



ANNUAL REPORT 2021



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MESSAGE FROM CHAIRPERSON OF THE BOARD OF DIRECTORS

Despite varying challenges faced in 2021, the Cayman Islands' economy performed well in comparison to other jurisdictions and maintained its reputation as a safe and well-respected financial services centre. Much of this success was due to the work towards increasing the effectiveness of our regulatory regime. While some were externally visible throughout the year, others were less visible, which is usually the operational support that helped to power them.

Throughout the year, the Board of Directors stayed true to its commitment to meet statutory requirements and fulfil its mission in improving operational efficiency and effectiveness. The sub-committees of the Board functioned effectively to address matters relating to policy, legislation, audit, finance, governance, human capital, and risk. During the year under review, the Board approved several new policies and amendments to existing policies which allowed the Authority to engage to discharge its partnership responsibilities in industry consultations.

As part of its continuing focus on strategic objectives, CIMA further strengthened its operational capacity with the recruitment of a full-time Chief Risk Officer ("CRO") to progress the development of the risk management framework and to support training and establishment of an organisational risk awareness culture.

CIMA also continued to enhance its internal audit functions by way of a risk-based internal audit plan to inform the work of the Internal Audit Unit. Plans are also underway for additional staffing and increased opportunities for engagement and close collaboration with management.

In line with CIMA's 2020-2023 Strategic Plan, we are pleased to announce that significant progress has been made. To support the achievement of the four main strategic objectives, 14 strategic initiatives were established with eight initiatives prioritised during 2021 and the remaining initiatives to be undertaken over the next two years. Taking into consideration expansion of its regulatory landscape, CIMA is focused on improving internal processes for



building capacity and capability while seeking to optimize the use of all its assets. CIMA is making strides in increasing its human capital and enhancing internal operational efficiencies through structure and workflow adjustments and deploying appropriate technological solutions. CIMA is also working towards improving its stakeholder engagement strategies which would benefit CIMA and its stakeholders.

I am confident that these efforts undertaken in implementing the Strategic Plan will produce positive results in addressing the risks that we are exposed to and strengthening CIMA's operations.

As our achievements are the main focus of this report, it would be remiss of me not to acknowledge our continued resilience amidst the challenges we confronted with COVID while being able to deal with competing local and international demands. This resilience proved to be the core of our business success. Therefore, on behalf of the Board of Directors, I wish to express thanks to the staff and management of CIMA for their continued diligent efforts in strengthening the supervision of

MESSAGE FROM CHAIRPERSON OF THE BOARD OF DIRECTORS

the financial services industry, which was also evident in the successful re-rating of the Financial Action Task Force's Recommendations.

I look forward to this ongoing collaboration and remain confident that our efforts in 2021, combined with the work over the past two decades, place the Cayman Islands in a strong position for the start of 2022, which will mark CIMA's 25th anniversary.

Patricia Estwick

STATEMENT BY MANAGING DIRECTOR



Amidst the continued business operational changes, 2021 proved to be another challenging year for the CIMA. Nevertheless, we remained resilient and continued our efforts toward meeting the anti-money laundering/combatting the financing of terrorism (“AML/CFT”) requirements, while enhancing our financial services as a prominent industry and economic driver for our islands. This was evident following the successful re-rating as ‘Largely Compliant’ with Financial Action Task Force’s (“FATF”) Recommendation 15 – New Technologies, indicating that the jurisdiction is now ‘Largely Compliant’ or ‘Compliant’ with all 40 of the FATF Recommendations.

As part of these developments, CIMA observed further refinements to the regulatory landscape with revisions to the Private Funds Act, the Mutual Funds Act, Companies Management Act, the Banks and Trust Companies Act, and the Virtual Asset (Service Providers) (“”) Act. Where appropriate, these revisions also resulted in amendments to the Monetary Authority (Administrative Fines) Regulations, strengthening CIMA’s powers to issue administrative fines for AML/CFT breaches. Since the implementation of the administrative fines regime, we have observed an improvement in the

culture of compliance in regulated sectors and entities and look forward to continued cooperation and enhancement in this area.

In line with its strategic objectives, CIMA also reviewed its internal business operations for opportunities to improve efficiencies. As a result, a new Professional Support Services Unit was established. This decision not only allows us to centralise our operational responsibilities, but it also aids divisions to focus on their core functions, while receiving best in class service for the tools and resources needed. To further strengthen its capacity in this area, CIMA has already engaged expert staff across several divisions while enhancing its technological resources.

Industry Activity

In light of the ever-changing business environment, the Cayman Islands continues to be home to a thriving financial services industry.

As of December 2021, there were 27,398 regulated funds, compared to 24,591 the previous year. This increase included a growth in the number of both regulated mutual and private funds of 6.9% and 15.6%, respectively.

According to the 2020 Investments Statistical Digest, Total Assets increased 9% between 2019 and 2020 from US\$8.104 trillion to US\$8.869 trillion and Ending Net Assets increased by 17% from US\$4.229 trillion to US\$4.967 trillion. Since early 2020, Limited Investor and Private Funds were required to submit financial data using the Fund Annual Return (FAR) and based on the submissions an additional US\$107 billion and US\$2.475 trillion, respectively was reported in Ending Net Assets. Net Income was US\$639 billion compared to US\$451 billion the previous year, reflecting another consecutive growth in overall assets managed by Cayman-based funds, thus maintaining our position as a leading jurisdiction in offshore investment funds.

Furthermore, to continually enhance efficiency, CIMA is seeking to improve the submission process

STATEMENT BY MANAGING DIRECTOR

for the regulatory returns of private funds by combining the Fund Annual Return and Related Fund Entity forms. CIMA also plans to introduce an auto review/approval process for mutual funds, which will mirror what is currently in place for private funds.

At the end of 2021, there were 48 active securities investment business licensees and 1,692 Registered Persons, compared to the 36 licensees and 1,650 Registered Persons during the same period in 2020. Since Registered Persons now fall under the full scope of CIMA's supervision, following the enactment of the amended Securities Investments Business Act, such entities have been undergoing consistent AML/CFT and Sanctions inspections, as well as prudential assessments. Additionally, they are subject to fulfilling imposed risk-based conditions or requirements deemed necessary.

With the increased risk of illicit cybercrimes worldwide, the virtual asset space also experienced rapid changes over the past few months, which required CIMA to closely monitor these new vehicles of investment and adopt appropriate supervisory functions. During the year CIMA received 35 applications for registration, of which 5 were approved. In conjunction with the National Risk Assessment exercise, a sectoral risk assessment was conducted to sufficiently address any gaps or areas of concern. These efforts contributed to Cayman's success in meeting all technical criteria based on FATF's recommended actions, as previously noted. However, in reviewing the registrations, several common deficiencies were identified, such as incomplete applications, insufficient information, and inconsistent supporting documentation, which impacted the smooth processing of the applications. To assist with the completion of the application forms and avoid common errors, guidance was made available via the electronic submission portal.

Despite the decline in licensed banks, the banking sector remained strong. This was due to economic support measures put in place by the Cayman

Islands Government, which included the provision of fully guaranteed low-interest loans offered through the Cayman Islands Development Bank to support small businesses impacted by COVID-19, the possibility for individuals to withdraw a limited portion from their private pension funds and provision of stipends to support tourism sector employees.

The Government also encouraged Class 'A' retail banks to exercise forbearance and implement a temporary moratorium on foreclosures during 2020 and 2021, avoiding displacement among homeowners. The year ended with 102 licensed banks, compared to 110 in 2020.

In late 2021, CIMA conducted a Thematic Credit Review of nine selected lending institutions and results revealed that loan portfolios were largely well-diversified. Therefore, the impact of the pandemic on some sectors such as tourism and hospitality has not significantly impacted the overall loan portfolios. However, the deficiencies in some lending institutions could be indicative of internal control weaknesses.

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

Reports for the fiduciary services sector showed that there was a 1% decrease in trusts and company management licensed entities, which

stood at 284, compared to 286 in the previous year. There was also a 2% decrease in trust registrants, from 189 to 185.

With 763 insurance licensees, the Cayman Islands' insurance industry remains the world's leading domicile for healthcare captives and the second largest for captives. In 2021, 37 new international insurance companies were added to the market, compared to 36 in the previous year. New insurer formations included 34 captives, 2 insurance-linked securities and 1 Class 'D' reinsurer.

Overall, the Cayman Islands' financial sector remained stable throughout the year, which indicates a positive outlook in 2022.

2022 Planned Initiatives

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

Consultation documents relating to multiple industry sectors such as corporate governance and internal controls, including virtual assets exchanges and custodians are expected to be released over the coming months.

Additionally, it is recognised that the 'Travel Rule' has been a significant challenge for both regulatory authorities and industry globally. CIMA will, therefore, continue to maintain constant dialogue with industry to ensure compliance in this area. The effective date for the implementation of the 'Travel Rule' for virtual asset services providers is set for mid-2022.

Other future initiatives will include the implementation of measures governing the liquidity framework of banks, continued work on building issuance and sandbox frameworks, revisions to the way that re-insurance arrangements and investments strategies are undertaken as well as preliminary research into the enhancement of the securities sector. A key focus will also include the assessment of cybersecurity frameworks which will be conducted through a series of thematic reviews in addition to being assessed through the regular onsite inspections.

With identified risks being the common driving force, CIMA will also continue its vigorous oversight of AML/CFT obligations to promote and safeguard the integrity of the Cayman Islands' financial services industry, thus demonstrating the robustness of our regulatory framework. In the coming months, all regulated entities will be asked to provide various information that will help to inform CIMA's AML/CFT institutional and sectoral risk assessments.

Closing

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

Cindy Scotland

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

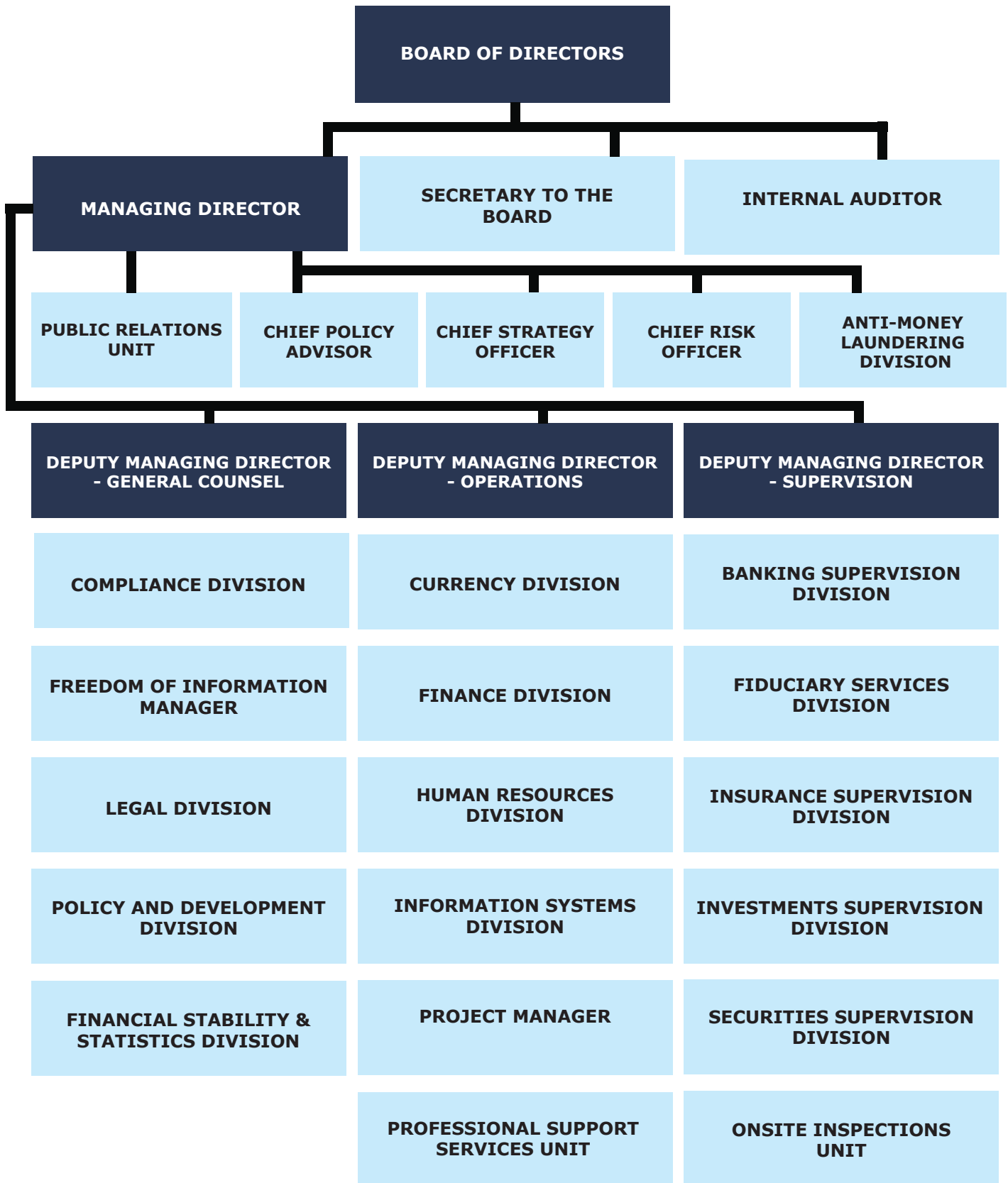
Regulatory

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



Chairperson
Patricia Estwick



Deputy Chairman
Garth MacDonald



Managing Director
Cindy Scotland



Director
Judith Watler



Director
Henry Smith



Director
Ormond A. Williams



Director
Iam Wight



Director
Johann Moxam



Director (Non-voting)
Dr. Dax Basdeo

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Managing Director
Cindy Scotland



**Deputy Managing Director -
Operations**
Patrick Bodden



**Deputy Managing Director -
Supervision**
Anna McLean



**Head,
Investments**
Heather Smith



**Deputy Head,
Investments**
Andrew Graham



**Head,
Securities**
Heeraman Jowaheer



**Deputy Head,
Securities**
Jessica Ebanks

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



**Head,
Fiduciary Services**
Rohan Bromfield



**Deputy Head,
Fiduciary Services**
Leticia Frederick



**Deputy Head,
Fiduciary Services**
Reisan Moiten



**Head,
Banking**
Gloria Glidden



**Deputy Head,
Banking**
Shakira Cox



**Deputy Head,
Insurance**
Kara Ebanks



**Deputy Head,
Insurance**
George Kamau



**Reinsurance
Specialist**
Peter Fox



**Head,
Onsite Inspection Unit**
Suzanne Sadlier



**Deputy Head,
Onsite Inspection Unit**
Niall McAuliffe



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



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

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
Aaron Unterman



Head, Financial Stability & Statistics
Sebastian Goerlich



Chief Financial Officer
Gilda Moxam-Murray



Deputy Chief Financial Officer
Tammy Archer

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



**Head,
Human Resources**
Deborah Musson



**Deputy Head,
Human Resources**
Tara Abdul-Jabbar



**Head, Information
Systems**
Charles Thompson



**Deputy Head,
Information Systems**
Scott MacLaren



**Head,
Currency**
Deborah Ebanks



**Deputy Head,
Currency**
Dominique Lloyd



**Special Assistant to the
Managing Director**
Mitchell Scott



Chief Strategy Officer,
Prabhavathi Namburi



Chief Risk Officer
Janique Samson



**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



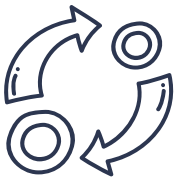
Local and International Representation

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

2021 seemed defined by the COVID-19 pandemic and human resources, as we know it, had no choice but to adjust and become even more nimble with the way in which we operate. Therefore, the Authority focused on aligning its objectives and policy amendments to meet the direction guided by its Strategic Plan.

The year welcomed 53 new employees from 11 different nationalities including the Cayman Islands, adding to the ethnic fabric that makes the

Authority a unique place of employ. These new hires joined 10 of the 15 divisions, contributing to a calibre of staff enriched with technical prowess and subject matter experts across the organisation.

Consequently, the Authority lost 31 staff, majority of whom were hired by other industry organisations. Included in its learning strategy, the Authority strengthened its remit and approach to learning, with a robust plan for learning and awareness. Unfortunately, this training becomes almost a two-edged sword. As we train up our people and increase robust, regulatory needs, CIMA's knowledgeable and experienced staff become very attractive as a valuable resource to the financial services industry.

Table 1: Number of staff across each division

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











Banking and Related Services

Banking

The Banks and Trust Companies Act (2021 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 the other Category "A" banks providing investment banking services. Category "A" banks also offer principal office/authorised agent services to Category "B" banks that do not have a physical presence in the Cayman Islands. Category "B" licence permits international banking business with limited domestic activity. The holders of a Category "B" licence are primarily used as financial intermediaries to raise funds in the international market to provide capital for parent entities and for the financing of external/cross-border business on their own account in the international market.

Licensing Activity

Banks continually consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance as a result of global macroeconomic changes and changes in international laws and regulations. Accordingly, we continue to see a decline in the number of banks licenced in the Cayman Islands over the last five years (see Figure 2 below). One (1) new licence was issued during the year, with an observed heightened interest expressed in obtaining Category A and B licenses. The number of banking licensees supervised in the Cayman Islands decreased by 8% from 110 at December 2020 to 101 at December 2021.

 101 Total banking licences	 10 Category "A" Banks
 91 Category "B" Banks	 18 Nominee (Trust)
 7 Trust (Controlled Subsidiary)	 1 Development Bank
 40 Trust Company	 2 Cooperative Credit Unions
 5 Money Services Business	 1 Building Society

INDUSTRY OVERVIEW

Figure 1: Region of origin of Cayman-licensed Category "A" and Category "B" banks, 2021

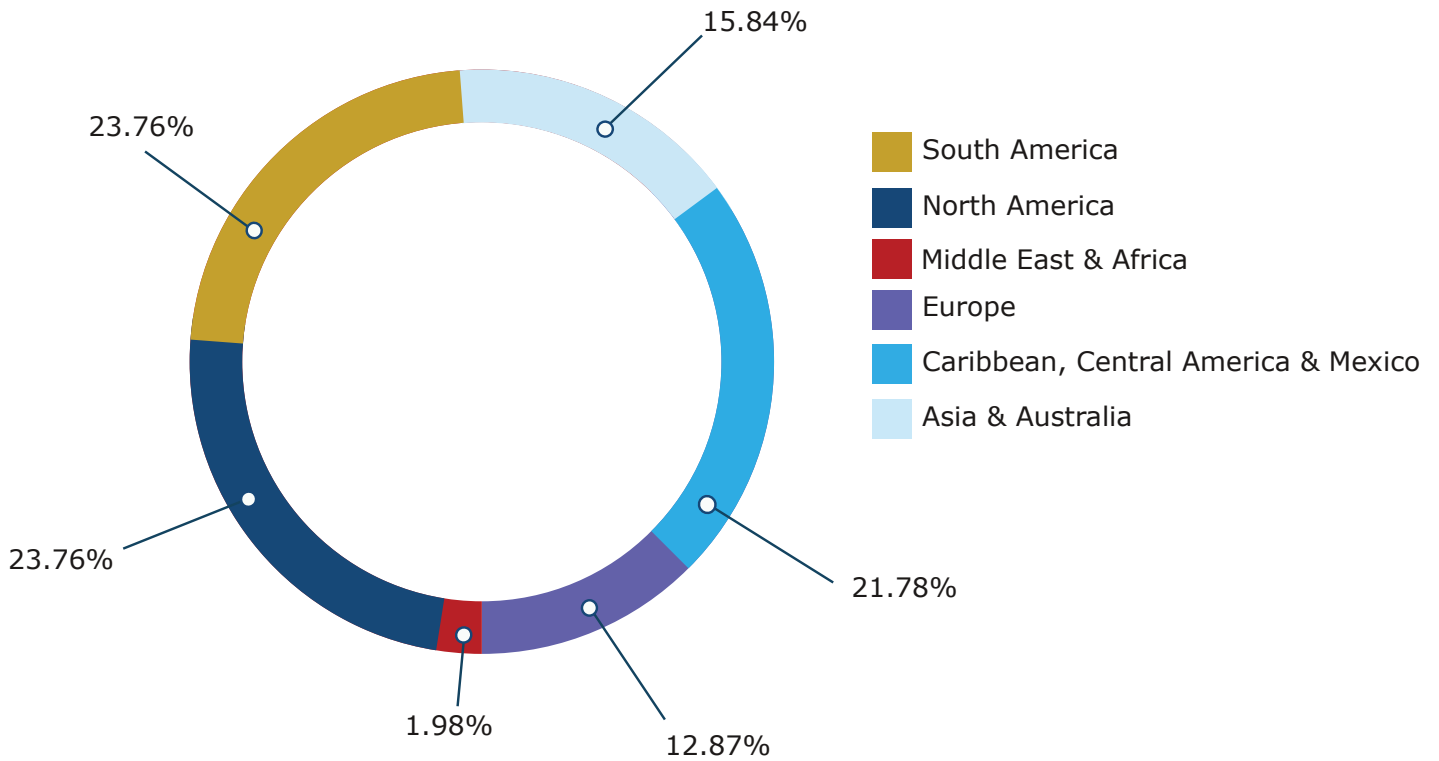
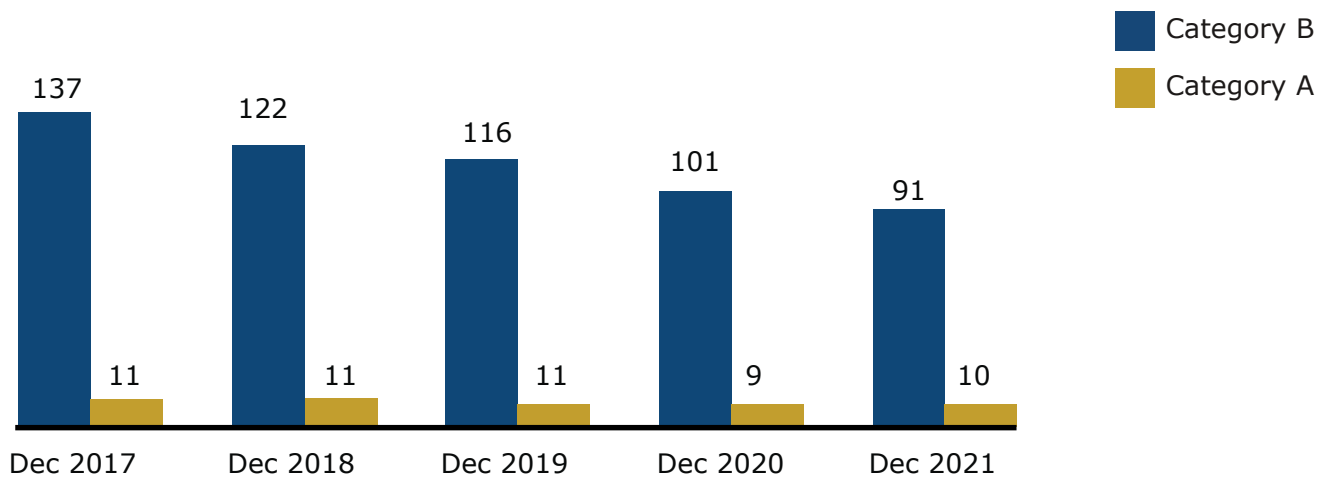


Figure 2: Number of bank licences by category, June 2016 – December 2021



INDUSTRY OVERVIEW

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

Jurisdiction	2017	2018	2019	2020	2021	% change 2017-2021
Cayman	150	135	125	110	101	-33%
Bahamas	84	81	70	67	65	-23%
Panama	88	83	83	75	58	-34%
Jersey	28	24	24	24	21	-25%
Luxembourg	139	128	128	128	123	-12%
Switzerland	256	248	248	246	241	-6%
Hong Kong	191	181	181	178	183	-4%
Singapore	157	156	156	171	153	-3%

Figure 3: Total Assets¹ and Liabilities² of Cayman Islands-licensed banks, June 2017 – December 2021 (measured in US\$ trillions)

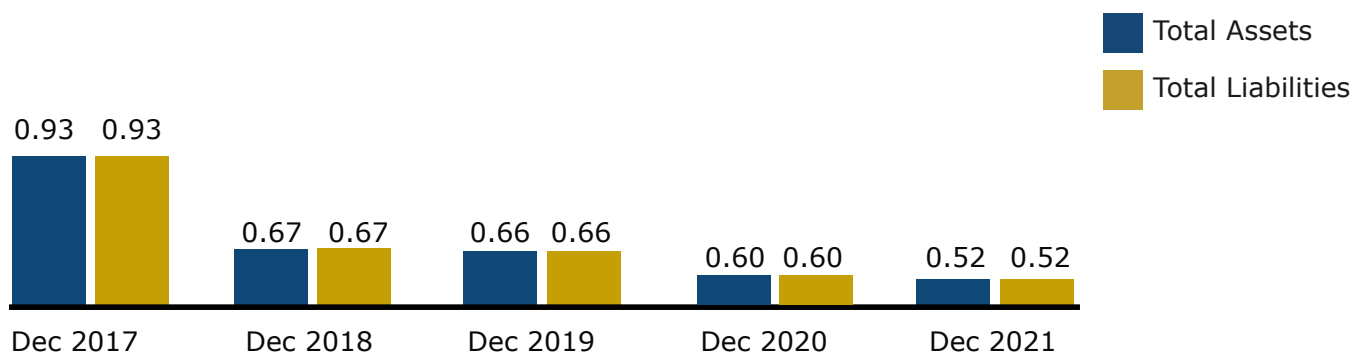
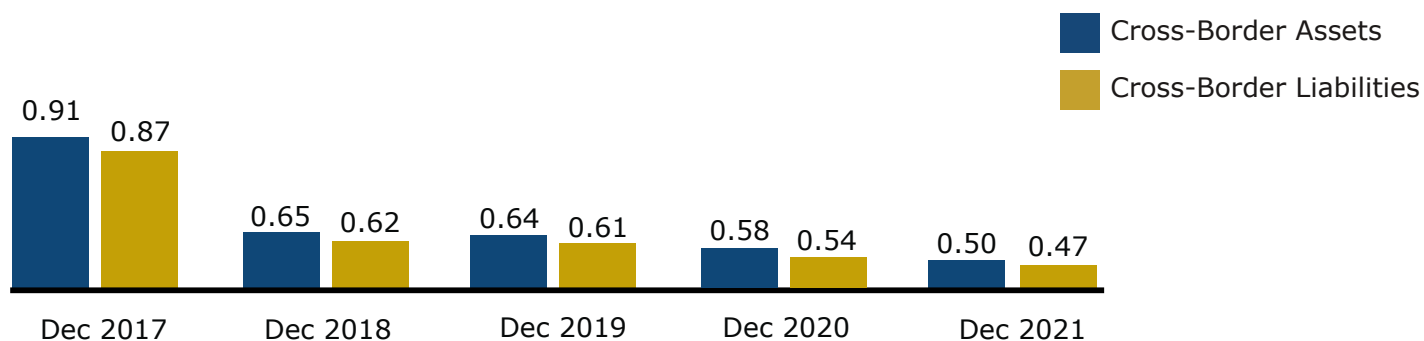


Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks, December 2017 – December 2021 (measured in US\$ trillions)



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

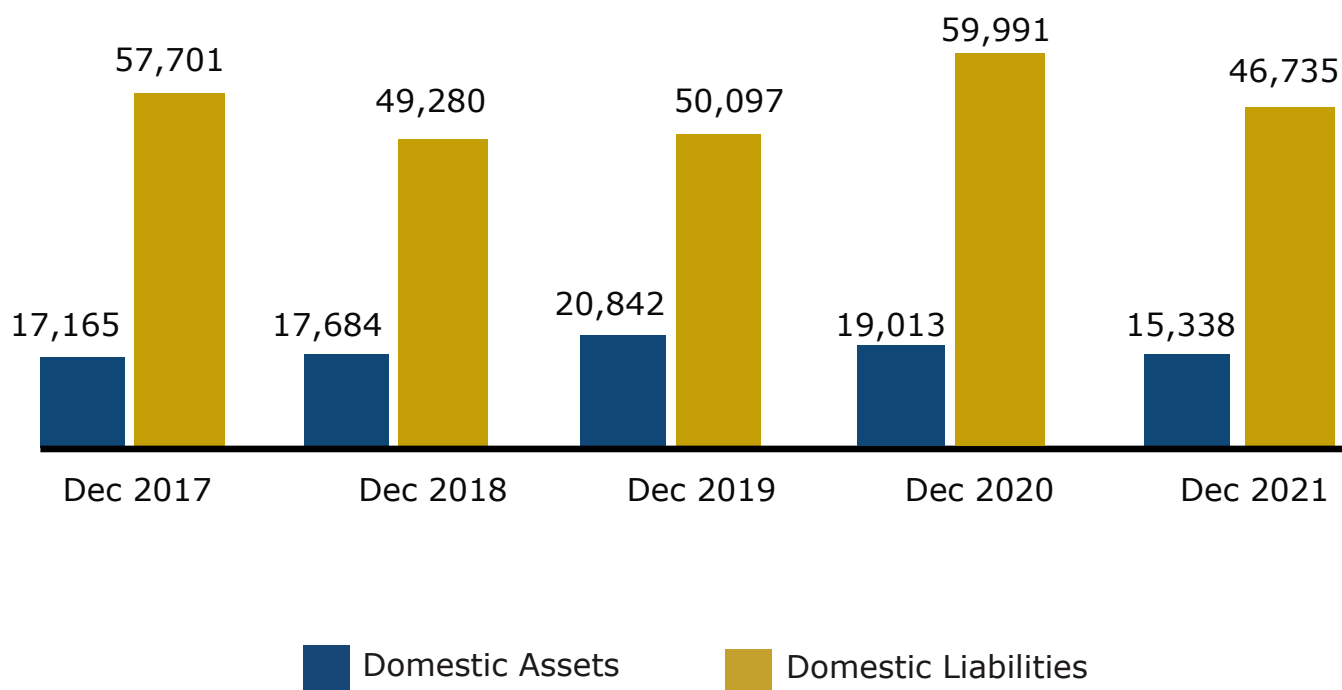
As at 31 December 2021, the jurisdiction ranked fifteenth internationally in terms of cross-border assets of US\$503 billion, and fifteenth internationally by cross-border liabilities of US\$470 billion booked by banks licensed in the Cayman

Islands. Figure 4 provides a comparison of the level of cross-border assets and liabilities booked by banks licensed in the Cayman Islands from December 2017 to December 2021.

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 illustrates the assets and liabilities in foreign currencies from December 2017 to December 2021.

Figure 5: Domestic Assets and Liabilities of Cayman Islands-licensed banks in Foreign Currency, December 2017 – December 2021 (measured in US\$ millions)



³ Domestic Assets refers to positions booked by Category "A" and "B" banks with entities licensed in the Cayman Islands (and considered legally resident by licence) and resident households.

INDUSTRY OVERVIEW

Domestic Sector – Category “A” Retail Banks

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

Financial Soundness Indicators – Retail Banking Sector

As highlighted in Table 3, the FSIs indicate that the retail banking sector remains healthy, while also highlighting the resilience of the Cayman banking sector. The sector has an average capital adequacy ratio (“CAR”) well in excess of the 8% minimum requirement set by the Basel Committee on Banking Supervision and sound asset quality as evidenced by a relatively small percentage of non-performing loans as a per cent of total gross loans despite the impact of COVID-19 pandemic.



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



Retail sector reported liabilities of **US\$15.6** billion



Retail banks reported **US\$13.7** billion in deposits

Table 3: Financial Soundness Indicators, 2017 – 2021

Indicator (%)	2017	2018	2019	2020	2021
Capital Adequacy					
Regulatory Capital to Risk-Weighted Assets	22.2	25.5	28.5	26.6	26.8
Regulatory Capital to Total Assets	11.5	12.9	13.3	11.6	12.1
Nonperforming Loans to Total Gross Loans	1.8	1.6	1.4	1.7	1.8
Specific Provisions to Impaired Loans (Coverage Ratio)	42.1	48.7	48.8	39.0	41.8
Return on Equity (net income to average capital [equity])	13.0	15.2	18.1	7.2	14.1
Return on Assets (net income to average total assets)	1.6	2.0	2.6	1.2	1.7
Interest margin to gross income	70	73.1	71.5	70.9	66.44
Non-interest expenses to gross income	48.7	43.9	41.5	69.6	54.14
Liquid assets to total assets (liquid asset ratio)	33.5	32.7	31.8	34.6	28.2

INDUSTRY OVERVIEW

Capital Adequacy Ratios

The increase in the capital ratios as at 31 December 2021 is mainly due to the increase in total capital arising from the profits for the year. The CAR continues to remain comfortably above the minimum CAR requirement of 10% required by the BTCA and demonstrates that the sector is well capitalised.

Asset Quality

The increase in Nonperforming loans ("NPLS") as a percentage of total gross loans for the retail banking sector is due to a marginal increase in NPLs in the year. However, the overall loan book quality and provisioning levels continues to be fairly stable due to the Cayman Islands' strong economic environment and resilience of the sector.

Earnings and Profitability

Relative to the previous year, the sector reported an increase in profits as the banks and the economy continued to recover from the impact of COVID-19 pandemic which had significantly impacted the 2020 financial performance. As a result of the higher profits, the average Return on Equity ("ROE") and the Return on Assets ("ROA") were higher than the previous year.

Liquidity

The ratio of liquid assets to total assets for retail banks decreased to 28.2% as at 31 December 2021 mainly due to a decrease in cash balances held with group related entities.

Effective 1 June 2019, CIMA implemented a comprehensive Liquidity Risk Management framework for banks, which included the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). All Category "A" retail banks are required to maintain a minimum LCR and NSFR of 100%. As at 31 December 2021, the average LCR and NSFR for Category A retail banks were 123.64% and 179.04%, respectively.

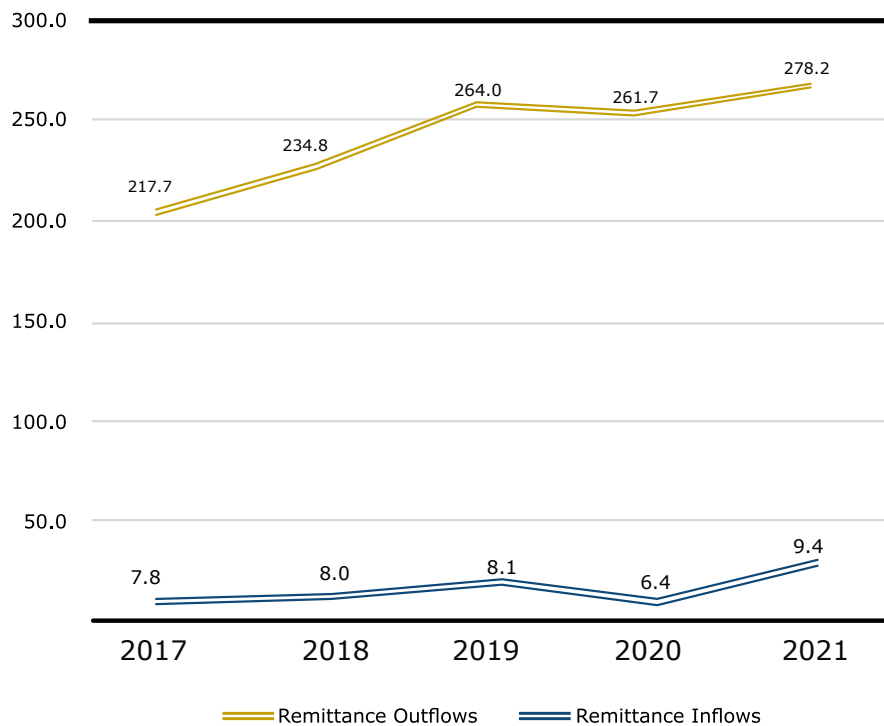
Money Services Businesses

CIMA supervises three active money services businesses (“MSB”) that cater primarily to the resident domestic market and are predominantly used by the expatriate community to send money to their home countries. The Financial Action Task Force (“FATF”) defines the business of MSBs as “financial services that involve the acceptance of cash, cheques, other monetary instruments or other stores of value and the payment of a corresponding sum in cash or other form to a beneficiary by means of a communication, message, transfer, or through a clearing network to which the [MSB] provider belongs.”



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

Figure 6: Total remittance outflows and inflows, 2017 – 2021 (measured in US\$ millions)



Total remittance outflows posted an increase relative to outflows for December 2020 and remained higher than average annual outflows for years 2017 – 2019. Similarly, total remittance inflows increased and resulted in the highest average annual inflows over the past five years. The increase in remittance outflows is due to increased financial support offered to persons continuing to be impacted by the COVID-19 pandemic by their family and friends outside of the Cayman Islands. The remittance outflows posted an increase as a

result of the continued relaxation of COVID-19 restrictions and the gradual reopening of the domestic economy resulting in an increased income; hence higher outgoing remittances by expatriates to their home countries. The proportion of remittances by country in figure 7 and figure 8 is consistent with the demographic distribution of the expatriate community in the Cayman Islands which reaffirms that MSBs are predominantly used by the expatriates to send money to their home countries.

INDUSTRY OVERVIEW

Figure 7: Proportion of total remittance outflows

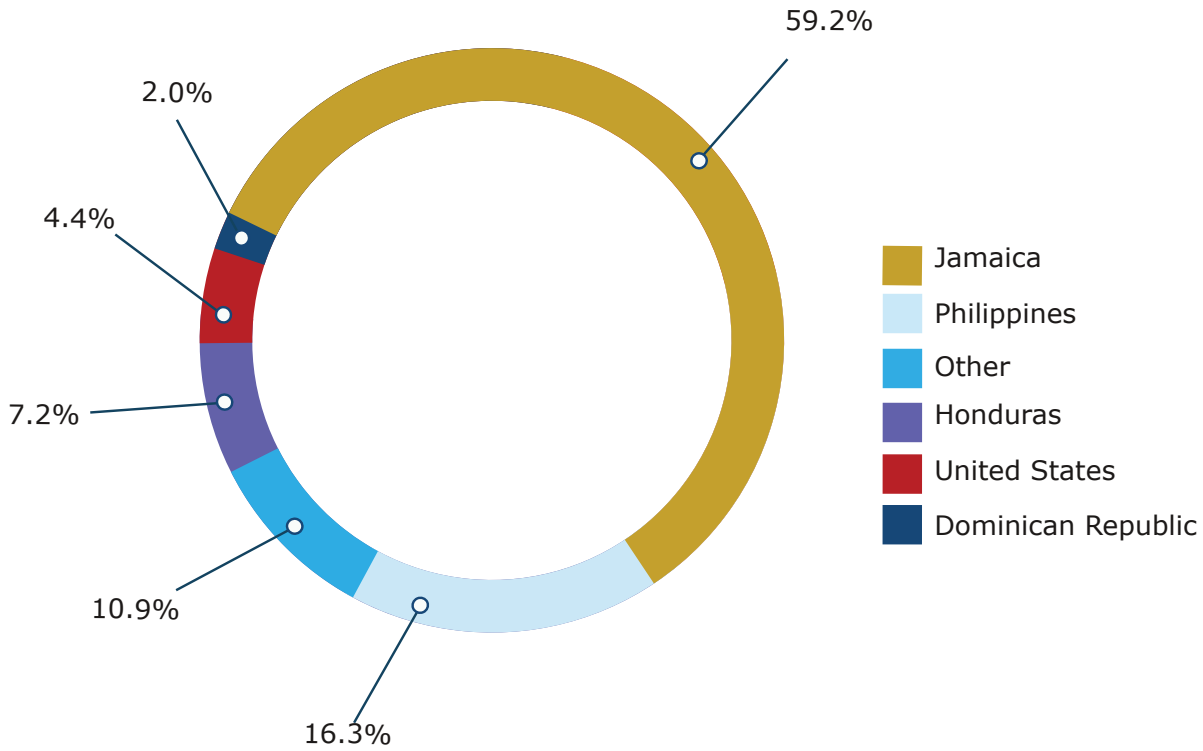
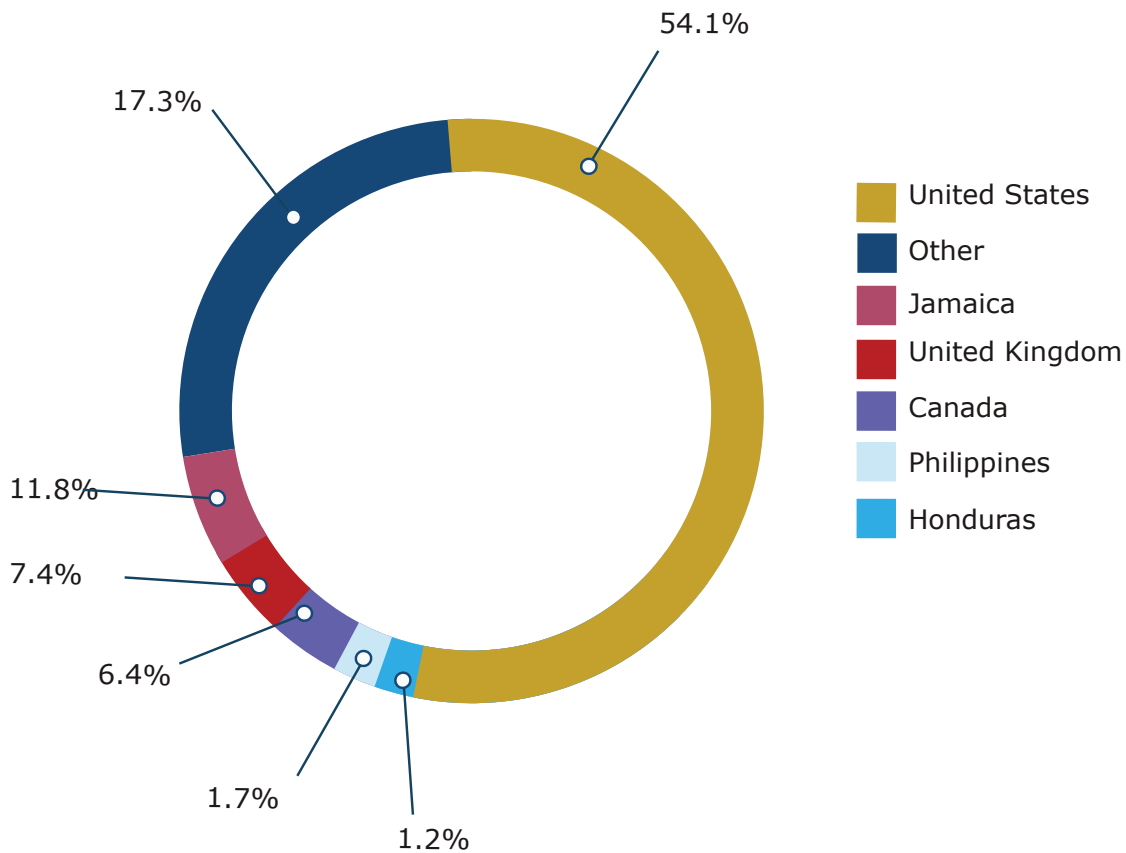


Figure 8: Proportion of total remittance inflows



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.



383

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

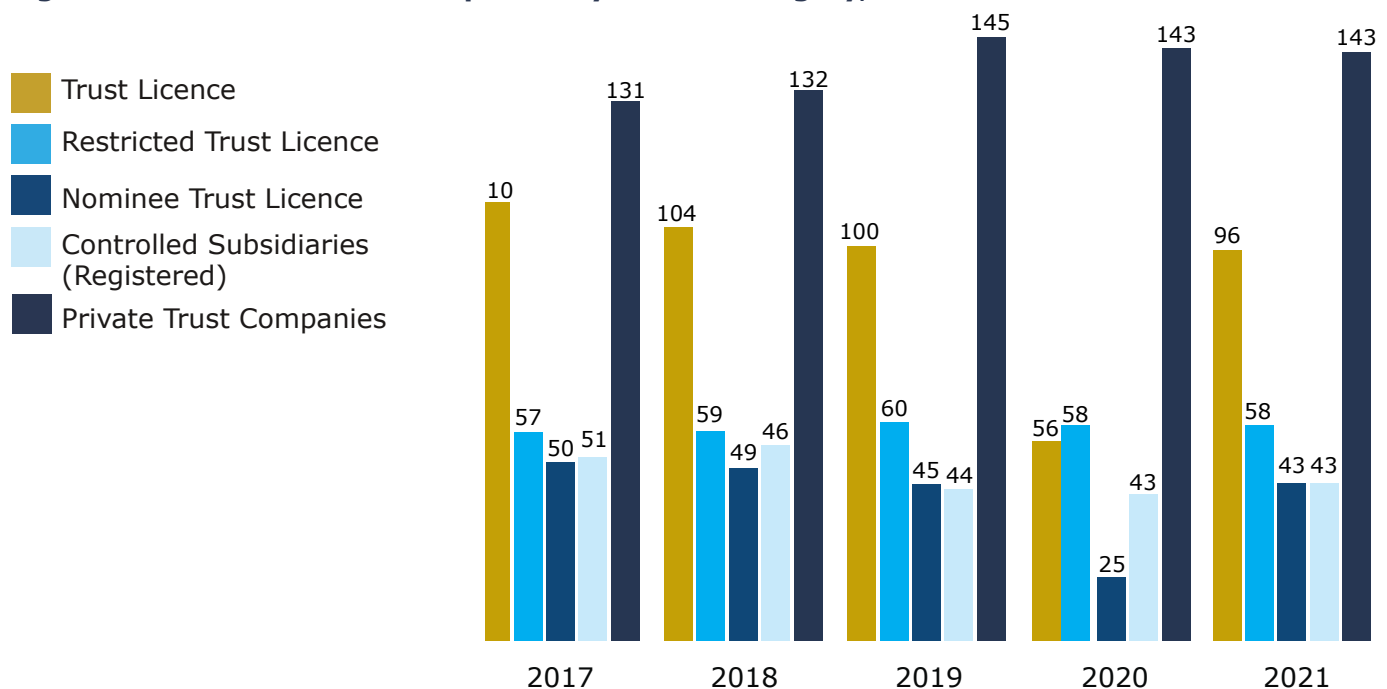
Controlled Subsidiary

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, 2017 - 2021



INDUSTRY OVERVIEW

Corporate Services

The Cayman Islands holds its own among locations from which corporate/company management services are provided and the sector for the most part remained consistent over the last year. The decrease by 1 corporate services licence does not in itself represent a concerning trend.

All providers of corporate services are required to be licensed by 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). Licensed trust companies are also authorised to provide corporate services.



143

Companies providing corporate services in and from the jurisdiction

Figure 10: Number of corporate service providers by licence category, 2017 - 2021

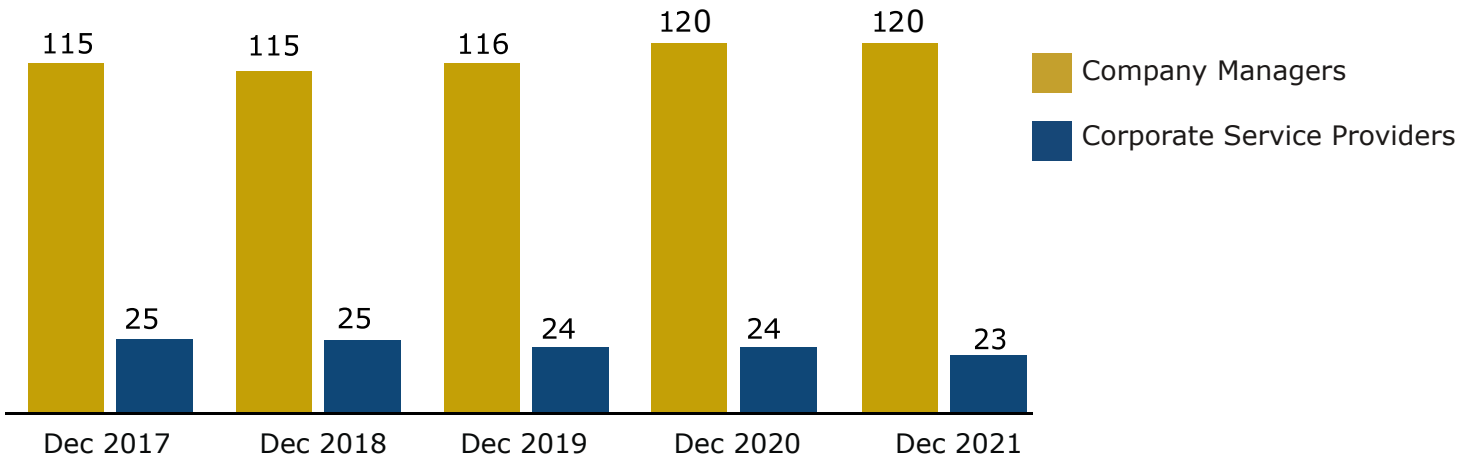


Table 4: Director authorisation activity under the Directors Registration and Licensing Act, 2014 (as amended), 2019 - 2021

Authorisation Type	Active as at 31 Dec 2019	Active as at 31 Dec 2020	Active as at 31 Dec 2021
Registration - Exemption from licensing - Section 16(1)	101	113	129
Licence - Professional Director	59	61	63
Licence - Corporate Director	22	24	18

Virtual Asset Service Providers

The Virtual Asset Service Providers (“VASP”) Act was passed in May 2020 to regulate virtual asset activities taking place in or from the jurisdiction. CIMA has been appointed the supervisory authority for VASPs.

The VASP Act is being implemented in two phases.

Phase one came into force on 31 October 2020 and focused on the implementation of the AML/CFT compliance, supervision and enforcement, and other key areas of risk. All entities engaged in or that intend to engage, in virtual asset services were required to file applications for registration with CIMA by 31 January 2021. CIMA will assess the applicant’s AML/CFT/CPF systems and controls, inherent risks, open-source information, and closed source intelligence.

Phase two will bring into effect the outstanding sections of the VASP Act, and Regulation is scheduled to commence in 2022. This includes the licensing regimes for virtual asset issuers, exchanges, fintech and sandbox. The Cayman Islands is currently developing the licensing framework, policy and supervisory framework for each.

Cayman Islands registered VASPs are also required to comply with the AML/CFT/PF and Sanctions obligations outlined in the AMLRs.

With the increased risk of illicit cybercrimes worldwide, the virtual asset space also experienced rapid changes over the past few months, which required CIMA to closely monitor these new vehicles of investment and adopt appropriate supervisory functions. During the year CIMA received 35 applications for registration, of which 5 were approved. In conjunction with the National Risk Assessment exercise, a sectoral risk assessment was conducted to sufficiently address any gaps or areas of concern. These efforts contributed to Cayman’s success in meeting all technical criteria based on FATF’s recommended actions, as



5

VASP applications approved

previously noted. However, in reviewing the registrations, several common deficiencies were identified, such as incomplete applications, insufficient information, and inconsistent supporting documentation, which impacted the smooth processing of the applications. To assist with the completion of the application forms and avoid common errors, guidance was made available via the electronic submission portal.

INDUSTRY OVERVIEW

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

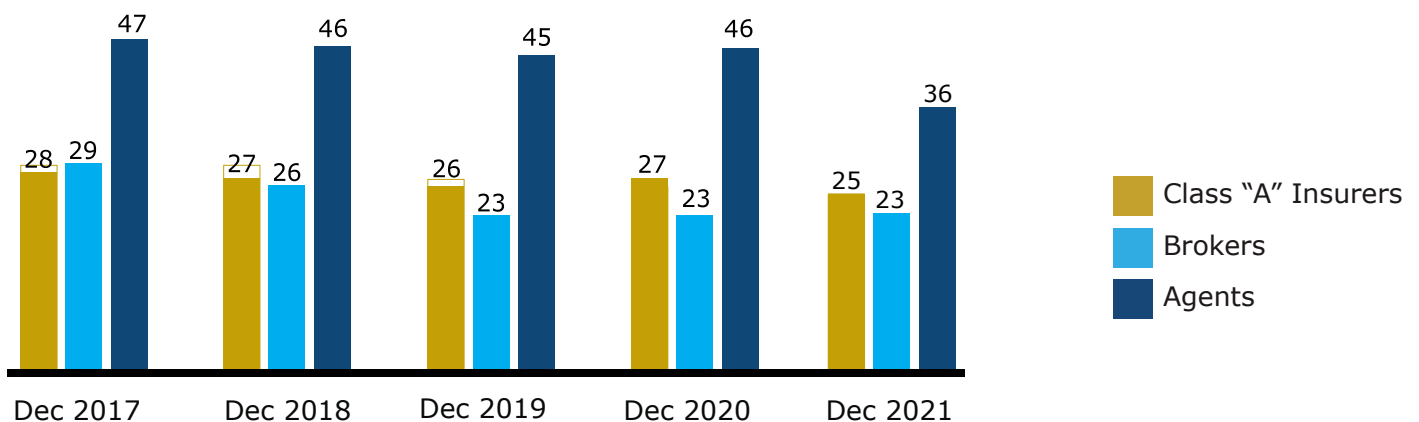
Table 5: Insurance licensing activity, 2020 -2021

Licence Type	Total as at 31 Dec 2020	Cancelled 1 Jan - 31 Dec 2021	Issued 1 Jan - 31 Dec 2021	Total as at 31 Dec 2021
Class A	26	1	0	25
Class B, C, D	652	28	37	661
Insurance Managers	21	1	0	20
Brokers	23	0	0	23
Agents	46	10	5	36
Total	768	40	37	765



Domestic gross
premiums written
and assumed
reinsurance
premiums of
US\$807
million as at 31
Dec 2020

Figure 11: Cayman Islands domestic licences by category, 2017 – 2021



INDUSTRY OVERVIEW

Figure 12: Coverage provided by domestic Class 'A' insurers, measured by Gross Written and Assumed Premiums, 2020

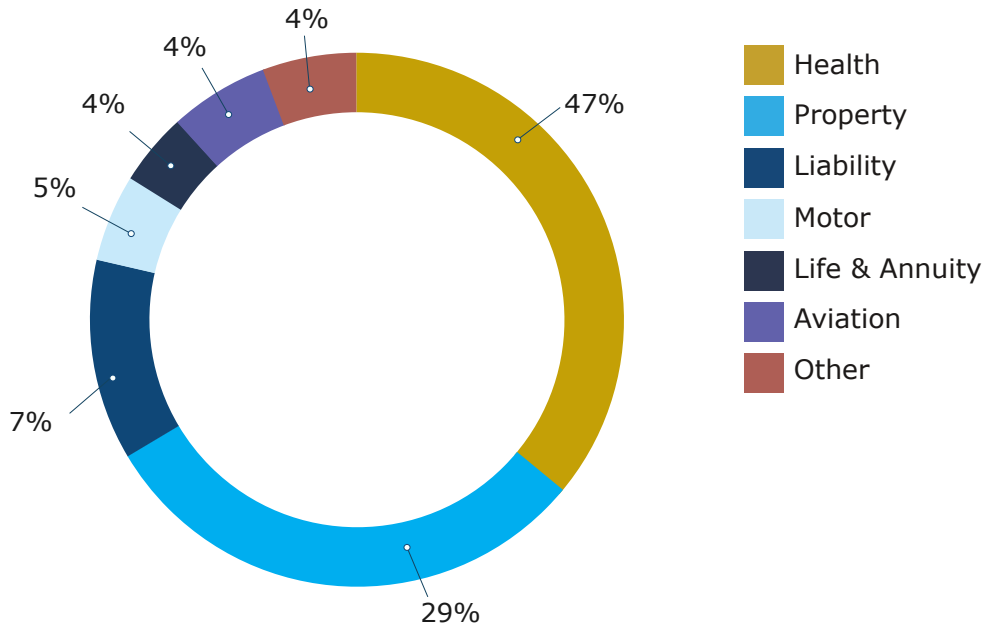


Table 6: Domestic insurance company statistics by primary class of business, 2020 (measured in US\$)

	Motor	Property	Liability	Marine & Aviation	Health	Other	Total Non- Life	Total Life & Annuity	Grand Total
Gross Written Premiums	\$43,791,711	\$234,419,735	\$57,912,876	\$28,266,000	\$375,062,936	\$34,380,772	\$773,834,030	\$33,490,252	\$807,324,282
Assumed Premiums	-\$28,860	\$38,359,164	\$94,420,708	\$17,828,000	\$1,775,506	\$8,410,554	\$160,765,072	-	\$160,765,072
Total Written Premium	\$43,762,851	\$272,778,899	\$152,333,584	\$46,094,000	\$376,838,442	\$42,791,326	\$934,599,102	\$33,490,252	\$968,089,354
Reinsurance Ceded	\$20,371,686	\$194,734,753	\$7,407,525	-	\$39,594,908	\$1,167,838	\$263,276,710	\$5,374,830	\$268,651,540
Unearned Premium Adjustment	\$87,044	\$2,745,203	-\$206,355	-	\$34,349	-\$2,420	\$2,657,821	\$11,882	\$2,669,703
Net Earned Premiums	\$23,478,209	\$80,789,349	\$144,719,704	\$46,094,000	\$337,277,883	\$41,621,068	\$673,980,213	\$28,127,304	\$702,107,516
Commissions Received	\$3,864,879	\$32,731,771	\$2,390,818	-	\$1,250,797	\$100,350	\$40,338,615	\$22,844	\$40,361,459
Total Underwriting Income	\$27,343,088	\$113,521,120	\$147,110,522	\$46,094,000	\$338,528,680	\$41,721,418	\$714,318,827	\$28,150,148	\$742,468,975
Net Claims Paid	\$18,494,806	\$13,377,588	\$45,218,715	\$8,267,000	\$254,841,144	\$7,819,945	\$348,019,198	\$8,804,302	\$356,823,500
Movement in Claim Reserves	-\$6,335,619	\$7,099,367	\$14,930,032	-\$825,000	\$6,976,809	-\$194,484	\$21,651,105	\$13,300,167	\$34,951,272
Acquisition Costs	\$3,585,901	\$30,469,928	\$1,551,013	-	\$19,367,412	\$67,833	\$55,042,087	\$4,730,473	\$59,772,560
Other Underwriting Expenses	\$269,788	\$1,347,443	\$4,468,098	\$891,000	\$3,681,812	\$425,490	\$11,083,631	\$1,848,469	\$12,932,100
Total Underwriting Expenses	\$16,014,876	\$52,294,326	\$66,167,857	\$8,333,000	\$284,867,177	\$8,118,784	\$435,796,021	\$28,683,411	\$464,479,431
Underwriting Profit/Loss	\$11,328,212	\$61,226,794	\$80,942,665	\$37,761,000	\$53,661,503	\$33,602,634	\$278,522,806	-\$557,027	\$277,989,543

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.



661

Cayman-based international insurance companies



37

New international insurers



148

Segregated portfolio companies



42

Portfolio insurance companies



US\$23.1

billion premiums; increased by 10.4% since 2020



US\$75.1

billion assets held; increased by 6.1% since 2020

INDUSTRY OVERVIEW

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

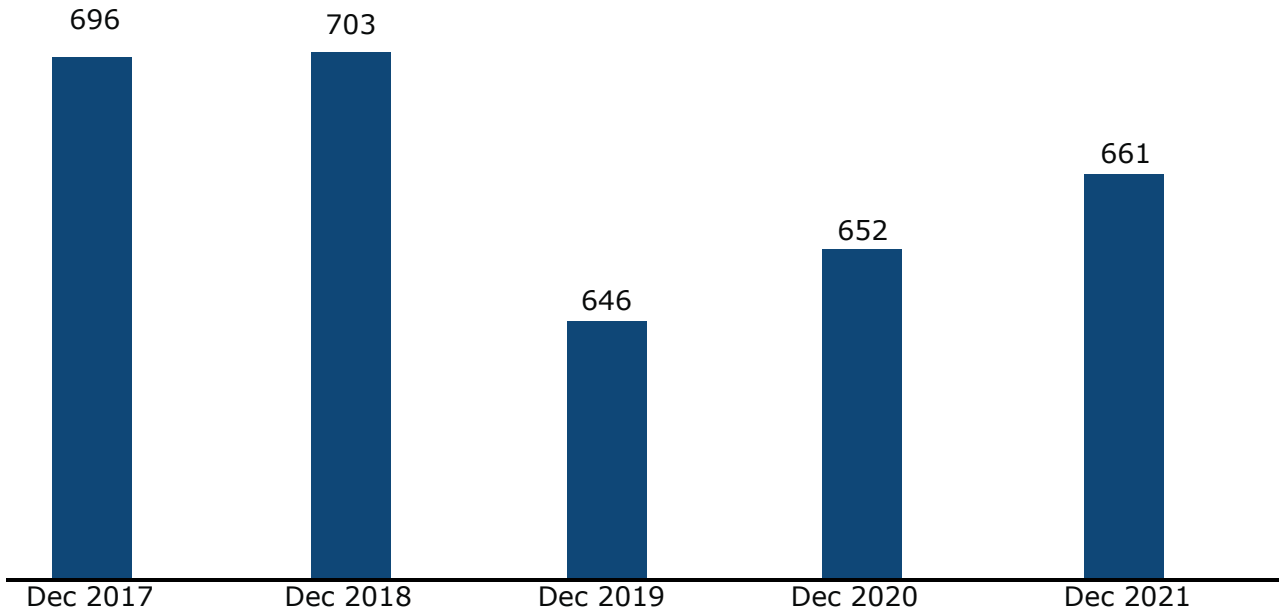
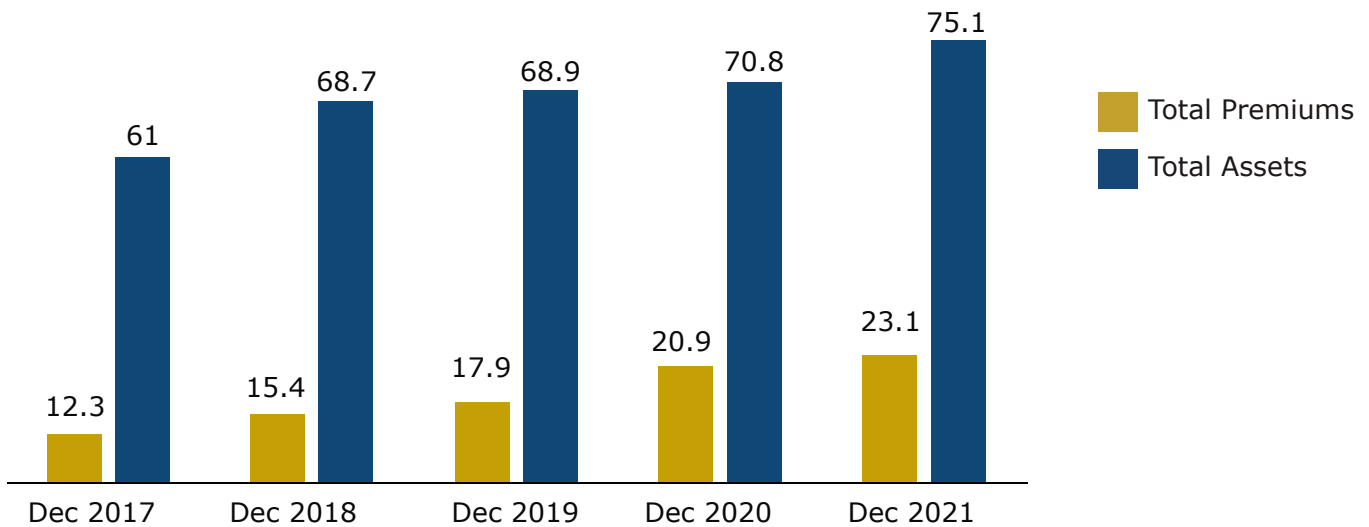


Figure 14: Total Premiums & Assets of Cayman Islands international (Class B, C, D) insurer licensees, 2017 - 2021 (measured in US\$ billion)



INDUSTRY OVERVIEW

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

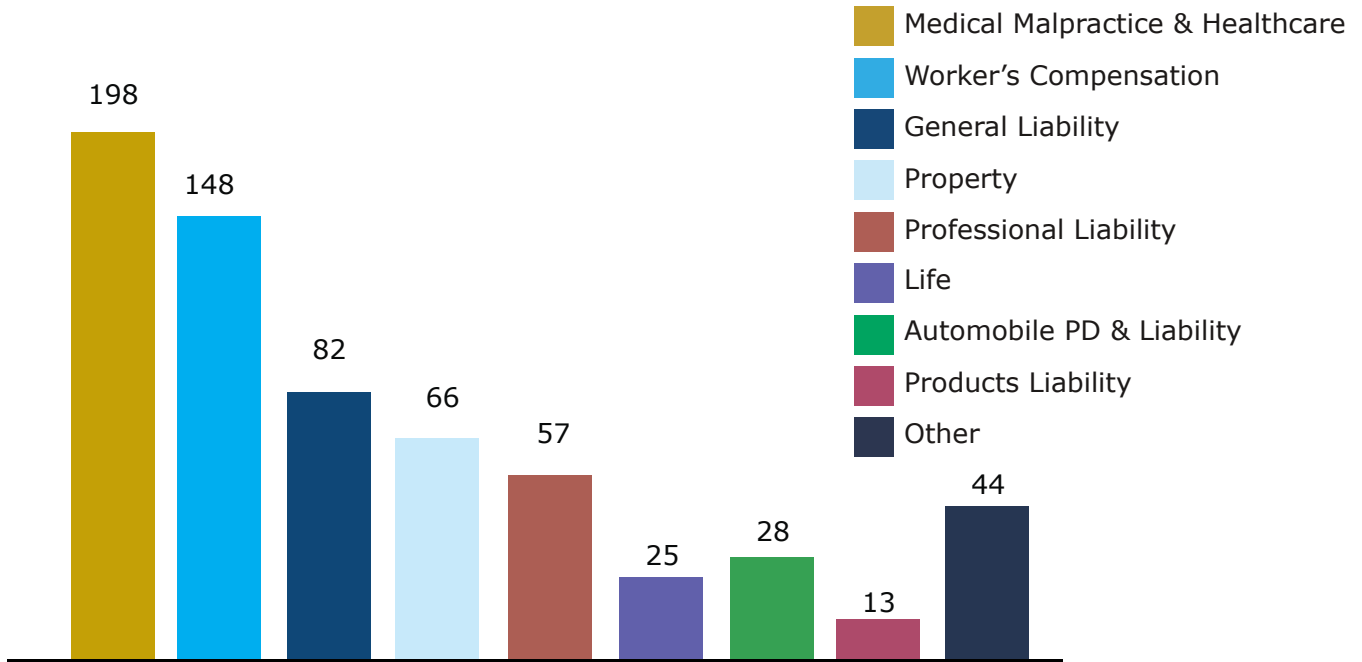
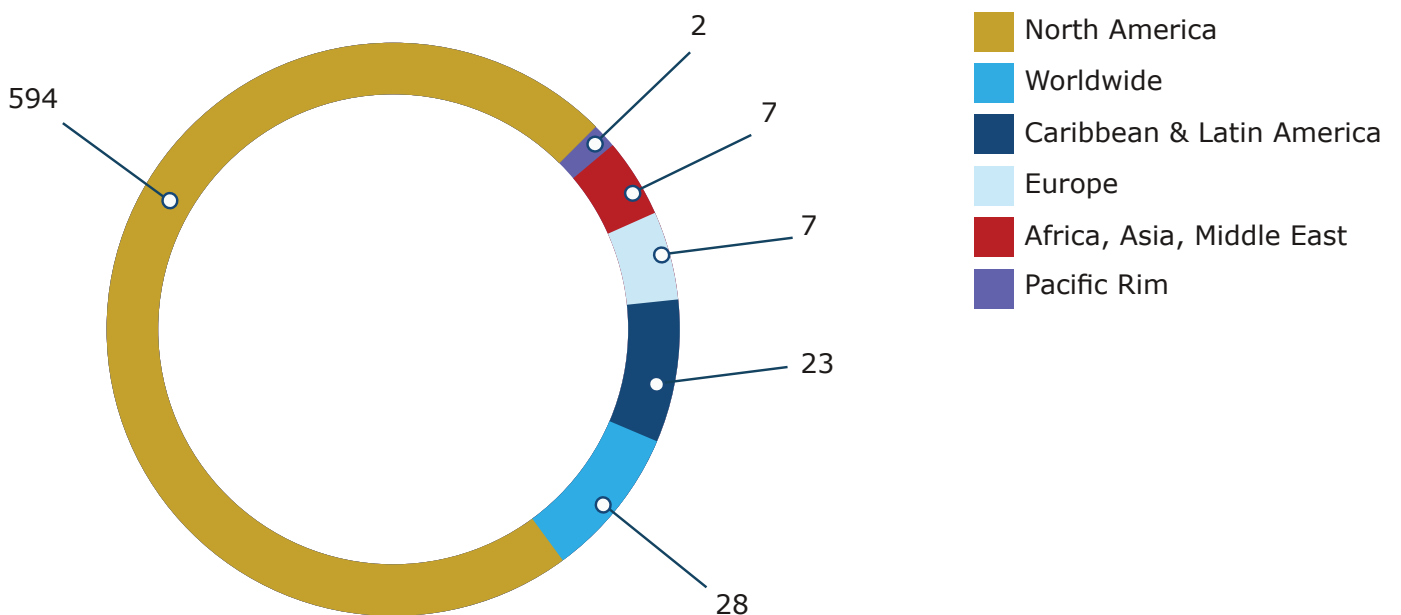


Figure 16: Cayman-domiciled international insurance companies by location of risks covered



INDUSTRY OVERVIEW

Despite the COVID-19 pandemic persisting in 2021, the Cayman Islands' international (re)insurance industry showed strong resilience with 2021 recording the highest number of new licences issued since 2016 and the lowest number of licence cancellations since 2018.

The global insurance market, particularly the U.S. which is the key source of business for the Cayman Islands international insurance sector continued to harden thus resulting in premium rates increases, contract exclusions, higher deductibles, and reduced coverage. Coupled with the business disruption and uncertainties caused by the ongoing pandemic, this state of the global insurance market is expected to continue, at least in the medium time. As a result, the insurance market in the Cayman Islands is likely to see increased utilisation of captives in the years ahead for self-insurance as captive owners seek to use the vehicle for better management of their risk exposures and cost containment. It is therefore likely that the existing captive insurance companies in the Cayman Islands will broaden their insurance programmes and assume more risks. Increased formations are also likely to occur as new entrants join the captive market in the Cayman Islands.

The international insurance market in the Cayman Islands is also expected to continue to diversify to other forms of insurance as witnessed by the licensing activity in the past five years (2017-2021) which has shown a paradigm shift from the traditional self-insurance captive formations to more commercially oriented set ups. On average, about 60% of the new licences granted by the Authority during the five-year period of 2017 to 2021 have been issued to commercial insurance and reinsurance companies conducting open market operations, with just about 40% of new licences being granted to pure captives conducting self-insurance. This trend is expected to continue in the coming years. One area that continue to attract great interest is commercial reinsurance, particularly the life market, as large reinsurers continue to form in the Cayman Islands to reinsure long term life and annuity business ceded by U.S. based carriers.

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

INDUSTRY OVERVIEW

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.

There are four types of mutual funds regulated pursuant to the Mutual Funds Act (2021 revision), as follows: Section 4(3) or registered fund; Section 4(1)(a) or licensed fund; 4(1)(b) or administered fund; 4(4) or limited investor fund. It should be noted that the Mutual Fund Act was amended in February 2020 to require all new and existing funds, pursuant to section 4(4), of the Mutual Fund Act to register with the Authority by 7 August 2020.

The Private Funds Act, 2020, which came into effect on 7 February 2020, required existing private funds to register with the Authority by 7 August 2020, with new funds being required to register at the time of formation.



12,719

Mutual funds; 6.9% increase



#1

Domicile for hedge funds



14,679

Private funds; 15.6% increase



75

Mutual fund administrators



14,929

Registered or licensed directors

Table 7: Regulated mutual funds activity, 2020 - 2021

	Jan - Dec 2020	Jan - Dec 2021
Authorised Regulated Entities	2,521	1,614
Terminated Regulated Entities	1,429	1,066

Table 8: Regulated private funds activity, 2020 - 2021

	Jan - Dec 2020	Jan - Dec 2021
Authorised Regulated Entities	12,830	2,239
Terminated Regulated Entities	0	276

INDUSTRY OVERVIEW

Figure 17 : Number of Cayman regulated funds by category, 2016 - 2021

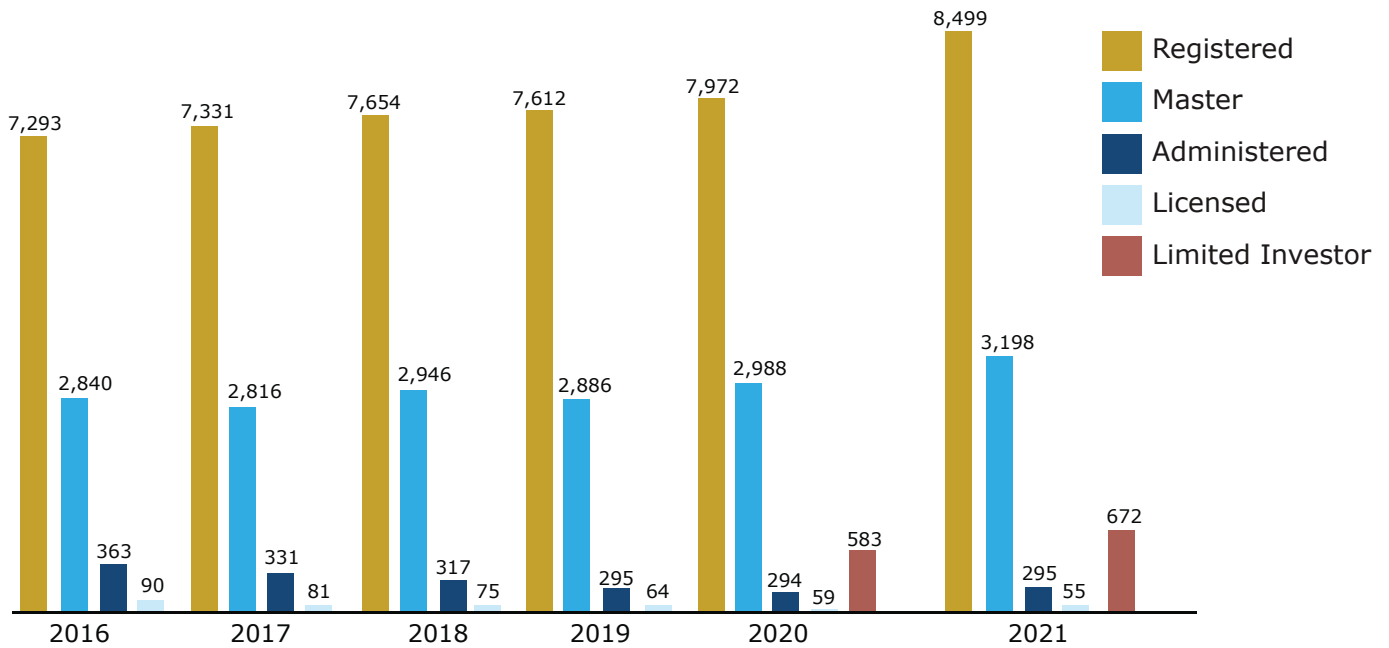
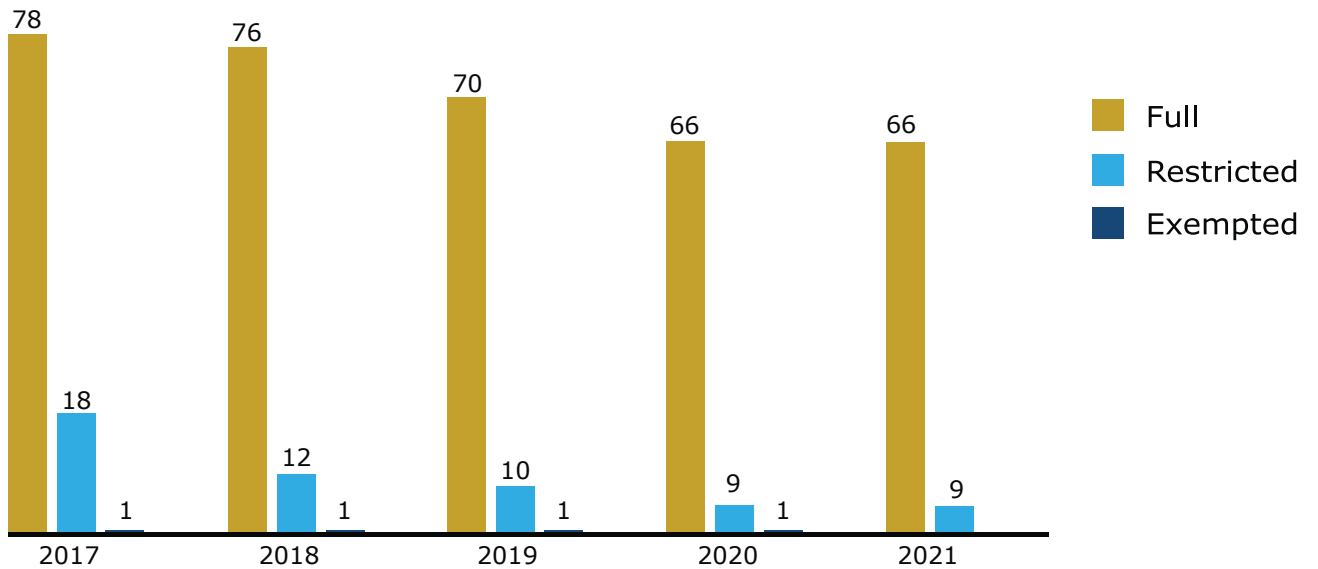


Figure 18: Mutual fund administrators by category, 2017 - 2021



INDUSTRY OVERVIEW

2020 Investments Statistical Digest

- Total Assets increased by 9% from US\$8.1 trillion to US\$ 8.9 trillion
- Ending Net Assets increased by 17% from US\$4.2 trillion to US\$5 trillion
- 9,621 regulated mutual funds filed a 2019 Fund Annual Return Form ("FAR") with the Authority
- Total subscriptions and redemptions were down US\$214 billion or 23% and US\$158 billion or 15%, respectively
- Net outflow of US\$35 billion

See 2020 Investment Statistical Digest for full details

Top 5 investment manager locations (measured by net assets)



According to the December 2021 Eureka Hedge Fund Report, the Eureka Hedge Fund Index was down 1.14% in November 2021, outperforming the global equity market as represented by the MSCI ACWI (Local), which returned -2.03% over the same period, and up 8.36% for the year 2021. Total assets under management decreased by US\$35.3 billion during the month as the sector witnessed performance-based losses of US\$15.9 billion while registering net asset flows of -US\$19.4 billion. The total size of the industry now stands at more than US\$2,409.8 billion.

In the fourth quarter of 2021, investors continued to incorporate ethical considerations into their investment decisions within the environmental, social and governance (ESG) framework and related investment strategies ESG investing is still very

young and will likely evolve over the next several generations. The first step was changing the mindset, which has clearly been done and continuing to happen. The next logical step is changing behaviours and that requires active ESG investing. Active ESG (or AESG) investors actively engage with portfolio companies to induce change to better the environment, social aspects and governance. AESG investing will remedy the two major problems with traditional ESG investing. First, it is a completely qualitative analysis of portfolio companies. It does not look at a diverse board and end the analysis there. AESG funds actively and qualitatively analyse boards for not only diversity but engaged, conscientious and experienced directors. All diverse boards are not equal in an AESG investment world. Second, because it is an active and engaged strategy, it does not necessarily look for best-in-class ESG

INDUSTRY OVERVIEW

companies, but for any companies in which it can make a positive change. Those companies are often below-average ESG companies. For example, investing in an oil and gas explorer and producer and actively persuading the company to convert its operations to renewables does much more for the environment than passively investing in the publicly traded equity of a solar company. Put another way,

passive ESG investing is all about not being part of the problem whereas AESG investing is about being part of the solution. Moreover, the process of changing a poor ESG company to a good one is not only more valuable for society than just investing in good ESG companies but creates more value for shareholders as well.

Jurisdictional Comparisons - Funds

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

Jurisdiction	2016	% change ('16 v '17)	2017	% change ('17 v '18)	2018	% change ('18 v '19)	2019	% change ('19 v '20)	2020	% change ('20 v '21)	Latest available for 2020*
Bahamas	859	↓8.8%	783	↑2.6%	803	↓3.5%	775	↓6.3%	726	0.00%	726
Bermuda	567	↓4.2%	543	↓3.3%	513	↓1.0%	508	↑11.5%	708	↑3.01%	820
BVI	1,614	↓7.3%	1,499	↑0.2%	1,502	↓0.9%	1,489	↑3.2%	1,527	↑4.22%	1,779
Ireland ∞	706	↑4.7%	739	↑2.0%	754	↑1.3%	764	↑1.9%	808	↑0.98%	826
Jersey	1,195	↓7.6%	1,104	↓7.6%	1,020	↓7.5%	943	↓7.5%	781	↑0.93%	757
Guernsey	983	↓0.7%	976	↓0.7%	970	↓.9%	961	↑1.9%	840	↓1.43%	829
Cayman	10,586	↓0.3%	10,559	↑4.1%	10,992	↓1.2%	10,857	↑121.5%	24,034	↑11.41%	27,398

* - The latest available numbers for 2021 are as at the following period: Bahamas – August 2021; Guernsey – March 2021; Bermuda, BVI, Jersey and Ireland – June 2021.

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

The Table above depicts the growth rate of the funds industry in the main jurisdictions where funds are domiciled. Based on the latest numbers available, the most significant changes were reflected by BVI (1,779 - up 4.22%) and the Cayman Islands (27,398 - up 11.41%, mainly due to new registrations of private funds).

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.

Since the amendments to the SIBA, there was a 25% decrease in registrations from the older Excluded Persons regime to the newer Registered Persons which amounted to 1,692 registrations as at 31 December 2021. The decrease in registrations from the older to newer regime of registrants was primarily due to the legislative changes that have taken effect to meet the economic substance requirements under the ES Amendment Act, which require securities (fund) managers to have physical

presence, as well as the SIB Amendment Act that gives the Authority enhanced regulatory oversight of SIB Registered Persons in order to align with AML/CFT requirements for SIB licensees.

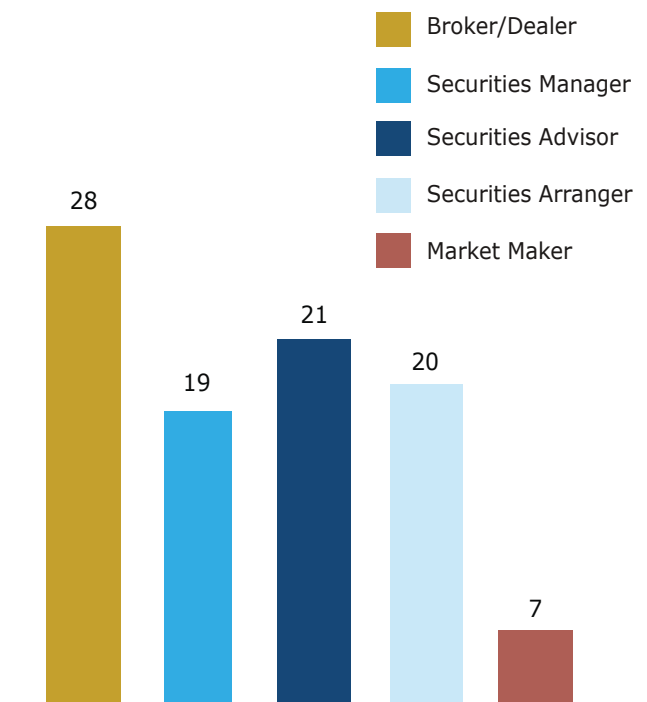


48 total SIB licensees



1,692 total SIB Registered Persons

Figure 19 : Securities Investment Business licensees by type in 2021



INDUSTRY OVERVIEW

Securities Investment Business licence applications



2

SIB licence applications returned



16

SIB licence applications approved



1

SIB licence application refused



3

SIB licences cancelled or revoked



2

SIB licence approval applications rescinded

Registered Persons licence applications



50

Registered Persons licence applications were returned



133

Registered Persons licence applications approved



4

Registered Persons licence application refused



43

Registered Persons licences cancelled or revoked

Execution of Monetary Functions

Currency Management

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

Currency Reserve Management

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

The currency in circulation is backed by the currency reserve assets in accordance with Section 32 of the Monetary Authority Act. As at 31 December 2021, the value of the currency reserve assets was CI\$198.1m.

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



\$173.5
million total
currency in
circulation;
5.5% increase
since 2019



\$159.6
million notes in
circulation



\$13.9
million coins in
circulation

ORGANISATIONAL DEVELOPMENTS

Table 9: Currency in circulation at half year and year-end, 2017-2021 (in CI\$ million)

Date	2017	2018	2019	2020	2021
30 Jun	\$112.2	\$117.9	\$124.1	\$155.4	\$161.7
31 Dec	\$119.5	\$126.6	\$140.4	\$164.4	\$173.5

Figure 20 : Cayman Islands currency in circulation by month, 2017 - 2021

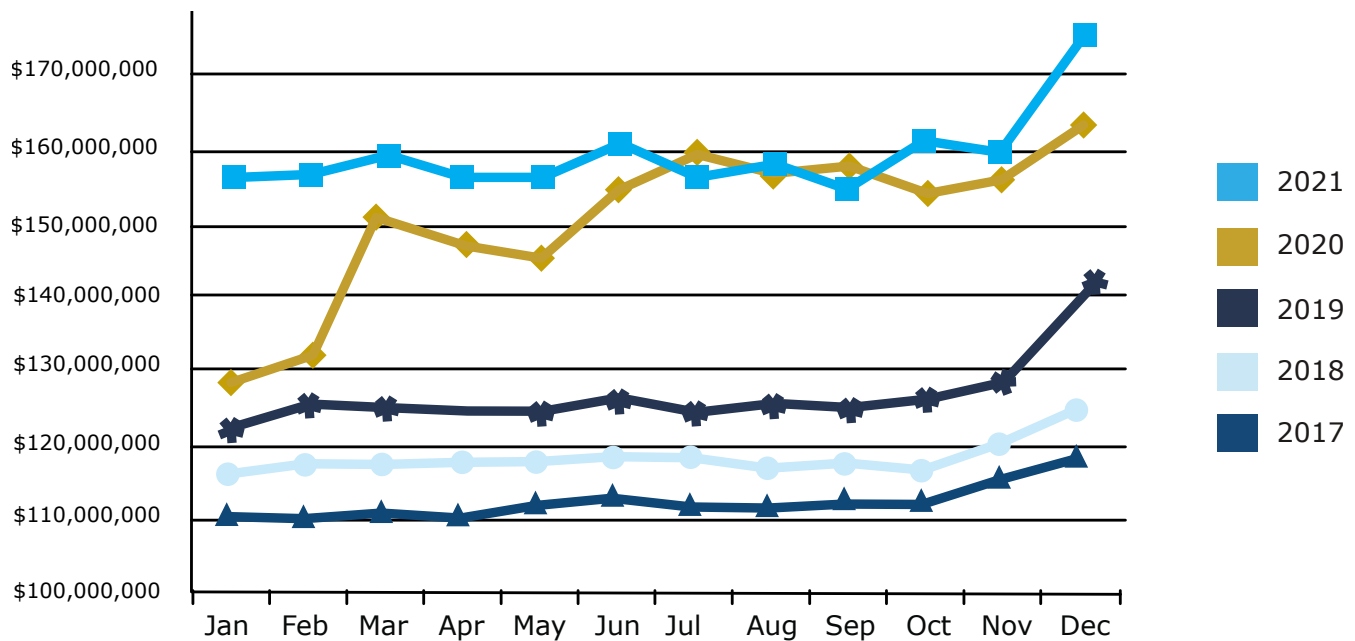


Table 10: Number of counterfeit banknotes withdrawn from circulation between 2017 and 2021.

	2017	2018	2019	2020	2021
\$100	7	4	0	0	16
\$50	0	1	0	1	1
\$25	4	0	0	0	10
\$10	0	8	0	0	0
\$5	0	0	0	0	0
\$1	0	0	0	0	1
Total No. of Notes	11	13	0	0	28
Total Dollar Value	\$800	\$530	\$0	50	\$1,901

EXECUTION OF FINANCIAL STABILITY

Despite the continued challenges associated with the COVID-19 pandemic, the Financial Stability and Statistics Division (“FSSD”) achieved various milestones as it pertains to:

- Drafting the inaugural edition of the Financial Stability Report (“FSR”),
- Membership in international organisations,
- Capacity building, training and development initiatives,
- Collaboration with the Financial Stability Board’s Non-Bank Monitoring Experts Group,
- Spearheading the preparation of the Banking and Investments Statistical Digests,
- Database development initiatives and inter-divisional collaboration on financial stability related projects.

Going forward, work will commence on the Authority’s macroprudential framework inclusive of a comprehensive measure of systemic risk as well as the development of a suite of macroprudential indicators.

Financial Stability Report Initiatives

During 2021, work began on CIMA’s inaugural FSR. By the end of the year, work was completed on the Banking Stability Index which will feature in the upcoming FSR. FSSD participated in a CARTAC virtual technical assistance mission during 25-29 October 2021 on “FSR Writing – the Monitoring and Detection of Systemic Risks”. The FSR is planned to be launched by mid-2022.

Application for Membership in International Organizations

In 2021, FSSD engaged with and gained membership for the Authority in two key international stakeholder organisations. As of 30 December 2021, CIMA became a full institutional member of the Irving Fisher Committee on Central Bank Statistics (IFC). The IFC brings together statistical experts, economists, and regulators from

around the world to discuss and exchange opinions and experiences. Further, with the Cayman Islands heightened vulnerabilities due to climate change, the Authority has also applied for membership in the Network of Central Banks and Supervisors for Greening the Financial System (“NGFS”). Being a member of NGFS will assist in aligning our domestic efforts with the global response in managing climate related risks and feedback loops within our financial ecosystem. The NGFS membership is expected to be accepted in early 2022.

Capacity Building: Training and Development Initiatives

In 2021, CIMA continued to collaborate with IMF and CARTAC on technical assistance and training. The FSSD participated in financial stability trainings offered by IMF through CARTAC covering: Cross Border Position Statistics, Financial Sector Policies, Residential Property Price Index, Climate and Financial Risk and macro stress testing for the insurance sector with COVID-19 scenario combined with other physical risks.

Financial Stability Board Non-Bank Monitoring Experts Group (FSB NMEG)

The Authority continued to collaborate with the NMEG, actively providing non-bank financial intermediation data to the Basel-based Financial Stability Board (FSB). The FSB monitoring exercise assesses trends and vulnerabilities in NBFIs. The latest FSB report covered developments in a period that included the COVID-19 shock and the extraordinary steps taken by official sector authorities to stabilise financial markets and support financing to the real economy. Significantly for the Authority, our reporting coverage to the NBFIs exercise increased significantly due to the inclusion of data for two new fund types not previously covered due to regulatory changes that imposed registration requirements on limited investor and private funds for the first time.

EXECUTION OF FINANCIAL STABILITY

Banking and Fund Investments Statistical Digests

In 2021, FSSD, in collaboration with the supervisory divisions and the Public Relations Unit, modernised the Authority's publication and data dissemination method for its flagship statistical publications – the Banking Statistical Digests and the Investments Statistical Digest. The publications have been turned from text-based documents to "chart packs" presented in the web-based Infogram dissemination tool. The new presentation allows industry and other stakeholders to interactively explore the data and download the underlying data for graphs and tables they may be interested in.

To assure reproducibility and gain efficiencies, FSSD utilised SQL Server Reporting Services to automate production of all the tables and graphs used for the production and publication of the Banking Statistical Digest and Investments Statistical Digest.

Database Development Initiatives - Inter-divisional Collaboration

During 2021, FSSD continued to play a key role in supporting the supervisory divisions in their database and business intelligence development and analysis. The AML Division was assisted with extracting data from a new form for Virtual Assets Service Providers. Further, a new Basel II QPR Mapping Process was carried out by FSSD in collaboration with the Banking Supervision Division and Information Systems Division. Work was also done on the development of quarterly and annual stress testing templates for the Insurance Supervision Division. A new datawarehouse was created to store data extracted from Securities Investment Business forms.

National Risk Assessment

FSSD staff co-chaired and participated in two of the working groups ("WGs") authoring the Cayman Islands' 2020 National Risk Assessment regarding

money laundering, terrorism financing and proliferation financing risk to the jurisdiction. Additionally, FSSD supported other WGs in the National Risk Assessment project by providing vital data and statistics.

EXECUTION OF 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 	

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 and on-going supervision of licensees/registrants.

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

Regulatory Developments

Rules, Guidelines and Policies

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

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

Copies of all regulatory measures issued by the Authority are available on the CIMA website.

Other Regulatory Developments

In 2021, the Policy and Development Division conducted comprehensive self-assessments against

core principles in the insurance, banking, securities sectors, and trust and company service providers sectors. The outcome of this exercise will be the driving force for enhancements to the regulatory and supervisory framework for the Cayman Islands over the next two to three years.

Development of a Framework for Virtual Assets

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

EXECUTION OF REGULATORY FUNCTIONS

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

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

Compliance and Enforcement

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

Due Diligence

In carrying out due diligence, the Authority follows its [Regulatory Policy – Assessing Fitness and Propriety](#) and [Procedure – Assessing Fitness and Propriety](#)⁷. The Compliance Division, which is tasked with conducting due diligence on applicants that are referred to it by the regulatory divisions, received 246 such applications during the reporting period of 1 January 2021 – 31 December 2021.

Enforcement ⁷

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;

Table 13: Due Diligence applications referred to the Compliance Division

	Number of referred due diligence applications
Banking	81
Fiduciary	106
Insurance	3
Investments	42
Securities	14
Total	246

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

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

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

EXECUTION OF REGULATORY FUNCTIONS

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



Initiated **1,335** enforcement actions, 19 related to AML/CFT and Fitness and Propriety infractions



1307

Revocations/Cancellations



9

Directors and shareholders not found fit and proper



1

Imposing condition



1

Winding-up petition



23

Warning/breach notices - entities



3

Administrative Fines totalling CI\$4,555,407.50

EXECUTION OF REGULATORY FUNCTIONS

Table 14: Entity list of enforcement actions initiated

Name of entity	Type of authorisation held	Enforcement action	Effective date
Alpha Re Limited	Class B(iii) Insurer	Licence Revoked	15 Oct 2021
Seven Mile Securities	Registered Person	Administrative Fines	8 Oct 2021
Global Fidelity Bank, Ltd (in Official Liquidation)	Class B Bank	Licence Revoked	22 Jul 2021
Intertrust Corporate Services (Cayman) Limited	Unrestricted Trust and MFA	Administrative Fines	13 May 2021
Intertrust Corporate Services (Cayman) Limited	Unrestricted Trust and MFA	Imposed Requirements	12 May 2021
Port Royal Reassurance Company SPC, Limited	Class B (iii) Insurer	Licence Revoked	4 May 2021
Premier Assurance Group SPC Ltd.	Class B(iii) Insurer	Licence Revoked	19 Apr 2021
Premier Assurance Group SPC Ltd.	Class B(iii) Insurer	Official Liquidation	19 Apr 2021
Star Insurance Company (Cayman) Ltd.	Class B Insurer	Administrative Fines	25 Mar 2021

Table 15: Directors found not fit and proper

Name	Effective date
Kelly Simon Tonkin	26 Nov 2021
Gregory Tolaram	15 Oct 2021
John Drake	15 Oct 2021
Edward Lynch	15 Oct 2021
Mark Graham	15 Oct 2021
Donald Solow	15 Oct 2021
William Watler Mckibbin III	23 Jul 2021
George Rubin	23 Jul 2021
Morry Rubin	23 Jul 2021

Litigation

A petition was presented to the Grand Court for the winding-up of Premier Assurance Group SPC Ltd. An order for Provisional Liquidation was granted by the court on 19 April 2021.

Other Compliance-related Matters

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

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

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

The Authority, the Cayman Islands Professional Accountants Association, and the Cayman Attorneys Regulatory Authority, the Registrar of Non-Profit Organisations and the Department of

Commerce and Investments have formed the Supervisors Forum (the "Forum"). The role of the Forum is to provide a national-level platform for AML/CFT supervisors to discuss common issues relating to regulation, enforcement, risks, trends and other matters.

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

Members of the Forum participated in meetings with CFATF and FATF to assist with improving the jurisdiction's follow-up reports. Members of the Forum shared information on thematic reviews, and collaborated on the National Risk Assessment.

Financial Crime Investigations Unit

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



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



CIMA received **44** Onward Disclosures from the Cayman Islands Financial Reporting Authority



CIMA processed **16** Inter-Agency Requests from local competent authorities

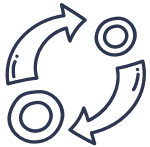
ORGANISATIONAL DEVELOPMENTS



CIMA made **17** Inter-Agency Requests to local competent authorities



CIMA made **2** referrals to the Cayman Islands Bureau of Financial Investigation for criminal examination



123
Requests for assistance from ORAs

Organisational Support and Administration

Human Resource Management and Development

Learning & Development

Learning & Development programmes were facilitated in the areas of leadership, crypto currency, and reinsurance as well as Blockchain currency; and several bespoke courses on soft skills, AMLS, insurance captives and fund administration established and facilitated through CIMA's Learning & Development Unit along with subject experts from within the Authority.

Managing Through COVID-19

The COVID Pandemic had no major impact on the carrying out the responsibilities in the Authority nor the ability to recruit albeit processes were delayed, outside of CIMA's control. At the same time it brought forward the intended opportunity to offer our employees new options for a work life balance and flexibility through Working From Home or and remote work policies and arrangements.

Structural Changes

The Human Resources Division underwent a comprehensive review of its processes, structure and functions which resulted in the implementation of a more effective and efficient structure, including the creation of other Units (Professional Services & Support Unit and the Virtual Assets Service Providers Unit)

New and revised Human Resource Policies and Procedures including those created to navigate through COVID-19 to keep our staff as safe as possible and to offer as much reasonable support were established.

Employee Recognition

Staff recognition programmes and employee engagement and recognition initiatives were welcomed and implemented across the Authority through the Employee of the Quarter, the MD's Leadership Award and Staff Recognition Awards for excellence of service to stakeholders and to each other as colleagues.

Through diligence, hard work and proven performance, 24 promotions were earned across the divisions of: Banking, Financial Stability & Statistics, Insurance, Investments, Insurance, Legal, Policy Divisions and the Managing Director's Office.

Thomas Jefferson Memorial Scholarship

Once again, the Authority was privileged to be able to offer financial assistance to two students for pursuit of studies in the subject areas of Business Management and Public Policy & Administration. It is the intention that on completion of their studies they return to work with the Authority and build a meaningful career.

Internships

Twelve (12) promising, ambitious young persons were provided an opportunity for on the job learning and internship opportunities across several divisions in the Authority. This is an opportunity that CIMA welcomes to provide students insight into the operations of the Cayman Islands Monetary Authority and the range of opportunities available to them for a future career with the sole financial services regulatory body.

Service & Contributions to the Community

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

Organisational Support and Administration

Information Systems

Under the guidance of its Information Systems 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, tests to ensure business continuity were carried out. Each year, CIMA assembles all requested improvements from the previous year’s test and incorporates those that will provide value, resilience and increased efficiencies into its current plan and operations. Our Disaster Recovery and Business Continuity was tested in full via our robust remote desktop connection to facilitate the working-from-home policy. To facilitate social distancing best practices, staff worked on a rotational method as some days they were in office and other days they were working-from-home, so both in-office systems and remote access were in operation over the entire year, indicating that attention to maintenance and security layering were in force for twice as many endpoints than normal.

Systems Security – Finance industries in general continue to rank number one for best targets. Therefore, security continues to be a major focus. The continuation of the rotational based method of the work-from-home routine allows for new threat opportunities and increases our surface area for attacks. Even with a reduction in the usual threat patterns, there were no major incidents in regards to the shift towards remote desktop exploits and added control monitoring that reports exceptions helped handle the load.

A Network Penetration Test was carried out by the local audit firm EY, and according to their report no outside access into CIMA’s network or other systems could be found. This shows the commitment in experienced cybersecurity staff and the in-depth layering of the security products along

with the effective NIST framework and policies that CIMA has adopted.

During the 2021 reporting period, the following tasks were accomplished:

Network Infrastructure

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

Software Development

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

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 continued communication efforts involved coordinating various initiatives as it related to the changes in business operations forced by COVID-19 and enhanced AML/CFT compliance. This included featured articles/notices for staff, industry and public knowledge and assistance in various training (internal and external) and outreach projects.

The PR Unit also spearheaded the content development and production of an investor education subsite webpage, which will be launched in the coming months.

External Publications

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

CIMA Publications

As part of its ongoing work, the PR Unit continued to produce and disseminate news releases, notices and advisories; supervisory information circulars, news stories and updates, Annual Report and Fact Sheet via the CIMA website and social media platforms.

The PR Unit also collaborated with key senior staff to produce and disseminate The Anchor, the AML/CFT Activity Report, Thematic Credit Review Report, as well as the production of the newly designed 2020 Investments Statistical Digest and the 2020 Banking Statistical Digest, both of which will be

published in 2022 under an online interactive dashboard.

In keeping with the modern use of communications and in assessing our current stakeholder engagement practices, the PR Unit discontinued publication of its quarterly newsletter - The Navigator. This will be replaced by an upcoming web blog page, which will feature written articles, video and audio, along with other topical regulatory updates in more real-time.

Direct Public Information and Assistance

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

Internal Support

The PR Unit continued to work closely with the various divisions to provide communication support in the form of photographic, graphic design and content development for multiple staff projects and activities, as well as develop formal speeches and presentations for members of CIMA's senior management team.

The PR Unit was also instrumental in the development and implementation of the our newly developed intranet portal - CIMANet.

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 \$156.8m in coercive fees from regulated entities on behalf of the Cayman Islands Government, compared to \$102.8m in the previous year.

 Collected **\$156.8** 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, for a total of \$24.6m, were:


- The regulation of the Cayman Islands currency
- The collection of fees on behalf of the Cayman Islands Government
- The regulation of the financial services industry
- Assistance to Overseas Regulatory Authorities
- Policy advice & ministerial services

 **\$24.6** million total outputs delivered

The Authority's other sources of income are from the Directors Registration and Licensing fees, which were recorded at \$10.2m, CIMA Transactional fees \$5.8m, Commission Income \$1.2m, and Investment Income \$0.8m.

Net Income

The Authority's net income for the year was \$5.7m (2020: \$3.7m), all of which was allocated to CIMA's Capital Expenditures Reserve.

 Net income of **\$5.7** 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 throughout the year in support of the Authority's 2020-2023 Strategic Plan included:

Strengthen our capacity and capabilities for the successful delivery of our principal functions

- Identified challenges in attracting, retaining, and developing staff
- Developed an action plan for the implementation of new approaches for the attraction and retention of competent and experienced staff with transferable skills
- Identified certain areas where external resources could be engaged, including automated requirements
- Identified enhancement needs to the current procurement processes for expediting the commencement of services by external parties/ deployment of technological solutions

Enhance the regulatory response to innovations in business models and technologies

- Conducted a comprehensive internal survey to understand divisional needs and assess the adequacy and effectiveness of current IT systems for the development of a new technologies framework, which is currently in its final stages

Reform and retool operational structures and supervisory approaches to better implement a risk-based approach

- Conducted research, with assistance from external experts, to assess the strengths and weaknesses of existing operational workflows and structure to improve internal efficiencies

Develop and implement a renewed framework for effective stakeholder engagement

- Conducted a comprehensive internal survey to assess the adequacy and effectiveness of current stakeholder engagement practices.
- Conducted further research on stakeholder engagement best practices among other regulatory bodies
- Taking into consideration the information

gathered and analysed, a stakeholder engagement framework/principles document is currently underway

Other

- Conducted a sectoral risk assessment to sufficiently address gaps or areas of concern during registration of virtual service asset providers ("s"), and provided submissions on materiality, both of which were decisive to Cayman's successful re-rating as 'Largely Compliant' with Financial Action Task Force's ("FATF") Recommendation 15
- Approved 5 registrations, out of 35 applications received, following the commencement of the Act in 2020, and sent 30 enforcement notices to VASPs
- Established a new Professional Support Services Unit to centralise our operational responsibilities, and facilitate core functions among divisions
- Conducted comprehensive self-assessments against principles in the insurance, banking, and securities sectors
- Issued 6 administrative fines for breaches of the Anti-Money Laundering Regulations ("AMLRs"), and opened 10 further investigations into breaches of the AMLRs, meeting FATF's follow up action, nine months ahead of the required timeframe
- Drafted and implemented a protocol for information sharing with the Registrar of Companies and published a thematic review of 376 Trust and Corporate Service Providers client files to assess improvement in compliance with BO obligations across the sector
- Delivered 159 inspection visits (using virtual technology) and continued vigorous oversight of our regulatory and AML/CFT obligations through 1384 enforcement actions, while maintaining regular contact with licensees, registered persons and industry associations.

Risk Management

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

Commencing in Fall 2019, the development of CIMA's Risk Management Framework began and its finalization and implementation will occur in phases over the next several years. The initial phase commenced with the development of a risk register to assist with the identification and prioritization of significant risk, followed by the establishment of the risk governance structure which includes a CIMA Management Risk Committee (the "CMRC") at the organizational level and a Risk Committee of the Board (the "RCB") at the Board level. Both Risk Committees meet quarterly to oversee the development and implementation of CIMA's risk management framework and activities.

In 2021, CIMA hired a full time Chief Risk Officer ("CRO") to work with the Risk Committees in the development of the Risk Management Framework, the monitoring of risk management activities and to facilitate training and development of a risk aware culture.

The CRO, alongside the Risk Committees, worked to review the risk registers created in 2019 and validate same with the Division Heads; identifying and prioritising key risks for the 2021/2 environment. Additionally, significant headway was made on the finalisation of CIMA's Risk Appetite Statement which will be sent to the Board for ratification in early 2022.

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR-END
31 DECEMBER 2021



CAYMAN ISLANDS MONETARY AUTHORITY

Statement of Responsibility

For Financial Statements

For year ended 31 December 2021

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 2021.

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 2021;
- (b) fairly reflect the financial position as at 31 December 2021 and performance for the financial year ended 31 December 2021;
- (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: 29 April 2022

Cindy Scotland

Managing Director

Cayman Islands Monetary Authority

Date: 29 April 2022



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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Monetary Authority

Opinion

I have audited the financial statements of the Cayman Islands Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2021 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 2021, 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 2021 and its financial performance and its cash flows for the year ended 31 December 2021 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


29 April 2022
Cayman Islands

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 31 December 2021
(in Cayman Islands Dollars)

	Note	31 December 2021	31 December 2020
		\$000	\$000
ASSETS			
Currency Reserve Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	4b	119,519	108,870
Short-Term Investments	4a	11,797	19,573
Interest and Other Receivables		90	144
Stocks	7	2,948	3,505
<i>Non-Current Assets</i>			
Long-Term Investments	4a	63,774	56,706
Total Currency Reserve Assets		<u>198,128</u>	<u>188,798</u>
Operating Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	4b	11,348	8,934
Short-Term Investments	4a	12,892	12,881
Accounts Receivable	5a	3,120	6,594
Other Receivables and Prepayments	5b	1,159	592
<i>Non-Current Assets</i>			
Defined Benefit Pension Plan	9b	332	-
Intangible Assets	6	1,548	1,727
Property and Equipment	6	5,287	4,239
Right-of-use Assets	10	11,385	11,116
Total Operating Assets		<u>47,071</u>	<u>46,083</u>
TOTAL ASSETS		<u>245,199</u>	<u>234,881</u>
LIABILITIES, RESERVES and CONTRIBUTED CAPITAL			
Liabilities			
<i>Current Liabilities</i>			
Demand Liabilities, Currency in Circulation	8a	173,504	164,427
Other Liabilities and Payables	8b	7,486	6,244
Lease Liability - Premises	10	1,816	1,525
Due to Cayman Islands Government	8c	-	2,752
<i>Non-Current Liabilities</i>			
Lease Liability - Premises	10	9,901	9,773
Defined Benefit Pension Plan	9b	-	2,484
Defined Benefit Healthcare Program	9c	10,398	11,293
Total Liabilities		<u>203,105</u>	<u>198,498</u>
Reserves			
General Reserve		29,125	26,950
Currency Issue Reserve		375	375
Capital Expenditures Reserve		10,267	6,730
Total Reserves		<u>39,767</u>	<u>34,055</u>
Contributed Capital			
		2,328	2,328
TOTAL LIABILITIES, RESERVES and CONTRIBUTED CAPITAL		<u>245,199</u>	<u>234,881</u>

Approved on 29 April 2022


Cindy Scotland
Managing Director
Cayman Islands Monetary Authority


Gilda Moxam-Murray
Chief Financial Officer
Cayman Islands Monetary Authority

The accompanying notes on pages 8-35 form an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

(in Cayman Islands Dollars)

		31 December	31 December
	Note	2021	2020
		\$000	\$000
INCOME			
Services Provided to The Cayman Islands Government	11a	24,641	22,648
Directors Registration and Licensing Fees		10,231	10,503
CIMA Transactional Fees		5,777	4,160
Investment Income		795	1,974
Commission Income		1,227	1,018
Numismatic Income		-	341
Realised Gain on Investments		-	1,127
TOTAL INCOME		42,671	41,771
EXPENSES			
Salaries and Benefits	13	27,067	23,609
Other Operational Expenses	12	3,859	3,830
Professional Fees		3,280	2,695
Pension Expenses	9a	1,955	2,085
Depreciation expense - Right-of-use Asset	10	1,844	1,632
Depreciation and Amortisation	6	1,311	1,106
Interest expense - Lease Liability	10	436	385
Utilities		519	348
Accommodation	14	175	162
Training and Conferences		164	99
Official Travel		-	35
Loss on sale of Numismatic Items		46	-
Realized loss on Sale of Securities		5	-
Expected Credit (Gain) / Loss IFRS 9		(38)	36
TOTAL EXPENSES		40,623	36,022
INCOME FOR THE YEAR before:-		2,048	5,749
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to Profit or Loss in subsequent periods			
Net Gain on Debt Securities at Fair Value		(1,248)	(21)
Expected Credit (Gain) / Loss	4c	(30)	30
Items that will not be reclassified to Profit or Loss in subsequent periods			
Remeasurement of Defined Benefit Pension Plan	9a	3,137	(1,778)
Remeasurement of Defined Benefit Healthcare Program	9c,13	1,804	(228)
		<u>3,663</u>	<u>(1,997)</u>
COMPREHENSIVE INCOME FOR THE YEAR		5,711	3,752

The accompanying notes on pages 8-35 form an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL
For the year ended 31 December 2021
(in Cayman Islands Dollars)

31 December 2021

	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Contributed Capital \$000
BALANCE AT 01 Jan 2021	26,950	375	6,730	2,328
Transfers in :				
From Income for the Year	5,711	-	5,711	-
Transfers out :				
Contribution Payable to CI GOVT To Capital Expenditures Reserve	(5,711)	-	-	-
Capital Purchases	2,175	-	(2,175)	-
BALANCE AT 31 December 2021	29,125	375	10,267	2,328

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 Capital Purchases	(2,752)	-	(1,368)	-
BALANCE AT 31 December 2020	26,950	375	6,730	2,328

The accompanying notes on pages 8-35 form an integral part of these financial statements.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 31 December 2021
(in Cayman Islands Dollars)

		31 December	31 December
	Notes	2021	2020
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive Income for the Year		5,711	3,752
Adjustments for:			
Depreciation and Amortisation	6	1,311	1,106
Depreciation - Right-of-use Asset	10	1,844	1,632
Interest Expense - Lease Liability	10	436	385
(Gain) / Loss on Defined Pension Benefits	9b	(2,816)	2,427
(Gain) / Loss on Defined Health Care Benefits		(895)	1,191
(Gain) / Loss on Expected Credit Loss		(8)	6
Net Unrealised Gain on Fair Value of Financial Investments		30	17
Decrease / (Increase) in Interest Receivable - Currency Reserve Assets		62	252
Decrease / (Increase) in Interest Receivable - Operating Assets		(2)	43
Decrease / (Increase) in Accounts Receivable		3,475	(2,784)
Decrease / (Increase) in Other Receivables and Prepayments		(563)	472
(Decrease) / Increase in Unearned Income - Directors Registration and Licensing Fees		873	498
(Decrease) / Increase in Unearned Income - CIMA Transactional Fees		3	(20)
(Decrease) / Increase in Other Liabilities and Payables		366	678
Decrease / (Increase) in Stocks		556	236
(Decrease) / Increase in Demand Liabilities		9,077	24,058
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>19,460</u>	<u>33,949</u>
CASH FLOW USED IN INVESTING ACTIVITIES			
Acquisition of Property, Equipment and Intangible Assets	6	(2,181)	(1,367)
Net Purchase of Financial Investments Currency Reserve Assets		671	(1,916)
Net (Gain) / Loss on Fair Value of Sales and Maturities of Financial Investments		5	(1,127)
Net purchase of financial investments Operating Assets		(10)	2,723
NET CASH USED IN INVESTING ACTIVITIES		<u>(1,515)</u>	<u>(1,687)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Lease Liability Payments	10	(2,130)	(1,898)
Dividend Paid to CI Government	8c	(2,752)	(5,000)
NET CASH USED IN FINANCING ACTIVITIES		<u>(4,882)</u>	<u>(6,898)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		13,063	25,364
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		<u>117,804</u>	<u>92,440</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	4b	<u>130,867</u>	<u>117,804</u>

The accompanying notes on pages 8-35 form an integral part of these financial statements.

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

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 2021 the Authority has 269 employees (31 December 2020: 247). 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 2021**

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 2021

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.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

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.

b) Numismatic Coins in Circulation

The total nominal value of numismatic coins outstanding as at 31 December 2021 is \$14,490k (31 December 2020: \$14,490k). No liability for redeeming numismatic coins is recognised in the financial statements, since the amount of redemption cannot be reasonably estimated, and the probability of material redemption is remote. Redemption costs and sales proceeds are recorded in the statement of comprehensive income as incurred.

i) Property and Equipment

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

Subsequent costs are included in the asset’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 the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the statement of comprehensive income in the financial period in which they are incurred.

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

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 Plan, which is administered by the Public Service Pensions Board. The Plan 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 plan 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 2021

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, vacation days, other awards and recognitions. 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 2021, the General Reserve was \$29,125k (31 December 2020: \$26,950k) equating to 16.79% (31 December 2020: 16.39%) 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 2021 was \$375k (31 December 2020: \$375k).

o) Capital Expenditures Reserve

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. As at 31 December 2021, the Capital Expenditure Reserve was \$10,267k (31 December 2020: \$6,730k).

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 2021 was \$2.328 million (31 December 2020: \$2.328 million).

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

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 2021

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 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.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

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 2021				
Investments, Hold to collect and sell	88,462	-	-	88,462
Total financial instruments	88,462	-	-	88,462

	<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

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 2021

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.

	31 December 2021	31 December 2020
	\$000	\$000
Investments, Hold to collect and sell		
AAA	67,105	67,188
AA	8,921	1,495
A	12,436	17,889
BBB	-	2,586
	<u>88,462</u>	<u>89,158</u>
Cash and cash equivalents		
Cash at bank and in-hand		
AAA	222	258
AA	2,457	2,450
A	1,926	1,643
BBB	<u>10,512</u>	<u>7,870</u>
	15,117	12,221
Overnight repurchase agreements		
AAA	<u>115,750</u>	<u>105,583</u>
	<u>130,867</u>	<u>117,804</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.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

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 2021, the value of Currency Reserve Assets was \$198,128k (31 December 2020: \$188,798k) representing 114.19% (31 December 2020: 114.82%) of total Demand Liabilities. The value of external assets equated to 110.29% (31 December 2020: 110.58%) while the value of local assets as at 31 December 2021 equated to 3.90% (31 December 2020: 4.24%) 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 and Bonds and Corporate Bonds stated at market value, with interest rates ranging from 0.125% to 4.25% and maturity dates between 20 January 2023 and 14 September 2027.

There are no investment securities with maturities over ten years (31 December 2020 – None). Those securities are of the class for which the average life shall be used in place of maturity, under the investment guidelines.

	31 December 2021	31 December 2020
Range of maturities	\$000	\$000
1-5 years	63,774	54,678
6-10 years	-	2,028
Over 10 years	-	-
	<u>63,774</u>	<u>56,706</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Currency Reserve and Operating Assets (continued)

Investments (continued)

Short-term Investments – Currency Reserve AAA U.S Treasury Notes maturity date 30 November 2022 and Fixed Deposit maturity date 14 June 2022.

	31 December 2021	31 December 2020
	\$000	\$000
U.S. Treasury Notes	9,206	13,344
AAA Corporate Bonds	-	3,643
Fixed Deposit	2,591	2,586
Total Short-term Investments	<u>11,797</u>	<u>19,573</u>

Short-term Investments – Operating AAA U.S. Treasury Bills dates 03 March 2022 - 30 June 2022 and Fixed Deposit maturity date 29 June 2022.

	31 December 2021	31 December 2020
	\$000	\$000
U.S. Treasury Bills	8,721	8,716
Fixed Deposit	4,171	4,165
Total Short-term Investments	<u>12,892</u>	<u>12,881</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 2021, domestic deposits were \$4,886k (31 December 2020: \$4,644) representing 2.82% (31 December 2020: 2.82%) of Demand Liabilities.

Interest was earned on domestic call accounts at a rate of 0.01% during the period ended 31 December 2021 (31 December 2020: 0.01%). The domestic fixed deposits earned interest at rates ranging between 0.20% to 0.40% during the period ended 31 December 2021 (31 December 2020: 0.20% to 2.10%).

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 2021 no interest was earned (31 December 2020: None).

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 of 0.05% (31 December 2020: 0.00%).

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Currency Reserve and Operating Assets (continued)

Cash and Cash Equivalents (continued)

		31 December 2021	31 December 2020
	Holding Currency	\$000	\$000
i) Operating Assets			
Current	KYD	(17)	(38)
Savings	KYD	4,817	3,397
Savings	USD	6,447	5,464
CI Cash on Hand		101	111
Total Current and Call Deposits		<u>11,348</u>	<u>8,934</u>
Total Cash and Cash Equivalent - Operating Assets		<u>11,348</u>	<u>8,934</u>
		31 December 2021	31 December 2020
ii) Currency Reserve Assets	Holding Currency	\$000	\$000
Domestic Deposits			
Savings	KYD	1,026	1,018
Savings	USD	1,270	1,041
Foreign Deposits			
Federal Reserve Bank	USD	222	258
Investment Portfolio	USD	1,251	970
Federal Reserve Repurchase Agreement	USD	<u>115,750</u>	<u>105,583</u>
Total Call Deposits		<u>119,519</u>	<u>108,870</u>
Domestic - Fixed Deposits	USD	-	-
Total Cash and Cash Equivalent - Currency Reserve		<u>119,519</u>	<u>108,870</u>
Total Cash and Cash Equivalent		<u>130,867</u>	<u>117,804</u>

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 2021**

5. Receivables and Prepayments

a) *Aged profile of Accounts Receivable*

	31 December 2021	31 December 2020
Period Outstanding Days	\$000	\$000
1-30	3,120	4,884
31-60	-	1,710
61-90	-	-
>90	-	-
	<u>3,120</u>	<u>6,594</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 2021, there were no receivables greater than 120 days past due.

	31 December 2021	31 December 2020
Output Income	\$000	\$000
CIMA Transactional Fees	2,238	5,516
Directors Registration and Licensing Fees	553	720
Accounts Receivable, net	329	358
	<u>3,120</u>	<u>6,594</u>

b) *Other Receivables and Prepayments*

	31 December 2021	31 December 2020
Prepayments	\$000	\$000
Receivable - Lease Allowance Fit-out	1,123	568
Other Receivables	33	-
Accrued Interest	1	24
	<u>2</u>	<u>-</u>
	<u>1,159</u>	<u>592</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

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 31/12/2020	946	3,278	1,867	406	20	6,517	5,166	11,683
Additions	299	1,216	454	65	-	2,034	147	2,181
Reclass	-	-	-	-	-	-	-	-
Disposals	-	-	(470)	(20)	-	(490)	(69)	(559)
Balance as at 31/12/2021	1,245	4,494	1,851	451	20	8,061	5,244	13,305
Accumulated Depreciation and Amortisation								
Balance as at 31/12/2020	324	446	1,186	318	5	2,279	3,439	5,718
Depreciation and Amortisation for the year	183	388	373	37	4	985	326	1,311
Reclass	-	-	-	-	-	-	-	-
Relieved on disposals	-	-	(470)	(20)	-	(490)	(69)	(559)
Balance as at 31/12/2021	507	834	1,089	335	9	2,774	3,696	6,470
Net Book Value as at 31/12/2021	738	3,660	762	116	11	5,287	1,548	6,835

	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 31/12/2021	648	3,156	393	73	19	4,289	1,415	5,704

AUDITED FINANCIAL STATEMENTS

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

7. Stocks

	31 December 2021	31 December 2020
	\$000	\$000
Bullion from the melt-down of coins	643	728
Coins for resale	316	341
Museum items	111	107
	<u>1,070</u>	<u>1,176</u>
Inventory of unissued currency notes and coins	<u>1,878</u>	<u>2,329</u>
Total Stocks	<u><u>2,948</u></u>	<u><u>3,505</u></u>

The amount of inventory recognised as expense during the period amounted to \$450k (2020: \$565k). 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 2021	31 December 2020
	\$000	\$000
Currency notes in circulation	159,558	150,953
Currency coins in circulation	13,946	13,474
Total Demand Liabilities	<u><u>173,504</u></u>	<u><u>164,427</u></u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Liabilities (continued)

b) Other Liabilities and Payables

	31 December	31 December
	2021	2020
	\$000	\$000
Unearned income - Director Registration Fees	4,696	3,822
Unearned income - CIMA Transactional Fees	75	71
Other accruals	1,530	1,517
Annual leave accrual	425	396
Accounts payable	662	159
Pension Payables	5	239
Other Payables	93	40
	<u>7,486</u>	<u>6,244</u>

As at 31 December 2021, Other Payables included unsettled investment management and custody fees of \$23k (2020: \$13k).

c) Net profit allocation

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)*. During the year ended 31 December 2021, the net profit allocation of \$2,752k was paid over to the Cayman Islands Government.

9. Post-Employment Benefits

a) All Pension Plans

Pension contributions for eligible employees of the Authority are paid to the Public Service Pensions Plan (the "Plan"), and other private sector pension plans.

The Plan 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 Plan operated as a defined benefit ("DB") plan. With effect from 1 January 2000, the Plan 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 Plan. 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 2021

Post-Employment Benefits (continued)
All Pension Plans (continued)

The Plans are funded at rates of: -

	31 December 2021	31 December 2020
Defined Contribution Plans	%	%
Employee	6	6
Employer	6.4	6.4
Defined Benefit Plans	%	%
Employee	6	6
Employer	11.5	11.5

The Actuary to the Pensions Board has valued the Plan as at 31 December 2021. The defined contribution part of the Plan 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 2021 was (\$1,182k) (31 December 2020: \$3,862k). 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 2021	31 December 2020
	\$000	\$000
Public Service Pension Plan Defined Benefit	261	261
Public Service Pension Plan Additional cost contribution DB	72	78
Public Service Pension Plan Defined Contribution	901	744
Public Service Pension Plan Additional cost contribution DC	63	52
Private Pension Plans	337	300
Defined Benefit Pension cost: IAS 19 valuation	321	649
Total Pension Expense All Plans	1,955	2,084
Remeasurement of DB Plan in OCI	(3,137)	1,778
Total Pension Expense	<u>(1,182)</u>	<u>3,862</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Post-Employment Benefits (continued)

b) *Defined Benefit Pension*

The actuarial position is as follows:

	31 December 2021	31 December 2020	31 December 2019	31 December 2018
	\$000	\$000	\$000	\$000
Net Present Value of Funded Obligation	(15,012)	(16,360)	(12,292)	(9,882)
Fair Value of Plan Assets	15,344	13,876	12,235	10,095
Funded Status	332	(2,484)	(57)	213
Net Asset/(Liability)	332	(2,484)	(57)	213

	31 December 2021	31 December 2020
	\$000	\$000
Components of defined benefit pension cost		
Current service cost	469	365
Interest expense on DBO	360	387
Interest income on plan assets	(308)	(389)
Defined benefit cost included in P&L	521	363
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	39	(348)
Effect of changes in financial assumptions	(1,052)	3,076
Effect of experience adjustments	(645)	523
(Return) on plan assets (excluding interest income)	(1,479)	(1,473)
Total remeasurements included in OCI	(3,137)	1,778
Total defined benefit cost recognised in P&L and OCI	(2,616)	2,141
Employer Contributions	(200)	(123)
Asset re-allocations true up	-	409
Total net defined benefit cost recognised in P&L and OCI	(2,816)	2,427

	31 December 2020	31 December 2019
	\$000	\$000
Reconciliation of defined benefit pension liability		
Previous year net defined benefit liability	2,484	57
Defined benefit cost included in P&L	521	363
Total remeasurement included in OCI	(3,137)	1,778
Employer contributions	(200)	(123)
Net Transfer in (including the effect of any business combinations/divestures/transfers)	-	409
Net defined benefit (asset)/liability	(332)	2,484

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Post-Employment Benefits (continued)

Defined Benefit Pension (continued)

	31 December 2021	31 December 2020
Change in defined benefit pension obligation	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at end of prior year	16,360	12,292
Current service cost	469	365
Interest expense	360	387
Transfers between Other Participating employers	(373)	-
Benefit payments from plan asset	(231)	(23)
Plan participant contributions	85	88
Remeasurements:-		
Effect of changes of demographic assumptions	39	(348)
Effect of changes of financial assumptions	(1,052)	3,076
Effect of experience adjustments	(645)	523
Defined benefit obligation at end of year	<u>15,012</u>	<u>16,360</u>

	31 December 2021	31 December 2020
Change in fair value of plan assets	<u>\$000</u>	<u>\$000</u>
Fair value of plan assets as at end of prior year	13,876	12,235
Interest income	308	389
Employer contributions	200	123
Plan participant contributions	85	88
Transfers between Other Participating employers	(373)	-
Benefit payments from plan assets	(231)	(23)
Other significant events:-		
Increase/(Decrease) due to effect of any business combinations/ divestitures/transfers	-	(409)
Remeasurements:-		
Return on assets (excluding interest income)	1,479	1,473
Fair value of plan assets at end of year	<u>15,344</u>	<u>13,876</u>

Composition of Plan Assets

The composition of the total plan assets managed by the PSPB, as at 31 December 2021 and 31 December 2020, was as follows: -

	31 December 2021	31 December 2020
	%	%
Global equity securities	82	82
Debt securities	17	18
Cash	1	-
Total	<u>100</u>	<u>100</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

Post-Employment Benefits (continued)

Defined Benefit Pension (continued)

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
	%	%
Effective discount rate for defined benefit obligation	2.90	2.60
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 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
	%	%
Weighted-average assumptions to determine defined benefit cost:		
Effective discount rate for defined benefit obligation	2.60	3.50
Effective rate for net interest cost	2.20	3.15
Effective discount rate for service cost	2.70	3.60
Effective rate for interest on service cost	2.50	3.40
Rate of salary increase	2.50	2.50
Price inflation rate	2.00	2.00
Rate of pension increases	2.00	2.00

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 2021	31 December 2020
	\$000	\$000

Sensitivity analysis on defined benefit pension obligation

Discount rate		
Discount rate - 25 basis points	15,882	17,374
Discount rate + 25 basis points	14,205	15,421
Inflation rate		
Inflation rate - 25 basis points	14,308	15,522
Inflation rate + 25 basis points	15,763	17,257
Mortality rates		
Mortality - 10% of current rates	15,414	16,840
Mortality + 10% of current rates	14,650	15,928

Expected cash flows for following year

Expected employer contributions	156	168
Participant contributions	81	88

Defined benefit obligation by participant status

Actives	11,303	12,229
Vested deferreds	3,709	4,131
Total	15,012	16,360

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021

Post-Employment Benefits (continued)

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 \$10,398k at the end of the financial year 31 December 2021 (31 December 2020: \$11,293k).

	31 December 2021	31 December 2020
Change in defined benefit healthcare obligation	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at end of prior year	11,293	10,102
Current service cost	651	637
Interest expense	271	338
Cashflows - Benefits from employer	(13)	(12)
Remeasurements:-		
Effect of changes of demographic assumptions	9	(2,145)
Effect of changes of financial assumptions	(1,829)	2,359
Effect of experience adjustments	<u>16</u>	<u>14</u>
Defined benefit obligation at end of year	<u>10,398</u>	<u>11,293</u>

AUDITED FINANCIAL STATEMENTS

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

Post-Employment Benefits (continued)

Defined Benefit Healthcare (continued)

	31 December 2021	31 December 2020
Components of defined benefit healthcare cost	<u>\$000</u>	<u>\$000</u>
Current service cost	651	637
Interest expense on DBO	271	338
Interest income on plan assets	-	-
Defined benefit cost included in P&L	<u>922</u>	<u>975</u>
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	9	(2,145)
Effect of changes in financial assumptions	(1,829)	2,359
Effect of experience adjustments	16	14
Total remeasurements included in OCI	<u>(1,804)</u>	<u>228</u>
Total defined benefit cost recognised in P&L and OCI	<u>(882)</u>	<u>1,203</u>

	31 December 2021	31 December 2020
Reconciliation of defined benefit healthcare liability	<u>\$000</u>	<u>\$000</u>
Net defined benefit liability	11,293	10,102
Defined benefit cost included in P&L	922	975
Total remeasurement included in OCI	(1,804)	228
Cash Flows - Employer direct benefit payments	(13)	(12)
Net defined benefit liability	<u>10,398</u>	<u>11,293</u>

Define benefit obligation by participant status

Actives	8,780	9,630
Retirees	1,618	1,663
Defined benefit obligation total	<u>10,398</u>	<u>11,293</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Post-Employment Benefits (continued)

Defined Benefit Healthcare (continued)

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021 %	31 December 2020 %
Weighted-average assumptions to determine defined benefit obligation		
Effective discount Rate for defined benefit obligation	2.95	2.70
Healthcare cost trend rates		
Immediate trend rates	5.33	5.00
Ultimate trend rate	4.00	5.00
Weighted-average assumptions to determine defined benefit cost		
Effective Discount Rate for defined benefit obligation	2.70	3.60
Effective rate for net interest cost	2.40	3.35
Effective discount rate for service cost	2.75	3.70
Effective rate for interest on service cost	2.75	3.65
Healthcare cost trend rates		
Immediate trend rates	5.00	5.00
Ultimate trend rate	5.00	5.00
	31 December 2021 \$000	31 December 2020 \$000
Sensitivity analysis		
Change in defined benefit obligation		
Effective discount rates - 25 basis points	631	743
Effective discount rates + 25 basis points	(587)	(687)
Healthcare cost trend rates - 100 basis points	(2,155)	(2,441)
Healthcare cost trend rates + 100 basis points	2,835	3,248
Mortality assumption + 10%	(445)	(549)
Expected cash flows for following year		
Expected employer contributions	47	41
Expected total benefit payments		
Year 1	47	41
Year 2	57	49
Year 3	70	59
Year 4	86	72
Year 5	106	89
Next 5 years	960	821

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

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 rent of CI\$47k and annual 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 current cost per square foot of US\$47.736 for rent;
- iii. Office Accommodation Leases with Cricket Square Three Ltd. effective 1 September 2019 for ten (10) years at a current cost per square foot of US\$42.43 for rent; and
- iv. Storage Agreement with Rosseau Ltd at an annual rent of CI\$80.5k and annual CAMs of CI\$7k effective 1 June 2021.

Business Continuity Leases

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

- i. An agreement with the DRC (Cayman Islands) Limited for dedicated seats effective 1 July 2020 for a period of three year at an annual rent of US\$204k;
- ii. An agreement with the DRC (Cayman Islands) Limited for dedicated suite effective 1 September 2018 for a period of five years at an annual rent of US\$79.2k; and
- iii. An agreement with the Brac Informatics Centre effective 1 April 2019 at an annual rent of CI\$83k 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

	2021	2020
	\$000	\$000
Balance at 1 January	11,116	10,023
Additions	2,113	2,725
Depreciation charge for the year	(1,844)	(1,632)
Balance at 31 December	<u>11,385</u>	<u>11,116</u>

Lease liability

	2021	2020
	\$000	\$000
Balance at 1 January	11,298	10,086
Additions	2,113	2,725
Interest Expense	436	385
Lease payments	(2,130)	(1,898)
Balance at 31 December	<u>11,717</u>	<u>11,298</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Lease of premises (continued)

Lease liabilities at 31 December 2021 are payable as follows:

	Future minimum lease payments (undiscounted) \$000	Interest \$000	Present value of minimum lease payments \$000
Less than one year	2,181	(365)	1,816
Between one and two years	1,897	(309)	1,588
More than two years	9,246	(933)	8,313
	<u>13,324</u>	<u>(1,607)</u>	<u>11,717</u>

Amounts recognised in the Statement of Comprehensive Income

	2021 \$000	2020 \$000
Depreciation of right-of-use asset	1,844	1,632
Interest on lease liabilities	436	385
	<u>2,280</u>	<u>2,017</u>

The total cash outflows for leases in 2021 was \$2,130k (2020: \$1,898k).

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. As at 31 December 2021, the services provided to the Government was \$24,641k (31 December 2020: \$22,648k).

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 eight directors as at 31 December 2021 (six directors at 31 December 2020). The fees of \$159k (2020: \$160k) 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 23 in the current period (2020: 21) and salaries & other benefits expensed in 2021 was \$4,325k (2020: \$3,835k).

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2021

Related Party Transactions (continued)

d) Services Provided by Government Entities

The Authority obtained various goods and services from other departments/entities of the Cayman Islands Government, at prevailing market prices on an arm's length basis, in the current period in the amount of \$434k (2020: \$416k).

12. Other Operating Expenses

	31 December 2021	31 December 2020
	\$000	\$000
Other expenses	1,723	1,607
Maintenance and software licences	1,149	1,074
Currency Stock issues and related expenses	472	622
eMerchant Discounts	240	247
Directors Fees	159	160
Management and Custody Fees	78	81
Business Continuity	38	39
Total	<u>3,859</u>	<u>3,830</u>

13. Salaries and Benefits

	31 December 2021	31 December 2020
	\$000	\$000
Salaries and Allowances	23,985	20,729
Medical Expense	2,160	1,904
DB Healthcare Expense	922	976
	<u>27,067</u>	<u>23,609</u>
Remeasurement of DB Healthcare liability in OCI	(1,804)	228
	<u>25,263</u>	<u>23,837</u>

14. Accommodation

As of 31 December 2021, total accommodation expense including conference room and parking was \$175k (2020: \$162k).

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2021**

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 evaluation of the Authority's salary grade versus that of the public service is still ongoing. 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 seaport 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, there have been no significant impact on the financial, economic, and operational activities of the Authority as a result of this continuing health crisis at this time.

17. Subsequent events

In April 2022, the Authority signed a Heads of Terms for new office accommodations with Cricket Square Four Ltd.

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 2021 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures.

These include:

- Banks and Trust Companies Act (2021 Revision)
- Banks and Trust Companies (Licence Applications and Fees) Regulations (2021 Revision)
- Companies Act (2021 Revision)
- Companies Management Act (2021 Revision)
- Data Protection Act (2021 Revision)
- Freedom of Information Act (2021 Revision)
- Mutual Funds Act (2021 Revision)
- Private Funds Act (2021 Revision)
- Standards in Public Life Act (2021 Revision)
- Virtual Assets (Service Providers) Act, 2020 (Law 14 of 2020), Amended by amending Act, 2020 (Act 59 of 2020), Commencement Order, 2021 (SL 1 of 2021)
- Virtual Assets (Service Providers) (Savings and Transitional) Regulations, 2021 (SL 2 of 2021)

Freedom of Information

4 total FOI requests received and processed

0 granted full access

1 denied as information was publicly available

The remaining requests were excluded from release on the basis that the Freedom of Information Act excludes access to records containing information that may not be disclosed under Section 50 of the Monetary Authority Act. All requests were responded to within 30 days.

Complaints

As in the previous year, the majority of the complaints that the Authority received were against licensees and registrants.

There were 3 complaints directed against the Authority that were dealt with in 2021. One was a 2020 complaint that was brought forward and addressed and closed in January 2021 following the provision of a second response to the complainant. The second (informal) complaint from different private sector associations was also addressed in 2021, primarily by way of a face-to-face meeting. The third complaint was still pending as of the end of December 2021 but has since been addresses.

The complaints received against licensees and registrants were across several sectors, namely banking, investments (mutual funds), insurance and securities. The nature of such complaints ranged from lack of or untimely receipt of

information from the licensee or registrant, fund redemption issues, disagreement over balances or charges, and dissatisfaction with the ways account and or funds were being handled including possible misconduct or fraud.

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

3 complaints 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 46.

Future Objectives and Outlook

In line with our 2020 – 2023 Strategic Plan, CIMA continued to deliver on its four main strategic objectives. These are:

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

In line with these efforts, 14 associated strategic initiatives were identified. Of the 14 initiatives, the Board prioritised the implementation of eight, with the remaining items to be undertaken over the next two years. To ensure effective implementation of

each prioritised initiative, separate working groups were established. The work of each group will be monitored on a monthly, quarterly and annual basis.

Overall, the Cayman Islands’ financial sector remained stable throughout the year, which indicates a positive outlook in 2022.

Key Contacts

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