



ANNUAL REPORT 2020



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FUTURE OBJECTIVES AND OUTLOOK

MESSAGE FROM CHAIRPERSON OF THE BOARD OF DIRECTORS

The year 2020 was one of the most challenging years in the history of the Cayman Islands Monetary Authority (the Authority) and the financial services industry. Amidst the business operational changes forced upon the Cayman Islands by COVID-19, the Board of Directors worked closely with the management team to protect and strengthen the Authority's overall plans, which included various strategic and regulatory developments. Subsequently, a large volume of legislative amendments was approved by the Board to enable the Authority to meet the economic substance and the Caribbean Financial Action Task Force requirements within the deadline.

Continuing the governance work that the Board of Directors commenced in 2019, the Authority developed its first risk register during the 2020 financial year. The risk register also served as the basis for the development of a risk-based audit plan which will ensure that the internal audit function can focus its work on the priority risk areas within CIMA. Approval was granted for the hiring of a Chief Risk Officer to ensure that the risk management focus will continue to be embedded and sustained throughout all areas of the Authority's operations.

Earlier in the year, an online portal was implemented to improve the efficiency and effectiveness of board meetings, as well as reduce the time spent distributing board materials. This has become a valuable feature for directors as it allows a convenient preview of documents.

Another area of focus was the implementation of the formal online complaints process, which sought to enable licensees to efficiently report complaints to the Authority, and for the Authority to comply with additional obligations under the Public Authorities Act and the Data Protection Act.

As an essential part of its operational developments, and in light of the recent occurring events, the Board also worked together with the management team to revise the Authority's business continuity and disaster recovery plans, both of which include comprehensive provisions to ensure that the Authority can respond to other unplanned events such as earthquakes and pandemics.



In this context, I wish to thank the Managing Director and her staff for their continued hard work and dedication during these unprecedented times and over the past 20 years. I also extend much gratitude and appreciation to the industry professionals for complying substantially with the deadline requirement for filing private funds, especially during a very hectic period.

The Board of Directors will continue to work with CIMA's management team, staff and stakeholders to deliver on our commitment to enhancing regulatory effectiveness, mitigating risks, and highlighting our status as a world class financial centre that is financially safe and sound.

Patricia Estwick

STATEMENT BY MANAGING DIRECTOR



The COVID-19 pandemic impacted many regulated entities, with most having to adapt to new ways of working. Needless to say, 2020 was a busy year for the Cayman Islands' financial services industry and the Cayman Islands Monetary Authority (CIMA) alike. Much of our efforts were geared towards meeting economic substance and CFATF requirements.

Significant to these changes were:

- The implementation of an enhanced supervisory regime for Registered Persons, formerly Excluded Persons, under the Securities Investments Business Act.
- The enforcement of the Private Funds Act, which resulted in 12,695 new private funds registrations.
- The Mutual Funds (Amendment) Act which now requires funds, with fifteen investors or less, to be regulated by CIMA. Prior to the commencement of this Act in February 2020, these funds were exempt from licensing and registration.
- The Mutual Funds (Annual Returns) (Amendment) Regulations 2020 outlines

additional information required by regulated mutual funds, which will assist CIMA in attaining the requisite information for macro-prudential supervision.

- Effective October 2020, the Virtual Asset Service Providers Act requires entities wishing to provide such services to be registered with CIMA. This regulatory framework will be implemented in two phases. The first phase was the registration and notification process, which ended on 31 January 2021 and focused on AML, CFT and CPF compliance, among other key areas of risk. Phase two will include a licensing and approval process that will begin once the appropriate aspects of the Act come into effect.

Legislative amendments were also made to the Monetary Authority Act, and the Administrative Fines Regulations including those relevant to other regulated sectors.

Industry Update

Despite the challenges faced in 2020, the industry stood strong.

According to the latest statistics, there were 24,591 regulated funds as of December 2020, compared to 10,857 the previous year. This significant increase is largely due to the required filing for private funds and limited investor funds, as previously mentioned.

According to the 2019 Investments Statistical Digest, Total Gross Assets and Total Net Assets increased by 10% and 8%, respectively.

Reported Net Income was US\$451 billion compared to the loss of US\$30 billion the previous year, reflecting a gain in global stock prices and a strong rebound in financial markets. These activities represent a steady growth in overall assets managed by Cayman-based funds, confirming Cayman's position as the leading jurisdiction for establishing offshore investment funds.

As of December 2020, there were 1,650 Registered Persons compared to the previously existing 2,198 Excluded Persons. This decrease was attributable to the legislative changes designed to meet the economic substance requirements under the ES Amendment Act, as well as amendments to the Securities Investments Business Act, which

STATEMENT BY MANAGING DIRECTOR

brought Registered Persons under the full scope of the Authority's supervision, as indicated earlier. The number of securities licensees remained consistent with the previous year.

At the end of 2020, there were 110 licensed banks compared to 123 in 2019. Although there has been a decline in licensed banks due to optimisation efforts, activities showed heightened interest in Category A and B licenses.

For fiduciary services, there were 349 trusts and corporate service licensed entities, compared to 352 in 2019, resulting in a 0.85% decrease. Since 2019, there was a 6% increase in trust registrants, from 178 to 189, mainly due to a net increase in the registration of private trust companies.

With 771 insurance licensees, the Cayman Islands' insurance industry also maintained an upward trend and remains the world's leading domicile for healthcare captives and the second largest for captives. In 2020, 36 new international insurance companies were added to the market, compared to 33 in 2019. New insurer formations included 30 captives, 4 insurance-linked securities and 2 Class 'D' reinsurers.

2021 Initiatives

Looking ahead, and in line with our organisational objectives, 2021 will be a year with significant infrastructure and human capital investment. Reforming operational structures and supervisory approaches, while identifying and managing risks, will be paramount to our success. Through these efforts, the Authority will continue its work around strengthening AML/CFT compliance and awareness through active engagement with the industry.

Similar activities will focus on the second National AML/CFT Risk Assessment, where CIMA will work with other government and regulatory agencies, and relevant industry participants, to assess money laundering, terrorist financing and proliferation financing risks.

Other areas of focus will include continued work on the framework for domestic systemically important deposit taking institutions and the continued implementation of the Basel III framework for banks.

The development of a virtual asset framework that captures coin issuances, trading platforms,

exchanges and sandboxes will also be a top priority. Definitions on how this new framework fits into the existing regulatory regime will be determined, along with implementing the necessary support infrastructure. Notwithstanding, the Authority will publish, in the short term, high level principles for the conduct of virtual asset business and amendments to the Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing specifically related to virtual asset business. Consultation on other significant supervisory measures will take place later in the year.

Other planned enhancements to the regulatory framework in the coming months include the publication of regulatory policies and rules related to:

- licensing Class B insurers to assist applicants with understanding the Authority's expectations and licensing requirements;
- establishing the requirements for professional qualifications of relevant persons at insurance companies, brokers, agents and agencies; and cancellation of private funds.

Further to the completion of the Private Funds (Annual Returns) Regulations, the Authority will finalise the accompanying Fund Annual Return and Completion Guide for regulated private funds.

The Authority also plans to conduct industry consultations on other rules and statements of guidance for physical presence and retention of records by trust and corporate service providers in the short term.

Comprehensive self-assessments against core principles in the insurance, banking and securities sectors will also be conducted. The outcome of this exercise will be the driving force for enhancements to supervisory framework for these sectors over the next two to three years.

To that end, CIMA remains committed to its continued robust and balanced regulation of financial services in the Cayman Islands, and in promoting the jurisdiction as a leading international financial services centre.

Cindy Scotland

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

Issue and redeem Cayman Islands currency and the manage currency reserves

Cooperative

Assist overseas regulatory authorities, including executing memoranda of understanding to assist with consolidated supervision

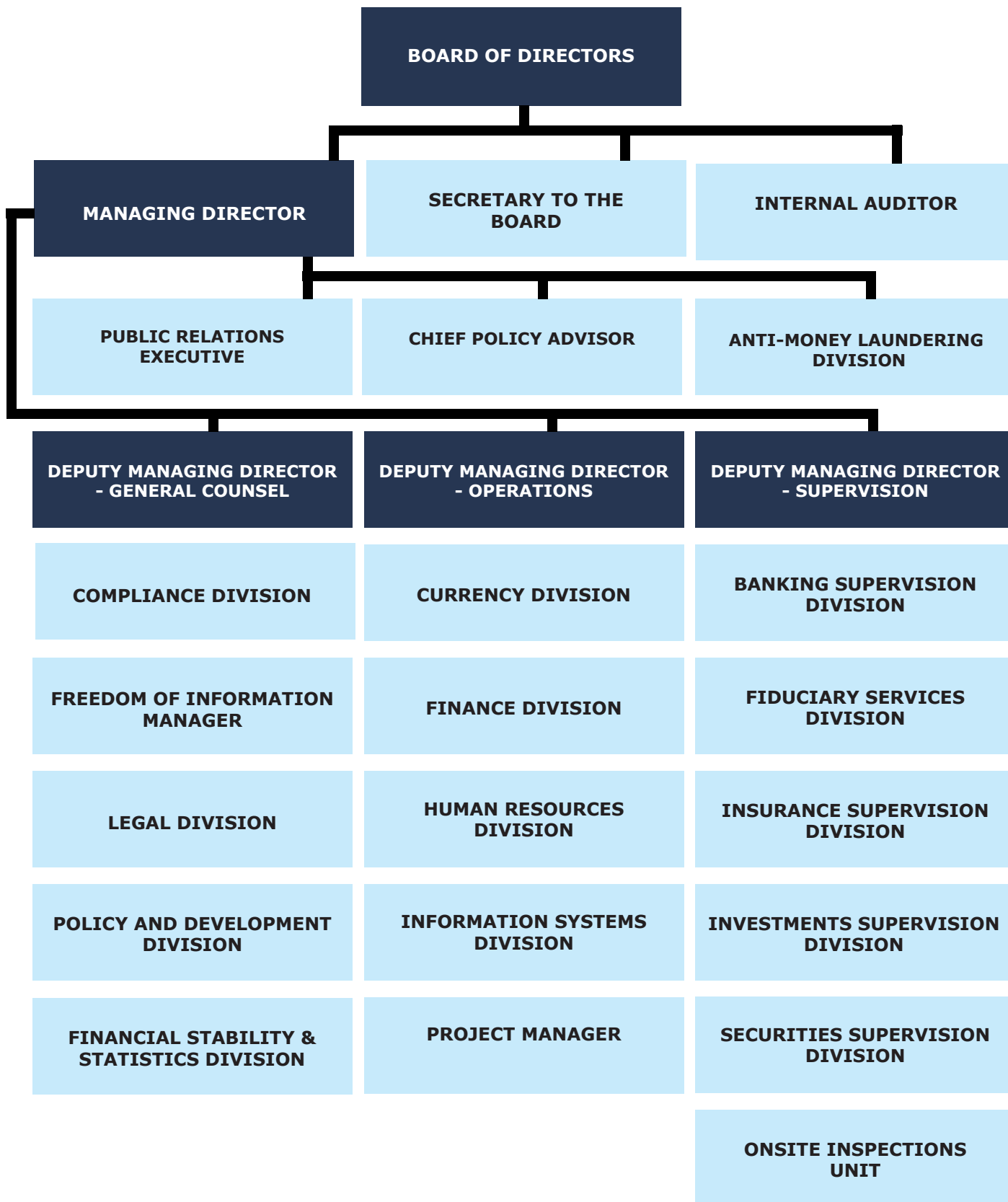
Regulatory

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

Advisory

Provide advice to the Cayman Islands Government on monetary, regulatory and cooperative matters

ORGANISATIONAL CHART



BOARD OF DIRECTORS



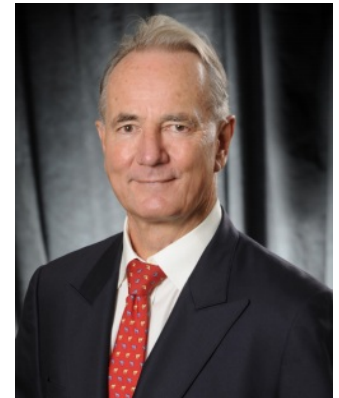
Chairman
Wayne Panton



Deputy Chairman
Garth MacDonald



Managing Director
Cindy Scotland



Director
George (Theo) Bullmore



Director
Pat Teufel



Director
Barry Kroeger



Director
Judith Watler



Director
Patricia Estwick



Director
Henry Smith



Director (Non-voting)
Dr. Dax Basdeo

Barry Kroeger served as a Director until 29 June 2020

Pat Teufel served as a Director until 26 July 2020

Wayne Panton served as Chairman until 4 December 2020

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Managing Director
Cindy Scotland



**Deputy Managing Director -
General Counsel**
André Mon Désir



**Deputy Managing Director -
Operations**
Patrick Bodden



**Deputy Managing Director -
Supervision**
Anna McLean



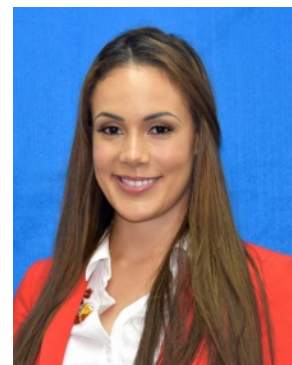
**Head,
Investments**
Heather Smith



**Deputy Head,
Investments**
Juliette Maynard



**Deputy Head,
Investments**
Andrew Graham



**Deputy Head,
Securities**
Jessica Ebanks

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



**Head,
Fiduciary Services**
Rohan Bromfield



**Deputy Head,
Fiduciary Services**
Leticia Frederick



**Head,
Banking**
Gloria Glidden



Deputy Head, Banking
Shakira Cox



Deputy Head, Banking
Bettina Roth



**Head,
Insurance**
Ruwan Jayasekera



**Deputy Head,
Insurance**
Suzanne Sadler



**Deputy Head,
Insurance**
George Kamau



Reinsurance Specialist
Peter Fox



**Head, AML/CFT
Division**
Sarah Wheeler



**Deputy Head,
AML/CFT Division**
Judiann Myles



**Deputy Head,
AML/CFT Division**
Prabhavathi Namburi

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



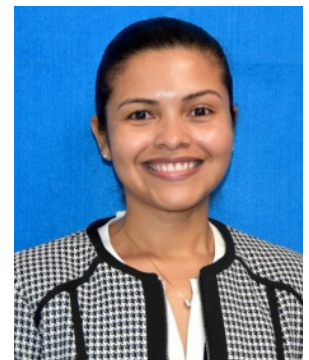
Acting Deputy General Counsel
Angelina Partridge



Legal Counsel
Helen Speigel



Legal Counsel
Menelik Miller



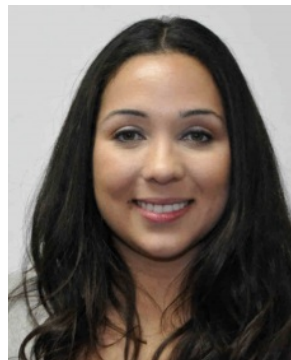
Legal Counsel
Stephanie Adolphus



Head, Compliance
Audrey Roe



Deputy Head, Compliance
Jennifer Hydes



Deputy Head, Compliance
Kara Owens



Head, Policy & Development
Rayford Britton



Deputy Head, Policy & Development
Alisa Glace



Deputy Head, Policy & Development
Aaron Unterman



Head, Financial Stability & Statistics
Sebastian Goerlich



Chief Financial Officer
Gilda Moxam-Murray

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Deputy Chief Financial Officer
Tammy Archer



Head, Human Resources
Deborah Musson



Deputy Head, Human Resources
Tara Abdul-Jabbar



Head, Information Systems
Charles Thompson



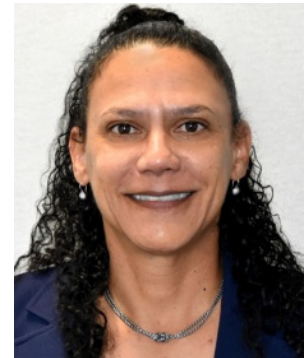
Deputy Head, Information Systems
Scott MacLaren



Deputy Head (Development), Information Systems
David Bennett



Head, Currency
Deborah Ebanks



Deputy Head, Currency
Dominique Lloyd



Special Assistant to the Managing Director
Mitchell Scott



Public Relations Executive
Yvette Cacho



Internal Auditor
Deloris Gordon



Deputy Internal Auditor
Kioko Musaya

Nature and Scope of Activities



AML Monitoring

Monitor and ensure compliance with anti-money laundering regulations



Currency

Issue and redeem currency notes and coins and manage currency reserves



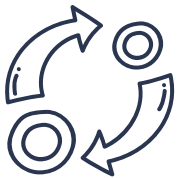
Local and International Representation

Represent the interest of the Cayman Islands at international forums and advising Government on recommendations of those organisations



Regulation and Supervision

Regulate and supervise licensed and registered financial services businesses operating in and from the Cayman Islands



ORA Assistance

Provides assistance to overseas regulatory authorities (ORA) and other competent authorities



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



Consumer Protection

Seek to promote and enhance market confidence and consumer protection through public education initiatives

ABOUT US

Banking Supervision Division



Monitors the activities of banks, money service business, building societies, and credit unions.

Fiduciary Services Division



Ensures the enforcement of prudent practices by professionals in the trust and corporate service industries.

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.

Securities Supervision Division



Solely focused on the regulation of activities relating to securities investment business practitioners.

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.

Investments Supervision Division



Oversees the activities of fund administrators, and funds operating in and from the Cayman Islands.

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.

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.

ABOUT US

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.

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.

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



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.

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.

Policy & Development



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.

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 CIMA staff.

Governance

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

CIMA is a statutory authority under the Public Management and Finance Act. As such, the Legislative Assembly must approve its two-yearly expenditure budget and funding. The Authority is subject to an annual statutory audit. The Government funds the Authority by purchasing specified services as agreed in the Authority's two-yearly purchase agreements with the Government.

Administration

The Authority's Board of Directors is responsible for the policies and general administration of the affairs and business of the Authority. The Managing Director is responsible for the day-to-day administration of the Authority.

The Authority has set out, in its Regulatory Handbook, the policies and procedures that it follows in performing its regulatory and cooperative functions.

Our People

2020 has undoubtedly been an unprecedented year, presenting new challenges for human resources and the way in which CIMA managed its employees. Continuing from 2019, the Authority set out with an aggressive strategic objective to recruit a high calibre of technically sound and experienced talent across all divisions. New benefits and policies that included greater flexible working hours and the option to seamlessly work from home were also introduced.

A total of 51 persons were hired in the calendar year 2020 with 41% of these having relocated from overseas or remotely. 26 of these persons were appointed to the regulatory divisions and the On-Site Inspection Unit and 8 joined the Anti-Money Laundering/Counter Financing Terrorism Division. The remaining 17 joined the Managing Director's Office, Compliance, Finance, Human Resources, Information Systems, Legal, Policy and Internal Audit.











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

Banking and Related Services

Banking

The Banks and Trust Companies Act (2020 Revision), as amended, authorises CIMA to issue two main categories of banking licences, namely Category "A" and Category "B". Category "A" banks are allowed to operate both in the domestic and international markets and provide both retail and non-retail services to residents and non-residents. Traditional commercial retail banking services are provided by six of the Category "A" banks, with three Category "A" banks providing investment banking services. Category "A" banks also offer

principal office/authorised agent services to Category "B" banks that do not have a physical presence in the Cayman Islands. Category "B" licence permits international banking business with limited domestic activity. The holders of a Category "B" licence are primarily used as financial intermediaries to raise funds in the international market to provide capital for parent entities and for the financing of external/cross-border business on their own account in the international market.

 <p>110 Total banking licences</p>	 <p>9 Category "A" Banks</p>	 <p>101 Category "B" Banks</p>
 <p>44 Trust Company</p>	 <p>20 Nominee (Trust)</p>	 <p>7 Trust (Controlled Subsidiary)</p>
 <p>1 Building Society</p>	 <p>1 Development Bank</p>	 <p>5 Money Services Business</p>
	 <p>2 Cooperative Credit Unions</p>	

INDUSTRY OVERVIEW

Figure 1: Region of origin of Cayman-licensed Category "A" and Category "B" banks, 2020

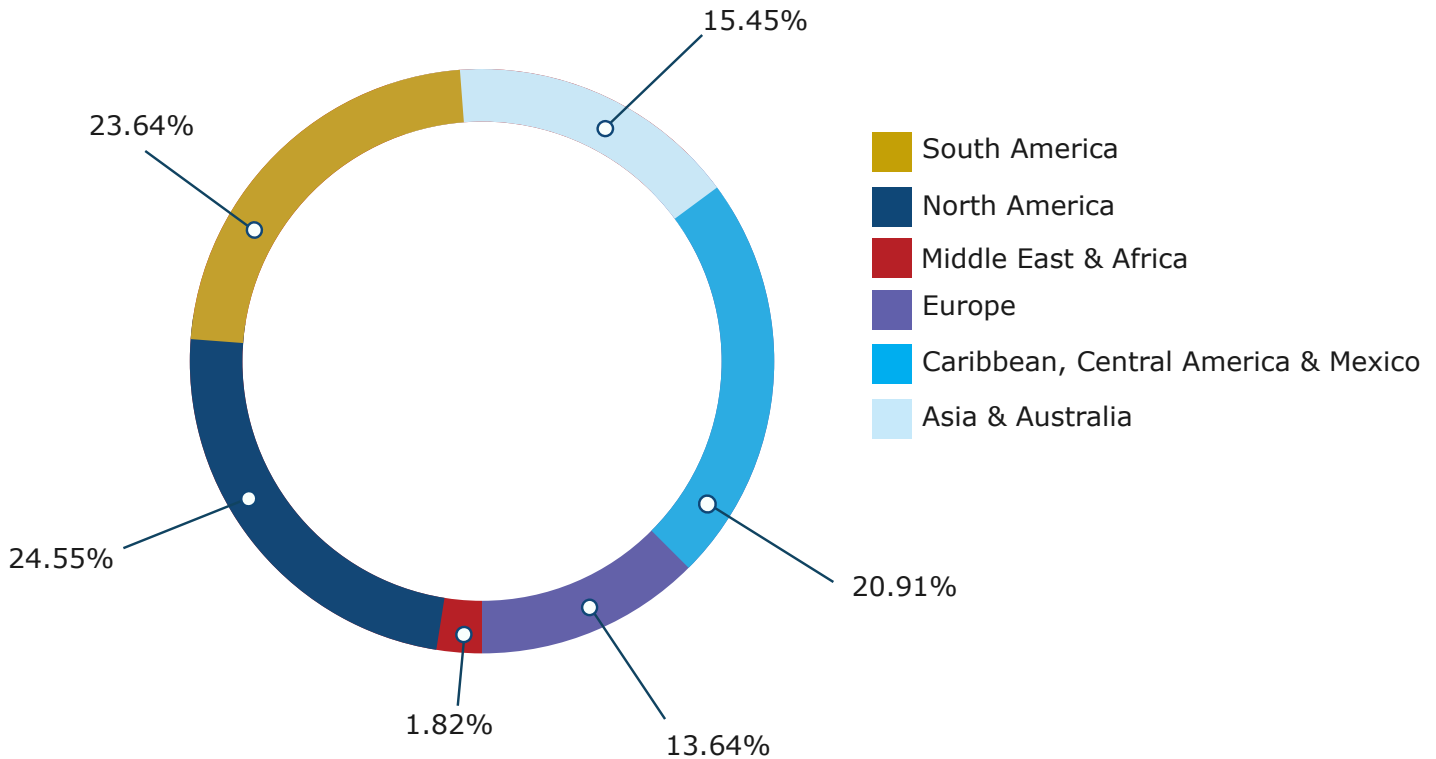


Table 1: Core objectives and achievements carried out by CIMA's Banking Supervision Division, 2020

Core Objectives	Achievements
Operational resilience	Transition to working from home was seamless, all supervisory work, such as monitoring, applications and dialogue with stakeholders, continued virtually. While a number of other jurisdictions paused their inspection schedule, inspections continued as planned by adjusting physical meetings with licensees to virtual meetings.
Supervisory Response to COVID-19	Supervisory response to COVID-19 was proactive and comprehensive, it covered a broad range of activities: <ul style="list-style-type: none"> • Notifications to industry regarding regulatory updates in response to COVID-19 and invitation to approach the Authority with regulatory forbearance and extension requests. • Ongoing dialogue bi-laterally with licensees that serve the domestic market as well as multi-laterally with the Cayman Islands Bankers Association (CIBA); • Issuance of a survey on deployment of business continuity plans for material Category "A", "B" banks, Money Services Businesses (MSBs) and Cooperative Societies; • Completion of a stress testing exercise for both capital and liquidity to inform the Authority's decision-making; • Benchmarking of forbearance measures and options against international and regional jurisdictions; and • Provision of forbearance on a case-by-case basis.

INDUSTRY OVERVIEW

Core Objectives	Achievements
Automation of reporting and processes	To enhance operational efficiencies, data quality and the resulting analysis, the Authority continues to automate data collection and manual processes. During 2020, a top area of focus was on the migration of the quarterly prudential reporting (QPR) template from the previously used E-Reporting system to the Authority's Regulatory Enhanced Electronic Forms Submission (REEFS). The newly created QPR form is divided into separate schedules and includes the recently implemented leverage ratio reporting. It also has post submission validation rules that will enhance the data quality of the submissions. In addition, an AML risk rating tool was implemented and utilises the inherent risk data submitted by licensees. The output allows the Authority to better align its risk-based AML and prudential supervision.
Regulatory Framework Initiatives	Issuance of the Basel II Market Discipline Disclosure Requirements (Pillar 3) Rules and Guidelines with the rollout to commence in 2021. Despite the pandemic, work continued on a number of regulatory initiatives, such as a framework for domestic systemically important deposit taking institutions.
Focus on AML/CFT Compliance	<p>Continued focus on AML inspections to ensure AML/CFT/CPF and Sanctions compliance of CIMA licensees.</p> <p>A quarterly review and analysis of cash flow reporting and MSBs remittance data enabled the identification of trends/material changes that affect the AML/CFT/CPF profile of the sector or individual licensees.</p> <p>Finally, output from the AML risk rating tool was analysed and informs the risk-based supervisory plans for licensees.</p>
Training	As a result of COVID-19 restrictions, and for access of licensees without a physical presence in the Cayman Islands, the Authority recorded training on the Banking Risk Assessment and on the MSB Risk Assessment. Training videos can be found on the Authority's website .
Outreach Activities	The Authority continues to meet with local, regional and international industry groups to monitor the regulatory and economic landscape. Other outreach activities included the transition to the provision of virtual services, operational adjustments to offer physical retail banking services aligned with government restrictions, updates on moratoria for clients on mortgages and other credit products and effects on provisioning due to the possible deterioration of credit quality as a consequence of the pandemic.

INDUSTRY OVERVIEW

Global changes in laws and regulations have had an impact on the number of banks licensed in the Cayman Islands. Banks have continued to consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance. This has been noted in the steady decline in the number of banks

licensed in the Cayman Islands over the last five years (see Figure 2 below). The number of banking licensees supervised in the Cayman Islands decreased by 12% from 125 at December 2019 to 110 at December 2020.

Figure 2: Number of bank licences by category, June 2016 – December 2020

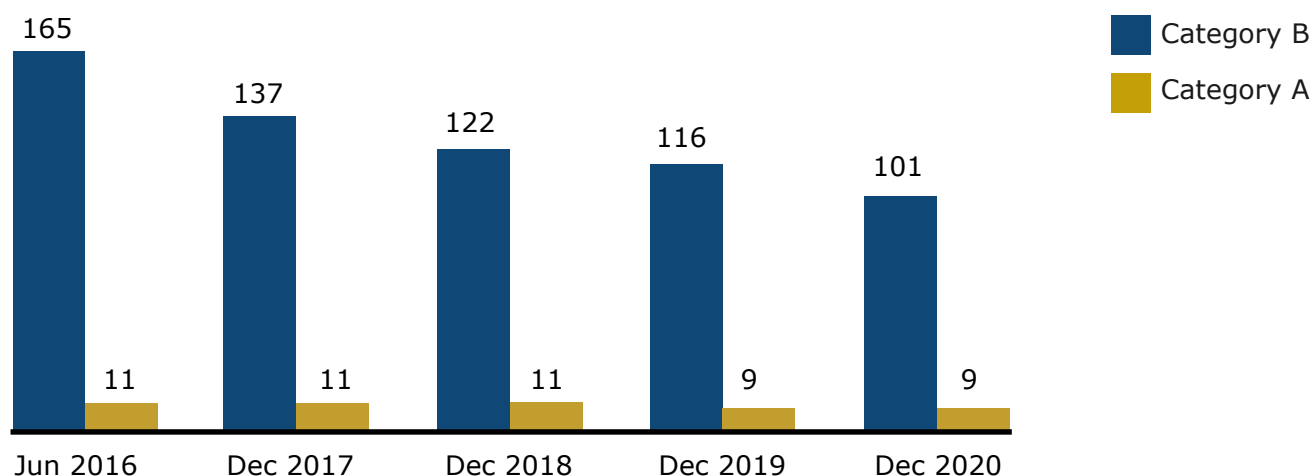


Table 2: Number of bank licences per selected jurisdictions, 2016 - 2020

Jurisdiction	2016	2017	2018	2019	2020	% change 2016-2020
Cayman	157	148	133	125	110	-30 %
Bahamas	95	85	84	70	67	-29%
Panama	91	88	85	83	75	-17.6%
Jersey	29	27	26	24	24	-17%
Luxembourg	141	139	136	128	128	-9%
Switzerland	269	257	251	248	246	-9%
Hong Kong	195	191	207	181	178	-9%
Singapore	159	158	159	156	171	10%

INDUSTRY OVERVIEW

Figure 3: Total Assets¹ and Liabilities² of Cayman Islands-licensed banks, June 2016 – December 2020 (measured in US\$ trillions)

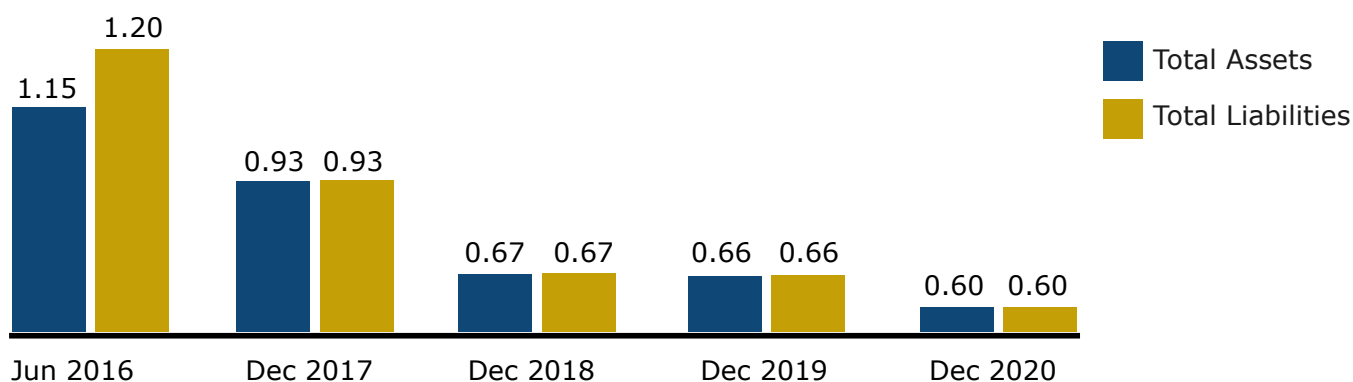
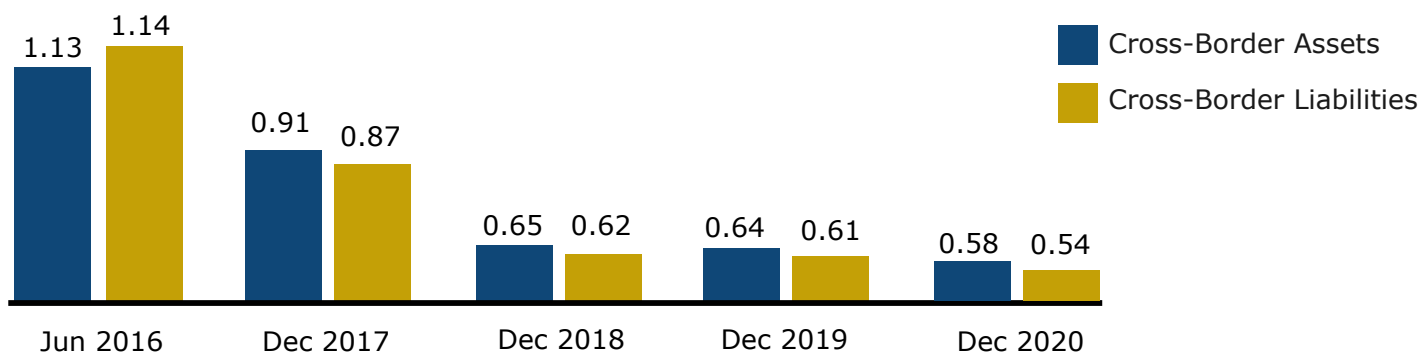


Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks, June 2016 – December 2020 (measured in US\$ trillions)



As at 31 December 2020, the jurisdiction ranked fifteenth internationally in terms of cross-border assets, and fourteenth internationally by cross-border liabilities. Subsequent to the global financial crisis, cross-border assets and liabilities reported by banks licensed in the Cayman Islands have been on a steady decline. Branches of foreign banking institutions operating in the Cayman Islands reported a significant reduction in intra-bank assets and liabilities with parent entities as a result of

international regulatory changes, which have provided an incentive to hold overnight deposits onshore and to meet liquidity requirements. Global restructuring and continued cost cutting efforts are also attributable to the decline.

¹ Assets comprise financial assets only per the Bank for International Settlements (BIS) reporting methodology.

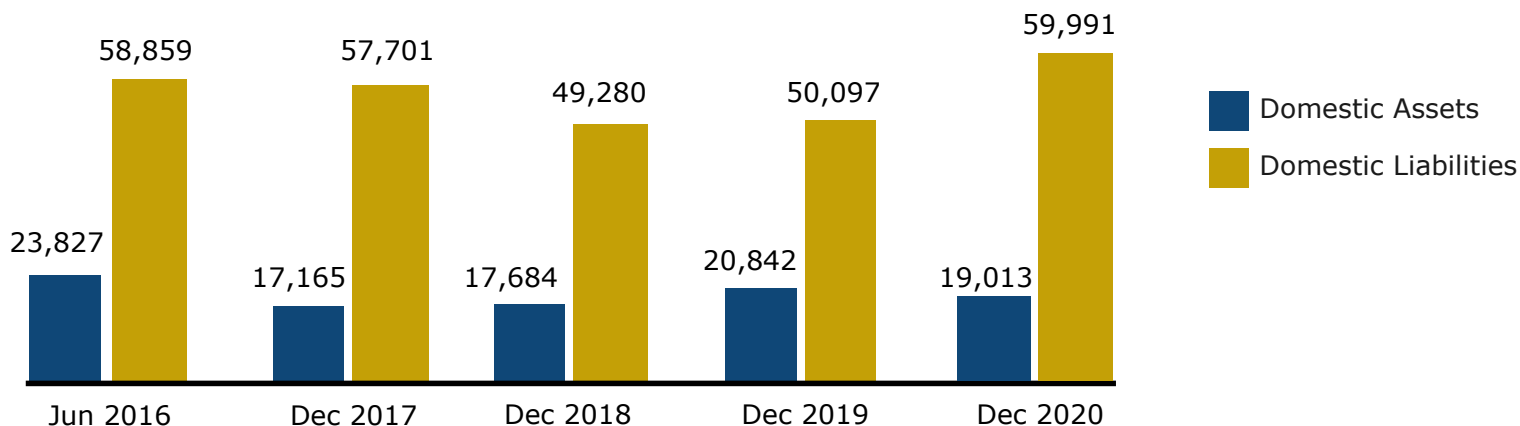
² Liabilities include Equity Capital per the BIS reporting methodology.

INDUSTRY OVERVIEW

Domestic Assets³ and Liabilities in Foreign and Local Currency

The domestic assets and liabilities in foreign currency positions are largely interbank exposures with Cayman Islands licensed Category “B” banks and other financial intermediaries and intra-bank positions. Also included in these positions are Category “A” banks’ lending to the resident domestic sector, which largely consists of residential mortgages, commercial private sector lending and loans to other financial intermediaries, namely investment funds.

Figure 5: Domestic Assets and Liabilities of Cayman Islands-licensed banks in Foreign Currency, June 2016 – December 2020 (measured in US\$ millions)



Domestic Sector – Category “A” Retail Banks

The domestic banking sector remained resilient in the face of the overall decline in total assets and liabilities of the entire banking sector. Banks continue to be funded by retail deposits as a stable source of funding; strongly demonstrating that commercial and retail customers continue to have confidence in the soundness of the domestic banking sector.

Financial Soundness Indicators – Retail Banking Sector

Financial Soundness Indicators indicate that the retail banking sector has remained healthy since 2016. The sector has an average capital adequacy ratio (“CAR”) well in excess of the 8% minimum requirement set by the Basel Committee on Banking Supervision and sound asset quality as evidenced by a relatively small percentage of non-performing loans as a per cent of total gross loans, despite the COVID-19 pandemic.



Retail banks held assets of **US\$15.5** billion



Retail sector reported liabilities of **US\$15.5** billion



Retail banks reported **US\$13.3** billion in deposits

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.

INDUSTRY OVERVIEW

Table 3: Financial Soundness Indicators, 2016 – 2020

Indicator (%)	2016	2017	2018	2019	2020
Capital Adequacy					
Regulatory Capital to Risk-Weighted Assets	19.0	22.2	25.5	28.5	26.6
Regulatory Capital to Total Assets	10.8	11.5	12.9	13.3	11.6
Nonperforming Loans to Total Gross Loans	2.1	1.8	1.6	1.4	1.7
Specific Provisions to Impaired Loans (Coverage Ratio)	35.1	42.1	48.7	48.8	39.0
Return on Equity (net income to average capital [equity])	13.3	13.0	15.2	18.1	7.2
Return on Assets (net income to average total assets)	1.5	1.6	2.0	2.6	1.2
Interest margin to gross income	69.9	70	73.1	71.5	70.9
Non-interest expenses to gross income	50.2	48.7	43.9	41.5	69.6
Liquid assets to total assets (liquid asset ratio)	24.5	33.5	32.7	31.8	34.6

Capital Adequacy Ratios

The Capital Adequacy Ratios ("CAR") for the six retail banks increased from 19% at the year ended December 2016 to 26.6% at the year ended December 2020 (December 2019: 28.5%) and has remained comfortably above the minimum CAR requirement of 10% set by CIMA. The sector continues to be well-capitalised.

Asset Quality

Nonperforming loans ("NPLs") as a per cent of total gross loans for the retail banking sector decreased from 2.1% at the year ended December 2016 to 1.7% at the year ended December 2020 (December 2019: 1.4%). The overall loan book quality and provisioning levels has been fairly stable, and the COVID-19 pandemic has not impacted loan quality significantly.

Earnings and Profitability

Retail banks experienced a sharp decline in profits, which is significant when compared to the steady

increase experienced in the four prior years. The significant decrease in the sector's Return on Equity ("ROE") and the Return on Asset ("ROA") ratio is due to the pandemic that affected both revenues (lower growth) and expenses (higher provisions, higher operational costs) across the banking sector.

Liquidity

The ratio of liquid assets to total assets for retail banks increased from 24.5% at the year ended December 2016 to 34.6% at December 2020 (December 2019: 31.8%).

Effective 1 June 2019, CIMA implemented a comprehensive Liquidity Risk Management framework for banks, namely the Liquidity Coverage Ratio ("LCR"), Net Stable Funding Ratio ("NSFR") and Minimum Liquidity Ratio ("MLR"). All Category "A" retail banks are required to maintain a minimum LCR and NSFR of 100%. All Category "B" banks and Category "A" non-retail banks are required to maintain a minimum MLR of 15%.

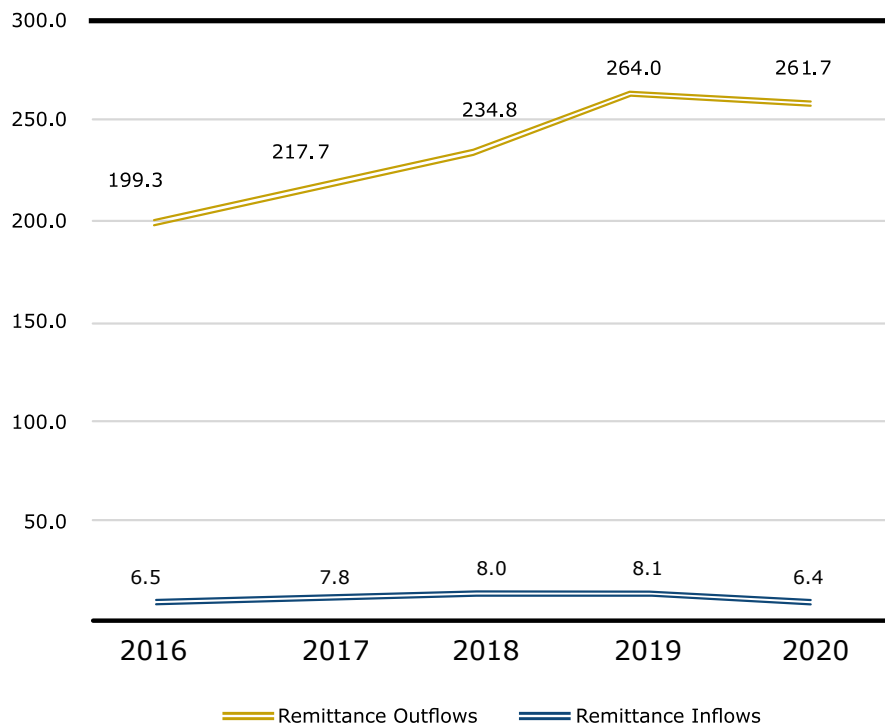
Money Services Businesses

The Financial Action Task Force defines the business of money services business (“MSB”) as “financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the [MSB] provider belongs.”



3 CIMA supervises active money services businesses that cater to the domestic market.

Figure 6: Total remittance outflows and inflows, 2016 – 2020 (measured in US\$ millions)



Average remittance outflows posted a small decrease relative to outflows for December 2019 but remained higher than average annual outflows for years 2016 – 2018. Average remittance inflows significantly decreased and resulted in the lowest average annual inflows over the past five years. The decrease in in remittance outflows and inflows is mainly attributed to the COVID-19 pandemic. Notably, remittance outflows posted a marginal decrease because the Cayman Islands was able to

re-open the local economy relatively faster than many other countries.

INDUSTRY OVERVIEW

Figure 7: Proportion of total remittance outflows

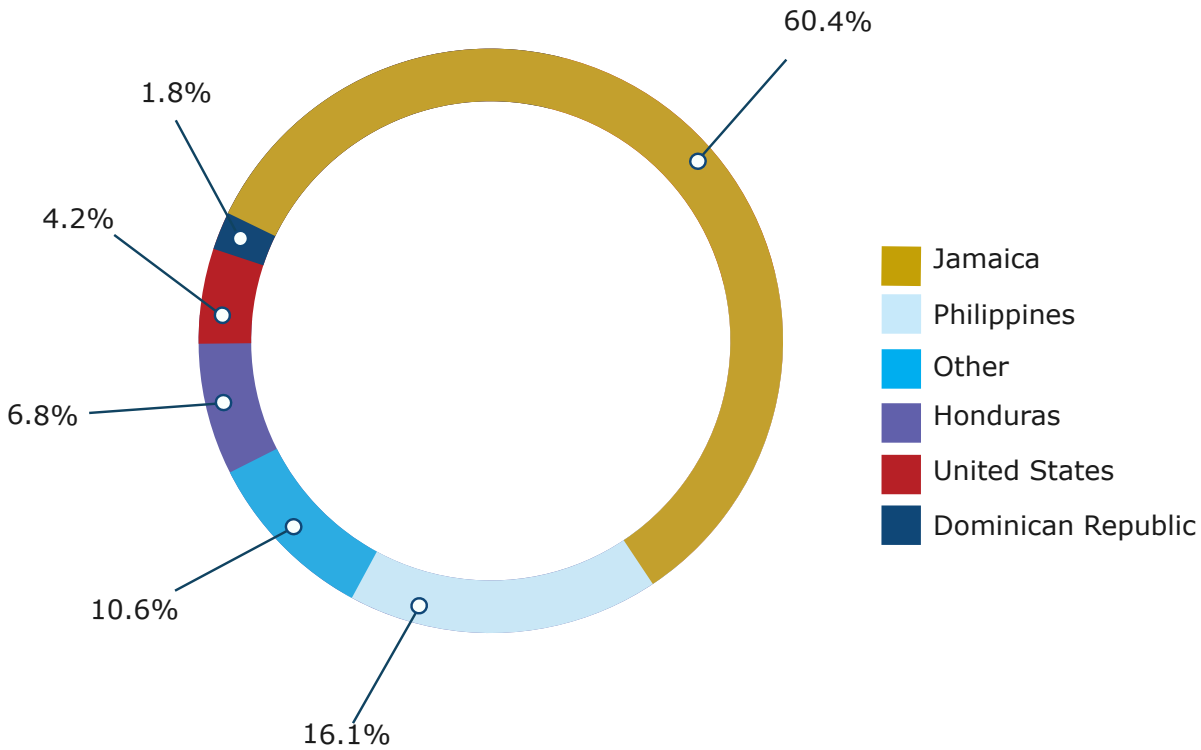
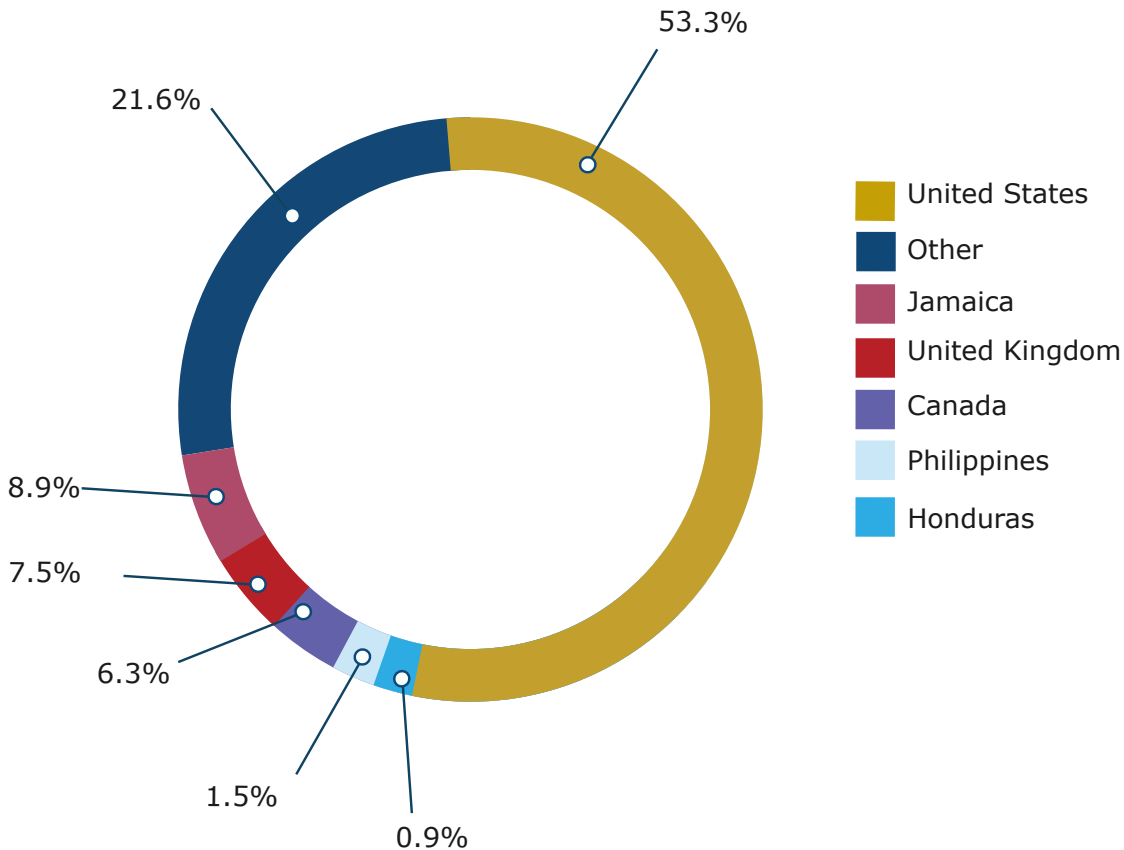


Figure 8: Proportion of total remittance inflows



Fiduciary Services

Trusts

Pursuant to the Banks and Trust Companies Act (2021 Revision), and the Private Trust Companies Regulations (2020 Revision) (the "PTCR"), no company is allowed to carry out corporate trust business unless it is licensed or registered by CIMA.



349

Trust and corporate service licensed entities

Licence 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

Registration Categories

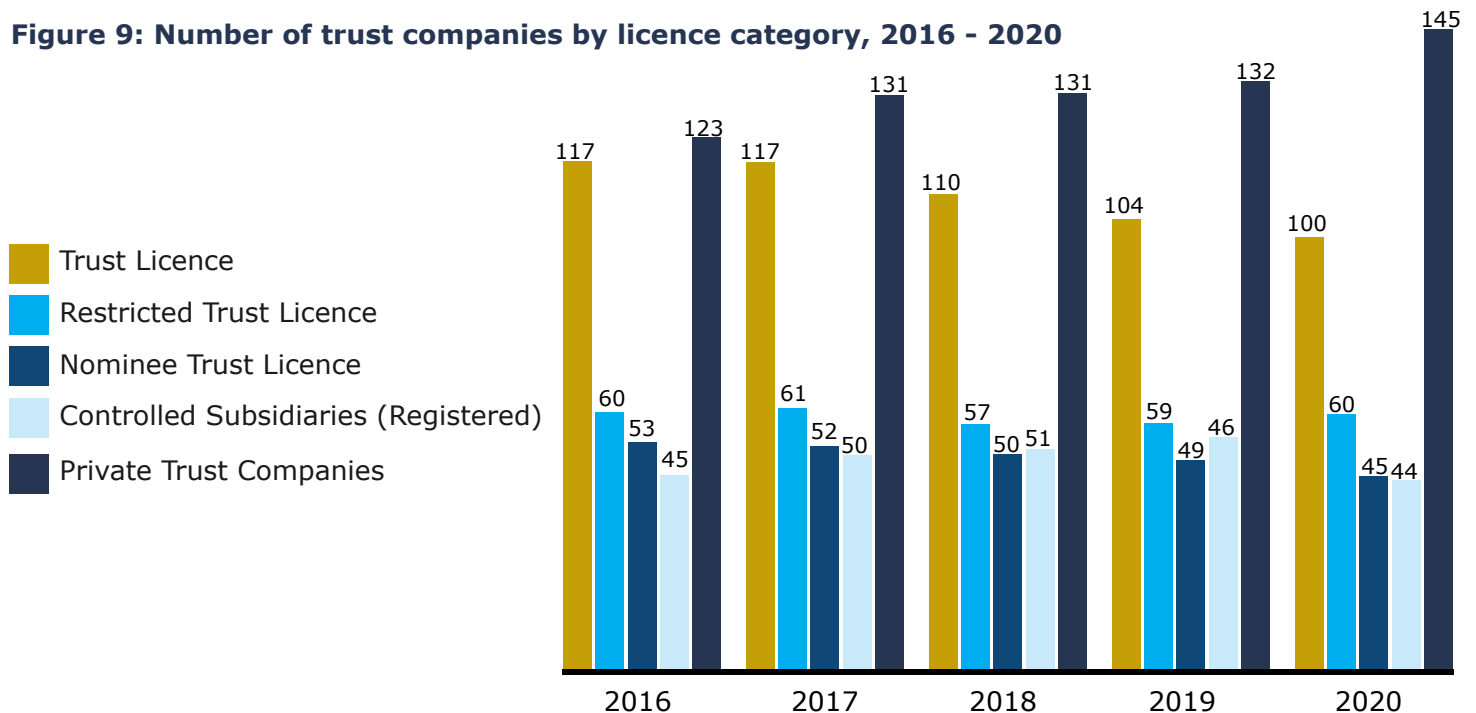
Controlled Subsidiary

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

Figure 9: Number of trust companies by licence category, 2016 - 2020



INDUSTRY OVERVIEW

Corporate Services

The Cayman Islands holds its own among locations from which corporate/company management services are provided and the sector saw steady growth over the last year.

Providers of corporate services are required to be licensed by CIMA under the following categories: 1) a companies management licence, which allows

the holder to provide company management services as listed in Section 3(1) of the Companies Management Act (2021 Revision) or; 2) a corporate services licence, which allows the holder to provide only the corporate services specified in Section 3(1)(a) through (e) of the Companies Management Act (2021 Revision).

Figure 10: Number of corporate service providers by licence category, 2016 - 2020

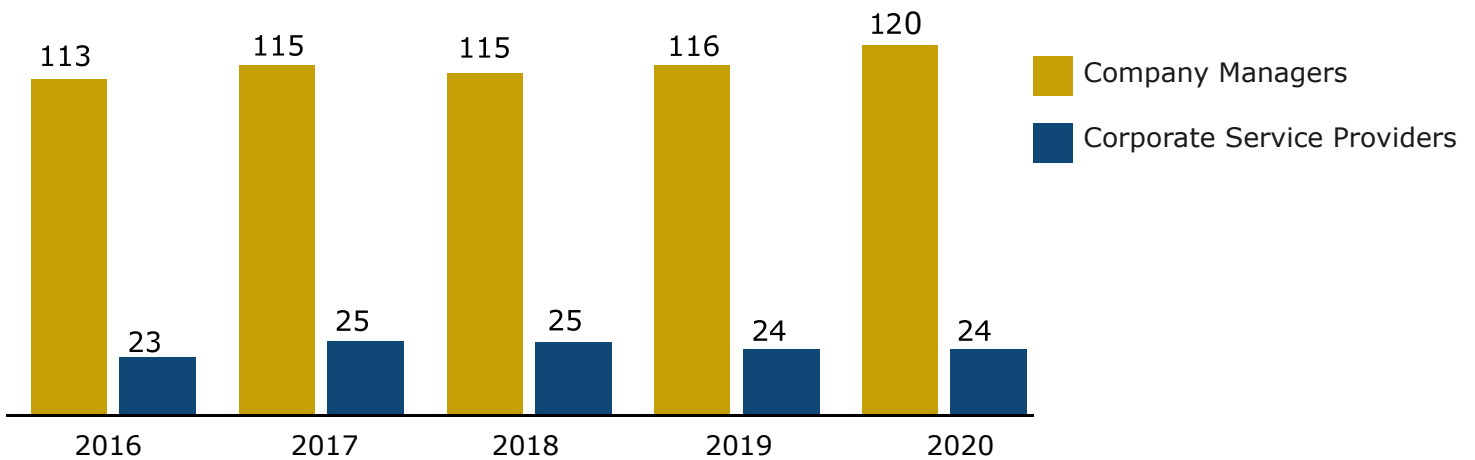


Table 4: Director authorisation activity under the Directors Registration and Licensing Act, 2014 (as amended), 2019 - 2020

Authorisation Type	Active as at 31 Dec 2019	Active as at 31 Dec 2020
Registration - Exemption from licensing - Section 16(1)	101	113
Licence - Professional Director	59	61
Licence - Corporate Director	22	24

INDUSTRY OVERVIEW

Insurance

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

Domestic insurance segment, which provides insurance to Cayman residents and businesses by locally incorporated or branches of foreign insurers.

International insurance segment, which provides insurance for foreign risks by insurers incorporated in the Cayman Islands.

The Authority provides four main classes of insurer licences for (re)insurance companies, namely Class 'A' licence for domestic insurers, Class 'B' licence for international insurers to carry on insurance and/or reinsurance, Class 'C' licence for fully collateralised international insurers, e.g. Insurance Linked Securities ("ILS") and catastrophe bonds, and Class 'D' licence for large open-market reinsurers.



Number 1
domicile in
healthcare
captives
worldwide



2nd largest
jurisdiction for
captive insurance



One of the
**leading
jurisdictions**
for group captives
and insurance
linked securities

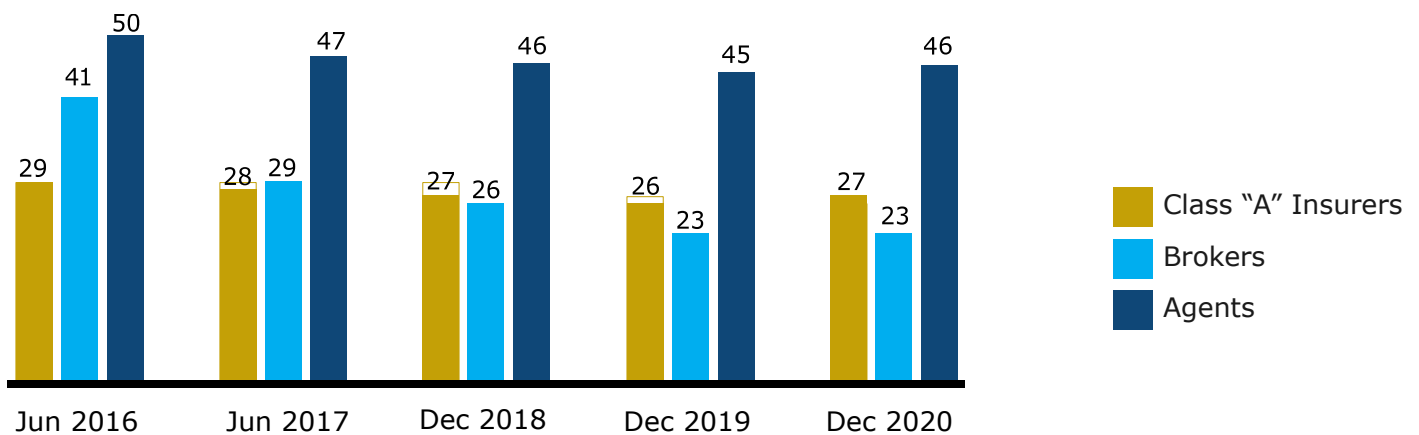


Domestic gross
premiums written
and assumed
reinsurance
premiums of
US\$956
million

Table 5: Insurance licensing activity, 2019 -2020

License Type	As at 31 Dec 2019	Cancelled 1 Jan - 31 Dec 2020	Issued 1 Jan - 31 Dec 2020	As at 31 Dec 2020
Class A	27	0	0	27
Class B, C, D	646	30	36	652
Insurance Managers	24	2	1	23
Brokers	23	0	0	23
Agents	45	4	5	46
Total	765	36	42	771

Figure 11: Cayman Islands domestic licences by category, 2016 – 2020



INDUSTRY OVERVIEW

Figure 12: Coverage provided by domestic Class 'A' insurers, measured by Gross Written and Assumed Premiums, 2019

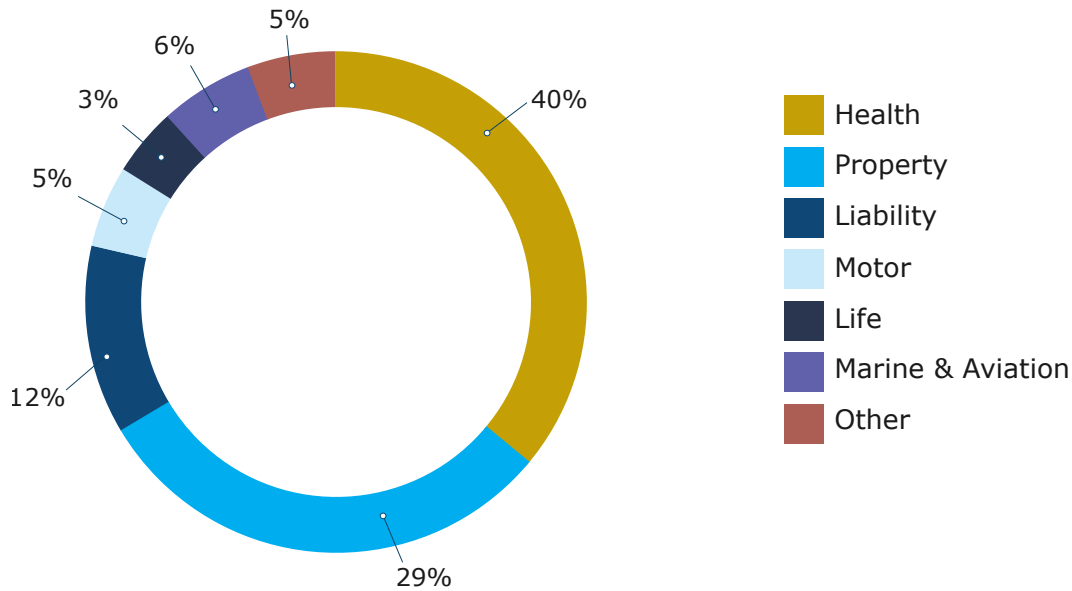


Table 6: Domestic insurance company statistics by primary class of business, 2019 (measured in US\$)

	Motor	Property	Liability	Marine & Aviation	Domestic Health	Int'l Health	Other	Life & Annuity	Grand Total
Gross Written Premiums	41,396,076	240,854,427	50,836,332	42,770,241	339,807,833	37,314,193	44,206,429	32,150,351	829,335,882
Assumed Premiums	3,007,501	38,689,334	67,608,585	11,228,301	-	1,452,833	4,840,691	-	126,827,245
Reinsurance Ceded	18,326,151	198,023,180	5,833,410	-	40,091,065	-	861,046	5,101,096	268,235,948
Unearned Premium Adjustment	596,422	3,841,244	224,096	-	124,502	-	12,632	27,861	4,378,565
Net Earned Premiums	25,481,004	77,679,337	113,115,394	48,173,442	299,592,266	38,767,026	48,173,442	27,021,394	678,003,306
Commissions Received	5,603,220	33,148,993	748,667	-	1,590,270	-	80,226	32,366	41,203,742
Total Underwriting Income	31,084,224	110,828,330	113,593,820	53,998,542	301,182,536	38,767,026	48,253,668	27,053,760	724,761,907
Net Claims Paid	18,020,993	16,004,535	53,903,212	19,366,791	248,324,734	42,062,811	24,751,967	9,998,969	432,434,012
Movement in Claim Reserves	1,957,333	7,236,626	9,339,816	851,502	2,514,333	506,289	1,348,884	12,574,972	21,973,074
Acquisition Costs	5,398,533	28,744,032	1,842,459	-	19,239,696	-	51,778	4,630,028	59,906,526
Other Underwriting Expenses	529,640	1,026,721	3,937,884	1,057,003	13,285,774	99,201	223,139	1,737,778	21,897,140
Total Underwriting Expenses	21,991,833	53,011,914	69,023,371	19,572,292	278,335,872	41,655,723	23,678,000	28,941,747	536,210,752
Underwriting Profit/Loss	9,092,391	57,816,416	44,570,449	34,426,250	22,846,664	2,888,697	24,575,668	1,887,987	188,551,155

INDUSTRY OVERVIEW

International Insurance Segment

The international insurance segment in Cayman began in the mid-1970s with the medical malpractice insurance crisis in the United States of America and was later formalised with the introduction of the Insurance Act in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in the Cayman Islands to provide for their risk management needs.

Over the years, corporations have made increasingly extensive use of captives as part of their overall risk management function, reducing the premium they pay for commercial coverage by insuring a portion of their risk through a

captive insurance programme. In addition to expanded coverage availability and flexibility, and better risk management, reasons for the formation of captives include cost reduction and stabilisation, improved cash-flow, and access to the reinsurance market.

A significant number of companies were also formed as Class 'B(iii)' insurers to allow them to write substantial unrelated business. The jurisdiction also saw several commercial reinsurance company formations, both as start-ups and re-domestications from other jurisdictions.



652

Cayman-based international insurance companies



36

New international insurers



139

Segregated portfolio companies



36

Portfolio insurance companies



US\$20.9

billion premiums;
16.7% increase
since 2019



US\$70.8

billion assets
held; 2.7%
increase since
2019

INDUSTRY OVERVIEW

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

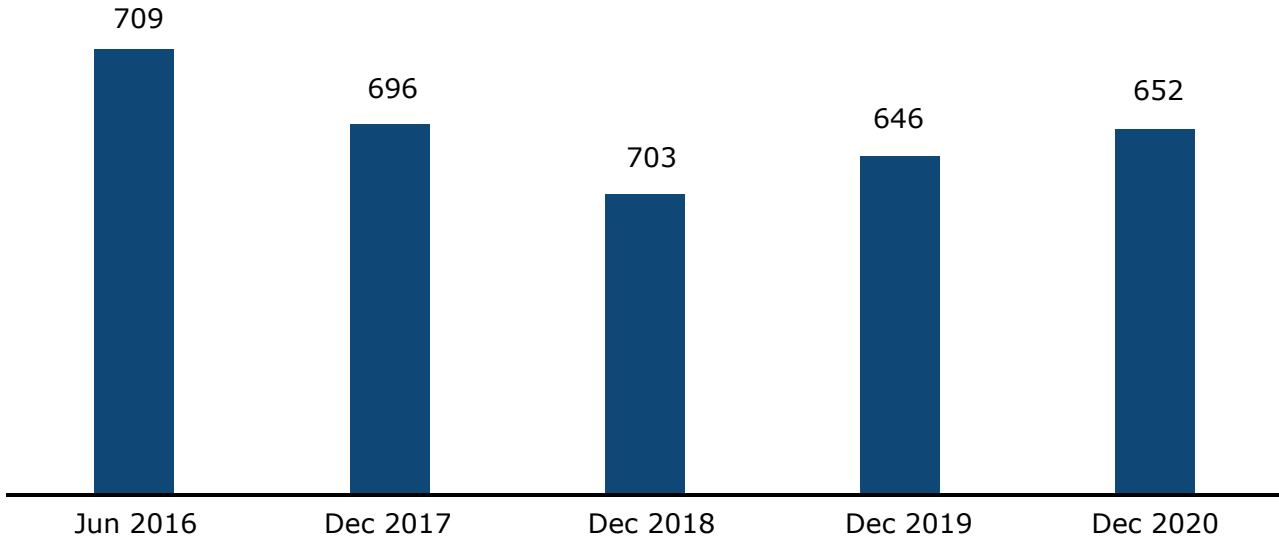
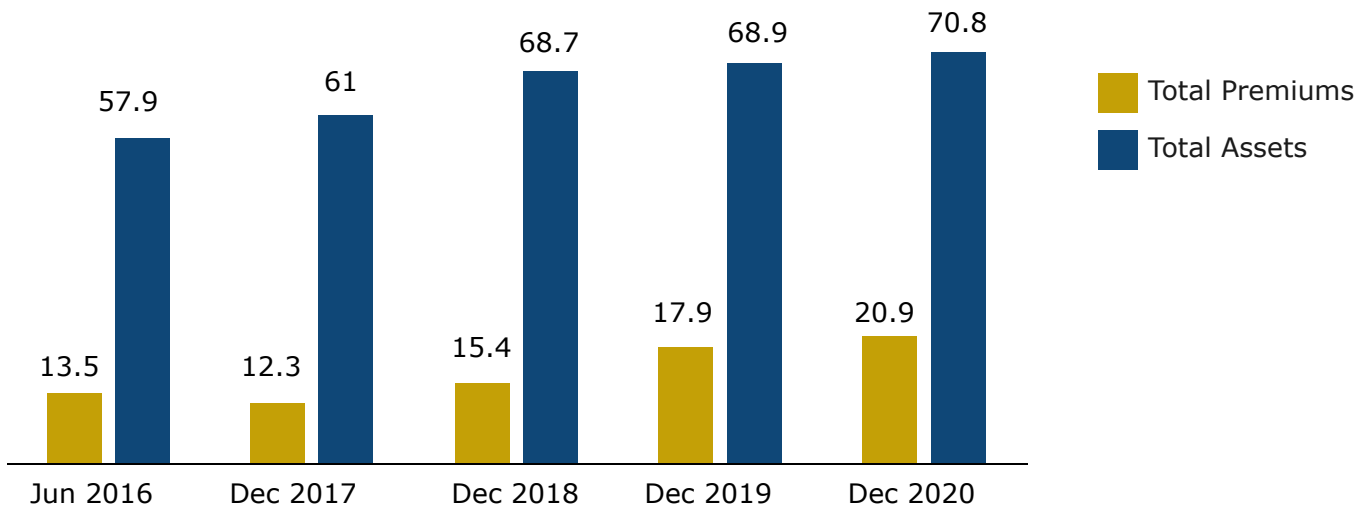


Figure 14: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, 2016 - 2020 (measured in US\$ billion)



INDUSTRY OVERVIEW

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

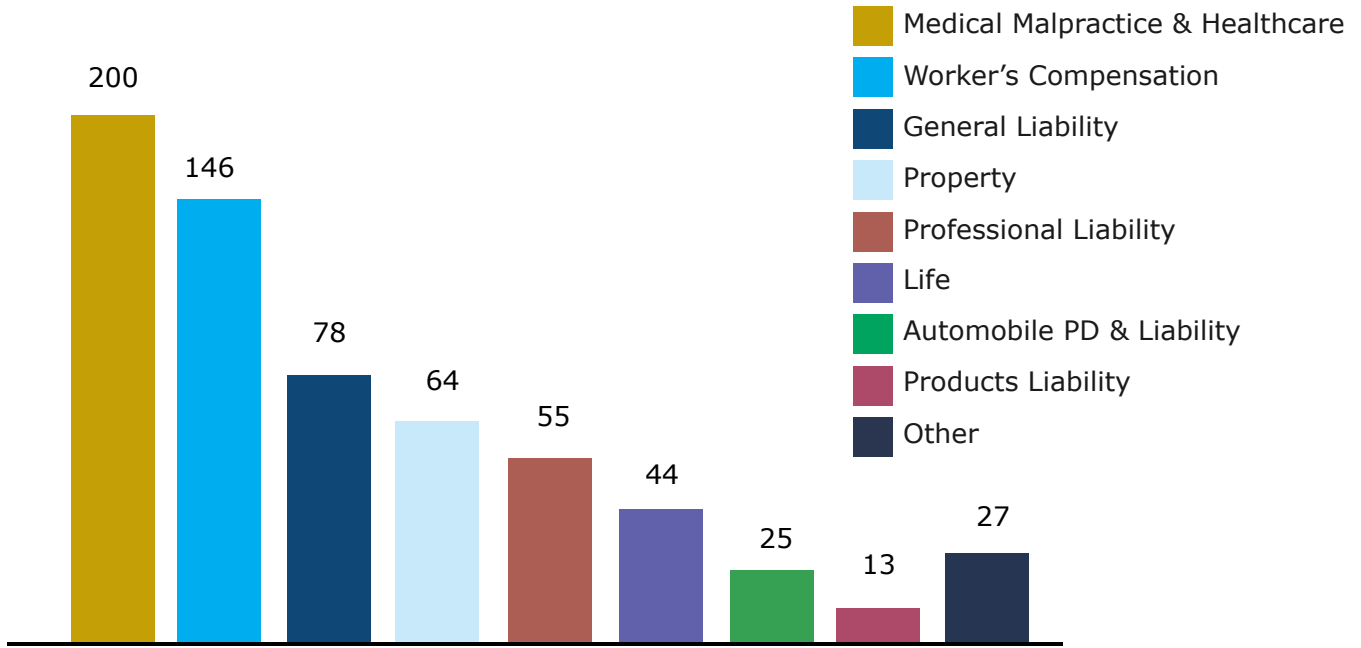
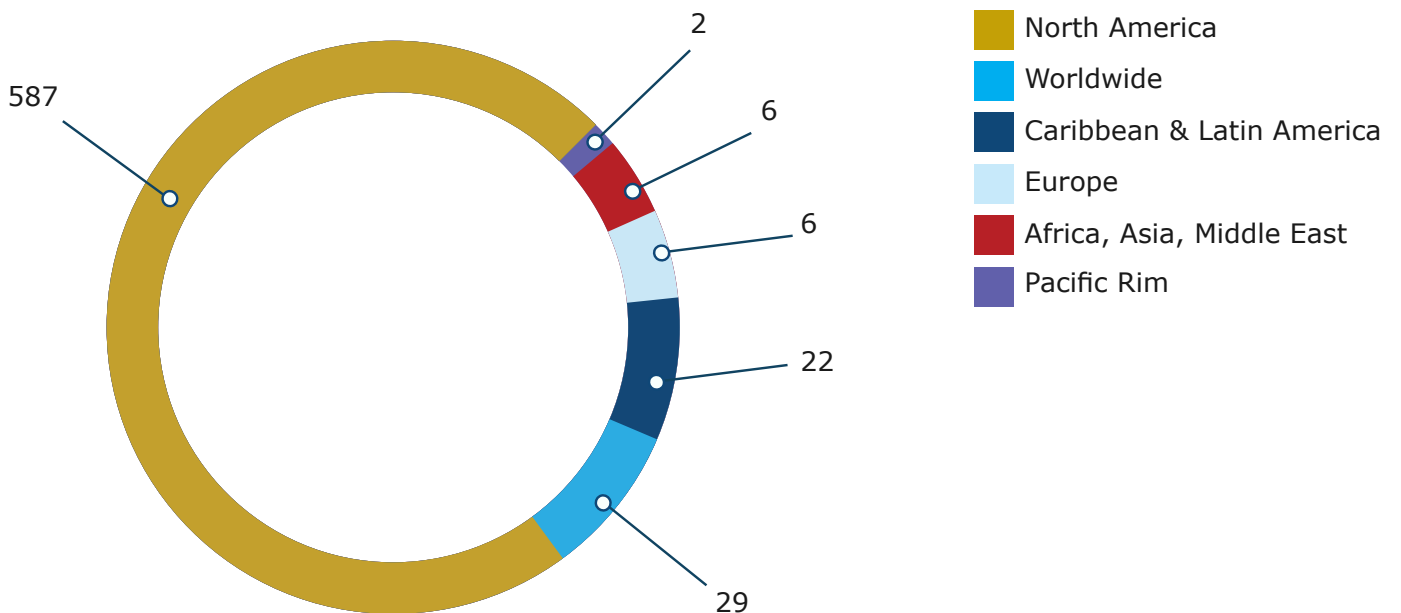


Figure 16: Cayman-domiciled international insurance companies by location of risks covered



INDUSTRY OVERVIEW

Whilst the Cayman Islands' (re)insurance industry did not lose companies in 2020 due to the pandemic, growing competition among captive insurance domiciles, especially the captive domiciles in the United States and consolidation in the healthcare captive industry in the United States posed challenges to the Cayman Islands' international market in 2020.

The pandemic is expected to radically alter the manner in which business is conducted going forward and is highly likely to reshape risk management approach by many businesses including widening utilisation of self-insurance vehicles such as captive insurance companies.

Judging by the new company formation activity in 2020, it is likely that the pandemic has accelerated the hardening of the global insurance market. This changing landscape continues to present opportunities to the jurisdiction. As examples, hospitals acquiring physician practices have been considering setting up new captives or expanding existing captives; possibility of physicians and practices teaming up to form large provider groups and establish captive insurance companies for professional liability and other risks; for those mid-sized companies in the United States who are looking for health care options, captive insurance is one option.

Technologies such as digital platforms, smart contracts, artificial intelligence, telematics, drones, and blockchain have already started to transform the insurance industry, including its products and services and their delivery. Technological innovation will demand versatile and efficient insurance vehicles such as captives to provide insurance solutions to them.

INDUSTRY OVERVIEW

Investments

Funds and Fund Administrations

Mutual fund administrators must be authorised by CIMA to carry out mutual fund administration, which is defined as providing any of the following services for a fund: management, administration, providing a principal office in the Cayman Islands, or providing an operator (director, trustee or general partner) to the fund.

A full mutual fund administrator licence allows the holder to provide administration to an unlimited number of funds, whereas a restricted mutual fund administrator licences allows administration of no more than 10 funds.

The Private Funds Act, 2020, which came into effect on 7 February 2020, required all new and existing private funds to register with the Authority by 7 August 2020.

Table 7: Regulated mutual funds activity, 2019 - 2020

	Jan - Dec 2019	Jan - Dec 2020
Authorised Regulated Entities	1,106	2,521
Terminated Regulated Entities	1,362	1,106



11,896

Mutual funds; 8.8% increase



#1

Domicile for hedge funds



12,695

Private funds



76

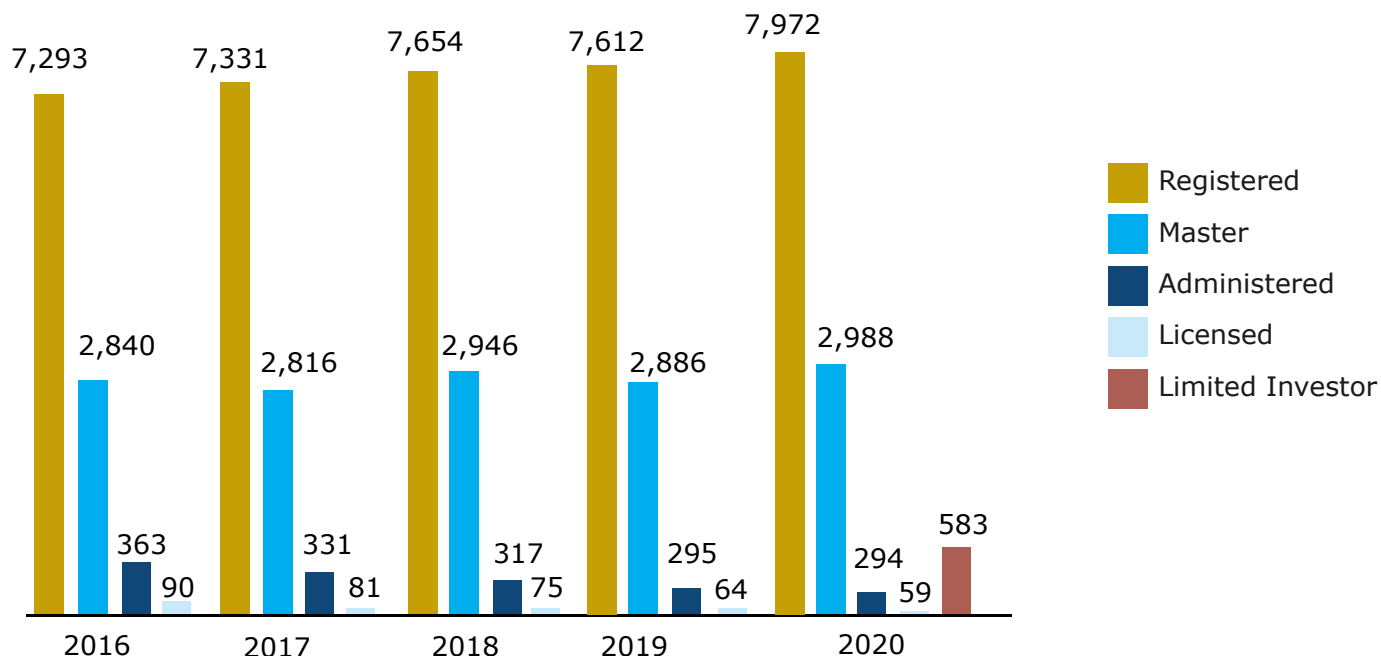
Mutual fund administrators



11,651

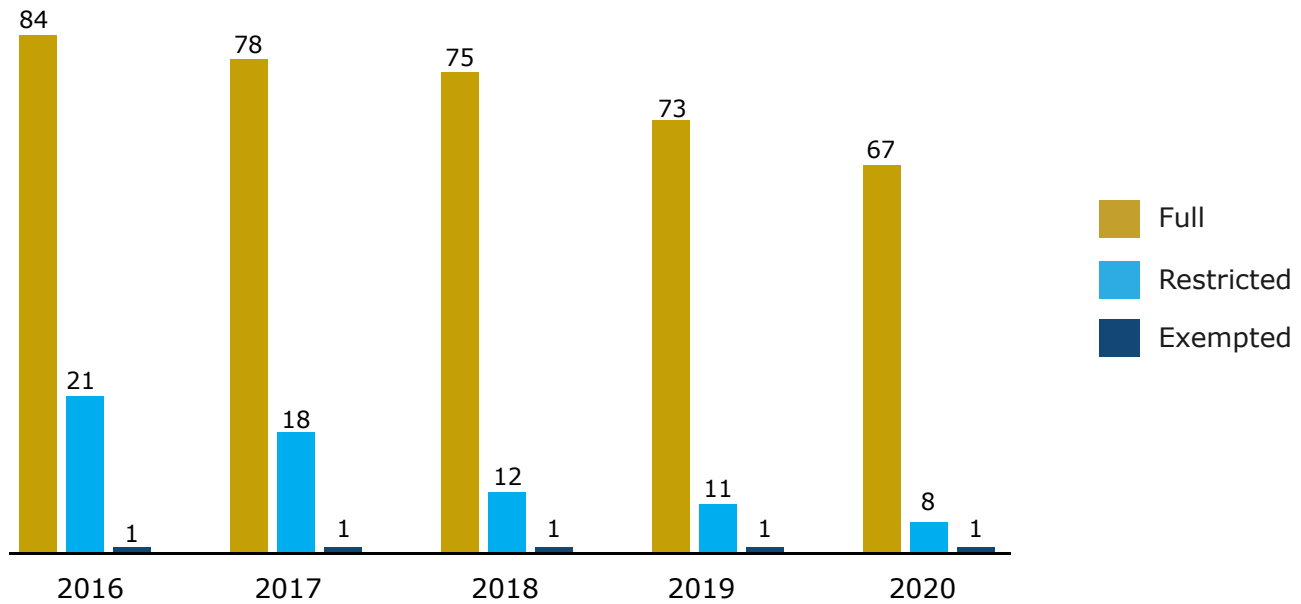
Registered or licensed directors

Figure 17 : Number of Cayman regulated funds by category, 2016 - 2020



INDUSTRY OVERVIEW

Figure 18: Mutual fund administrators by category, 2016 - 2020



2019 Investments Statistical Digest

- Total Assets increased by 10% from US\$7.4 trillion to US\$ 8.1 trillion
- Ending Net Assets increased by 8% from US\$3.9 trillion to US\$4.2 trillion
- 8,932 regulated mutual funds filed a 2018 Fund Annual Return Form ("FAR") with the Authority, representing 82% of all investment funds
- Total subscriptions and redemptions were down US\$110 billion or 10% and US\$49 billion or 5%, respectively
- Net outflow of US\$91 billion

See [2019 Investment Statistical Digest](#) for full details

Top 5 investment manager locations (measured by net assets)



INDUSTRY OVERVIEW

According to the [December 2020 Eureka Hedge Fund Report](#), Hedge fund managers recorded their strongest return since 2009. On a year-to-date basis, global hedge funds were up 8.09%, with more than 40% of its underlying constituents having underperformed the global equity market over the first 11 months of 2020. Assets under management for the global hedge funds industry have rebounded increasing by US\$128.0 billion over the past eight months since March 2020. This has come from performance-driven gains of US\$139.8 billion and net investor outflows of US\$11.8 billion. This marks a sharp recovery following a US\$264.1

billion asset decline in Q1 2020. The total size of the industry now stands at US\$2,166.6 billion. Fund managers focusing on cryptocurrencies were up 25.63% in November as tracked by the Eureka Hedge Crypto-Currency Hedge Fund Index, supported by the robust performance of Bitcoin which was up 33.45% and trading around its 2017 peak. Looking at year-to-date return, cryptocurrency hedge funds are up 128.60%, trailing behind to Bitcoin which returned 149.81% over the first 11 months of 2020.

Jurisdictional Comparisons - Funds

Table 8: Number of active funds in the Cayman Islands and other financial jurisdictions for which figures are available, 2015 - 2020

Jurisdiction	2015	% change ('15 v '16)	2016	% change ('16 v '17)	2017	% change ('17 v '18)	2018	% change ('18 v '19)	2019	% change ('19 v '20)	Latest available for 2020*
Bahamas	885	↓2.9%	859	↓8.8%	783	↑2.6%	803	↓3.5%	775	↓6.3%	726
Bermuda	630	↓9.1%	567	↓4.2%	543	↓3.3%	513	↓1.0%	508	↑11.5%	708
BVI	2,037	↓20.8%	1,614	↓7.3%	1,499	↑0.2%	1,502	↓0.9%	1,489	↑3.2%	1,527
Ireland ∞	664	↑6.3%	706	↑4.7%	739	↑2.0%	754	↑1.3%	764	↑1.9%	808
Jersey	1,320	↓9.5%	1,195	↓7.6%	1,104	↓7.6%	1,020	↓7.5%	943	↓7.5%	781
Guernsey	808	↓2.9%	983	↓0.7%	976	↓0.7%	970	↓.9%	961	↑1.9%	840
Cayman	10,940	↓3.2%	10,586	↓0.3%	10,559	↑4.1%	10,992	↓1.2%	10,857	↑121.5%	24,034

BVI and Guernsey - June 2020; Ireland, Jersey and Bermuda – September 2020; Bahamas – November 2020.

∞ - comprise of AIFs (excluding sub-funds) and exclude UCITS

The table above depicts the growth rate of the funds industry in the main jurisdictions where funds are domiciled. Based on the latest numbers available, the most significant changes were reflected by the Cayman Islands (24,034 up 55% due to the registration of private funds).

Securities

Securities investment business ("SIB") conducted in and from the Cayman Islands includes dealing in securities, arranging deals in securities, managing securities and advising on securities. The Securities Investment Business Act (2020 Revision) (the "SIBA") provides for the regulation of persons engaged in these activities in or from the Cayman Islands, including market makers, broker-dealers, securities arrangers, securities advisors and securities managers.

Such persons must be licensed and regulated by the Authority, unless they meet the criteria to be exempt from the licensing requirement, in which case, they are to be registered and regulated as Registered Persons as defined pursuant to schedule 4 and section 5(4) of the SIBA. Entities in these categories conduct SIB exclusively for institutions, high net worth or sophisticated investors.

Licences predominantly relate to Broker-Dealers, Securities Managers and/or Market Makers who offer foreign exchange trading and over the counter contracts for differences to retail, institutional and/or professional clients in varied countries.

The amendments to the SIBA, which was gazetted on 16 January 2020 to amalgamate legislative changes within 2019, gave the Authority supervisory, inspection and enforcement powers to more effectively regulate SIB Registered Persons. These registrants were required to apply to the Authority by 15 January 2020 in order to transition to a new category of "Registered Person", previously the "Excluded Person" category.

As a result, there was a 25% decrease in registrations over the past year (2019: 2,298; 2020: 1,650), which was primarily due to the legislative changes that have taken effect to meet the economic substance requirements under the ES Amendment Act, which require securities (fund) managers to



36 total SIB licensees

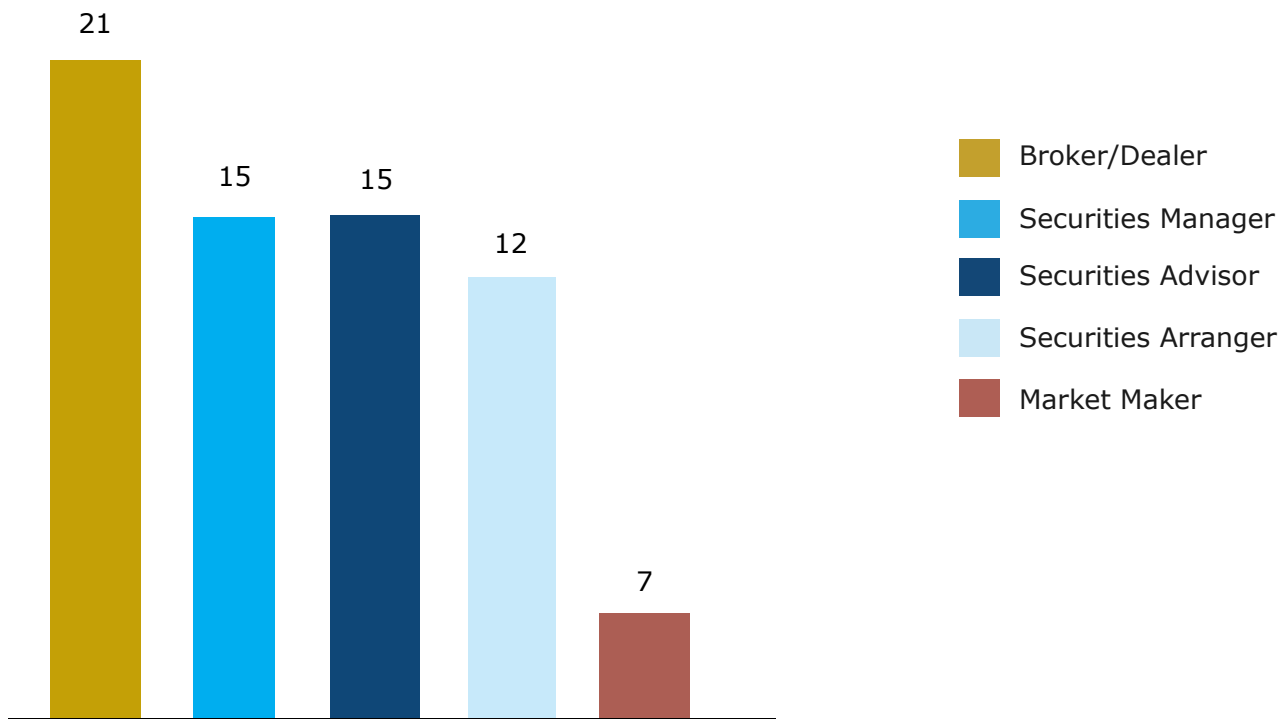


1,650 total SIB Registered Persons

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.

INDUSTRY OVERVIEW

Figure 19 : Securities Investment Business licensees by type, 2016 - 2020



12

Total SIB licence applications received



2

SIB licence applications approved



1

SIB licence application refused



2

SIB licences cancelled or revoked



25

licenses are authorised to carry out more than one of the five regulated categories of SIB activities

ORGANISATIONAL DEVELOPMENTS

Execution of Monetary Functions

Currency Management

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

Currency Reserve Management

CI currency is issued on demand only against US currency at the rate of one CI dollar per 1.20 US dollars. It is repurchased on demand with US dollars at the same rate.

The currency in circulation is backed by the currency reserve assets in accordance with Section 32 of the Monetary Authority Act (2020 Revision). As at 31 December 2020, the value of the currency reserve assets was CI\$188.8m representing 114.82% of total demand liabilities (i.e. currency in circulation).

Full details on the currency reserve assets, including specifics on the performance of the investments and cash and cash equivalent deposits that comprise the currency reserve assets, can be found within the Annual Financial Statements (page 60 and following).



\$164.4
million total
currency in
circulation;
17.1% increase
since 2019



\$150.9
million notes in
circulation



\$13.5
million coins in
circulation

ORGANISATIONAL DEVELOPMENTS

Table9: Currency in circulation at half year and year-end, 2016-2020 (in CI\$ million)

Date	2016	2017	2018	2019	2020
30 Jun	\$106.9	\$112.2	\$117.9	\$124.1	\$155.4
31 Dec	\$115.6	\$119.5	\$126.6	\$140.4	\$164.4

Figure 20 : Cayman Islands currency in circulation by month, 2016 - 2020

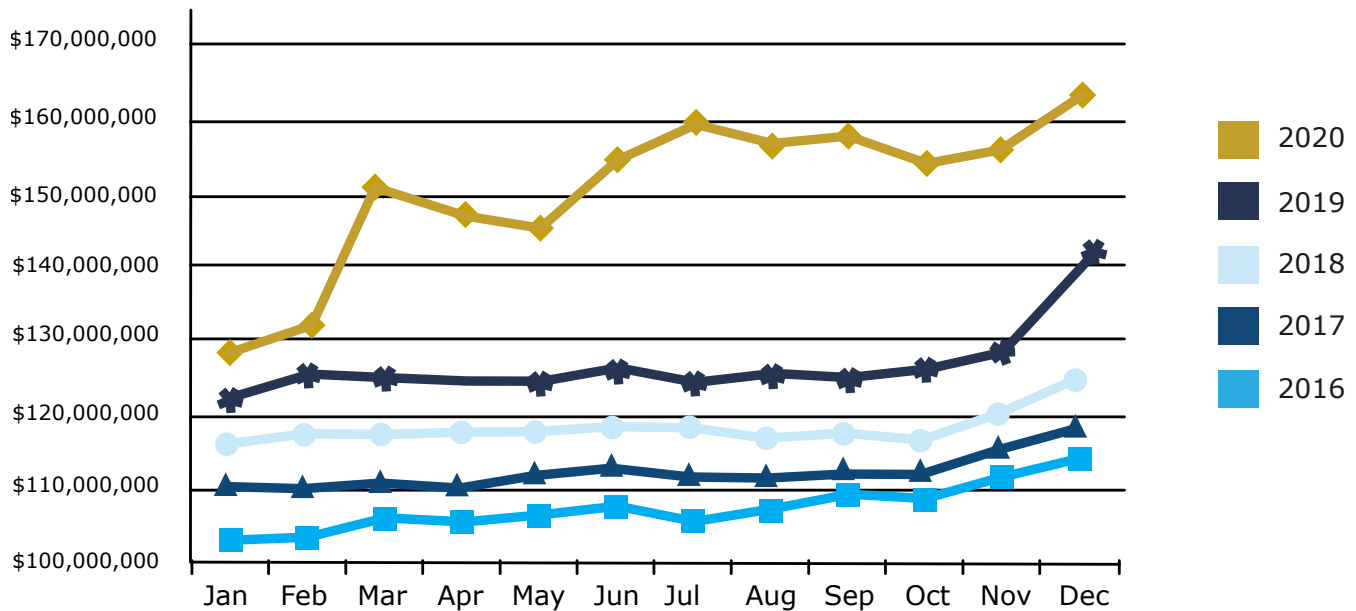


Table 10: Number of counterfeit banknotes withdrawn from circulation between 2016 and 2020.

	2016	2017	2018	2019	2020
\$100	3	7	4	0	0
\$50	5	0	1	0	1
\$25	0	4	0	0	0
\$10	0	0	8	0	0
\$5	0	0	0	0	0
\$1	0	0	0	0	0
Total No. of Notes	8	11	13	0	0
Total Dollar Value	\$550	\$800	\$530	\$0	50

ORGANISATIONAL DEVELOPMENTS

Numismatic Programmes

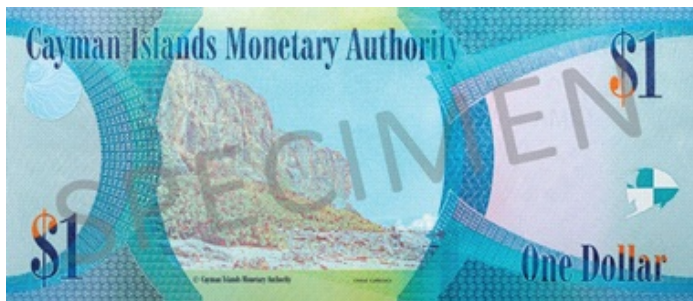
The commemorative \$1 banknote for the 60th anniversary of the first written Constitution was unveiled at the 2020 National Heroes Day Celebrating Our First Written Constitution held on Monday, 27 January 2020. Each attendee was presented with a \$1 banknote compliments of the Cayman Islands Government with a message from the Honourable Alden McLaughlin, MBE, JP The Premier.

The commemorative banknote went into circulation as of 28 January 2020. The note is the same colour and design as its existing counterpart, with four differences. The first is that the new notes will bear the 'Celebrate Cayman – 60 Years – Our First Constitution' logo, which is located to the left of the Coat of Arms.

The third change is that the magnetic thread running from top to bottom of each note has been replaced with a new security feature, a 4 mm wide RAPID micro-optic security thread of purple colour demonstrating a dynamic wave effect when the note is tilted.

The fourth change is a distinctive serial number depicted with "Q/2" - "Q" being the identifier for special occasions such as this.

CIMA continues to explore significant milestones in our country's history, which may serve as viable subjects for commemorative coins. Suggestions are welcomed but cautioned that they may not all be taken on board.

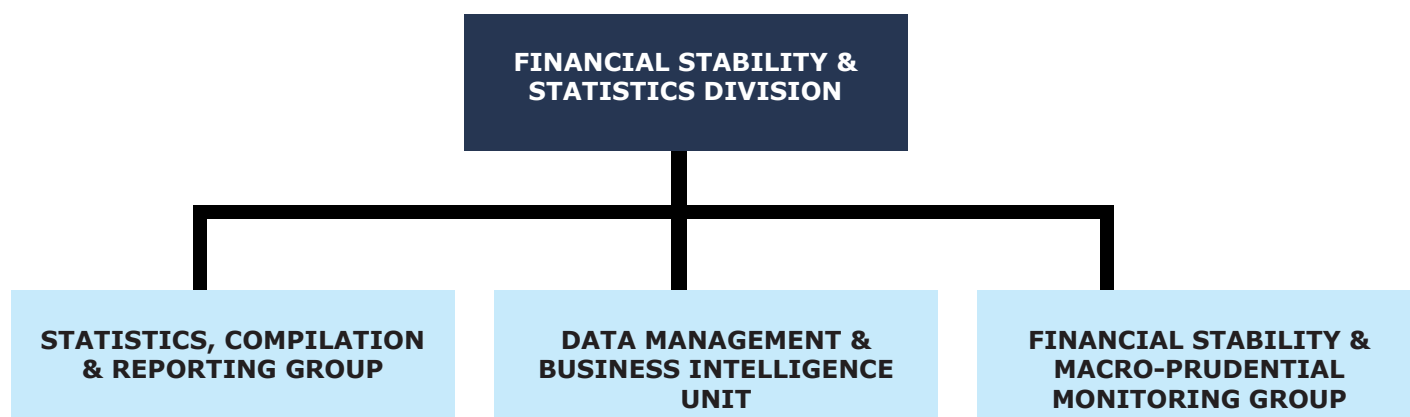


The second change is the signature of the current Minister of Finance the Hon. Roy McTaggart along with that of CIMA's Managing Director, Mrs. Cindy Scotland has been relocated to the right of the Queen's effigy.

EXECUTION OF FINANCIAL STABILITY

2020 saw the transition of the Statistics Unit, a unit within the Policy & Development Division, to a stand-alone Financial Stability & Statistics Division (“FSSD”) under the Authority’s regulatory pillar. The process was expertly guided through all stages of the approval process by the Human Resources Division, including presentations to the Authority’s Job Evaluation Committee and the Project Steering Committee.

The division will have a three-pillar structure:



The approval of the FSSD Strategy & Transition Plan began in late 2020. The division’s largest time and effort commitment was expended towards CIMA’s response to the Caribbean Financial Action Task Force’s Mutual Evaluation Review of the Cayman Islands’ Anti-Money Laundering practices. Staff from the division also participated in the installation of a new IT solution for monitoring licensees’ inherent risk to Money Laundering, Terrorism Financing and Proliferation Financing and licensees’ control measures for these risks.

The division also facilitated multiple Technical Assistance (“TA”) training missions from the International Monetary Fund’s (“IMF”) Caribbean Regional Technical Assistance Centre to better allow our supervisory divisions to play an active role in assuring their financial sub-sectors’ — and thereby the Cayman Islands’ — financial stability. These workshops primarily focused on stress testing of financial sub-sectors for the Banking Supervision and Insurance Supervision Divisions. There was also a joint TA on external sector statistics compilation and reporting with the Cayman Islands Economics and Statistics Office.

In cooperation with the Banking Supervision Divisions (the “BSD”) and Information Systems Division, there was a roll out of new supervisory forms such as Net Stable Funding Ratio, Liquidity Coverage Ratio) and Minimum Liquidity Ratio. This new data was on-boarded into analyzable databases and reports. However, the most crucial 2020 project for the Data Management & Business Intelligence Unit has been the migration of BSD’s Quarterly Prudential Return from the outgoing e-Reporting platform to the current Regulatory Enhanced Electronic Filing Submission (REEFS) platform, for better data security and reliability.

As was done by the preceding Statistics Unit, the new Division continued its international co-operation and reporting to the Bank for International Settlements Locational Banking Statistics, the IMF’s Co-ordinated Portfolio Investment Survey and the Financial Stability Board’s Non-bank Financial Intermediation exercises.

EXECUTION OF REGULATORY FUNCTIONS

Regulatory Regime

Framework

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.

Table 11: List of domestic acts and international standards

Sector/Entity Type	Cayman Islands Acts	International Standards/ Memberships
All	<ul style="list-style-type: none"> • Monetary Authority Act (as amended) and respective regulations • Monetary Authority (Administrative Fines) Regulations (2019) • Proceeds of Crime Act (as amended) • Anti-Money Laundering Regulations (as amended) • Terrorism Act (as amended) • Public Management and Finance Act (as amended) • Companies Act (as amended and respective regulations) • Proliferation Financing (Prohibition) Act (as amended) 	<p>Standards:</p> <ul style="list-style-type: none"> • Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation <p>Memberships:</p> <ul style="list-style-type: none"> • Caribbean Financial Action Task Force (CFATF) • Regional Consultative Group for the Americas (Financial Stability Board)
Banks, Trusts, Money Services Businesses, Credit Unions, Building Societies, Corporate Services Providers, Company Managers	<ul style="list-style-type: none"> • Banks and Trust Companies Act (as amended) and respective regulations • Private Trust Companies Regulations (as amended) • Money Services Act (as amended) and respective regulations • Cooperative Societies Act (as amended) and respective regulations • Building Societies Act (as amended) • Development Bank Act (as amended) • Companies Management Act (as amended) and respective regulations 	<p>Standards:</p> <ul style="list-style-type: none"> • Basel Core Principles for Effective Banking Supervision⁴ • Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore Group of Banking Supervisors⁵ <p>Memberships:</p> <ul style="list-style-type: none"> • Group of International Finance Centre Supervisors (formerly Offshore Group of Banking Supervisors) • Caribbean Group of Banking Supervisors • Association of Supervisors of Banks of the Americas

⁴ As promulgated by the Basel Committee on Banking Supervision

⁵ The working group comprised representatives of various offshore financial centres, the FATF, IMF and OECD as well as representatives of four G7 countries. The statement was disseminated to the fiduciary sector via the Society of Trust and Estate Practitioners (STEP) and the Company Managers Association and was accepted locally.

EXECUTION OF REGULATORY FUNCTIONS

Sector/Entity Type	Cayman Islands Acts	International Standards/ Memberships
Insurance companies, managers, brokers, agents	<ul style="list-style-type: none"> • Insurance Act, (as amended) and respective regulations 	<p>Standards:</p> <ul style="list-style-type: none"> • International Association of Insurance Supervisors (IAIS) Core Principles of Insurance Regulation⁶ <p>Memberships:</p> <ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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 	<p>Standards:</p> <ul style="list-style-type: none"> • International Organization of Securities Commissions (IOSCO) • Offshore Group of Collective Investment Schemes Supervisors (OGCISS) <p>Memberships:</p> <ul style="list-style-type: none"> • Offshore Group of Collective Investment Schemes Supervisors • Caribbean Group of Securities Regulators • IOSCO
Virtual Asset Service Providers	<ul style="list-style-type: none"> • Virtual Asset (Service Providers) Act, (as amended) and respective regulations 	
Private Funds	<ul style="list-style-type: none"> • Private Funds Act, (as amended) and respective regulations 	<p>Standards:</p> <ul style="list-style-type: none"> • International Organization of Securities Commissions (IOSCO) • Offshore Group of Collective Investment Schemes Supervisors (OGCISS) <p>Memberships:</p> <ul style="list-style-type: none"> • Offshore Group of Collective Investment Schemes Supervisors • Caribbean Group of Securities Regulators • IOSCO

⁶ Issued by the [International Association of Insurance Supervisors](#). The Cayman Islands is a charter member of this association.

EXECUTION OF REGULATORY FUNCTIONS

Regulation and Supervision

The Banking Supervision Division, Securities Supervision Division, Fiduciary Services Division, Insurance Supervision Division, and Investments Supervision Division (collectively referred to as the supervisory divisions) are responsible for processing and making recommendations on applications for licences, other relevant authorisations on-going supervision of licensees/registrants.

Supervision of licensees is carried out off-site and on-site. Off-site supervision is continuous, involving the analysis of quarterly prudential returns and annual audited statements supplemented with prudential meetings. On-site supervision involves limited and full-scope inspections both in the Cayman Islands and overseas.

Regulatory Developments

Rules, Guidelines and Policies

The Policy and Development Division is responsible for the continuous development of the financial services regulatory framework within the Cayman Islands in accordance with international standards. Its cross-functional role supports and advises the Authority's senior management, the five supervisory divisions and the Compliance and Legal Divisions.

The division's development and advisory role entails research of international developments and initiatives; analysis of the impact on the local financial services industry; formulation of appropriate options for consideration by the Authority and providing policy advice to the Authority, including recommendations during the industry consultation process.

Copies of all regulatory measures issued by the Authority are available on the CIMA [website](#). Refer to Regulated Sectors tab.

Framework for Virtual Assets

The Virtual Asset (Service Providers) Act, 2020 and associated regulations came into effect on 31 October 2020. The Authority participated in the development of the Act and regulations and is continuing to develop this framework.

EXECUTION OF REGULATORY FUNCTIONS

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

Issued	Type of Standard	Title	Description
Feb 2020	Statement of Guidance	Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist financing in the Cayman Islands - (Targeted Financial Sanctions)	This Guidance outlines general guidance in relation to Targeted Financial Sanctions.
Feb 2020	Statement of Guidance	Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands - (Assessing Risk and Applying Based Approach)	This document provides guidance to Financial Service Providers (FSPs) on applying a risk-based approach to their anti-money laundering/countering terrorist financing (AML/CFT) framework
Feb 2020	Statement of Guidance	Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands - Virtual Asset Providers	This amendment of the Guidance Notes outlines the anti-money laundering expectations of virtual asset service providers ("VASPs")
Feb 2020	Statement of Guidance	Guidance Notes (Amendments) on the Prevention and Detection of Money Laundering and Terrorist Financing in the Cayman Islands - (Ongoing Monitoring)	This document provides guidance to all persons conducting relevant financial business in the Cayman Islands on ongoing monitoring.
Jun 2020	Statement of Guidance	Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands ("Guidance Notes of June 5 th , 2020)	The Guidance Notes of 5 th June 2020 consolidates the existing Guidance Notes in the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands of December 13 th , 2017 and all related amendments issued by the Authority.
Jul 2020	Rule	Rule Segregation of Assets - Regulated - Mutual Funds	These Rules outline the Authority's expectation in relation to segregation of assets for Mutual Funds.
Jul 2020	Rule	Segregation of Assets - Registered - Private Funds	These Rules outline the Authority's expectation in relation to calculation of net asset values for registered private funds.
Jul 2020	Rule	Calculation of Net Asset Values for Registered Private Funds	These Rules outline the Authority's expectation in relation to calculation of net asset values for registered private funds.

EXECUTION OF REGULATORY FUNCTIONS

Issued	Type of Standard	Title	Description
Jul 2020	Rule	Calculation of Net Asset Values for Registered Mutual Funds	These Rules outline the Authority's expectation in relation to calculation of net asset values for registered mutual funds.
Jul 2020	Policy	Exemption from Audit Requirement for a Regulated Mutual Fund	This policy sets out conditions where the Authority may exempt a regulated private fund from audit requirements.
Sep 2020	Policy	Licensing Insurance Brokers, Agents and Agencies	This policy sets out criteria on licensing Insurance Brokers, Agents and Agencies.
Sep 2020	Rule	Segregation of Assets - Regulated Mutual Funds	These Rules replace the existing Rule - Segregation of Assets for Regulated Mutual Funds.
Sep 2020	Rule	Segregation of Assets - Registered Private Funds	These Rules replace the existing Rule - Segregation of Assets for registered Private Funds.
Nov 2020	Policy and Procedure	Assessing Fitness and Propriety	The Policy describes the criteria the Authority uses to determine whether persons applying to act in a controlled position are fit and proper.
Nov 2020	Policy	Criteria for Approving Changes in Ownership and Control	The Policy describes the criteria to approve changes in ownership, shareholdings and control for the purposes of the relevant legislation.
Nov 2020	Rules and Statement Guidance	Market Discipline Disclosure Requirements (Pillar 3)	These Rules and Guidance outline disclosure requirements for banks incorporated in the Cayman Islands and regulated by the Authority.
Nov 2020	Statement of Guidance	Non-Fund Arrangements	This Statement of Guidance provides the Authority's guidance on assessing whether certain arrangements, as outline in the Schedule to the PFL are determined to be a non-fund arrangement.
Nov 2020	Rule	Deregistration of Private Trust Companies	This Rule applies to an entity registered by the Authority as a PTC pursuant to the Private Trust Company Regulations/
Nov 2020	Regulatory Procedure	Deregistration of Controlled Subsidiaries and Private Trust Companies	This procedure provides clarity and guidance on the Authority's deregistration process for controlled subsidiaries and private trust companies.

EXECUTION OF REGULATORY FUNCTIONS

Compliance and Enforcement

Through the Compliance Division, the Authority conducts due diligence on persons/entities who have applied to act as directors, shareholders, managers, officers and controllers of licensed entities; investigates serious breaches of the regulations, and where necessary, takes enforcement action.

Due Diligence

In carrying out due diligence, the Authority follows its [Regulatory Policy – Assessing Fitness and Propriety](#) and [Procedure – Assessing Fitness and Propriety](#)⁷. The Compliance Division, which is tasked with conducting due diligence on applicants that are referred to it by the regulatory divisions, received 238 such applications during the reporting period of 1 January 2020 – 31 December 2020.

Table 13: Due Diligence applications referred to the Compliance Division

	Banking	Fiduciary	Insurance	Investments	Securities	Total
Number of referred due diligence applications	45	131	9	18	35	238

Enforcement

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

- Suspending, revoking or cancelling licences or registrations;
- Imposing conditions;
- Requiring the substitution or removal of a director, operator, senior officer, general partner, promoter, manager or shareholder of a licensee or registrant;
- Suspending or cancelling directors registrations;
- Appointing controllers;
- Appointing advisors;
- Requiring a regulated entity to obtain an independent AML/CFT Audit;

- Imposing administrative fines; and
- Applying to the Grand Court of the Cayman Islands for an order directing that a licensee or registrant be wound up;
- Requiring licensees or registrants to take such action as the Authority reasonably believes necessary; and
- Referring contraventions that result in offences and criminal penalties to the appropriate authorities.

Additionally, the Authority also takes other supervisory actions such as issuing warning notices and supervisory letters.

The Authority’s [Enforcement Manual](#) and [Enforcement Manual \(Procedure For Administering Administrative Fines Parts I-III\)](#) describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the Regulatory Acts and the AMLRs by a regulated entity.

⁷ Also see page 27 of the [Regulatory Handbook](#).

EXECUTION OF REGULATORY FUNCTIONS

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



Initiated **1,397** enforcement actions, 15 related to AML/CFT and Fitness and Propriety infractions



15

Revocations/Cancellations



1

Appointment of controllers



1

Imposing conditions



1

Winding-up petition



1,369

Warning/breach notices - individuals



8

Warning/breach notices - entities



2

Administrative Fines totalling CI\$582,717.50



6

Directors found not fit and proper

EXECUTION OF REGULATORY FUNCTIONS

Table 14: Entity list of enforcement actions initiated

Name of entity	Type of authorisation held	Enforcement action	Effective date
CTS Captive Management (Cayman), Ltd.	Insurance Manager	Licence Revoked	30 Dec 2020
Western International Trust company Limited	Trust	Administrative Fines	22 Dec 2020
Premier Assurance Group SPC Ltd.	Class B Insurer	Provisional Liquidation	27 Oct 2020
Cainvest Bank and Trust Limited	Class A Bank	Administrative Fines	10 Nov 2020
Platinum Partners Credit Opportunities Fund International (A), Ltd.	Mutual Fund - Registered	Registration Cancelled	13 Oct 2020
Platinum Partners Credit Opportunities Fund International, Ltd.	Mutual Fund - Registered	Registration Cancelled	13 Oct 2020
Platinum Partners Liquid Opportunity Fund (International) Ltd.	Mutual Fund - Registered	Registration Cancelled	13 Oct 2020
Platinum Partners Liquid Opportunity Master Fund L.P.	Mutual Fund - Registered	Registration Cancelled	13 Oct 2020
Premier Assurance Group SPC Ltd.	Class B Insurer	Controllers Appointed	14 Sept 2020
Focus Administration Limited	Mutual Fund Administrator - Full	Licence Revoked	8 Jul 2020
Alesia Re, SPC	Class D Insurer	Licence Revoked	24 Jun 2020
Intrepid Re SPC	Class B Insurer	Licence Revoked	10 Jun 2020
Atlas Re, SPC	Class B Insurer	Licence Revoked	10 Jun 2020
Hinduja Bank & Trust (Cayman) Ltd.	Banking Class B - Subsidiary	Licence Revoked	22 May 2020
Hinduja Bank & Trust (Cayman) Ltd.	Trust	Licence Revoked	22 May 2020
Focus Administration Limited	Mutual Fund Administrator - Full	Impose Conditions	22 May 2020
Bridge Global Absolute Return Fund SPC	Mutual Fund - Registered	Registration Cancelled	20 May 2020
Motor & General Insurance Company Limited	Class A External Insurer	Licence Revoked	24 Apr 2020
Balkan Investment Opportunity Fund	Mutual Fund - Registered	Registration Cancelled	21 Apr 2020
KTH Capital Management Limited	Mutual Fund Administrator - Restricted	Licence Revoked	14 Jan 2020

EXECUTION OF REGULATORY FUNCTIONS

Table 15: Directors found not fit and proper

Name	Effective date
Mark A. Nordlict	13 Oct 2020
Jorge Eduardo Falcon	3 Sept 2020
Leonardo Cornide	3 Sept 2020
Gilbert Pfaeffli	22 May 2020
Samuel Sze Wei Goh	19 May 2020
Nicholas William McDonald	19 May 2020

Litigation

A petition was presented to the Grand Court for the winding-up of Premier Assurance Group SPC Ltd. An order for Provisional Liquidation was granted by the court on 27 October 2020.

Other Compliance-related Matters

Among its duties, the Compliance Division is also tasked with investigating persons or entities that appear to be conducting regulated business without the proper authorisation from the Authority.

In addition, in keeping with its mandate to protect the jurisdiction from individuals or entities seeking to reap illegal benefit by false association with the Cayman Islands, the Compliance Division continues to update a [list of fraudulent websites](#), which includes Cayman Islands addresses for various businesses that are not registered or licensed in the Cayman Islands.

Local Co-operation



CIMA filed **15** Suspicious Activity Reports with the Cayman Islands Financial Reporting Authority



CIMA received **29** Onward Disclosures from the Cayman Islands Financial Reporting Authority



CIMA processed **14** Inter-Agency Requests from local competent authorities



CIMA made **5** referrals to the Cayman Islands Bureau of Financial Investigation for criminal examination

Execution of Co-operative Functions

Cross-Border Cooperation

The provision of assistance to overseas regulatory authorities is one of CIMA's principal functions. Such international cooperation takes place primarily through the exchange of information, facilitated through Memorandums of Understanding ("MOUs"), other agreements and through CIMA's active participation in international forums.

Memoranda of Understanding

Multilateral MOUs and similar agreements establish a common framework for mutual assistance and cooperation between CIMA and other regulatory bodies. These agreements identify the type of supervisory and enforcement information that may be exchanged and the mechanism to exchange the information. In this way, they enhance the existing working relationships between the authorities. Copies of the current MOUs and cooperation agreements are available on the CIMA website.

Assistance to Overseas Regulatory Authorities

One of the functions of the Legal Division is to advise on, and coordinate responses to, requests for assistance from overseas regulatory authorities ("ORAs"). The division works closely with the other divisions, particularly Compliance, to ensure that requests are handled in a timely and efficient manner, and that they conform to the requirements of the MAL, the Regulatory Handbook and relevant procedures. The Compliance Division assists primarily on those requests where CIMA does not have the information within its files and where external parties must be approached to obtain it.

Local Co-operation

AML/CFT Supervisors

In conjunction with the Department of Commerce and Investment, the Registrar of Non-Profit



CIMA signed **1** bi-lateral MOU with the Superintendencia de Bancos Ecuador.



203 Requests for assistance from ORAs

Organisations, the Cayman Islands Professional Accountants Association, and the Cayman Attorneys Regulatory Authority, the Authority has formed the Supervisors Forum (the "Forum"). The role of the Forum is to provide a national-level platform for AML/CFT supervisors to discuss common issues relating to regulation, enforcement, risks, trends and other matters.

Members of the Forum discuss issues that arise from carrying out their AML/CFT functions, in order to come to a consensus on a national approach to AML/CFT.

Members of the Forum, including the Authority, participated in training on the FATF Recommendations and Immediate Outcomes in June 2019, as well as CFATF training targeted to supervisors on FATF Immediate Outcome 3 in January 2020. The Forum has developed policies on open-source information sharing and is developing further mechanisms for cooperation.

Financial Crime Investigations Unit

The Royal Cayman Islands Police Service created a unit focused on investigating money laundering and predicate crimes conducted internationally and through companies, known as the Cayman Islands Bureau of Financial Investigations (CIBFI).

Organisational Support and Administration

Human Resource Management and Development

Learning and Strategic Initiatives

Taking a broader perspective, the focus has been, and will continue to be reskilling, upskilling and strengthening the human capital of the Authority. Tapping into individual's strengths whilst seeking to establish a growth mindset will better allow employees to continually learn and improve, which will ultimately drive productivity, efficiency and performance.

The approach to learning and attendance at conferences morphed into an entirely different approach enabling several persons at the same time from within the Authority benefitting from multiple platforms of learning.

Several training sessions were facilitated for staff using a web-based platform in the broad areas of anti-money laundering ("AML") and bespoke modules created by members of the Authority by the Policy & Development and Anti-Money Laundering/Counter Financing Terrorism Divisions; whilst others were issued and attended by staff in areas relating to AML:

- Rules and Standards of Guidance – Succession Planning
- Rules and Standards of Guidance – Cybersecurity
- Assessing Risk & Applying a Risk Based Approach (AML)
- Counter Proliferation Financing Part 1 (AML)
- Counter Proliferation Financing Part 2 (AML)
- Amended Guidance on Ongoing Monitoring (AML)
- Targeted Financial Sanctions (AML)
- Virtual Asset Service Providers (AML)
- TF National Risk Assessment Key Findings and Red Flag Indicators (AML)
- Banking Sector Risk Assessment (AML)
- Money Services Business Sector Risk Assessment (AML)
- Trust & Company Service Providers Risk Assessment (AML)
- Securities Investment Business Licensees Risk Assessment (AML)
- Securities Investment Business Ex Persons Risk Assessment (AML)

- Mutual Funds Administration Sector Risk Assessment (AML)
- Insurance Risk Assessment (AML)
- Complaints Regarding Regulated Entities
- Complaints Against the Authority

External Partnerships

The Cayman Islands Institute of Professional Accountants released courses that were relevant to various divisions, namely Investments Supervision, Legal, Compliance, Policy & Development and Internal Audit. Nine staff members attended courses in the areas of Private Equity, Insolvency and Restructuring and IFRS/US GAAP Updates.

Virtual Conference and Webinar Attendance

With the onset of COVID-19, many virtual webinars and conferences were offered from various local and external bodies: The Royal Cayman Islands Police Service, Recovery and Insolvency Specialists Association, Caribbean Regional Technical Assistance Centre, the Association of Certified Anti-Money Laundering Specialists, National Association of Insurance Commissioners Virtual International Fellows Program, International Association of Insurance Supervisors, Bank for International Settlements, Applications Supported by Blocked Amount, Toronto Centre, and CrestCom.

Establishment of the Financial Stability & Statistics Division

As previously mentioned, the need to meet the requirements for local data collection and international statistics reporting has led to the establishment of the Financial Stability & Statistics Unit into its own Division, made up of existing staff members. This division is responsible for statistics, compilation and reporting, as well as the macro-prudential & monitoring remit.

Looking forward to 2021, the Authority continues to strengthen the recruitment of the right calibre of human resources and to enhance learning and development methods for staff, whilst recognising our employees through various staff recognition initiatives.

Organisational Support and Administration

Information Systems

Under the guidance of its Information Systems Division (the "IS Division"), CIMA facilitates business practices in a secure and resilient manner, utilising information and communications technology.

Disaster Recovery – Prior to the start of the hurricane season, the IS Division schedules tests against the system to ensure business continuity in order to prove that our plans are successful. Each year, the division assembles all requested improvements from the previous year's test and incorporates those that will provide value, resilience and increased efficiencies into its current plan and operations. In 2020, our Disaster Recovery and Business Continuity was tested in full with the necessity to implement a robust remote desktop connection to facilitate the working-from-home policy to adapt to the COVID-19 lockdown, as ordered by the Cayman Islands Government. As minimal staff were deemed essential to come into the office, both in-office systems and remote access were in operation for over six months, indicating that attention to maintenance and security layering were in force for twice as many endpoints than normal.

Systems Security – Finance industries in general continue to rank number 1 for best targets. Therefore, security continues to be a major focus and with the work-from-home imperative early in the first half of 2020, the IS Division saw all new avenues for attack. However, there was no sudden shift towards remote desktop exploits with a reduction in the usual patterns.

With the sudden increase of threats, and the changing attack surfaces, the IS Division is pressing forward with its plans for a Penetration Test to begin in Quarter 1 2021. Meanwhile, progress is being made every day with better added

control monitoring that reports exceptions or failures, rather than daily status accounts.

Other Accomplishments

- Ordered, configured and distributed over 200 laptops in record time to meet the demands of the Covid-19 pandemic working-from-home policy.
- Successfully monitor and manage various network security necessities and respond to helpdesk requests whilst working remotely to ensure service was provided to all staff.
- New measures were put in place with the addition of new legislation for onboarding some 12,500 Private Funds over a short six-month period. This in essence doubled our entire fund portfolio under supervision. To accomplish this the approval process had to be coded for automation whereby interrogation of attached documents were matched to structured data captured on the application forms and when KPI data matched it was automatically approved and unmatched forms were sent for manual review. This resulted in approximately a 75-80% success rate.
- Changes to the Mutual Funds Act also necessitated the development and deployment of the Limited Investor Fund application form, along with the internal automation including payments via Escrow.
- Revisions to the Fund regulation led to the update and adoption of the upgrade FAR Form (Version 4).
- An automated process for FAR Extension requests.
- Following the commencement of the new Virtual Asset Service Providers (VASP) regulations, various forms and processes were developed to accept registrations within a short deadline, which was successfully met.

Organisational Support and Administration

Communication and Public Relations

Through the Public Relations Unit (the "PR Unit") CIMA provides communications support to assist in executing its functions and enhancing relationships with internal and external stakeholders, including the general public.

Events and Activities

Much of our communication efforts involved coordinating various initiatives as it related to the changes in business operations forced by COVID-19 and enhanced AML/CFT compliance. This included organising virtual industry events and training, and featured articles for staff and industry newsletters.

In recognition of the international nature of CIMA's stakeholders, the PR Unit assisted in the continued production of a variety of topical online video presentations with a goal to allow stakeholders to access CIMA's outreach in the manner most convenient and useful to their business.

CIMA also sponsored and participated in the 2020 ACAMS Caribbean Conference by coordinating a promotional video and pre-recorded remarks.

The PR Unit also spearheaded CIMA's participation in the 2020 World Investor Week campaign, which sought to raise awareness about the importance of investor education and promote smart investment strategies, especially in the wake of the global pandemic. In addition to a press release, 15 key messages were crafted to promote financial resilience and help investors make sound decisions. Such messages were disseminated each day (twice a day) during the week-long campaign via CIMA's LinkedIn and Facebook social media platforms. In total, the posts received over 6,000 views and interactions. Other initiatives included branded online web banners, email signature banners, and published newsletter articles.

External Publications

The PR Unit assisted the Authority's senior management in producing written articles, information gathering and interviews for publication such as Cayman Captive magazine, Hedge Fund Week Special Report, Cayman Funds magazine, Captive Review, Cayman Funds Roundtable, and Cayman Captive Roundtable.

CIMA Publications

As part of its ongoing work, the PR Unit continued to produce and disseminate [news releases](#), notices and advisories; supervisory information circulars, the monthly internal newsletter, The Insider, quarterly external newsletter - [The Navigator](#), [Annual Report](#) and [Fact Sheet](#). The PR Unit also collaborated with key senior staff to produce and disseminate [The Anchor](#) as well as the Investments Statistical Digest 2019.

Direct Public Information and Assistance

The PR Unit regularly responded to local, regional and international media requests. Regular updates were also posted to the Authority's LinkedIn and Facebook company page, in addition to frequent updates to the CIMA website.

Internal Support

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

Coercive Revenue Collection

The Authority collected \$102.7m in coercive fees from regulated entities on behalf of the Cayman Islands Government, compared to \$102.3m in the previous year.

 Collected **\$102.7** million in fees from regulated entities

Income

The Authority depends on the sale of its outputs to the Cabinet, as one of its main sources of income to meet its obligations. The outputs delivered were:


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

 **\$22.6** million total outputs delivered

The Authority's other sources of income are from the Directors Registration and Licensing Fees, which were recorded at \$10.5m, CIMA Transactional Fees were \$4.2m, Investments were \$3.1m, Commission Income was \$1.0m and Other Income was \$0.3m.

Net Income

The Authority's net income for the year was \$3.7m (2019: \$5.8m), of which \$1m was allocated to CIMA's Capital Expenditures Reserve, and \$2.7m to the general revenue of the Cayman Islands Government.

 Net income of **\$3.7** million

Details of CIMA's financial position for the year can be seen in the Audited Financial Statements that follow. (See page 60).

Highlights of Achievements

Key initiatives conducted in 2020 in support of the Authority's 2018-2020 Strategic Plan and its new 2020-2023 Strategic Plan included:

Continued AML/CFT Framework Activity and Enhancements

- Increased resources and capabilities within the Authority's AML/CFT Division;
- Continued AML/CFT outreach activities directly by the Authority or in conjunction with the Anti Money Laundering Unit of the Government. Several virtual outreach sessions were conducted during 2020; and
- Significant contribution to a range of activities as part of the national efforts to demonstrate positive and tangible progress to the Financial Action Task Force ("FATF") in addressing effectiveness deficiencies identified in the Cayman Islands Mutual Evaluation Report.

Enhancing Efficiency and Effectiveness Through Structural/Functional Reforms

- Attained and deployed additional resources to carry out AML/CFT supervisory function;
- Taking into account the strategic direction of CIMA, the structure of the recently established Financial Stability & Statistics Unit was reviewed with new positions established and others revalued to create a Statistics Division in and of itself (separated from the Policy & Development Division);
- Continued to execute and refine the risk-based approach to supervision across all supervisory divisions; and
- Appointed an Interim Chief Risk Officer while commencing recruitment for a successful candidate to fill the post.

Collaboration with the Cayman Islands Government and Private Sector

The Authority provided input and advice to central Government on various initiatives and legislation, and on working groups including:

- The Mutual Funds (Amendment) Act 2020;
- The Private Funds Act, 2020;

- Securities Investment Business (Conduct of Business) (Amendment) Regulations, 2020;
- New Money Services Regulations;
- Bill for the planned regulation of Virtual Asset Service Providers;
- Various AML/CFT measures tabled in the Legislative Assembly;
- The Securities Investment Business (the "SIB") Act Excluded Persons Re-registration;
- The Private Funds Bill;
- The Virtual Asset Service Providers; and
- The Caribbean Financial Action Task Force Post-Observation Period Report

Regulatory Framework Enhancements

New and enhanced regulatory framework achievements by the Authority included the development and or enhancement of the framework (which includes any necessary rules, guidance, policies and procedures and information technology) for the following:

- The implementation of an enhanced supervisory regime for Registered Persons, formerly Excluded Persons, under the SIB Act.
- The enforcement of the Private Funds Act, which resulted in 12,695 new private funds registrations.
- Implementation of the requirements of The Mutual Funds (Amendment) Act which now requires funds, with fifteen investors or less, to be regulated by CIMA. Prior to the commencement of this Act in February 2020, these funds were exempt from licensing and registration.
- Implementation of the requirements of The Mutual Funds (Annual Returns) (Amendment) Regulations 2020 outlines additional information required by regulated mutual funds, which will assist CIMA in attaining the requisite information for macro-prudential supervision.
- The framework for the implementation of the requirements of the Virtual Asset Service Providers Act, which, effective October 2020, requires entities wishing to provide such services to be registered with CIMA.

Risk Management

The purpose of our risk management framework is to strengthen CIMA's ability to achieve its mission and strategic objectives.

Started in 2019, the framework will be implemented in a number of phases over the next several years. The initial phase, commenced in Fall 2019 and completed in August 2020, was to develop a comprehensive risk register, which will itemise significant risks.

During 2020, the Risk Committee of the Board (the "RCB") met quarterly before the main Board meeting to discuss and address matters such as overview of the Risk Register project and development of a Risk Appetite Statement.

Risk assessment and risk management fall under the remit of CIMA's Executive Management and in light of this, a CIMA Management Risk Committee (the "CMRC") was established to oversee the execution of CIMA's risk management framework. During 2020, the CMRC was involved in the development of the Risk Register and a Risk Appetite Statement. CIMA also hired a full time Chief Risk Officer ("CRO") who is scheduled to begin work in April 2021 to take over the function now being carried part time by the Interim CRO, who is also the Special Assistant to the Managing Director.

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR-END
31 DECEMBER 2020

AUDITED FINANCIAL STATEMENTS

Statement of Responsibility

For Financial Statements

31 December 2020

These financial statements have been prepared by the Cayman Islands Monetary Authority in accordance with the provisions of the *Public Management and Finance Act* (2020 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Act* (2020 Revision).

As Chairman and Managing Director we are responsible for establishing; and have established and maintained a system of internal controls designed to provide reasonable assurance that the transactions recorded in the financial statements are authorised by Act, and properly record the financial transactions of the Cayman Islands Monetary Authority.

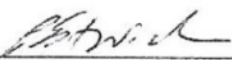
As Chairman and Managing Director we are responsible for the preparation of the Cayman Islands Monetary Authority financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Monetary Authority for the financial year ended 31 December 2020.

To the best of our knowledge we represent that these financial statements:

- (a) completely and reliably reflect the financial transactions of Cayman Islands Monetary Authority for the year ended 31 December 2020;
- (b) fairly reflect the financial position as at 31 December 2020 and performance for the financial year ended 31 December 2020;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

The Office of the Auditor General conducts an independent audit and expresses an opinion on the accompanying financial statements. The Office of the Auditor General has been provided access to all the information necessary to conduct an audit in accordance with International Standards on Auditing.



Patricia Estwick

Chairman

Cayman Islands Monetary Authority

Date: 30 April 2021



Cindy Scotland

Managing Director

Cayman Islands Monetary Authority

Date: 30 April 2021

AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Monetary Authority

Opinion

I have audited the financial statements of the Cayman Islands Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2020 and the statements of comprehensive income, statement of changes in reserves and contributed capital and statement of cash flows for the year ended 31 December 2020, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 35.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2020 and its financial performance and its cash flows for the year ended 31 December 2020 in accordance with International Financial Reporting Standards.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Authority in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)*, together with the ethical requirements that are relevant to my audit of the financial statements in the Cayman Islands, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

As outlined in note 15 of the financial statements, *the Public Authorities Act (2020 Revision), Section 47 - Terms and conditions and remuneration of staff* came into effect at 1 June 2019 and required all Statutory Authorities and Government Companies to comply with its requirements to standardise salaries and benefits. At the date of this report, the process to complete this standardisation has not been completed. My opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Authority or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

AUDITOR GENERAL'S REPORT (continued)

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I have undertaken the audit in accordance with the provisions of section 60(1)(a) of the Public Management and Finance Act (2020 revision). I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.



Sue Winspear, CPFA
Auditor General

30 April 2021
Cayman Islands

AUDITED FINANCIAL STATEMENTS

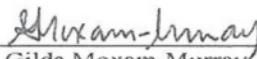
CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 31 December 2020
(in Cayman Islands Dollars)

	Note	31 December 2020 \$000	31 December 2019 \$000
ASSETS			
Currency Reserve Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	4b	108,870	83,572
Short-Term Investments	4a	19,573	4,355
Interest and Other Receivables		144	402
Stocks	7	3,505	3,740
<i>Non-Current Assets</i>			
Long-Term Investments	4a	56,706	68,900
Total Currency Reserve Assets		<u>188,798</u>	<u>160,969</u>
Operating Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	4b	8,934	8,868
Short-Term Investments	4a	12,881	15,603
Accounts Receivable	5a	6,594	3,811
Other Receivables and Prepayments	5b	592	1,108
<i>Non-Current Assets</i>			
Intangible Assets	6	1,727	1,415
Property and Equipment	6	4,239	4,289
Right-of-use Assets	10	11,116	10,023
Total Operating Assets		<u>46,083</u>	<u>45,116</u>
TOTAL ASSETS		<u>234,881</u>	<u>206,085</u>
LIABILITIES, RESERVES and CONTRIBUTED CAPITAL			
Liabilities			
<i>Current Liabilities</i>			
Demand Liabilities, Currency in Circulation	8a	164,427	140,369
Other Liabilities and Payables	8b	6,244	5,089
Lease Liability - Premises	10	1,525	1,258
Due to Cayman Islands Government	8c	2,752	5,000
<i>Non-Current Liabilities</i>			
Lease Liability - Premises	10	9,773	8,828
Defined Benefit Pension Liability	9b	2,484	57
Defined Benefit Healthcare Liability	9c	11,293	10,102
Total Liabilities		<u>198,498</u>	<u>170,702</u>
Reserves			
General Reserve		26,950	25,582
Currency Issue Reserve		375	375
Capital Expenditures Reserve		6,730	7,098
Total Reserves		<u>34,055</u>	<u>33,055</u>
Contributed Capital			
		<u>2,328</u>	<u>2,328</u>
TOTAL LIABILITIES, RESERVES and CONTRIBUTED CAPITAL		<u>234,881</u>	<u>206,085</u>

Approved on 30 April 2021



Cindy Scotland
Managing Director
Cayman Islands Monetary Authority



Gilda Moxam-Murray
Chief Financial Officer
Cayman Islands Monetary Authority

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(in Cayman Islands Dollars)

	Note	31 December 2020 \$000	31 December 2019 \$000
INCOME			
Services Provided to The Cayman Islands Government	11a	22,648	18,439
Directors Registration and Licensing Fees		10,503	10,535
CIMA Transactional Fees		4,160	4,315
Investment Income		1,974	3,612
Commission Income		1,018	999
Numismatic Income		341	132
Realised Gain on Investments		1,127	134
Other Income		-	2
TOTAL INCOME		41,771	38,168
EXPENSES			
Salaries and Benefits	13	23,609	19,670
Other Operational Expenses	12	3,830	3,657
Professional Fees		2,695	1,888
Pension Expenses	9a	2,085	1,281
Depreciation expense - Right-of-use Asset	10	1,632	937
Depreciation and Amortisation	6	1,106	824
Interest expense - Lease Liability	10	385	160
Utilities		348	408
Accommodation	14	162	1,064
Training and Conferences		99	408
Official Travel		35	327
Expected Credit Loss IFRS 9		36	-
TOTAL EXPENSES		36,022	30,624
INCOME FOR THE YEAR before:-		5,749	7,544
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to Profit or Loss in subsequent periods			
Net Gain on Debt Securities at Fair Value		(21)	831
Expected Credit Loss	4c	30	3
Items that will not be reclassified to Profit or Loss in subsequent periods			
Remeasurement of Defined Benefit Pension Liability	9a	(1,778)	(157)
Remeasurement of Defined Benefit Healthcare Liability	9c,13	(228)	(2,391)
		(1,997)	(1,714)
COMPREHENSIVE INCOME FOR THE YEAR		3,752	5,830

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL

For the year ended 31 December 2020

(in Cayman Islands Dollars)

31 December 2020

	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Contributed Capital \$000
BALANCE AT 01 Jan 2020	25,582	375	7,098	2,328
Transfers in :				
From Income for the Year	2,752	-	1,000	-
Transfers out :				
Contribution Payable to CI GOVT	(2,752)	-	-	-
Capital Purchases	1,368	-	(1,368)	-
Operational Expenses	-	-	-	-
BALANCE AT 31 December	26,950	375	6,730	2,328

31 December 2019

	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Operational Expenditures Reserve \$000	Contributed Capital \$000
BALANCE AT 01 Jan 2019	21,896	375	10,560	40	2,328
Transfers in :					
From Income for the Year	5,000	-	830	-	-
From Capital Expenditures Reserve	4,292	-	-	-	-
From Operational Expenditures Reserve	40	-	-	-	-
Transfers out :					
Contribution Payable to CI GOVT	(5,000)	-	-	-	-
Change in Policy IFRS 15 (Note 5(b))	(646)	-	-	-	-
Capital Purchases	-	-	(4,292)	-	-
Operational Expenses	-	-	-	(40)	-
BALANCE AT 31 December	25,582	375	7,098	-	2,328

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 31 December 2020
(in Cayman Islands Dollars)

	Notes	31 December 2020 \$000	31 December 2019 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive Income for the Year		3,752	5,830
Adjustments for:			
Depreciation and Amortisation	6	1,106	824
Depreciation - Right-of-use Asset	10	1,632	937
Interest Expense - Lease Liability	10	385	160
Loss / (Gain) on Defined Pension Benefits	9b	2,427	270
Loss on Defined Health Care Benefits		1,191	3,107
(Gain) / Loss on Expected Credit Loss		6	(5)
Net Unrealised Gain on Fair Value of Financial Investments		17	(826)
Decrease / (Increase) in Interest Receivable - Currency Reserve Assets		252	175
(Increase) in Interest Receivable - Operating Assets		43	(7)
Increase in Accounts Receivable		(2,784)	(559)
(Increase) / Decrease in Other Receivables and Prepayments		472	(588)
(Decrease) / Increase in Unearned Income - Directors Registration and Licensing Fees		498	(356)
Decrease in Unearned Income - CIMA Transactional Fees		(20)	(63)
Increase in Other Liabilities and Payables		678	808
Increase in Stocks		236	(269)
Increase in Demand Liabilities		24,058	13,760
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>33,949</u>	<u>23,198</u>
CASH FLOW USED IN INVESTING ACTIVITIES			
Acquisition of Property, Equipment and Intangible Assets	6	(1,367)	(4,292)
Net Purchase of Financial Investments Currency Reserve Assets		(1,916)	(5,542)
Net (Gain) / Loss on Fair Value of Sales and Maturities of Financial Investments		(1,127)	(134)
Net purchase of financial investments Operating Assets		2,723	(15,603)
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,687)</u>	<u>(25,571)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Lease Liability Payments	10	(1,898)	(1,034)
Dividend Paid to CI Government	8c	(5,000)	(5,000)
NET CASH USED IN FINANCING ACTIVITIES		<u>(6,898)</u>	<u>(6,034)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		25,364	(8,407)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		92,440	100,847
CASH AND CASH EQUIVALENTS, END OF THE YEAR	4b	<u>117,804</u>	<u>92,440</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

1. Organisation and Objectives

The Cayman Islands Monetary Authority (the “Authority”) was established under the *Monetary Authority Act, 1996* on 1 January 1997. Under the *Monetary Authority Act (2020 Revision) (the “Act (2020 revision)”*), the primary functions of the Authority are: -

- To issue and redeem Cayman Islands currency notes and coins and to manage the Currency Reserves
- To regulate and supervise the financial services business
- To provide assistance to overseas regulatory authorities, and
- To advise the Cayman Islands Government on regulatory matters.

As at 31 December 2020 the Authority has 247 employees (31 December 2019: 214). The Authority is located in Cricket Square, George Town, Grand Cayman, Cayman Islands.

2. Significant Accounting Policies

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

a) Basis of Preparation

Statement of compliance

The financial statements of the Authority are prepared in accordance with International Financial Reporting Standards (“IFRS”).

The financial statements have been prepared on the accrual basis under historical cost convention except unless otherwise stated.

When presentation or classification of items in the financial statements is amended or accounting policies are changed, comparative figures are restated to ensure consistency with the current period unless it is impracticable to do so.

b) Foreign Currency Translation

Functional and presentation currency

The reporting currency is Cayman Islands dollars. All financial information is rounded to the nearest thousand dollars, except as otherwise indicated. Any discrepancies between totals and sums of components are due to rounding.

Transactions and balances

Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income. Assets and liabilities are translated at the exchange rate in effect at the date of the statement of financial position.

c) Use of Estimates and Judgements

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

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Significant Accounting Policies (continued)

d) *Financial Instruments*

Financial instruments – initial recognition and subsequent measurement

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Authority's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. All debt instruments are classified as "Hold to collect and sell" and recognised as fair value through OCI. Accounts receivables are measured at the transaction price determined under IFRS 15.

Cash and Cash Equivalents are classified as amortized cost.

The Authority's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e. the date that the Authority commits to purchase or sell the asset.

Classification and measurement

Financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

All debt instruments are subsequently measured at fair value with gains and losses arising due to change in the fair value recognised in OCI. Interest income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Significant Accounting Policies (continued)
Financial Instruments (continued)

Derecognition

A financial asset is derecognised when:

- The rights to receive cash flows from the asset have expired; or
- The Authority has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Authority has transferred substantially all the risks and rewards of the asset, or (b) the Authority has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Impairment of financial assets

The Authority recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For accounts receivables, the Authority applies a general approach in calculating ECLs.

For debt instruments at fair value through OCI, the Authority applies the low credit risk simplification. At every reporting date, the Authority evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Authority reassesses the credit rating of the debt instrument. In addition, the Authority considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Authority's debt instruments at fair value through OCI comprise solely of quoted bonds that are graded in the top investment category and, therefore, are considered to be low credit risk investments. It is the Authority's policy to measure ECLs on such instruments on a 12-month basis.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities comprise other liabilities and payables, accrued expenses and notes and coins in circulation.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Significant Accounting Policies (continued)

Financial Instruments (continued)

Subsequent measurement

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of comprehensive income.

e) Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within three months from the date of measurement or year-end.

f) Stock of Notes and Coins for/ in Circulation

The stock of unissued currency notes is stated at cost of production. Only the cost of notes issued into circulation is expensed, on a “first in, first out” basis. All associated cost such as shipping, handling and insurance are expensed immediately.

When currency is issued, the face value of the currency is also recognised as a liability within the “Demand Liabilities, Currency in Circulation”

g) Stocks of Numismatic Items

Stocks consist of gold and silver bullion arising from the melt-down of numismatic coins (the gold and silver bullion content of the following categories of numismatic coins: coins for resale, museum items and coins awaiting melt-down). Bullion stocks are stated at year-end market values for gold and silver bullion and unrealised gain/loss are recorded in the statement of comprehensive income.

h) Numismatic Coins in Circulation

The total nominal value of numismatic coins outstanding as at 31 December 2020 is \$14,490k (31 December 2019: \$14,490). No liability for redeeming numismatic coins is recognised in the financial statements, since the amount of redemption cannot be reasonably estimated, and the probability of material redemption is remote. Redemption costs and sales proceeds are recorded in the statement of comprehensive income as incurred.

i) Property and Equipment

Property and equipment are stated at historical cost less accumulated depreciation. Historical costs include expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset’s carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefit associated with the item will flow to the Authority and

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Significant Accounting Policies (continued)

Property and Equipment (continued)

Depreciation is charged to the statement of comprehensive income on the straight-line method to allocate the cost of each asset over their estimated useful lives as follows:-

• Furniture and Fixtures	5 years
• Motor Vehicle	5 years
• Office Equipment	5-7 years
• Computer Hardware	3-5 years
• Leasehold Improvements	the shorter of the term of the lease and the useful life.

The assets' useful lives are reviewed and adjusted where appropriate.

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in the statement of comprehensive income in the period the asset is derecognised.

j) *Intangible Assets*

Intangible assets are identifiable non-monetary assets without physical substance. The Authority's intangible assets comprise externally acquired computer software. Costs associated with maintaining computer software programmes are charged to the statement of comprehensive income in the financial period in which they are incurred.

All of the Authority's intangible assets have a finite life. Amortisation is calculated using the straight-line method to allocate the cost of each asset over their estimated useful lives which is estimated to be three to ten years. Useful lives are reviewed at the end of each reporting period and adjusted if appropriate.

k) *Employee Benefits*

Pension Plans

The Authority makes pension contributions for its eligible employees to the Public Service Pensions Fund, which is administered by the Public Service Pensions Board. The Fund has both a defined benefit and a defined contribution element. There are a small number of employees who participate in other private plans, which are all defined contribution schemes.

Under defined contribution plans, the Authority pays fixed contributions and has no obligation to pay further contributions if the fund does not have sufficient assets to pay employee benefits relating to employee service in the current and prior periods. The Authority recognises contributions to a defined contribution plan when an employee has rendered services in exchange for those contributions.

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the statement of financial position date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and the changes in actuarial assumptions are recognised in other comprehensive income.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Significant Accounting Policies (continued)

Employee Benefits - Pension Plans (continued)

Obligations for contributions to defined contribution and defined benefits pension plans are recognised as pension expense in the statement of comprehensive income as incurred.

Other Benefits

Other employee benefits include maternity leave, sick leave, and vacation days. Vacation days accumulate and vest and therefore a liability is accrued each year.

l) Allocation of Profits

Under Section 9 and 10 of the *Act (2020 revision)*, the net profits of the Authority, after provision for all expenditure and reserves, shall be allocated such that the Currency Reserve Assets represent at least 100% of Demand Liabilities and the General Reserve represents at least 15% of Demand Liabilities. Any surplus not allocated in accordance with the above shall be transferred to the General Revenue of the Cayman Islands Government.

m) General Reserve

The Authority maintains a General Reserve in accordance with Section 8 of the *Act (2020 revision)*, to provide additional funding if necessary, for Demand Liabilities and obligations arising from other business of the Authority. In accordance with section 8 of the *Act (2020 revision)* the General Reserve shall represent at least 15% of Demand Liabilities. As at 31 December 2020, the General Reserve was \$26,950k (31 December 2019: \$25,582k) equating to 16.39% (31 December 2019: 18.22%) of Demand Liabilities.

n) Currency Issue Reserve

The Currency Issue Reserve was adjusted as the stock of notes printed prior to 2003 was all issued into circulation. The Currency Issue Reserve as at 31 December 2020 was \$375k (31 December 2019: \$375k).

o) Capital and Operational Expenditures Reserves

Under Section 9 of the *Act (2020 revision)*, the net profits of the Authority for any financial year shall include, but shall not be limited to, the income from the investments of the Authority, and the profit from the sales of investments belonging to the Authority, and shall be determined by the Authority after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as it may consider desirable. The Capital Expenditures Reserve has been established for the implementation and acquisition of key capital projects. The Operational Expenditures Reserve will fund the operating costs associated with these key projects.

p) Contributed Capital

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

In December 2009, Section 7 (5) of the Monetary Authority Act (2008 Revision) was amended by the Monetary Authority (Amendment Act, 2009), to allow Cabinet to vary the amount of paid-up capital held by the Authority, and where the capital is reduced any excess shall be transferred by the Authority to the Government. In June 2010 the Cayman Islands Government withdrew \$8.250 million. Contributed Capital as at 31 December 2020 was \$2.328 million (31 December 2019: \$2.328 million).

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Significant Accounting Policies (continued)

q) *Revenue Recognition*

The Authority adopted IFRS 15 (Revenue from Contracts with Customers) from 1 January 2018. The new standard was applied using the modified retrospective method, with the cumulative effect recognised in general reserves on 1 January 2018. This core principle is delivered in a five-step model framework which are: (1) Identify the contract with a customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to the performance obligations in the contract; and (5) Recognise revenue when the Authority satisfies a performance obligation.

The Authority's main source of income is derived from the services it provides to the Government of the Cayman Islands. The Authority's other sources of income are generated from Directors Registration and Licensing Fees (DRL fees), CIMA transactional fees, its investments, bank balances, and other currency transactions.

To be compliant with the Directors Registration and Licensing Act, 2014, and therefore deemed to be fully registered, Directors are required to file an annual registration (prescribed form) and pay the fee by 15 January.

DRL fees received (for current and prior years) are recognised as revenue in the year that the Director has fully registered for those years.

Penalties for late registrations are recognised as revenue in the year in which they are received.

Any DRL or CIMA transactional fees received in advance of the year for which they are earned, are recorded as unearned revenue and subsequently recognised as revenue for the pertinent year.

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

Rendering of Services (Services provided to the Cayman Islands Government and CIMA Transactional Fees) are recognised as revenue when the related service is rendered.

Net Loss or Gain on Numismatic Items – bullions stocks are stated at year-end market values. Numismatic coins sales and expenses are accounted for with the revaluation gain/loss.

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

r) *IFRS 16 Leases*

The objective of IFRS 16 is to report information that (i) faithfully represents lease transactions and (ii) provides a basis for users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. To meet the objective, the Authority has recognised assets and liabilities arising from its lease agreements.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Significant Accounting Policies (continued)

2.1 Changes in Accounting Standards/IFRS

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement, provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Authority as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material and states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to, the Authority.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Authority.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions – amendment to *IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19-related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. This amendment had no impact on the financial statements of the Authority.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
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For the year ended 31 December 2020

3. Financial Risk Management

a) Financial instruments at fair value.

The fair value of investments, hold to collect and sell as per Note 2 (d) is classified using a fair value hierarchy that reflects the significance of the inputs disclosed in making the measurements:

Level 1 – quoted prices in active markets

Level 2 – inputs are observable either directly or derived from quoted prices

Level 3 – no observable inputs

The fair value hierarchy requires the use of observable market inputs wherever such inputs exist. A financial instrument is classified at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$000	\$000	\$000	\$000
Financial instruments at fair value as at 31 December 2020				
Investments, Hold to collect and sell	89,158	-	-	89,158
Total financial instruments	89,158	-	-	89,158

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	\$000	\$000	\$000	\$000
Financial instruments at fair value as at 31 December 2019				
Investments, Hold to collect and sell	88,858	-	-	88,858
Total financial instruments	88,858	-	-	88,858

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

b) Interest Rate Risk

The Authority is subject to interest rate risk on the cash placed with local and international institutions which attracts interest. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand. The Authority's investments are at fixed interest rates. Volatility in market interest rates not only affect the return on investments, but also the discount rate used to measure funding valuations and pension liabilities. Interest rate risks, in terms of investment returns, are mitigated primarily by investing in fixed income instruments that are relatively easy to divest and the avoidance of derivatives.

No interest payments are charged to customers on late payments on accounts receivable.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020

Financial Risk Management (continued)

c) *Credit risk.*

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation (IFRS 7). The Authority manages credit risk by adhering to the Authority's investment guidelines for its Currency Reserves Assets which establishes counterparty concentration limits and minimum standards that each counterparty must attain. The Authority's current, call, and fixed deposits are placed with high credit quality institutions. Credit risk with respect to long and short-term investments, accounts and interest receivable, and other receivables is limited as the Authority only transacts business with counterparties it believes to be reputable and capable of performing their contractual obligations.

	<u>31 December</u> 2020	<u>31 December</u> 2019
	\$000	\$000
Investments, Hold to collect and sell		
AAA	67,188	68,665
AA	1,495	3,562
A	17,889	9,987
BBB	2,586	6,644
	<u>89,158</u>	<u>88,858</u>
Cash and cash equivalents		
Cash at bank and in-hand		
AAA	258	249
AA	2,450	2,433
A	1,643	750
BBB	7,870	8,425
	<u>12,221</u>	<u>11,857</u>
Overnight repurchase agreements		
AAA	105,583	80,583
	<u>117,804</u>	<u>92,440</u>

d) *Liquidity risk.*

Liquidity risk is the risk that an entity will have difficulties in meeting its financial obligations (IFRS 7). Liquidity risk is managed on a basis which generally requires the Authority to hold assets of appropriate quantity and quality to meet all its obligations as they fall due. The Authority's investment guidelines for its Currency Reserves Assets are, in order: security, liquidity, and income. Accordingly, the Authority believes that it is not exposed to any significant level of liquidity risk.

e) *Market risk.*

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks (IFRS 7). The ranges of interest rates and maturity dates are presented in Note 4. The carrying amount of call accounts, fixed deposit accounts, interest receivable and other liabilities approximated their fair value due to the short-term maturities of these assets and liabilities. The fair value of investments is presented in Note 4. The fair values of other assets and liabilities are not materially different from the carrying amounts. Readily available markets enable the determination of fair values.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

4. Currency Reserve and Operating Assets

Sections 32(8) of the *Act (2020 revision)* mandates the preservation of Currency Reserve Assets, separately from all other assets of the Authority. These assets are to be used to fund the Authority's currency redemption obligations. (See Note 8.) They shall not be used to satisfy liabilities arising from any other business of the Authority. After all Demand Liabilities are extinguished, any surplus Currency Reserve Assets would form, in part, the assets of the General Reserve. (See Note 2 m.)

Under the *Act (2020 revision)*, sections 32(2) and 32(6) respectively, the Currency Reserve Assets consist of external assets (not less in value than an amount equivalent to ninety percent of Demand Liabilities) and local assets (not to exceed ten percent of Demand Liabilities). Under 32(4) local assets shall be in value not less than the difference, if any, between the amount of its total demand liabilities and the value of external assets.

As at 31 December, the value of Currency Reserve Assets was \$188,797k (31 December 2019: \$160,969k) representing 114.82% (31 December 2019: 114.68%) of total Demand Liabilities. The value of external assets equated to 110.58% (31 December 2019: 109.37%) while the value of local assets as at 31 December 2020 equated to 4.24% (31 December 2019: 5.30%) of Demand Liabilities.

Currency Reserve Assets comprise the following:

a) *Investments*

The classification of financial instruments at initial recognition depends on the purpose and management's intention for which the financial assets were acquired. The investments are actively traded, classed as 'hold to collect and sell', and meet the principal investment objectives of the Authority - security, liquidity, and income.

The investment portfolio is managed by independent fund managers in accordance with investment guidelines established by the Board of Directors of the Authority, in accordance with the *Act (2020 Revision)*. Management fees are calculated based on the market value of the portfolio and are payable quarterly in arrears. Either party may terminate the agreement with thirty days' notice.

Long-term Investments. U.S. Treasury Notes, U.S. Government Sponsored Enterprise ("GSE"), and Corporate Bonds stated at market value, with interest rates ranging from 0.125% to 4.25% and maturity dates between 31 December 2021 and 04 June 2026.

There are no investment securities with maturities over ten years (31 December 2019 - three totalling \$6,927k). Those securities are of the class for which the average life shall be used in place of maturity, under the investment guidelines.

	31 December 2020	31 December 2019
Range of maturities	\$000	\$000
1-5 years	54,678	59,933
6-10 years	2,028	2,040
Over 10 years	-	6,927
	<u>56,706</u>	<u>68,900</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Currency Reserve and Operating Assets (continued) Investments (continued)

Short-term Investments – Currency Reserve AAA U.S Treasury Bills, AAA Corporate Bond maturity dates 31 March 2021 – 1 November 2021 and Fixed Deposit maturity date 15 June 2021.

	31 December 2020	31 December 2019
	\$000	\$000
U.S. Treasury Notes	13,344	-
AAA Corporate Bonds	3,643	1,794
Fixed Deposit	2,586	2,561
Total Short-term Investments	<u>19,573</u>	<u>4,355</u>

Short-term Investments – Operating AAA U.S. Treasury Bills dates 25 February 2021 – 17 June 2021 and Fixed Deposit maturity date 21 September 2021.

	31 December 2020	31 December 2019
	\$000	\$000
U.S. Treasury Bills	8,716	11,521
Fixed Deposit	4,165	4,082
Total Short-term Investments	<u>12,881</u>	<u>15,603</u>

All investments are measured at fair value, designated as such upon initial recognition.

b) Cash and Cash Equivalents

The Authority maintains current, call and fixed term deposits with domestic and foreign banks. Under the *Act (2020 revision)*, domestic deposits (as part of the Currency Reserve Assets) cannot exceed 10% of Demand Liabilities. As at 31 December 2020, domestic deposits were \$4,644k (31 December 2019: \$4,552) representing 2.82% (31 December 2019: 3.24%) of Demand Liabilities.

Interest was earned on domestic call accounts at a rate of 0.01% during the period ended 31 December 2020 (31 December 2019: 0.01%). The domestic fixed deposits earned interest at rates ranging between 0.20% to 2.10% during the period ended 31 December 2020 (31 December 2019: 1.45% to 2.37%).

The Federal Reserve call account balance is non-interest bearing; however, the excess balances are invested daily in a repurchase agreement. Interest is calculated on the average daily balance of the foreign investment call account. During the period ended 31 December 2020 no interest was earned (31 December 2019: \$0).

Overnight repurchase agreements for terms of one business day are acquired through buyback transactions with the US Federal Reserve to earn an overnight interest rate.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Currency Reserve and Operating Assets (continued) Cash and Cash Equivalents (continued)

	Holding	31 December 2020	31 December 2019
	Currency	\$000	\$000
i) Operating Assets			
Current	KYD	(38)	(96)
Savings	KYD	3,397	2,380
Savings	USD	5,464	6,323
CI Cash on Hand		111	261
Total Current and Call Deposits		8,934	8,868
Total Cash and Cash Equivalent - Operating Assets		8,934	8,868
	Holding	31 December 2020	31 December 2019
	Currency	\$000	\$000
ii) Currency Reserve Assets			
Domestic Deposits			
Savings	KYD	1,018	1,005
Savings	USD	1,041	984
Foreign Deposits			
Federal Reserve Bank	USD	258	250
Investment Portfolio	USD	970	750
Federal Reserve Repurchase Agreement @ 2.45%	USD	105,583	80,583
Total Call Deposits		108,870	83,572
Domestic - Fixed Deposits	USD	-	-
Total Cash and Cash Equivalent - Currency Reserve		108,870	83,572
Total Cash and Cash Equivalent		117,804	92,440

c) Financial Instruments

The IFRS 9 significant accounting policies applied in the current period are described in Note 2.

Cash and cash equivalents

All classes of cash and cash equivalents as disclosed in Note 4b are classified as amortised cost under IFRS 9. The ECLs for cash and cash equivalents balances were insignificant.

Investment securities

Debt instruments under IFRS 9, are classified as hold to collect and sell and measured at FVOCI and amortised cost.

The ECLs for short and long-term investments balances were insignificant.

Receivables

Receivable as disclosed in Note 5 are classified as amortised cost under IFRS 9. The ECLs for these receivables were insignificant.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

5. Receivables and Prepayments

a) *Aged profile of Accounts Receivable*

	31 December 2020	31 December 2019
Period Outstanding Days	\$000	\$000
1-30	4,884	2,378
31-60	1,710	1,433
61-90	-	-
>90	-	-
	<u>6,594</u>	<u>3,811</u>

The creation and release of provision for impairment of receivables has been included in Other Operating expenses (Note 12) in the statement of comprehensive income. Receivables are written off where there is no reasonable expectation of recovery. Indicators that there is reasonable expectation of recovery include amongst others, the failure of a debtor to engage in a repayment plan with the Authority, and failure to make contractual payments for a period greater than 120 days past due. At 31 December 2020, there were no receivables greater than 120 days past due.

	31 December 2020	31 December 2019
Output Income	\$000	\$000
CIMA Transactional Fees	5,516	3,560
Directors Registration and Licensing Fees	720	251
Accounts Receivable, net	<u>358</u>	<u>-</u>
	<u>6,594</u>	<u>3,811</u>

b) *Other Receivables and Prepayments*

	31 December 2020	31 December 2019
	\$000	\$000
Prepayments	568	694
Receivable - Lease Allowance Fit-out	-	351
Other Receivables	24	18
Accrued Interest	-	42
Employee Advances	-	3
	<u>592</u>	<u>1,108</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

6. Property, Equipment, and Intangibles

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment Hardware	Office Equipment	Motor Vehicle	TOTAL TANGIBLE	Intangible	GRAND TOTAL
Original Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 31/12/2019	820	3,267	2,407	363	20	6,877	5,121	11,998
Additions	126	11	627	42	-	806	561	1,367
Reclass	-	-	(9)	9	-	-	-	-
Disposals	-	-	(1,158)	(8)	-	(1,166)	(516)	(1,682)
Balance as at 31/12/2020	946	3,278	1,867	406	20	6,517	5,166	11,683
Accumulated Depreciation and Amortisation								
Balance as at 31/12/2019	172	111	2,014	290	1	2,588	3,706	6,294
Depreciation and Amortisation for the year	152	335	338	27	4	856	250	1,106
Reclass	-	-	(9)	9	-	-	-	-
Relieved on disposals	-	-	(1,158)	(8)	-	(1,166)	(517)	(1,682)
Balance as at 31/12/2020	324	446	1,186	318	5	2,278	3,439	5,717
Net Book Value as at 31/12/2020	622	2,832	682	88	15	4,239	1,727	5,966
Net Book Value as at 31/12/2019	648	3,156	393	73	19	4,289	1,415	5,704
Original Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 31/12/2018	975	1,182	2,115	587	23	4,882	5,108	9,990
Additions	683	3,267	292	17	20	4,279	13	4,292
Disposals	(838)	(1,182)	-	(241)	(23)	(2,284)	-	(2,284)
Balance as at 31/12/2019	820	3,267	2,407	363	20	6,877	5,121	11,998
Accumulated Depreciation and Amortisation								
Balance as at 30/12/2018	918	1,124	1,763	498	23	4,326	3,428	7,754
Depreciation and Amortisation for the year	92	169	251	33	1	546	278	824
Relieved on disposals	(838)	(1,182)	-	(241)	(23)	(2,284)	-	(2,284)
Balance as at 30/12/2019	172	111	2,014	290	1	2,588	3,706	6,294
Net Book Value as at 31/12/2019	648	3,156	393	73	19	4,289	1,415	5,704
Net Book Value as at 31/12/2018	57	58	352	89	-	556	1,680	2,236

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

7. Stocks

	31 December 2020	31 December 2019
	\$000	\$000
Bullion from the melt-down of coins	728	493
Coins for resale	341	269
Museum items	107	84
	<u>1,176</u>	<u>846</u>
Inventory of unissued currency notes and coins	<u>2,329</u>	<u>2,894</u>
Total Stocks	<u><u>3,505</u></u>	<u><u>3,740</u></u>

The amount of inventory recognised as expense during the period amounted to \$565k (2019: \$564k). The Bullion stocks are stated at year-end market values for gold and silver bullion and held with a third party.

8. Liabilities

a) *Demand Liabilities*

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

Total Demand Liabilities comprise:

	31 December 2020	31 December 2019
	\$000	\$000
Currency notes in circulation	150,953	127,501
Currency coins in circulation	13,474	12,868
Total Demand Liabilities	<u><u>164,427</u></u>	<u><u>140,369</u></u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Liabilities (continued)

b) Other Liabilities and Payables

	31 December 2020	31 December 2019
	\$000	\$000
Unearned income - Director Registration Fees	3,822	3,324
Unearned income - CIMA Transactional Fees	71	91
Other accruals	1,517	897
Annual leave accrual	396	263
Accounts payable	159	400
Pension Payables	239	93
Other Payables	40	20
	<u>6,244</u>	<u>5,088</u>

As at 31 December 2020, Other Payables included unsettled investment management and custody fees of \$13k (2019: \$13k).

c) Net profit allocation

In 2020 the Board approved to pay over \$5,000k of the net profit for the period 2019 to the General Revenue of the Cayman Islands Government in accordance with Section 9 and 10 of the *Act (2020 revision)*. During the year ended 31 December 2020, the net profit allocation of \$5,000k was paid over to the Cayman Islands Government during the year.

In 2021 the Board approved to pay over \$2,752k of the net profit for the period 2020 to the General Revenue of the Cayman Islands Government in accordance with Section 9 and 10 of the *Act (2020 revision)*.

9. Post-Employment Benefits

a) All Pension Plans

Public Service Pension Plan Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Fund (the "Fund"), and other private sector pension plans. The Fund is administered by the Public Service Pensions Board ("the Pensions Board") and is operated as a multi-employer plan. Prior to 1 January 2000, the Fund operated as a defined benefit ("DB") plan. With effect from 1 January 2000, the Fund had both a DB and a defined contribution ("DC") part, with participants joining after 1 January 2000 becoming members of the defined contribution element only.

Using the Projected Unit Credit method of measuring costs and obligations, the actuarial assessment for the Authority assesses the minimum normal annual contribution to be 13 % in the 'Actuarial Valuation as of 01 July 2005 for the purposes of establishing required contribution rates towards the Public Service Pensions Fund'. This rate included a 1% for the cost of all the benefits that are provided over and above those related to the participant's total account balance. In the 01 January 2017 actuarial valuation of the Public Service Pensions Plan for funding purposes, the Authority's prescribed employer contribution rates have been established at 8.6% for DB participants and 6.4% for DC participants. The 01 January 2020 actuarial valuation of the Public Service Pensions Plan for funding purposes has been completed and the Authority's prescribed employer contributions rates are expected to be 11.5% for DB participants and 6.4% for DC participants. For some employees in the defined benefit plan, the Authority pays both the employer and employee contributions.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Post-Employment Benefits (continued)

All Pension Plans (continued)

The Plans are funded at rates of: -

	31 December 2020	31 December 2019
Defined Contribution Plans	%	%
Employee	6	6
Employer	6.4	6.4
Defined Benefit Plans	%	%
Employee	6	6
Employer	11.5	8.6

The Actuary to the Pensions Board has valued the Fund as at 31 December 2020. The defined contribution part of the Fund is not subject to actuarial valuation due to the nature of the benefits provided therein.

The total amount recognised as a pension expense for the period ended 31 December 2020 was \$3,863k (31 December 2019: \$1,438k). The actual amount of pension expense relating to the defined benefits for staff should also include the effect of any changes in the actuarial determined liability. Pension expense is the expense under IAS 19, inclusive of service cost, amortisations and net interest. Current service cost represents the pension cost to the Authority associated with the financial year benefit accruals and is net of any participant contributions.

	31 December 2020	31 December 2019
	\$000	\$000
Public Service Pension Board Defined Benefit	340	218
Public Service Pension Board Defined Contribution	744	596
Public Service Pension Board Additional cost contribution	52	60
Private Pension Plans	300	294
Defined Benefit Pension cost	649	113
Total Pension Expense All Plans	2,085	1,281
Remeasurement of DB Liability in OCI	1,778	157
Total Pension Expense	3,863	1,438

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CAYMAN ISLANDS MONETARY AUTHORITY
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For the year ended 31 December 2020

Post-Employment Benefits (continued)

b) *Defined Benefit Pension*

The actuarial position is as follows:

	31 December 2020	31 December 2019	31 December 2018	31 December 2017
	\$000	\$000	\$000	\$000
Net Present Value of Funded Obligation	(16,360)	(12,292)	(9,882)	(11,167)
Fair Value of Plan Assets	13,876	12,235	10,095	11,056
Funded Status	(2,484)	(57)	213	(111)
Net Asset/(Liability)	(2,484)	(57)	213	(111)

	31 December 2020	31 December 2019
Components of defined benefit pension cost	\$000	\$000
Current service cost	365	300
Interest expense on DBO	387	415
Interest income on plan assets	(389)	(429)
Defined benefit cost included in P&L	363	286
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	(348)	(47)
Effect of changes in financial assumptions	3,076	2,458
Effect of experience adjustments	523	(67)
(Return) on plan assets (excluding interest income)	(1,473)	(2,187)
Total remeasurements included in OCI	1,778	157
Total defined benefit cost recognised in P&L and OCI	2,141	443
Employer Contributions	(123)	(173)
Asset re-allocations true up	409	-
Total net defined benefit cost recognised in P&L and OCI	2,427	270
Previous year net defined benefit liability	57	(213)
Defined benefit cost included in P&L	363	286
Total remeasurement included in OCI	1,778	157
Employer contributions	(123)	(173)
Net Transfer in (including the effect of any business combinations/divestures/transfers)	409	-
Net defined benefit (asset)/liability	2,484	57

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CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

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

	31 December 2020	31 December 2019
Change in defined benefit pension obligation		
Defined benefit obligation at end of prior year	12,292	9,882
Current service cost	365	300
Interest expense	387	415
Transfers between Other Participating employers	-	(530)
Benefit payments from plan asset	(23)	(202)
Plan participant contributions	88	83
Remeasurements:-		
Effect of changes of demographic assumptions	(348)	(47)
Effect of changes of financial assumptions	3,076	2,458
Effect of experience adjustments	523	(67)
Defined benefit obligation at end of year	<u>16,360</u>	<u>12,292</u>
Change in fair value of plan assets		
Fair value of plan assets as at end of prior year	12,235	10,095
Interest income	389	429
Employer contributions	123	173
Plan participant contributions	88	83
Transfers between Other Participating employers	-	(530)
Benefit payments from plan assets	(23)	(202)
Other significant events:-		
Increase/(Decrease) due to effect of any business combinations/ divestitures/transfers	(409)	-
Remeasurements:-		
Return on assets (excluding interest income)	1,473	2,187
Fair value of plan assets at end of year	<u>13,876</u>	<u>12,235</u>

Composition of Plan Assets

The composition of the total plan assets managed by the PSPB, as at 31 December 2020 and 31 December 2019, was as follows: -

	31 December 2020	31 December 2019
	%	%
Global equity securities	82	79
Debt securities	18	20
Cash	-	1
Total	<u>100</u>	<u>100</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
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Defined Benefit Pension (continued)

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2020 and 31 December 2019 are as follows:

	'31 December 2020	31 December 2019
	%	%
Effective discount rate for defined benefit obligation	2.60	3.50
Rate of salary increase	2.50	2.50
Price inflation rate	2.00	2.00
Rate of pension increases	2.00	2.00

The economic assumptions used to determine Net Periodic Benefit Cost for the period ended 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
	%	%
Weighted-average assumptions to determine defined benefit cost:		
Effective discount rate for defined benefit obligation	3.50	4.50
Effective rate for net interest cost	3.15	4.20
Effective discount rate for service cost	3.60	4.55
Effective rate for interest on service cost	3.40	4.40
Rate of salary increase	2.50	2.50

Other Assumptions:

- Mortality – Standard U.S. mortality rates.
- Retirement Age – attainment of age 57 and at least 10 years of service
- Asset Valuation – Fair (Market) Value

	31 December 2020	31 December 2019
	\$000	\$000

Sensitivity analysis on defined benefit pension obligation

Discount rate		
Discount rate - 25 basis points	17,374	13,027
Discount rate + 25 basis points	15,421	11,610
Inflation rate		
Inflation rate - 25 basis points	15,522	11,710
Inflation rate + 25 basis points	17,257	12,914
Mortality rates		
Mortality - 10% of current rates	16,840	12,605
Mortality + 10% of current rates	15,928	12,008
Expected cash flows for following year		
Expected employer contributions	168	118
Defined benefit obligation by participant status		
Actives	12,229	8,956
Vested deferreds	4,131	3,336
Total	<u>16,360</u>	<u>12,292</u>

Post-Employment Benefits (continued)

CAYMAN ISLANDS MONETARY AUTHORITY
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For the year ended 31 December 2020

c) *Defined Benefit Healthcare*

The Authority has established a Post-retirement Healthcare program for some employees/retirees who are/were members of the PSPB Defined Benefits Pension plan. This group included some employees who were transferred to the Authority from core Cayman Island Government (CIG) upon the creation of the Authority. The intention was that the staff members transferred to the Authority will not be worse off after the transfer in terms of the employee benefits they enjoyed as employees of the CIG.

This action (accepting responsibility to provide the same healthcare benefits enjoyed by CIG employees for the transferred employees and other long-serving employees who are members of the PSPB Defined Benefit plan) creates a valid expectation on the part of these employees and therefore results in a constructive obligation on the Authority. Consequently, for these employees, the Authority provides for a post-retirement healthcare obligation plan identical to the CIG (which is in accordance with paragraph 18(2) of Schedule 1 of the Personnel Regulations (2019 Revision)). Under this plan, the premiums for this healthcare coverage would be paid for by the Authority for all eligible employees, together with their spouses (until the end of their lives) and dependent children (until the end of their eligibility as a dependent child). To be eligible, the Authority would have been the employee's principal employer for 10 consecutive years and also retire in service with the Authority.

This coverage falls within the definition of a defined benefit as defined by IFRS and as such represents a future liability of the Authority. The Authority is therefore required to use the actuarial valuation method to determine the present value of its healthcare benefit obligations and the related current service costs for its future (qualified) retirees. IAS 19 requires that the funded or unfunded post-employment benefits to be recognised in the statement of financial position (in the case of net defined liability or asset) and the statement of comprehensive income (for the annual expense).

The Authority obtained the services of Mercer Actuaries of Canada to provide actuarial valuation service. The report of their valuation and the details of the valuation method and assumptions used are presented hereunder in accordance with IAS 19.

The Authority has a present value net defined healthcare benefit obligation of \$11,293k at the end of the financial year 31 December 2020 (31 December 2019: \$10,102k).

	31 December	31 December
	2020	2019
Change in defined benefit healthcare obligation	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at end of prior year	10,102	6,995
Current service cost	637	427
Interest expense	338	304
Cashflows - Benefits from employer	(12)	(15)
Remeasurements:-		
Effect of changes of demographic assumptions	(2,145)	1,056
Effect of changes of financial assumptions	2,359	1,782
Effect of experience adjustments	14	(447)
Defined benefit obligation at end of year	<u>11,293</u>	<u>10,102</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

Post-Employment Benefits (continued)

Defined Benefit Healthcare (continued)

	31 December 2020	31 December 2019
Components of defined benefit healthcare cost	<u>\$000</u>	<u>\$000</u>
Current service cost	637	427
Interest expense on DBO	338	304
Interest income on plan assets	-	-
Defined benefit cost included in P&L	<u>975</u>	<u>731</u>
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	(2,145)	1,056
Effect of changes in financial assumptions	2,359	1,782
Effect of experience adjustments	14	(447)
Total remeasurements included in OCI	<u>228</u>	<u>2,391</u>
Total defined benefit cost recognised in P&L and OCI	<u>1,203</u>	<u>3,122</u>

	31 December 2020	31 December 2019
Reconciliation of defined benefit healthcare liability	<u>\$000</u>	<u>\$000</u>
Net defined benefit liability	10,102	6,995
Defined benefit cost included in P&L	975	731
Total remeasurement included in OCI	228	2,391
Cash Flows - Employer direct benefit payments	(12)	(15)
Net defined benefit liability	<u>11,293</u>	<u>10,102</u>
Defined benefit obligation total	<u>11,293</u>	<u>10,102</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
 NOTES TO THE FINANCIAL STATEMENTS
 For the year ended 31 December 2020

Post-Employment Benefits (continued)
Defined Benefit Healthcare (continued)

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020 %	31 December 2019 %
Weighted-average assumptions to determine defined benefit obligation		
Effective discount Rate for defined benefit obligation	2.70	3.60
Healthcare cost trend rates		
Immediate trend rates	5.00	5.00
Ultimate trend rate	5.00	5.00
Weighted-average assumptions to determine defined benefit cost		
Effective Discount Rate for defined benefit obligation	3.60	4.55
Effective rate for net interest cost	3.35	4.35
Effective discount rate for service cost	3.70	4.60
Effective rate for interest on service cost	3.65	4.60
Healthcare cost trend rates		
Immediate trend rates	5.00	5.00
Ultimate trend rate	5.00	5.00
	31 December 2020 \$000	31 December 2019 \$000
Sensitivity analysis		
Change in defined benefit obligation		
Effective discount rates - 25 basis points	743	638
Effective discount rates + 25 basis points	(687)	(592)
Healthcare cost trend rates - 100 basis points	(2,441)	(2,085)
Healthcare cost trend rates + 100 basis points	3,248	2,756
Mortality assumption + 10%	(549)	(451)
Expected cash flows for following year		
Expected employer contributions	41	
Expected total benefit payments		
Year 1	41	
Year 2	49	
Year 3	59	
Year 4	72	
Year 5	89	

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2020**

10. Lease of premises

Accommodation

The Authority has the following:-

- i. Office Accommodation Leases with Cayman Islands Government effective 1 July 2011 on a year-to-year lease at an annual cost of CI\$47k and Common Area Maintenance (“CAMs”) of CI\$205k.
- ii. Office Accommodation Leases with Cricket Square Ltd. effective 1 June 2019 for ten (10) years at a cost per square foot of US\$46.80 for rent;
- iii. Office Accommodation Leases with Cricket Square Three Ltd. effective 1 September 2019 for ten (10) years at a cost per square foot of US\$41.60 for rent;
- iv. An agreement with Cricket Square Three Ltd. In November 2020, to fit-out an additional approximate 6,336.90 sf. The term, rent and maintenance cost to be consistent with the existing Head Lease for SIX; and
- v. Storage Agreement with Rosseau Ltd. At a monthly cost of CI\$6.7k rent and CI\$0.6k CAMs effective 1 June 2019.

Business Continuity Leases

As a part of its Business Continuity Plan the Authority has the following agreements:-

- i. An agreement with the DRC (Cayman Islands) Limited for dedicated suite effective 1 September 2018 for a period of five years at a monthly cost of US\$6.6k; and
- ii. An agreement with the Brac Informatics Centre effective 1 April 2019 at a monthly cost of CI\$6.9k for a five-year period.

The right-of-use asset and the lease liability are reflected in the financial statements as follows:

Right-of-use asset

	2020	2019
	\$000	\$000
Balance at 1 January	10,023	10,960
Additions	2,725	-
Depreciation charge for the year	(1,632)	(937)
Balance at 31 December	<u>11,116</u>	<u>10,023</u>

Lease liability

	2020	2019
	\$000	\$000
Balance at 1 January	10,086	10,960
Additions	2,725	-
Interest Expense	385	160
Lease payments	(1,898)	(1,034)
Balance at 31 December	<u>11,298</u>	<u>10,086</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Lease of premises (continued)

Lease liabilities at 31 December 2020 are payable as follows:

	Future minimum lease payments (undiscounted) \$000	Interest \$000	Present value of minimum lease payments \$000
Less than one year	1,877	(352)	1,525
Between one and two years	1,715	(306)	1,409
More than two years	9,425	(1,061)	8,364
	<u>13,017</u>	<u>(1,719)</u>	<u>11,298</u>

Amounts recognised in the Statement of Comprehensive Income

	2020 \$000	2019 \$000
Depreciation of right-of-use asset	1,632	937
Interest on lease liabilities	385	160
	<u>2,017</u>	<u>1,097</u>

The total cash outflows for leases in 2020 was \$1,898k (2019: \$2,032k).

11. Related Party Transactions

a) Services Provided to the Cayman Islands Government

The Authority acts as the Government's custodian of the Cayman Islands currency as well as collector of license and other fees (these fees do not form a part of the Authority's revenue) and the regulator and supervisor of the financial services business.

One of the Authority's main sources of revenue is from the services provided to the Cayman Islands Government, which is used to cover the Authority's recurrent expenditure. Commencing in the year ended 30 June 2007 the Authority's capital expenditure was funded from the Capital Expenditures Reserve, which was created from an allocation of the surplus for the year ended 30 June 2006; previously capital expenditure was funded by means of a Government grant. At the end of each financial year, the Authority contributes to the Government's net operating surplus after fulfilling Reserve requirements.

b) Directors

The Board of Directors of the Authority is appointed by Cabinet and consisted of the Managing Director ("MD") and six directors as at 31 December 2020 (nine directors at 31 December 2019). The fees of \$160k (2019: \$175k) relates to payments made to the directors only.

c) Key Management Personnel

For the purposes of IAS 24 disclosure the MD is included in the number and cost of the Senior Management Team. The total number of personnel on the Senior Management Team was 21 in the current period (2019: 20) and salaries & other benefits expensed in 2020 was \$3,835k (2019: \$3,357k).

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2020

Related Party Transactions (continued)

d) Services Provided by Government Entities

The Authority obtained various goods and services from other departments/entities of the Cayman Islands Government, at prevailing market prices on an arm's length basis, in the current period in the amount of \$416k (2019: \$434k).

12. Other Operating Expenses

	31 December 2020	31 December 2019
	\$000	\$000
Other expenses	1,607	1,432
Maintenance and software licences	1,074	1,061
Currency Stock issues and related expenses	622	604
eMerchant Discounts	247	248
Directors Fees	160	175
Management and Custody Fees	81	74
Business Continuity	39	63
Total	<u>3,830</u>	<u>3,657</u>

13. Salaries and Benefits

	31 December 2020	31 December 2019
	\$000	\$000
Salaries and Allowances	20,729	17,148
Medical Expense	1,904	1,806
DB Healthcare Expense	976	716
	<u>23,609</u>	<u>19,670</u>
Remeasurement of DB Healthcare liability in OCI	228	2,391
	<u>23,837</u>	<u>22,061</u>

14. Accommodation

As of 31 December 2020, total accommodation expense including conference room and parking was \$162k (2019: \$1,064k).

In 2019 under IFRS 16 the Authority elected not to recognise assets and liabilities for leases with a lease term of 12 months or less. Included in the accommodation expense was \$964k for the Authority's month to month agreement with Montpelier Properties Ltd. This agreement was determined to be a short-term lease and ended in 2019.

CAYMAN ISLANDS MONETARY AUTHORITY
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For the year ended 31 December 2020

15. Contingent Liabilities

Section 47 of The Public Authorities Act (the "PAA")

Section 47 of the PAA came into effect on 1 June 2019. The section requires public authorities to use the same salary scale as determined by Cabinet and requires the remuneration of employees of a public authority to be adjusted to reduce any differences between the public authorities' and public service's salary grades.

The Cayman Islands Government's Portfolio of the Civil Services had not completed its evaluation of the Authority's salary grade versus that of the public service. As such, management could not adjust for the impact of section 47 of the PAA in these financial statements. Management is also unable to derive an estimate of the potential impact of the evaluation on its financial statements and as such, no resultant provisions have been made in these financial statements.

16. COVID-19 Pandemic Update

On 30 January 2020 the World Health Organization declared the 2019 coronavirus disease outbreak ("COVID-19") as a public health emergency of international concern. As part of the sanitary measures that have been adopted to face this situation, they include, among others, the restriction of movement of people and the closing of borders, which significantly affected economic activity and markets in general.

On 22 March 2020, the Cayman Islands Government closed the air and sea port borders of the Cayman Islands to non-essential travel. The global and local measures put in place to contain the spread of COVID-19 caused some disruptions to business and economic activity. The Cayman Islands Government has implemented the COVID-19 vaccination program for all residence on the islands.

At the date of publication of the financial statements, it is not possible to fully measure the financial, economic, and operational effects on the Authority as a result of this continuing health crisis at this time.

17. Subsequent events

Between 1 January 2021 and the date of issuance of these financial statements, there have been no other subsequent events that would materially affect these financial statements.

Enactment of Legislation

CIMA plays a central role in the fight against money laundering and terrorism financing. As part of its mandate, CIMA continues to monitor issues which have an impact, or potential impact, on the jurisdiction. Amongst the measures taken are the enactment of appropriate legislation and internal regulatory reforms. During the 2020 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures.

These include:

- Banks and Trust Companies Act (2020 Revision)
- Private Trust Companies Regulations (2020 Revision)
- Building Societies Act (2020 Revision)
- Companies Act (2020 Revision)
- Cooperative Societies Act (2020 Revision)
- Freedom of Information Act (2020 Revision)
- Monetary Authority Act (2020 Revision)
- Money Services Act (2020 Revision)
- Money Services Businesses Regulations (2020 Revision)
- Mutual Funds Act (2020 Revision)
- Proceeds of Crime Act (2020 Revision)
- Anti-Money Laundering Regulations (2020 Revision)
- Securities Investment Business Act (2020 Revision)

Freedom of Information

3 total FOI requests received and processed

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.

0 granted full access

2 denied as information was publicly available

Complaints

Majority of the complaints were addressed and resolved or closed due to non-response from complainant for additional information.

The complaints received against licenses and registrants were across several sectors, namely banking, investments (mutual funds), insurance and securities. The nature of such complaints ranged from lack of or untimely receipt of information from the licensee or registrant, fund redemption issues, disagreement over balances or charges, and dissatisfaction with the ways account and or

funds were being handled including possible misconduct or fraud. Of the 83 complaints against licensees, matters, 37 remained open pending further information from the complainant or internal CIMA discussion and or decision.

85 total complaints received

83 against licensees and/or registrants

2 against the Authority

Cross Government Commitment and Advisory

The Monetary Authority Act (the “MAA”) requires CIMA to advise the Government on monetary, regulatory and cooperative matters. This includes providing advice as to whether CIMA’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 CIMA 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, CIMA 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. CIMA also carries out its own research and assessment, including cost-benefit analyses of all new regulatory measures it proposes, and makes recommendations to the Government accordingly. Advice to the Government is provided through meetings, participation in various Government groups and through written reports and submissions, including financial sector legislative proposals (draft bills and regulations) and Cabinet papers.

The measures implemented or in development are covered in the Regulatory Developments section on page 43.

Future Objectives and Outlook

To support our updated mission and vision statements, and in line with our 2020 – 2023 Strategic Plan, an agenda for change was developed to address the key areas for management and CIMA staff to undertake. To drive the required changes over the next three years, four strategic objectives were identified. These are:

1. Strengthen our capacity and capabilities for the successful delivery of our principal functions;
2. Enhance the regulatory response to innovations in business models and technologies;
3. Reform and retool operational structures and supervisory approaches to better implement a risk-based approach; and
4. Develop and implement a renewed framework for effective stakeholder engagement.

An annual operational plan will also be developed based upon an assessment of each initiative against

the following criteria to ensure that they are appropriate and achievable:

- strategic fit
- potential impact
- time to implement
- total cost to implement
- implementation capacity
- risks to implementation
- depth and breadth of change

A final list of initiatives will form the “change agenda” component of our annual operational plans, which will be monitored on a monthly, quarterly and annual basis at various levels of management to ensure the degree to which each initiative is on time, on budget and within scope.

Key Contacts

Anti-Money Laundering

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Banking

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Careers

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Coins and Notes

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Cooperative and Building Societies

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