Dec 2020 Active as at 31 Dec 2021 Active as at 31 Dec 2022 Registration - Exemption from licensing 101113129 132 Licence - Professional Director 596163 61 Licence - Corporate Director 22241817 Table 4: Director authorisation activity under the Directors Registration and Licensing Act INDUSTRY OVERVIEW 119 00 Company Managers Corporate Service Providers 20182019202020212022 Companies providing corporate services in and from the jurisdiction 142 CMRAI 2022 Annual Report29 Virtual Asset Service Providers The Cayman Islands continues to be at the forefront of developing a robust regulatory framework for entities conducting virtual asset services. The jurisdiction took a phased approach in implementing the regulatory framework for the supervision of VASPs. Phase one of the VASP Act came into effect on 31 October 2020. Under phase one of the VASP Act all entities engaged in, or that intend to engage in, virtual asset services are required to be registered with the Authority. As at 31 December 2022, the Authority has registered 18 VASPs, with each registered provider offering various virtual asset services as defined under Section 2 of the VASP Act. All virtual asset service providers are required to comply with other relevant regulations and guidance, including requirements under the AMLRs and the Guidance Notes (Amendment) (No. 1) February 2021 - Virtual Asset Service Providers. Further, the AMLRs were updated to reflect the commencement and full implementation of Part XA Identification and record-keeping requirements relating to transfers of virtual assets, also known as the Travel Rule, which took effect on 1 July 2022. The implementation of Phase two is expected to commence in 2023 which will involve the commencement of licensing framework for virtual asset trading platforms and virtual asset custodians, as well as the introduction of a sandbox regime. Total registered VASPs 18 INDUSTRY OVERVIEW Trading exchanges and platforms 6 Custodian services 10 ICO and

subsequent offerings 2 VC to VC/fiat conversions 3 Virtual asset dealers 7 Participating in financial services 3 30CMRAI 2022 Annual Report Insurance The insurance industry in the Cayman Islands has two distinct sectors: Domestic insurance segment, which provides insurance coverage to Cayman Islands residents and businesses through locally incorporated and licensed insurance companies or through foreign insurers licensed in the Cayman Islands as branch operations. The market also includes intermediaries who represent insurance companies in Agent/Agency capacity as well as Brokers representing consumers. International insurance segment, which provides insurance coverage for foreign risks through insurance and reinsurance companies incorporated and licensed in the Cayman Islands but conducting business overseas. The international segment also provides intermediation through locally incorporated insurance brokers representing consumers who are located outside of the Cayman Islands. The Authority grants four main classes of insurer licences to companies conducting insurance/reinsurance business in or from within the Cayman Islands, namely, Class A licence for domestic insurers (this includes locally incorporated companies as well as foreign incorporated companies operating in Cayman Islands as branches), Class B licence for international insurers (this includes captives providing self-insurance to affiliated entities as well as commercial entities conducting business with third parties), Class C licence for international insurers whose obligations are fully collateralised through funding mechanisms such as issuance of ILS e.g. Catastrophe Bonds (Cat Bonds), and Class D licence for large open-market commercial reinsurers conducting property and casualty business and/or long term business. In addition to insurer licences, the Authority also grants licence to insurance managers who are incorporated and based in the Cayman Islands with the responsibility of providing key services to Class B and C insurers, including provision of place of business and maintenance of full books and records.

Number 1 2 nd largest jurisdiction for captive insurance One of the leading jurisdictions for group captives and insurance linked securities US\$909 Domestic gross premiums written and assumed reinsurance premiums of million as at 31 Dec 2022 INDUSTRY OVERVIEW domicile in healthcare captives worldwide CMRAI 2022 Annual Report31 INDUSTRY OVERVIEW Licence Type Total as at 31 Dec 2021 Cancelled 1 Jan - 31 Dec 2022 Issued 1 Jan - 31 Dec 2022 Total as at 31 Dec 2022 Class A 25 0025 Class B, C, D6612433670 Insurance Managers201020 Brokers230023 Agents 36 0137 Total 765 2534775 Table 5: Insurance licensing activity 25 23 36 37 2726 23 25 Figure 11: Cayman Islands domestic licences by category Dec 2018Dec 2019Dec 2020Dec 2021Dec 2022 Class A Insurers Brokers Agents 32CMRAI 2022 Annual Report INDUSTRY OVERVIEW 42%4% 4% 4% 2% 5% 8% 31% International Health Property Life & Annuity Motor Liability Aviation Other Health Figure 12: Coverage provided by domestic Class A insurers, measured by Gross Written and Assumed Premiums, 2021 Table 6: : Domestic insurance companies performance statistics by primary line of business per the last annual filing for the year-ended 31 December 2021 Motor PropertyLiability Marine & Health International Other Total Non-Total Life & Grand Total MotorPropertyLiability Marine & Aviation Health International Health Other Total Non- Life Total Life & Annuity Grand Total Gross Written Premiums \$47,965,907\$284,404,546\$71,570,328\$34,715,300\$378,399,981\$16,973,580\$40,680,063\$874,709,700 Assumed Premiums \$400,877\$50,154,432\$96,813,336\$17,274,124\$0\$1,355,308\$6,723,794\$172,721,871\$0\$172,721,871 Reinsurance Ceded \$21,420,659\$238,729,352\$7,796,968\$1,527,15029,089,446\$0\$1,422,444\$299,986,019\$4,121,209\$30

Net Written Premium

\$26,946,125\$95,829,626\$160,586,696\$50,462,274\$349,310,535\$18,328,888\$45,981,413\$747,445,55

Unearned Premium Adjustment

\$1,518,515\$1,419,334\$1,264,172\$21,000\$12,848\$0\$16,810\$4,252,679\$0\$4,252,679 Net

Earned Premiums

\$28,464,640\$97,248,960\$161,850,869\$50,483,274\$349,323,383\$18,328,888\$45,998,223\$751,698,23

Commissions Received

\$7,359,511\$38,147,130\$2,391,021\$0\$853,652\$0\$121,027\$48,872,341\$30,645\$48,902,986

Total Underwriting Income

\$35,824,151\$135,396,090\$164,241,889\$50,483,274\$350,177,035\$18,328,888\$46,119,250\$800,570,5

Net Claims

Paid\$13,899,719\$26,006,029\$40,029,373\$4,001,000\$295,794,890\$11,910,509\$5,597,263\$397,238,7

Movement in Claim Reserves

\$493,430\$6,199,070-\$10,697,037\$2,466,000\$11,697,237\$76,637\$443,189\$10,678,526\$5,012,384\$15

Acquisition

Costs\$5,325,813\$34,554,696\$1,808,155\$1,154,000\$21,666,219\$0\$86,838\$64,595,721\$5,222,170\$69

Other Underwriting Expenses

\$236,801\$1,026,189\$4,281,354\$0\$3,120,183\$79,479\$1,386,994\$10,131,000\$1,651,951\$11,782,951

Total Underwriting Expenses

\$19,955,763\$67,785,984\$35,421,845\$7,621,000\$332,278,529\$12,066,625\$7,514,284\$482,644,030\$2

Underwriting Profit/Loss

\$15,868,388\$67,610,106\$128,820,044\$42,862,274\$17,898,506\$6,262,263\$38,604,966\$317,926,547\$

CMRAI 2022 Annual Report 33 INDUSTRY OVERVIEW billion premiums; increased by 10.4% since 2022 US\$23US\$74.1 billion assets held; increased by 6.1% since 2022 670 Cayman-based international insurance companies 46 Portfolio insurance companies 33 New international insurers 152 Segregated portfolio companies The international insurance segment in the Cayman Islands began in the mid-1970s with the medical malpractice insurance crisis in the United States of America (U.S.) and was later formalised with the introduction of the Insurance Law in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in the Cayman Islands to provide for their self-insurance and risk management needs. Over the years, businesses have made extensive utilisation of captives as part of their overall risk management strategy, reducing the amount of premiums they pay to commercial insurers by retaining risk internally and self-insuring it through their captive insurance companies. Further, captives provide flexibility and additional coverage capacity to owners giving them a better platform to access and negotiate with the commercial (re)insurance markets. With a mature and stable captives industry, Cayman Islands is now attracting major commercial operators which has seen increased licensing of commercial insurance and reinsurance companies within the Class B(iii) and D licence categories. On overall basis, approximately 70% of the international insurance market in the Cayman Islands is made up of self-insurance vehicles (captives) while 30% is made up of commercial insurance and reinsurance companies. However, the landscape is fast changing with more and more commercial entities getting licensed by the Authority compared to self-insurance vehicles. On average, the Authority has over the past five years granted new licences to commercial insurance and reinsurance companies at a ratio of 55% compared to 45% to captives. International Insurance Segment 34CMRAI 2022 Annual Report INDUSTRY OVERVIEW Figure 14: Total premiums & assets generated and held by international insurance and reinsurance

companies licensed in the Cayman Islands (Class B, C, D), 2018-2022 (in US\$ billion) Figure 13: Number of insurance/reinsurance companies licensed in the Cayman Islands to conduct international insurance business (Class B, C, D), 2018-2022

2022	2021	2020	2019	2018
661	652	646	703	670

Dec 2022 Dec 2021 Dec 2020 Dec 2019 Dec 2018

Total Premiums Total Assets 74.1 15.4 68.7 17.9 68.9 20.9 70.8 23.1 75.1

Total premiums written and total assets held remained fairly the same in 2022 compared to prior year (2021). CMRAI 2022 Annual Report

35 INDUSTRY OVERVIEW Figure 16: Original source of business (risk location) covered by Cayman Islands domiciled international insurance and reinsurance companies (by number of licensed entities), 2022

North America	Worldwide	Europe	Africa, Asia, Middle East	Caribbean & Latin America
149	143	105	86	73

Figure 15 : Primary Class of Business conducted by Cayman Islands domiciled international insurance and reinsurance companies (by number of licensed entities), 2022

Worker s Compensation	Medical Malpractice & Liability	Property General Liability	Other Professional Liability	Life	Automobile PD & Liability
149	143	105	86	73	58

30 26 598 31 23 10 8 36

CMRAI 2022 Annual Report

INDUSTRY OVERVIEW 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 in 2022 thus resulting in premium rate increases, contract exclusions, higher deductibles, and reduced coverage. With the rising inflation and forecasted global recession, this state of the global insurance market is expected to continue, at least in the medium term. As a result, the insurance market in the Cayman Islands has seen and will continue to see increased utilisation of captives with captive owners seeking to retain more risks in their self-insurance vehicles to mitigate the rising insurance costs and to provide additional capacity for insurance coverage. The international insurance market in the Cayman Islands is expected to continue to diversify with more formations of commercial insurance and reinsurance companies. In particular, the reinsurance market is expected to be the next frontier for new insurance business in the Cayman Islands as seen with formations of large asset-intensive reinsurance companies over the past five years. These entities (mainly conducting long term business) are being formed as affiliates of existing large reinsurance groups while in other cases they are new stand-alone formations backed by large private equity funds, largely originating from the U.S. This trend is expected to continue into the near future. Technological innovations continue to gain traction in the Cayman Islands with formation of insurtechs which are utilising artificial intelligence for risk selection, pricing, and loss adjudication, mainly covering U.S. property and casualty exposures. This phenomenon is expected to continue to evolve as more entrepreneurs seek to leverage on emerging technologies.

Outlook - International Insurance Segment CMRAI 2022 Annual Report

37 Investment Funds and Fund Administration 12,995 Mutual funds; 2.2% increase Registered or licensed directors 15,352 Private funds; 8.0% increase 15,854 Mutual fund administrators 74 2021 2022

Authorised Regulated Entities 1,614 1,040 Terminated Regulated Entities (1,066) (1,089) Net annual change 548 (49)

Investment funds fall into two general categories, Mutual Funds and Private Funds. Mutual Funds are generally open-ended and have unlimited duration. 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. Private Funds are generally closed-ended and have limited duration. Private funds are regulated pursuant to the Private Funds Act (2021 Revision). 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 licence allows administration of no more than 10 funds.

INDUSTRY OVERVIEW Table 7: Regulated mutual funds activity 2021-2022

Year	2021	2022
Authorised Regulated Entities	2,239	1,737
Terminated Regulated Entities	(276)	(788)
Net annual change	1,963	949

Table 8: Regulated private funds activity, 2021 - 2022

Year	2021	2022
Registered Master Administered Licensed Limited Investor Private Funds	7,331	7,654
2017	7,612	7,972
2018	8,499	15,854
2019	2,816	2,946
2020	2,988	3,198
2021	8,795	3,224
2022	290	51
2017	635	331
2018	81	317
2019	75	295
2020	64	294
2021	59	583
2022	12,695	295

Figure 17 : Number of Cayman regulated funds by category

Year	2021	2022
Registered Master Administered Licensed Limited Investor Private Funds	2,886	2,886
2017	7,331	7,654
2018	7,612	7,972
2019	8,499	15,854
2020	2,816	2,946
2021	2,988	3,198
2022	8,795	3,224

Figure 18: Mutual fund administrators by category

Year	2021	2022
68	9	9
9	1	10
11	12	18
66	66	66
70	75	78
6	2021	2022

CMRAI 2022 Annual Report

Total Assets increased by 6.9% from US\$11.5 trillion to US\$12.3 trillion. Ending Net Assets increased by 13.3% from US\$7.5 trillion to US\$8.6 trillion. 22,972 regulated investment funds filed a 2021 Fund Annual Return Form (FAR) with the Authority, representing 83.8% of all investment funds. Total subscriptions increased by US\$31 billion or 1.9%. Total redemptions decreased by US\$117 billion or 9.7%. Net inflow of US\$583 billion. See 2021 Investment Statistical Digest for full details.

Delaware Japan California United Kingdom New York Top 5 investment manager locations (measured by net assets)

INDUSTRY OVERVIEW 2021 Investments Statistical Digest

With the war in Ukraine and negative global market conditions, 2022 has proven to be the most challenging year since the 2008 financial crisis. Only 915 hedge funds were launched globally in 2022, the fewest in 10 years. A total of 481 private equity funds were launched globally year-to-date through 19 December 2022, representing a 67% decline from 2021 when 1,464 funds launched, according to S&P Global Market Intelligence data. Almost all regions had more than a 50% drop in the number of funds launched when compared to 2021. As at the end of December 2022, CMRAI saw lower application volume of fund registrations in Q4 2022 compared with Q4 2021, in line with the global trend. The Eureka Hedge Fund Index was down 4.71% in 2022, considerably outperforming the global equity market's loss of 18.36% (as represented by the MSCI ACWI). 2022 witnessed notable global investor push-back, particularly in Europe, against certain large global asset manager's ESG products which were perceived as falling short of meeting goals set out in marketing materials. CMRAI continues to monitor global developments and regulatory best practices within the ESG area.

CMRAI 2022 Annual Report Jurisdiction 2017-2022

Jurisdiction	2017	2018	2019	2020	2021	2022*
Bahamas	783	2.6%	803	3.5%	775	6.3%
Bermuda	543	5.5%	513	24.4%	508	24.8%
BVI	1,499	0.1%	1,502	1.3%	1,489	15.4%
Ireland	739	2.3%	754	4.9%	764	3.2%
Jersey	1,040	12.8%	1,020	12.4%	943	11.1%
Guernsey	976	0.9%	970	1.4%	961	2.1%
Cayman	10,559	4.1%	10,992	1.2%	10,857	126.5%

* - The latest available numbers for 2022 are as at the following period: Bahamas January 2023 (December 2022 not found); Bermuda Q1 2022; BVI Q4 2022; Ireland Q3 2022; Jersey Q2 2022; and Guernsey - February 2023 (December 2022 not found).

- comprised of AIFs (excluding sub-funds) and excludes UCITS. The above table depicts the growth rate of the funds industry in key offshore jurisdictions where funds are primarily domiciled. Based on the latest numbers available, the

most significant changes for competing jurisdictions were reflected by Jersey (671; down 5.9%) and Ireland (869; up 5.2%). Jurisdictional Comparisons - Funds Table 9: Number of active funds in the Cayman Islands and other financial jurisdictions for which figures are available, 2017 - 2022

INDUSTRY OVERVIEW CMRAI 2022 Annual Report⁴¹ 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 Persons. 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 1,654 registrations as at 31 December 2022. 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.

Securities 47 total SIB licensees 1,654 total SIB Registered Persons

INDUSTRY OVERVIEW Broker/Dealer Securities Manager Market Maker Securities Arranger Securities Advisor 19 5 27 19 21

Figure 19 : Securities Investment Business licensees by type ⁴²CMRAI 2022 Annual Report

INDUSTRY OVERVIEW Securities Investment Business licence applications Registered Persons licence applications 25 Registered Persons licence applications were 109 Registered Persons licences cancelled or 78 Registered Persons licence applications 0 Registered Persons licence application _ X 1 SIB licence applications returned 3 SIB licences cancelled or revoked 3 SIB licence applications approved 0 SIB licence application refused _ X

CMRAI 2022 Annual Report⁴³ CMRAI is the sole issuing authority for Cayman Islands (CI) currency and is responsible for the issue, re-issue, and withdrawal of CI currency notes and coins against the United States (US) dollar via local retail banks. The Authority 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 2022, the value of the currency reserve assets was CI\$195.1m. Full details can be found within the Annual Financial Statements. Numismatic Programmes

The Authority commissioned two silver commemorative coins one for the 25th Anniversary of the Cayman Monetary Regulatory Authority International and one for the Queen's Platinum Jubilee. The design for the 25th anniversary coin includes CMRAI's 25th anniversary logo on the reverse side and the Cayman Islands Coat of Arms on the obverse. Inspired by her Late Majesty's 70-year reign, the design for the Queen's Platinum Jubilee coin features two portraits of Her Majesty Queen Elizabeth II on the reverse side, while the obverse side bears the Cayman Islands Coat of Arms.

Execution of Monetary Functions ORGANISATIONAL DEVELOPMENTS \$171.1 million total currency in circulation; 1.38% decrease since 2021 \$156.8 million notes in circulation \$14.3 million coins in circulation 44

CMRAI 2022 Annual Report	\$100,000,000	\$140,000,000	\$170,000,000	\$160,000,000	\$150,000,000	\$130,000,000	\$120,000,000	\$110,000,000		
May	Jun	Mar	Apr	Date	2018	2019	2020	2021	2022	30 Jun
\$117.90	\$124.10	\$155.40	\$161.70	\$166.60	31 Dec	\$126.60	\$140.40	\$164.40	\$173.50	\$171.10

Table 9: Currency in circulation at half year and year-end (in CI\$ million) ORGANISATIONAL DEVELOPMENTS Table 10: Number of counterfeit banknotes withdrawn from circulation Figure 20 : Cayman Islands currency in circulation by month, 2018 - 2022

2018	2019	2020	2021	2022	\$100	400	1678	\$50	11111	\$25	000100	\$10	80004	\$5	00000	\$1	00010	Total No. of Notes	13012883	Total Dollar Value	\$530	\$0	\$50	\$1,901	\$7,890
2021	2022	2020	2019	2018	Jan	Feb	Jul	Aug	Sep	Oct	Nov	Dec	CMRAI 2022 Annual Report	45											

ORGANISATIONAL DEVELOPMENTS The Authority achieved various milestones as it pertains to: Drafting the inaugural edition of the Financial Stability Report Developing a framework for the calculation of the Residential Property Price Index (RPPI) Activities in collaboration with international organisations Capacity building, Training and Development Initiatives Collaboration with the Financial Stability Board's Non-Bank Monitoring Experts Group Database development initiatives and inter-divisional collaboration on financial stability related projects Financial Stability Report initiatives During 2022, FSSD completed work on CMRAI's inaugural Financial Stability Report (FSR). Upon completing of graphics processing, the FSR is to be published in early 2023. Activities within International Organisations CMRAI acknowledges that climate-related risks are affecting the world economy and the safety and soundness of financial systems. Therefore, CMRAI joined the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) in February 2022 to keep up to date with latest regulatory developments and actively contribute within this space. Over 2022, the Authority has been involved in two work streams of the NGFS, focusing on the supervision and scenario design analysis as well as capacity building and training. The Authority also established an internal working group with a strategic mandate to build a roadmap to fully embed climate-related risks within the existing regulatory and supervisory framework. More details on the implementation of the roadmap will be provided in the coming year. Emphasis was placed in 2022 on internal capacity building as various employees gained climate certifications and participated in climate related courses from various international standard setting bodies. Residential Property Price Index CMRAI also engaged with the Cayman Islands Government Lands & Survey Department (LSD) and Economics & Statistics Office (ESO) to develop a RPPI for the Cayman Islands. This RPPI will be an important input into financial stability models for the jurisdiction. CMRAI with the Cayman Islands Government colleagues are working with subject matter experts within the International Monetary Fund (IMF) Caribbean Regional Technical Assistance Centre (CARTAC) to deliver Technical Assistance (TA) to the Cayman Islands on the construction of the RPPI. The Cayman Islands Government are

owners of the main input data set and will host CARTAC TA and the future compilation of the RPPI. Capacity Building In 2022, CMRAI continued to collaborate with IMF and CARTAC on technical assistance and training for staff. Select employees also participated in financial stability training offered by IMF through CARTAC, including a workshop on Systemic Risk and Macroprudential Policies for Household Indebtedness and Housing Markets. Financial Stability Board Non-Bank Monitoring Experts Group The Authority continued to collaborate with the Nordic Market Expert Group, actively providing non- bank financial intermediation (NBFI) data to the Basel-based Financial Stability Board. Statistical Publications Through our Statistics Unit, CMRAI has also further automated the production of the tables and graphs for the Banking Statistical Digest and Investments Execution of Financial Stability 46CMRAI 2022 Annual Report Statistical Digest. This will assure greater year to year consistency in presentation as well as accelerate production times. Database Development Initiatives During 2022, work towards our database and business intelligence development and analysis initiatives. Other efforts included the completion of the Basel II QPR mapping process to fully integrate our largest prudential reporting form onto the eReporting platform. We also continued to update extract, transform and load packages to capture new data points for prudential supervision.

ORGANISATIONAL DEVELOPMENTS CMRAI 2022 Annual Report⁴⁷ **ORGANISATIONAL DEVELOPMENTS**

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 and respective regulations	Monetary Authority (Administrative Fines) Regulations	Proceeds of Crime Act
Anti-Money Laundering Regulations	Terrorism Act	Public Authorities Act
Public Management and Finance Act	Companies Act and respective regulations	Proliferation Financing (Prohibition) Act
Special Economic Zones Act	Standards: Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation	Memberships: Caribbean Financial Action Task Force (CFATF)
Banks, Trusts, Money Services Businesses, Credit Unions, Building Societies, Corporate Services Providers, Company Managers	Banks and Trust Companies Act (as amended) and respective regulations	Regional Consultative Group for the Americas (Financial Stability Board)
Private Trust Companies Regulations (as amended)	Money Services Act (as amended) and respective regulations	Banks, Trusts, Money Services Businesses, Credit Unions, Building Societies, Corporate Services Providers, Company Managers
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

48CMRAI 2022 Annual Report **ORGANISATIONAL DEVELOPMENTS** Sector/Entity TypeCayman 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 CMRAI 2022 Annual Report⁴⁹

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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 Through our Policy & Development Division, CMRAI continued its work towards the development of the jurisdiction's financial services regulatory framework in accordance with international standards. This 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 our website. Other Regulatory Developments CMRAI also 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 continues to be the driving force for enhancements to the regulatory and supervisory framework for the Cayman Islands. Development of a Framework for Virtual Assets The VASP 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. Throughout 2022, the Authority continued its collaboration with the Ministry of Financial Services and Commerce to determine the optimal legislative approach for regulating issuers of virtual assets while developing the necessary framework, forms and guidance for VASP Trading Platforms and Custodians. Work also continued in policy research of the most efficient regulatory model for a VASP Sandbox in consideration of an appropriate prudential and systemic risk mitigation regime.

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Table 12: List of regulatory measures issued and updated by the Authority

Issued	Type of Standard	Title	Description
February 2022	Rule and Statement of Guidance	Investment Activities of Insurers	These measures set out the regulatory investment requirements for Insurers that consider solvency and all relevant risks.

February 2022 Rules and Guidelines Basel III Framework: Rules and Guidelines on Liquidity Risk Management This measure sets out a Liquidity Risk Management framework for banks along with minimal standards for funding liquidity and liquidity monitoring tools. August 2022 Rule and Regulatory Procedure Rule and Regulatory Procedure for Cancellation of Licences or Certificates of Registration for Regulated Mutual Funds and Registered Private Funds These measures set out to expand the scope of applicability for funds cancellation requirements to both mutual and private funds and to improve the efficiencies in the process for the termination of funds by clarifying the requirements and timelines for cancellation applications. September 2022 Rules and Guidelines Rules and Guidelines on Market Discipline Disclosure Requirements (Pillar 3) This measure seeks to provide guidance to the applicable banks on the implementation of the disclosure requirements of Pillar 3 under the Basel II Framework. CMRAI 2022 Annual Report⁵¹ 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.

ORGANISATIONAL DEVELOPMENTS Compliance and Enforcement Table 13: Due Diligence applications referred to the Compliance Division Sector Number of referred due diligence applications Banking⁹⁴ Fiduciary⁹² Insurance¹⁰ Investments⁴¹ Securities¹⁷ Total²⁵⁴ Enforcement Based on the nature and seriousness of the breach, the Authority will determine whether and what enforcement action is necessary. The Authority draws its enforcement powers, mainly from the Monetary Authority Act (as amended), Regulatory Acts and the Anti-Money Laundering Regulations (as amended) (the AMLRs), which range from: Suspending, revoking or cancelling licences or registrations; Imposing conditions; Requiring the substitution or removal of a director, operator, senior officer, general partner, promoter, manager or shareholder of a licensee or registrant; Suspending or cancelling directors registrations; Appointing controllers; Appointing advisors; Requiring a regulated entity to obtain an independent AML/CFT Audit; Imposing administrative fines; Applying to the Grand Court of the Cayman Islands for an order directing that a licensee or registrant be wound up; Requiring licensees or registrants to take such action as the Authority reasonably believes necessary; and Referring contraventions that result in offences and criminal penalties to the appropriate authorities. Additionally, the Authority also takes other supervisory actions such as issuing warning notices and supervisory letters. The Authority's Enforcement Manual and Enforcement Manual (Procedure For Administering Administrative Fines Parts I-III) describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the Regulatory Acts and the AMLRs by a regulated entity. ⁵²CMRAI 2022 Annual Report ORGANISATIONAL DEVELOPMENTS 7 24 Revocations/cancellations 7 Imposed Administrative Fines totalling CI\$4.9 million 2 Imposing conditions 8 Warning/breach notices - entities ! X Initiated enforcement actions, 8 related to AML/ CFT and Fitness and Propriety infractions 4 Directors and shareholders not found fit and proper Enforcement Activities CMRAI 2022 Annual Report⁵³ ORGANISATIONAL DEVELOPMENTS Table 14: Entity list of enforcement actions initiated

Name of entity	Authorisation Type	Enforcement action
Artex Risk Solutions (Cayman) Limited	Insurance Manager	Administrative Fine
Global Core Insurance SPC	Class B Insurer	Administrative Fine
ICC Intercertus Capital (Cayman) Ltd.	Securities - Full	Administrative Fine
Kevin Poole	Director/Officer	Administrative Fine
Lion Brokers		

Limited Securities - Full Administrative Fine Providers Re SPCC Class B Insurer Administrative Fine Obelisk Global Fund SPC Mutual Fund - Registered Cancellation of Registration Stefan He Qin Registered Director Cancellation of Registration Virgil Sigma Fund, LP Mutual Fund - Registered Cancellation of Registration VQR Multistrategy Cayman Feeder Fund Ltd. Mutual Fund - Registered Cancellation of Registration VQR Multistrategy Fund LP Mutual Fund - Master Cancellation of Registration Artex Risk Solutions (Cayman) Limited Insurance Manager Imposed Requirements Global Core Insurance SPCC Class B Insurer Imposed Requirements Advanced Fund Administration (Cayman) Limited Restricted Mutual Fund Administrator Revocation of Licence The RDI Company Ltd. Company Manager Revocation of Licence Name Jazeb Matthew Jones Lawrence Winfield Sifton Matthew Yiu Kong Ho Stefan He Qin

Table 15: Directors found not fit and proper 54

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Other Compliance Matters

Among its duties, CMRAI is also tasked with investigating persons or entities that appear to be conducting regulated business without the proper authorisation. 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, CMRAI continues to update a list of fraudulent websites, which includes addresses for businesses that are not registered or licensed in the Cayman Islands.

Local Co-operation

CMRAI filed 13 suspicious activity reports with the Financial Reporting Authority of the Cayman Islands (FRA) during the reporting period. The FRA made 58 onward disclosures to the Authority during the same period, pursuant to the Memorandum of Understanding between the FRA and CMRAI. We also processed 12 inter-agency requests from local competent authorities pursuant to the Inter-Agency Multilateral Memorandum of Understanding, with 9 inter-agency requests made to local competent authorities pursuant to the Inter-Agency Multilateral Memorandum of Understanding. Additionally, the Authority made two referrals to the Royal Cayman Islands Police Service for criminal investigation during the reporting period.

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55 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 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 here.

CMRAI signed one bi-lateral MOU, which was concluded on 7 September 2022 with the Illinois Department of Insurance.

Local Cooperation

AML/CFT Supervisors Organisations

including the Cayman Islands Professional Accountants Association, and the Cayman Attorneys Regulatory Authority, the Authority has formed the Supervisors Forum (the Forum). The role of the Forum is to provide a national-level platform for AML/CFT supervisors to discuss common issues relating to regulation, enforcement, risks, trends and other matters. Members of the Forum discuss issues that arise from carrying out their AML/CFT functions, in order to come to a consensus on a national approach to AML/CFT.

The Cayman Islands hosted the CFATF Risk Trends and Methods Group (CRTMG) meeting as well as the CFATF's 55th Plenary and Working Group meetings from 27 November to 1 December 2022. The meeting coincided with the 30th anniversary of the CFATF, and was attended by over 200 delegates from

overseas. Local delegates who participated included representatives from CMRAI, the Anti- Money Laundering Steering Group and Inter- Agency Coordination Committee. 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. Scrutiny by Parliament CMRAI plays a central role in the fight against money laundering and terrorism financing. As part of its mandate, CMRAI continues to monitor issues which have an impact, or potential impact, on the jurisdiction. Amongst the measures taken are the enactment of appropriate legislation and internal regulatory reforms. Since the 2020 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures. These include: Anti-Money Laundering (Class A and Class B Bank Threshold Reporting) Regulations, 2022 Beneficial Ownership (Limited Liability Partnership) Regulations (2022 Revision) Companies Management Act (2021 Revision) Monetary Authority (Administrative Fines) Regulations, 2022 Virtual Asset (Service Providers) Act (2022 Revision) Cross-Border Cooperation ORGANISATIONAL DEVELOPMENTS 56CMRAI 2022 Annual Report Requests granted full access 4 291 Requests for assistance from ORAs ORGANISATIONAL DEVELOPMENTS 14 3 Requests denied as information was publicly available Requests received Freedom of Information Four requests in 2021 and two requests in 2022 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 Law. All requests were responded to within 30 days except for one request in 2021. CMRAI 2022 Annual Report57 Human Resource Management and Development ORGANISATIONAL DEVELOPMENTS Learning & Development Following the successful launch of our Learning & Development strategy, we capitalised on a robust plan where staff obtained soft skills and technical training opportunities and development. These programmes were facilitated by our Learning & Development Unit along with subject experts from within the Authority. Areas covered leadership, crypto currency, cybersecurity, as well as blockchain currency. There were several bespoke courses on soft skills, policy development and strategies, AML/ CFT, risk management and onsite inspections. Anti- bullying, data protection and complaints handling awareness sessions were also availed to employees. Unfortunately, despite these initiatives, some of the staff became well equipped and coupled with the regulatory experience, the Authority lost 46 staff, the majority of whom were hired by the local industry. A competition was also held in July 2022 to allow interested staff to send video submissions for a chance to win a scholarship to participate in the International Certificate in Financial Regulation course being offered by the School of International Financial Services. Three staff members received scholarship awards. The programme commenced in late October 2022 and will run up until October 2023. Each awardee was assigned a mentor from within CMRAI to provide support and guidance during and after the duration of the programme. In August 2022, CMRAI became an ACCA approved employer recognising our commitment to ensuring ACCA students, affiliates and members have the right skills, ethics, and competences to add value and drive strategic objectives forward. Work also started on developing courses for our first ever Diploma in Financial Regulation and Supervision, which is aimed to be launched mid-2023. Employee Relations CMRAI established various staff benefits and options in an effort to offer more work-life balance and flexibility, such as work from home and remote working arrangements, enhanced

maternity and paternity benefits, mental health awareness and benefits of specific days for well-being and recognition initiatives. Through diligence, hard work and proven performance, 39 promotions were earned across various divisions, namely Anti-Money Laundering, Banking Supervision, Fiduciary Services, Financial Stability, Human Resources, Information Systems, Insurance Supervision, Investments Supervision, Legal, Onsite Inspection, Policy & Development, and Professional Support Services. Employee Recognition Staff recognition programmes and employee engagement and recognition initiatives continue to be welcomed 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 fellow colleagues. Additionally, the Authority conducted an employee engagement survey from which various internal working groups were formed to address some of the points raised by the staff.

Internships The Authority redesigned its internship programme and provided 12 promising, ambitious young persons with real-life employment experience, from the application and interview process to on-the-job training. These persons were pursuing studies in various fields, such as Accounting, Law, Cybersecurity, Public Administration, and Human Resources. This initiative provides students insight into its business operations and potential future career opportunities.

58CMRAI 2022 Annual Report Service & Contributions to the Community As part of our community spirit, a dedicated charity fund pool was also established, which allow staff to voluntarily contribute towards a chosen charity. The beneficiaries for 2022 were the Cayman Islands Crisis Center's Teens and Young Adults (TAYA) Project and Special Olympics Cayman Islands. As part of its 25th Anniversary celebration, the Authority also organised an internal fundraising competition with a goal of raising a total of CI\$25,000 by the end of 2022, to benefit Cayman ARK. Through dedication and commitment from staff, whilst fulfilling our work objectives, CMRAI raised over CI\$27,000, all of which was donated to Cayman ARK. Additionally, and with support from various businesses, government agencies, public participants, volunteer groups and staff, CMRAI's 5th Annual 5K Walk-Run proved to be another success, with the event raising CI\$12,410.97. All proceeds have been earmarked to benefit literacy and numeracy initiatives within the local government primary schools.

Information Systems 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 hurricane season, CMRAI continues to test business continuity, incorporating previous improvements that provide value and increased efficiencies. The Disaster Recovery and Business Continuity Plan was fully tested through remote desktop connection, allowing staff to work from home on a rotational basis. In-office systems and remote access were available throughout the year, and maintenance and security layering were reinforced. The network is designed with redundancy in two separate buildings.

Systems Security The finance industry is a prime target for cyber attacks. Therefore, CMRAI continues to focus on security. Working from home on a rotational basis increases the threat surface area, however, no major incidents were reported due to added control monitoring and exception reporting. A Network Penetration Test was carried out by EY. According to this 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 2022 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. Successfully monitored and managed various network security necessities and responded to Helpdesk requests for both in-office staff and those working remotely from home. Software Development An API was implemented to provide external access to authorised data from the CMRAI website and is currently used by other government authorities to update the latest entities. Continued ongoing updates and revisions to REEFS forms to better facilitate requests. The internal client relationship management system is being updated to a web-based architecture. Continued the development of a new CMRAI ID portal to simplify forms input processes for industry. This will be launched soon. New Risk Management solutions were implemented for AML data capture surveys with integration for back-end systems and industry communication. With this, CMRAI staff can now visualise data streams better with new back-end processes.

ORGANISATIONAL DEVELOPMENTS CMRAI 2022 Annual Report⁵⁹ 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 enhanced AML/CFT compliance across regulated sectors as well as targeted financial sanctions following the Russian-Ukraine war. This included featured public articles and notices, and assistance in various training and outreach projects. Spearheaded by the PR Unit, CMRAI also launched an investor education campaign, which seeks to raise awareness about the importance of financial education as well as understanding the risks associated with investment opportunities. Similar work has also begun on the content development and production of the main blog page of the website, which will be launched in early 2023. Topics will highlight viewpoints from some of CMRAI's own experts and other specialists on issues affecting general investors and consumers. In keeping with the modern use of communications and in assessing our current stakeholder engagement practices, the page will also feature visual, written, video and audio content, along with other topical regulatory updates in more real-time that will result in quality engagement. On 8 December 2022, CMRAI hosted the meeting for the Financial Stability Board Regional Consultative Group for Americas, an event which was also co-managed by the PR Unit. External Publications Throughout the year, senior staff produced written articles, information gathering and interviews for various publications such as the Cayman Captive Magazine and the IFC Cayman Report. CMRAI Publications As part of our ongoing work, we 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. Additional communication material included The Anchor, the AML/CFT Activity Report, the 2021 Investments Statistical Digest and the 2021 Banking Statistical Digest, a newly developed REEFS Industry User Guide among other internal publications. 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 the Managing Director and members of CMRAI's senior management team. The PR Unit was also instrumental in coordinating and overseeing the main activities of our 25th anniversary celebrations, including various staff recognition and award programmes as previously mentioned. Staff and Executive Management were also kept abreast of local and international market, regulatory and political developments affecting the financial services industry.

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FINANCIAL CONTROL

Coercive Revenue Collection

The Authority collected \$170.6m in coercive fees from regulated entities and imposed Administrative Fines, on behalf of, and forming part of the Cayman Islands Government revenue, compared to \$156.8m 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 \$31.9m, 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 \$10.4m, Transactional Fees \$6.8m, Investment Income \$3.0m, and Commission Income \$1.4m.

Comprehensive Income

The Authority's Comprehensive Income for the year was \$13.7m (2021: \$5.7m), of which \$8.7m was allocated to Capital Expenditures Reserve, and \$5.0m to General Reserve. Details of CMRAI's financial position for the year can be found in the Audited Financial Statements that follow.

Collected \$170.6 million in fees from regulated entities and imposed Administrative Fines million total outputs delivered \$31.9 Comprehensive Income of \$13.7 million

CMRAI 2022 Annual Report

61 Highlight 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
- Developed wholesome and sustainable employee benefit programmes to promote work-life balance of its employees. These will be implemented in 2023.
- Enhance the regulatory response to innovations in business models and technologies
- Maintained a steady progression of addressing automation needs with a plan to further improve technological resources in 2023.
- Developed a framework for the identification and evaluation of emerging technological trends and issues, and to respond in a timely manner and as necessary.
- Reform and retool operational structures and supervisory approaches to better implement a risk-based approach
- Taking into account the recommendations made by external experts, the growing regulatory population and changes to the regulatory standards and landscape, CMRAI is considering changes to its structure, governance practices and operational workflows to improve internal efficiencies.
- Develop and implement a renewed framework for effective stakeholder engagement
- Finalised stakeholder engagement framework document and accompanying guidance manual to improve communication and engagement with its external stakeholders. Framework to be implemented in 2023.

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As the primary regulator of the Cayman Islands financial services industry, CMRAI is exposed to numerous challenges as it works towards effective delivery of its mission. An effective risk management approach is, therefore, vital for strengthening CMRAI's capacity to recognise, understand, and address the challenges whilst maximising its opportunities. In 2019, the Authority's Board of Directors approved the establishment and implementation of an Enterprise Risk Management Framework for the Authority. Progress was halted in this regard due to the onset of the

COVID-19 pandemic in 2020. However, in 2021 a Chief Risk Officer (CRO) was appointed to progress the mandate. Below outlines a list of some of the key achievements to date. Risk Governance Integral to the success of the Enterprise Risk Management Framework, is a strong Risk Governance structure. As such, a CMRAI Management Risk Committee (CMRC) was established at the organisational level consisting of a cross-disciplinary team of leaders to facilitate the application of a holistic approach to risk management at CMRAI. The CMRC s Terms of Reference was created and outlines responsibilities as the identification, assessment, management and monitoring of key risks in effort to support the achievement of CMRAI s strategic objectives, principal functions and the promotion of a risk aware culture encouraging sound risk management practices and risk-based decision making. The CMRC is primarily supported by the Executive Management team and the Risk Sub-Committee of the Board (RSCB), meeting at minimum quarterly to pursue its mandate, and of course secondarily by the entire staff complement at the Authority who all take direct or indirect ownership for the management of risk as aligned with the Three Lines of Defence governance model. Risk Appetite Statement In conducting appropriate oversight, the board and management must resolve the key question of how much risk is acceptable in pursuing its strategic objectives. The answer to this question is articulated through a risk appetite statement to help the Authority make decisions from a risk-based approach. In 2022, the Board of Directors ratified the Authority s first Risk Appetite Statement. The development of CMRAI s Risk Appetite Statement encompassed the outline of the Risk Management Framework, addressing the main process components such as risk identification, assessment, treatment, monitoring and reporting. Through its establishment CMRAI s main categories of risk were agreed, and appetite statements were set by the Board for each as guidance and consideration by staff at decision making junctures. Also in 2022, bespoke tools and processes were established in support of the activation of the Risk Appetite Statement; utilising the risk rating methodology to facilitate the capturing and reporting of risk events through a risk reporting template and to assess the alignment of initiatives with objectives and appetite through a project risk assessment template. Risk Management Framework CMRAI continues to progress towards the finalisation of its Risk Management Framework having customised key components, processes and tools suited to enact the risk management processes in a manner that is tailored to its objectives and environment, and in line with the ISO 31000: 2018 Risk Management Process. Risk Management MANAGEMENT DISCUSSION AND ANALYSIS CMRAI 2022 Annual Report63 Risk Management MANAGEMENT DISCUSSION AND ANALYSIS Risk Identification The purpose of risk identification is to find, recognise and record risks that might hinder, prevent or have a material impact on the achievement of objectives. CMRAI has employed a range of techniques for identifying risks which include surveys, interviews and questionnaires. Through these mediums Divisional Risk Registers have been created by their respective Risk Owners, where the risks identified in day-to-day operations, and the control framework in place to mitigate, are recorded. The CRO has responsibility for the collation of the Divisional Risk Registers into an Enterprise-Wide Risk Register. Risk Registers are reviewed and the risk ratings of key risks are re- evaluated on a periodic basis to account for a shift in context and environment where applicable. Risk Assessment Once a risk is identified and categorised, CMRAI has created a Risk Assessment Methodology to facilitate the determination of a risk rating score for the applicable risk. The Risk Assessment Methodology consists of an Impact and Likelihood scale that assists the user with assessing the risk s likelihood of

occurrence and impact on objectives. From this assessment, a risk rating score is calculated and allocated into a specific risk zone, which is intended to aid decision-making regarding treatment. A Project Risk Assessment template has been developed to evaluate the risk profile of initiatives, utilising the risk assessment methodology, to determine alignment with objectives and appetite. Risk Treatment Following the allocation into a risk zone, a determination is made on risk treatment, oversight and monitoring in line with risk appetite. Determining the most appropriate risk treatment plan involves balancing the potential benefits derived in relation to the achievement of the objectives against resources, competing objectives, risk appetite and possible disadvantages to implementation. Risk Monitoring Monitoring and review play key roles in determining risk management effectiveness. Indicators are used in multiple facets across the Authority to monitor risk and performance. A dashboard is being curated with these indicators to assist with identifying the onset of emerging risks, escalation of existing risks and charting of performance over time. Risk Reporting A Risk Reporting Template has been created, to enable staff to share identified risks and risk events with the CRO and ultimately for escalation to the Risk Committees and the Board where applicable. A risk reporting address has been created to facilitate submission of same. The template provides the user with an opportunity to outline details around the risk event, assess its likelihood and impact to the Authority and capture current and suggested treatment plans and their outcomes; documentation of which will foster dialogue and serve as a learning opportunity for other staff. Training and Development Six bespoke training modules were developed with a focus on the Risk Appetite Statement and the risk management processes and tools enacted to date. These modules were administered to all staff via a Risk Awareness Campaign initiative developed by the Learning and Development team and the CRO. Modules remain live for ease of reference and will be deployed as part of the on-boarding orientation for new staff. To encourage the knowledge adoption and facilitate the development of a risk aware culture, weekly micro learning activities were deployed to increase engagement with all staff across a period of six months.

64CMRAI 2022 Annual Report MANAGEMENT DISCUSSION AND ANALYSIS Figure 20 : Risk management methodology
CMRAI 2022 Annual Report65 FINANCIAL STATEMENTS FOR THE FISCAL YEAR-END 31 DECEMBER 2022
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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 2022 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures. These include: Freedom of Information Act, 2021 Freedom of Information (General) Regulations, 2021 Freedom of Information (Information Commissioner) Regulations, 2008 Complaints Maladministration Act (2018 Revision) Complaints Commissioner Regulations, 2008 Freedom of Information

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 The Authority received a total of 18 requests during the reporting period. The following observations were made: Complaints were made against entities which were not registered with the Authority. An entity that was carrying out crypto currency business in the Cayman Islands despite not being authorised to do so. Matters where the Authority instructed the individual to file a complaint with the police. Due to the complex nature of some entities, multiple divisions considered and responded to the complaint. Inconsistencies in the wording of the present complaints policies and procedures, as well as teething issues with the technological solution to manage complaints. The policy for complaints against the Authority indicates that must respond to a complaint within 90 days. However, the policy for complaints against licensees, is not specific and suggests a reasonable time. These inconsistencies are being recorded into a teething problems list for later consideration and review of the various policies and procedures documentation. Enactment of Legislation total FOI requests received and processed 4 granted full access 7 denied as information was publicly available 14 CMRAI 2022 Annual Report106 GOVERNMENT COMMITMENT AND FUTURE OBJECTIVES

Advisory 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 49. 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 2023.

Cross Government Commitment & Objectives

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