



ANNUAL REPORT 2022

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MESSAGE FROM BOARD OF DIRECTORS CHAIR

Over the past year, the Cayman Islands Monetary Authority (“CIMA” or “the Authority”) has made significant progress towards increasing the effectiveness of our regulatory regime, with the Cayman Islands financial services industry keeping pace with international and commercial standards. This was validated by the successful re-rating on our technical compliance by the Financial Action Task Force (FATF), resulting in the jurisdiction being considered as largely compliant or compliant with all 40 of FATF’s Recommendations. Much of this success was due to the work of CIMA and the Board of Directors moving parallel to the organisation.

Throughout the year, the Board stayed true to its commitment to provide oversight with regards to the implementation of CIMA’s strategic objectives, most of which related to internal operational efficiencies and improved work-life balance options for all staff, making CIMA an employer of choice.

In this regard, the Board approved several new policies to offer flexible yet sustainable employee benefit programmes. These included enhanced maternity and paternity leave advantages, a compressed work week, an extended paid sabbatical leave programme for approved senior management, work from home arrangements along with increased personal and mental health days.

CIMA also continued to enhance its risk management framework through the development of a risk appetite statement, which will aid in making decisions from a risk-based approach, while addressing various key components to mitigate threats. Additionally, this initiative gives the Board a clear sightline into the evolving risk levels of each sector, including CIMA’s own internal controls, adding to the fresh perspectives that have served us well in the past.

Taking into consideration its regulatory response to the ever-changing business environment and the emerging technological trends, CIMA focused on maintaining a steady progress of addressing automation needs with a plan to further improve resources in 2023.



With a philosophy to remain responsive and accessible, the Board has always valued the open and regular dialogue CIMA has maintained with industry. In 2022, the Board prioritised the need to redevelop effective engagement strategies between CIMA and industry stakeholders, as emerging trends continued to affect the traditional regulatory landscape. We are, therefore, proud to report the completion of CIMA’s first-ever stakeholder engagement framework and accompanying guidance manual, which sets the tone for fostering a sound communication culture.

As CIMA observes its 25th anniversary, these achievements are a prominent reminder that CIMA is poised to build on its efforts to ensure that the Cayman Islands maintains its world status as a flexible and innovative leader of the financial services industry. As part of my final year as Board Chair, I applaud and congratulate the management and staff of CIMA for their continued diligent efforts in strengthening the supervision of the financial services industry for the past 25 years.

MESSAGE FROM BOARD OF DIRECTORS CHAIR

During the year, as part of the Board's remit, a number of regulatory measures were amended and approved, which assisted with strengthening the supervision of the financial services industry.

Special thanks to my fellow Board members for your support and the opportunity to serve as Chair for the past two years. I wish you every success in the future and trust that the Board will continue to carry out its responsibilities to the highest standard. To the Cayman Islands Government and all other industry stakeholders, thank you for your commitment and valuable expertise over the course of another challenging year.

I look forward to the Authority going from strength to strength and remain confident of its contribution towards a common vision of being a globally respected financial services centre of excellence.

Patricia Estwick

STATEMENT BY MANAGING DIRECTOR



The year 2022 was an important milestone for CIMA, as it celebrated its 25th anniversary. Our performance this year was not only a reflection of our progress in one year, but also of the achievements made over the past two and a half decades. Notwithstanding the challenges, CIMA remained resilient throughout the year and continued our efforts towards assiduously meeting the anti-money laundering and combating the financing of terrorism (“AML/CFT”) requirements, while enhancing our financial services as a prominent industry and economic driver for our islands.

As part of these developments, CIMA observed further refinements to the regulatory landscape with revisions to rules, statements of guidance among various policies and legislative amendments. Some of these included the implementation of disclosure requirements for regulated banks. This work originally began in 2020 but was broadened based on continued extensive consultation with the banking sector. These

measures will seek to provide guidance to applicable banks about key areas including external attestation, applicability of Liquidity Coverage Ratio and Net Stable Funding Ratio, liquidity disclosures and the deadlines for regulatory filings.

The rule and regulatory procedure for the cancellation of funds were also amended to expand the scope of applicability for termination requirements to both mutual and private funds and to improve the efficiencies for termination by clarifying the requirements and timelines for such applications.

During the year, CIMA created a rigorous procedure to assess virtual asset service providers (“VASP”) applicants against their AML/CFT and cyber security policies and procedures, as well as conduct fitness and propriety checks and review intelligence and public information.

Another area of focus was the integration of a blockchain analytics software to support the supervisory process for VASPs. This tool allows the Authority to enhance our understanding of VASPs’ risk profiles, monitor transaction history and any current news, irrespective of trade names, transaction volumes, regulated status and global operations across several jurisdictions.

With emerging risks and trends, and the introduction of new products and services, risk assessments across various sectors also continued, which resulted in a total of 1,103 assessments completed in 2022, compared to 929 in the previous year.

The Authority also conducted 88 AML/CFT inspections for licensees or registered persons in the insurance, investments, fiduciary, securities and banking sectors. Through these channels, we have seen a strong response from industry, with levels of compliance improving in most sectors, and increasing levels of resource being applied by financial institutions to AML/CFT risk mitigation.

STATEMENT BY MANAGING DIRECTOR

In light of the ever-changing business environment, the Cayman Islands continues to be home to a thriving financial services industry. Licensing and registration trends across most sectors indicated no major changes throughout the year. One exception is the funds industry.

As of December 2022, there were 28,849 regulated funds, compared to 27,398 the previous year. This increase included a growth in the number of both regulated mutual and private funds since the enforcement of the Private Funds Act. Although the effects of the Ukraine war and negative global conditions have slowed the demand for new fund launches, the numbers have remained consistent during the past two years.

At the end of 2022, there were 47 active securities investment business licensees and 1,654 Registered Persons, compared to the 48 licensees and 1,692 Registered Persons in 2021.

With the increased risk of illicit cybercrimes worldwide, the virtual asset space also experienced rapid changes over the past year, which requires CIMA to increase monitoring of these vehicles. During the year, 43 VASP applications were received, 18 of which were confirmed as registered entities, compared to 35 applications received and 5 approved entities in 2021.

The banking sector experienced a minimal decline in licensed banks over the last five years with 94 licensed banks as of December 2022, compared to 102 in 2021. Overall, there was no significant concern expected in the short-term and medium-term due to the sector's strong capital base and no material changes in the composition of services offered by domestic retail banks.

Reports for the fiduciary services sector showed that there was a 1% decrease in trusts and company management licensed entities, which stood at 280, compared to 284 in the previous year.

With approximately 669 insurance licensees, the Cayman Islands' insurance industry continues to be resilient and remains the world's leading domicile for healthcare captives and the second largest for captives broadly. The international insurance industry continues to be resilient, with a steady number of new licenses added to the market.

A topic of interest to the Authority is 'cybersecurity' and as such in 2022, the Authority undertook a thematic cybersecurity review for Class B banks, securities investment business licensees or registrants and Class A insurers. An industry circular letter will be issued soon to highlight the main observations noted during the review as well as entailing industry best practices in this area.

Overall, the Cayman Islands' financial sector remained stable throughout the year, which indicates a positive outlook in 2023.

Rounding out these developments, the Cayman Islands continue to make progress with our AML/CFT measures and adherence to international standards. These evolving standards remained a major focus for the jurisdiction, and since the last follow up assessment, I am pleased to report continued improvement towards meeting economic substance and enhancing our supervisory framework to comply with the Financial Action Task Force ("FATF") recommendations.

In February 2021, the FATF determined that the Cayman Islands had made sufficient progress on 60 of the 63 Recommended Actions outlined in the 2017 Mutual Evaluation Report. Of the remaining 3, FATF confirmed that progress had been partly made, with follow up actions required for sanctions, enforcement and prosecutions.

Through active engagement with FATF, and by latest October 2022, the jurisdiction successfully demonstrated tangible progress with two of these follow up actions, specifically the application of

STATEMENT BY MANAGING DIRECTOR

sanctions and administrative fines to ensure that breaches are effectively remediated.

With work already underway, the jurisdiction is hopeful that the remaining follow up action, investigations and prosecutions for money laundering, will be satisfied and that the Cayman Islands will be removed from FATF's Grey List in the near future.

Regardless of this timeline, and what may occur, it is important to emphasise that CIMA, and the Cayman Islands as a whole, has built an AML/CFT compliance framework to last, robust enough to be scrutinised by future evaluations by international standard setters and agile enough to adapt to changing risks. This legacy will hopefully ensure that the right kind of business continues to flourish in Cayman for generations to come.

As we celebrate our 25th anniversary, I wish to compliment the management and staff for the hard work and dedication exhibited throughout the year. The Authority stands proud to play key role in the country's financial sector, CIMA remains committed to its robust and balanced regulation of financial services, while promoting the Cayman Islands as an international financial centre of choice.

Cindy Scotland

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

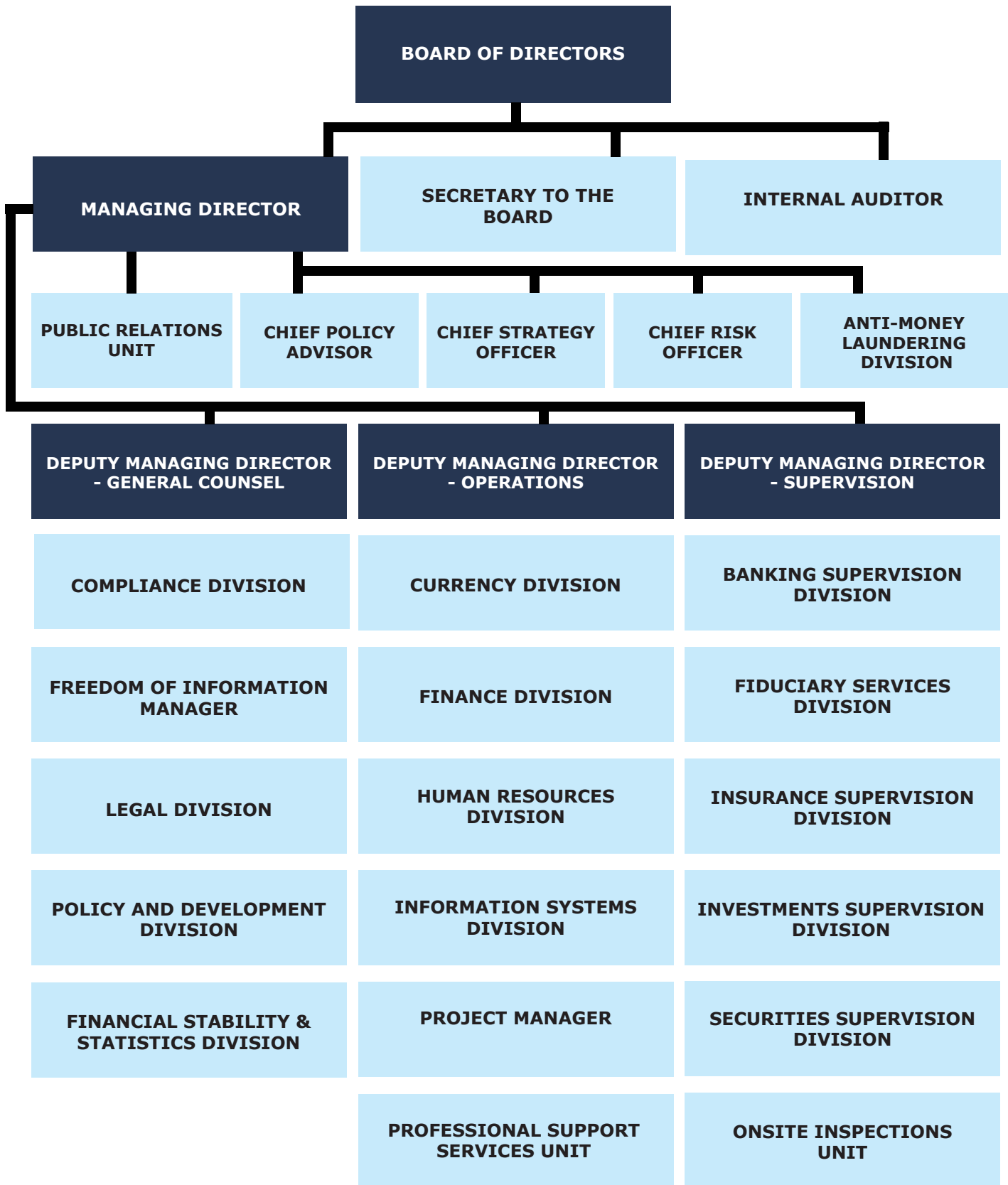
Regulatory

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



Managing Director
Cindy Scotland



Director
Judith Watler



Director
Ormond A. Williams



Director
Ian Wight



Director
Johann Moxam



Director (Non-voting)
Dr. Dax Basdeo

The appointment term for Garth MacDonald and Henry Smith (not pictured above) ended on 29 March 2022.

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Managing Director
Cindy Scotland



Deputy Managing Director - Operations
Patrick Bodden



Deputy Managing Director - Supervision
Anna McLean



Acting Deputy Managing Director - General Counsel
Angelina Partridge



Deputy Head, Investments
Gaone Dube



Head, Securities
Heeraman Jowaheer



Deputy Head, Securities
Jessica Ebanks



Head, Fiduciary Services
Rohan Bromfield



Deputy Head, Fiduciary Services
Leticia Frederick



Deputy Head, Fiduciary Services
Reisan Moiten



Head, Banking
Gloria Glidden



Deputy Head, Banking
Paul Onsakia

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



**Deputy Head,
Banking**
Shakira Cox



**Deputy Head,
Banking**
Abubakar Nyanzi



**Head,
AML/CFT**
Sarah Wheeler



**Deputy Head,
AML/CFT**
Jennifer Smith



**Deputy Head,
AML/CFT**
Megan Powell



**Deputy Head,
Insurance**
Kara Ebanks



**Deputy Head,
Insurance**
George Kamau



**Reinsurance
Specialist**
Peter Fox



**Acting Deputy
General Counsel**
Helen Speigel



Senior Legal Counsel
Stephanie Adolphus



Senior Legal Counsel
Jodie Woodward



Senior Legal Counsel
James Elliott

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Legal Counsel
Renee Caudeiron



Legal Counsel
Leroy Whorms, Jr.



Head, Compliance
Audrey Roe



Deputy Head, Compliance
Judiann Myles



Deputy Head, Compliance
Jennifer Hydes



Deputy Head, Compliance
Kara Owens



Head, Policy & Development
Rayford Britton



Deputy Head, Policy & Development
Paul McAllister



Head, Financial Stability & Statistics
Sebastian Goerlich



Chief Financial Officer
Gilda Moxam-Murray



Deputy Chief Financial Officer
Tammy Archer



Chief Human Resources Officer
Deborah Musson

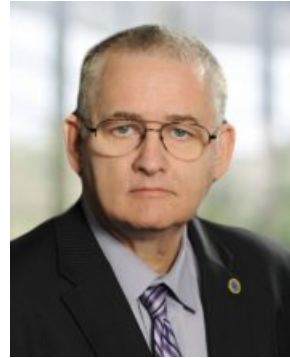
EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Deputy Chief Human Resources Officer
Eric Webster



Head, Information Systems
Charles Thompson



Deputy Head, Information Systems
Scott MacLaren



Head, Currency
Deborah Ebanks



Deputy Head, Currency
Dominique Lloyd



Chief Strategy Officer,
Prabhavathi Namburi



Head of Internal Audit
Deloris Gordon



Deputy Head of Internal Audit
Kioko Musaya



Public Relations Executive
Yvette Cacho



Chief Risk Officer
Janique Samson



Head of Professional Support Services
Tina Harris

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



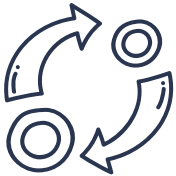
Local and International Representation

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.

25 YEAR TIMELINE

CIMA commenced operations with six divisions: Administration, Banking and Trust, Supervision, Investment Services, Policy and Research.

Monetary Authority Act Enacted.

1997

1998

Developed code of practice under the Process of Criminal Conduct Act.

Amendments to the Companies Act to permit segregated portfolio companies.

Issued 1997 commemorative numismatic coin.

Signed Cross-border Cooperation Memorandum with Brazil.

Proceeds of Criminal Conduct Law Enacted; Monetary Authority Law, Banks, and Trust Companies Act Amendments.

New divisions formed: Legal, Compliance, Fiduciary Services.

Recognised by OECD as a cooperative jurisdiction.

1999 - 2000

2001

Changes to Banks and Trust Companies Act related to "Fit and Proper" criteria for applicants and licensees and share transfers for licensees may be granted.

Introduced Securities Investment Business Act.

Cindy Scotland Appointed Managing Director.

Introduced Regulations to the Securities Investments Business Act.

2002 - 2003

2004

After Hurricane Ivan, CIMA back up and running on 20 September.

CIMA adopted new mission statement.

New banknotes issued.

CIMA Managing Director selected for International Honor: International Association of Business Leaders.

Queen's 80th Birthday collector coins released.

2005 - 2006

2007

Launched collectors coin set as part of 10th Anniversary.

Hosted regional Central Bank legal seminar.

Implemented new rules for retail funds.

Information exchange agreement implemented with Washington State.

2008

25 YEAR TIMELINE

Gained full IOSCO Membership.
 Established bilateral ties with Malta Financial Services Authority.
 Launch of Thomas Jefferson Memorial Scholarship.

2009

2010 - 2011

CIMA and US Federal Banking Regulators Reach Cooperation Agreement.
 Established Bilateral ties with Dubai Financial Services Authority.
 Reinforced commitment to International Cooperation with Turks and Caicos.

CIMA and United States Securities and Exchange Commission (US SEC) entered in a Memorandum of Understanding.
 Enforcement of Cayman Islands Insurance Law as amended.

2012

2013

Financial Stability Board confirmed Cayman as a jurisdiction with strong adherence to international standards.
 Signed Memorandum of Understanding with EU financial services regulators.
 Unveiled Second Queen's Jubilee commemorative coin.

Issued two coins as part of the Royal Mint's Commonwealth 25 coin collection.
 Signed gender equality pledge.
 Launched CI National Museum 25th Anniversary silver coin.

2014 - 2015

Announced commemorative 10th Anniversary Heroes Day coin.

2016 - 2017

Signed Memorandum of Understanding with Gibraltar.
 CIMA and Abu Dhabi Global Market FRSA sign MOI on bilateral cooperation.
 Unveiling of CIMA 20th Anniversary coin.

Hosted IOSCO conference for securities regulators.
 Signed MOU with Insurance Commissioner Group.
 Hosted first Financial Services Student Mixer.

2018 - 2019

2020 - 2021

PFA, Virtual Asset Services Providers Act enacted.
 Amendment to the MFA.
 Cayman Islands becomes fully compliant with all 40 FATF Recommendations.

Joined NGFS.
 Became an approved ACCA employer.

2022

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

Since inception on 1 January 1997, CIMA has been regarded as a steadfast cornerstone that provides responsible oversight of the financial industry in the Cayman Islands.

Our renowned success is partly due to the teamwork approach we uphold each day, together with our strong support structure.

We also invest in our people by offering well-rounded personal and professional development opportunities through career advancement, training, and staff

recognition, while encouraging a family-oriented environment.

As part of the ethnic fabric that makes CIMA a unique place of employ, our staff complement is made up of over 21 nationalities across various regions: Caribbean, North America, Africa, United Kingdom, and India.

The year, we onboarded 36 new employees, all of whom contribute to protecting and enhancing the integrity of the Cayman Islands financial services industry.

Table 1: Number of staff across each division

Division/Office	Staff
Anti-Money Laundering	24
Banking	19
Internal Audit	2
Compliance	21
Currency	6
Fiduciary Services	17
Finance	9
Financial Stability	9
Human Resources	10
Information Systems	19
Insurance	24
Investments	41
Legal	10
Managing Director’s Office	11
Onsite Inspection	11
Policy & Development	11
Professional Support Services	4
Securities	11
Total	259

INDUSTRY OVERVIEW

Banking

The Banks and Trust Companies Act (2021 Revision) (the "BTCA"), 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. For the domestic market, Category A retail banks can provide services to retail and non-retail clients whereas Category A non-retail banks can provide services to resident clients not conducting business in the Cayman Islands. However, Category A Non-retail banks can also provide services to employees and other licensees. Both Category A retail and nonretail banks can provide services to international clients without restrictions. Category "A" banks can also offer principal office/authorised agent services to Category "B" banks that do not have a physical presence in the Cayman Islands. Category "B" licence permits international banking business with limited domestic activity. The holders of a Category "B" licence are primarily used as financial intermediaries to raise funds in the international market to provide capital for parent entities and for the financing of external/cross-border business on their own account in the international market.

Licensing Activity

Banks continually consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance as a result of global macroeconomic changes and changes in international laws and regulations. Accordingly, we continue to see a decline in the number of banks licensed in the Cayman Islands over the last five years (Figure 2). However, there is also sustained interest in obtaining banking licences with one (1) new Category A licence issued during the year and one (1) Category B licence issued at the onset of 2023. The number of banking licensees supervised in the Cayman Islands decreased by 7% from 101 at December 2021 to 94 at December 2022.



101

Total banking licences



11

Category "A" Banks



83

Category "B" Banks



18

Nominee (Trust)



7

Trust (Controlled Subsidiaries)



4

Development Bank



37

Trust Company



2

Cooperative Credit Unions



5

Money Services Business



4

Building Society

INDUSTRY OVERVIEW

Figure 1: Region of origin of Cayman-licensed Category "A" and Category "B" banks, 2022

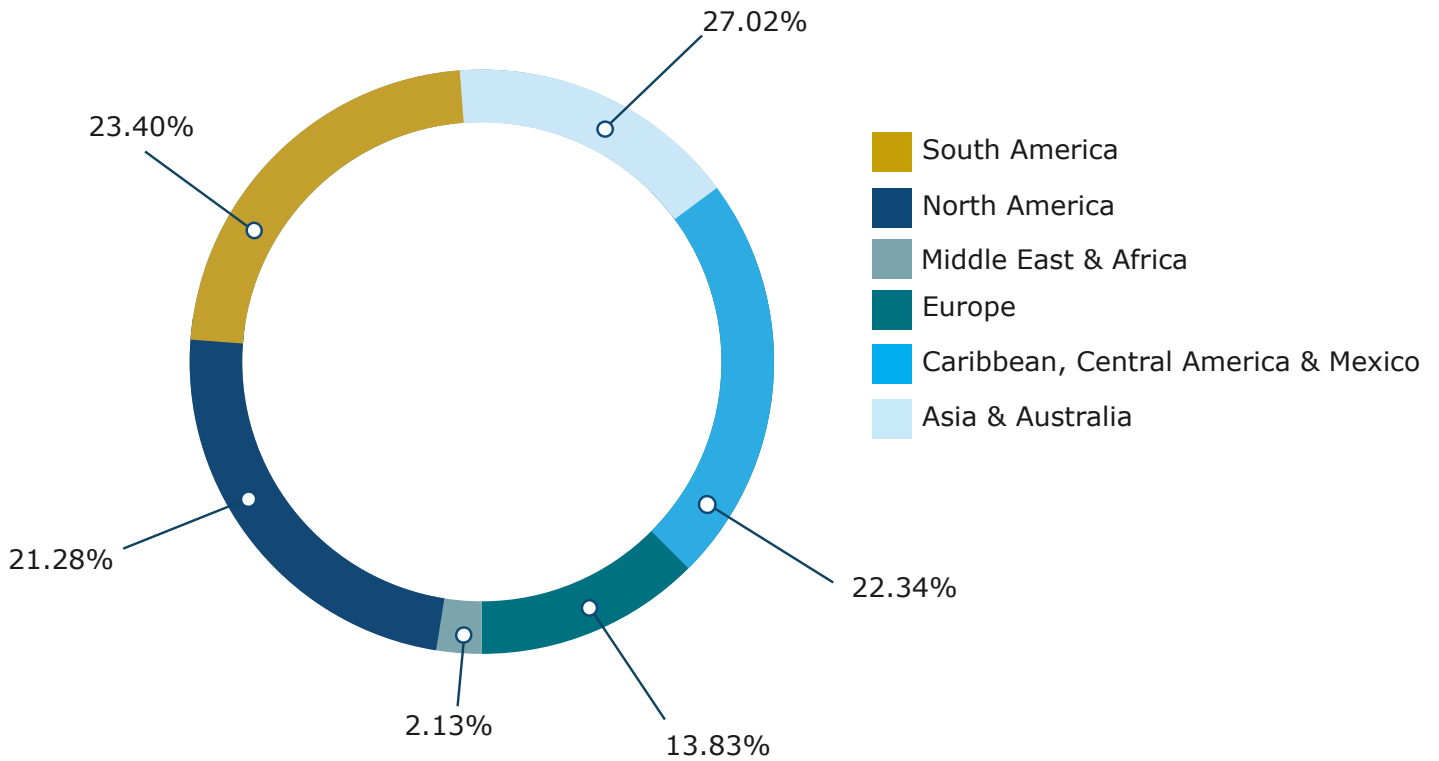
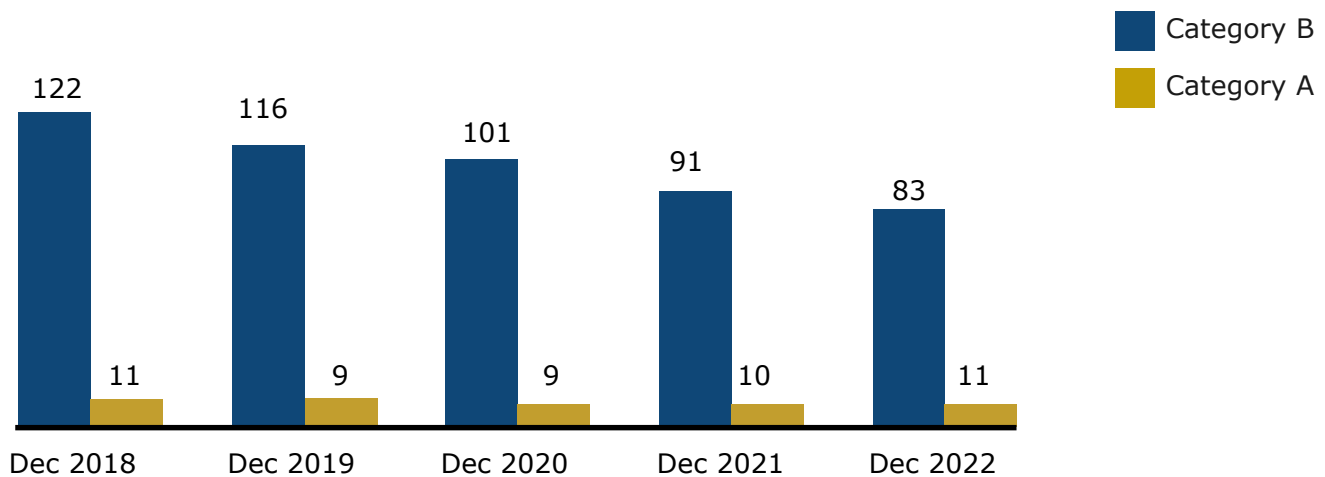


Figure 2: Number of bank licences by category, December 2018 – December 2022



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 Assets and Liabilities of Cayman Islands-licensed banks (measured in US\$ trillions)

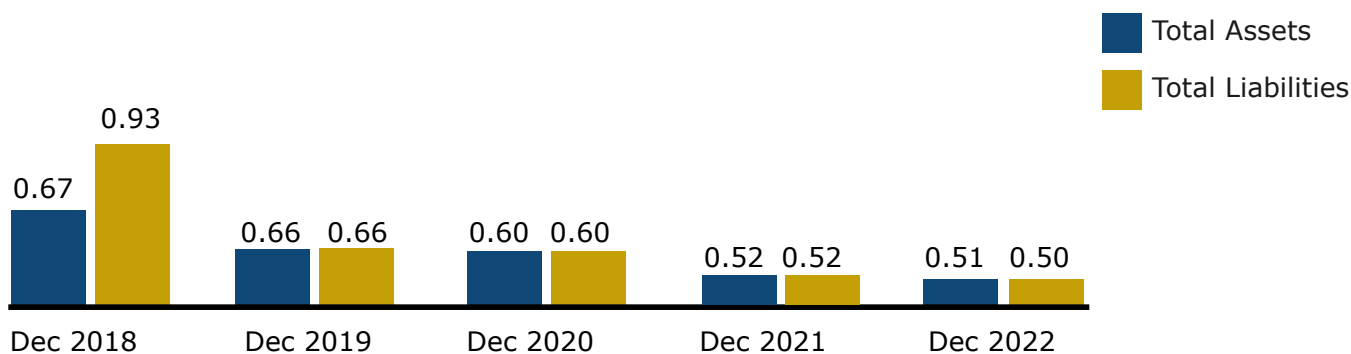
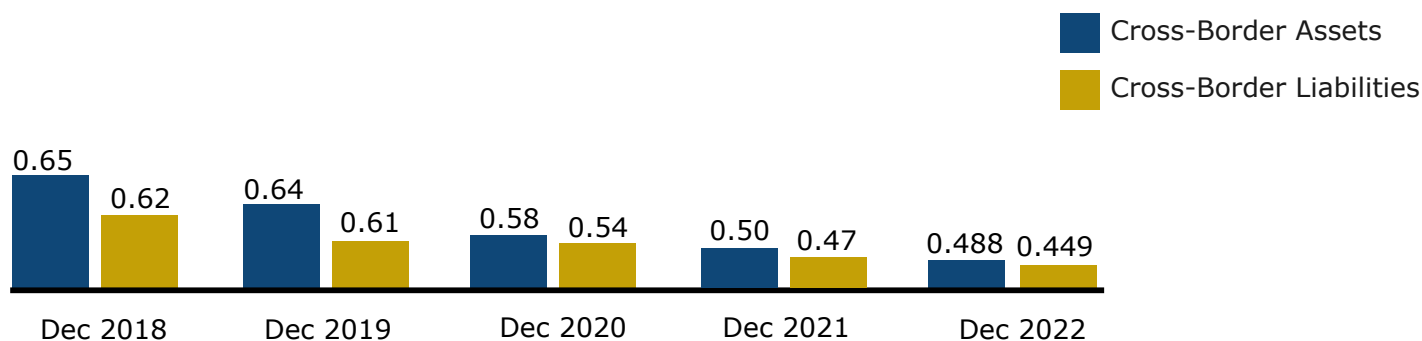


Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banks (measured in US\$ trillions)



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 2022, the jurisdiction ranked sixteenth internationally in terms of cross-border assets of US\$488 billion, and seventeenth internationally by cross-border liabilities of US\$449 billion booked by banks licensed in the Cayman Islands. Cross-border activity increased early in

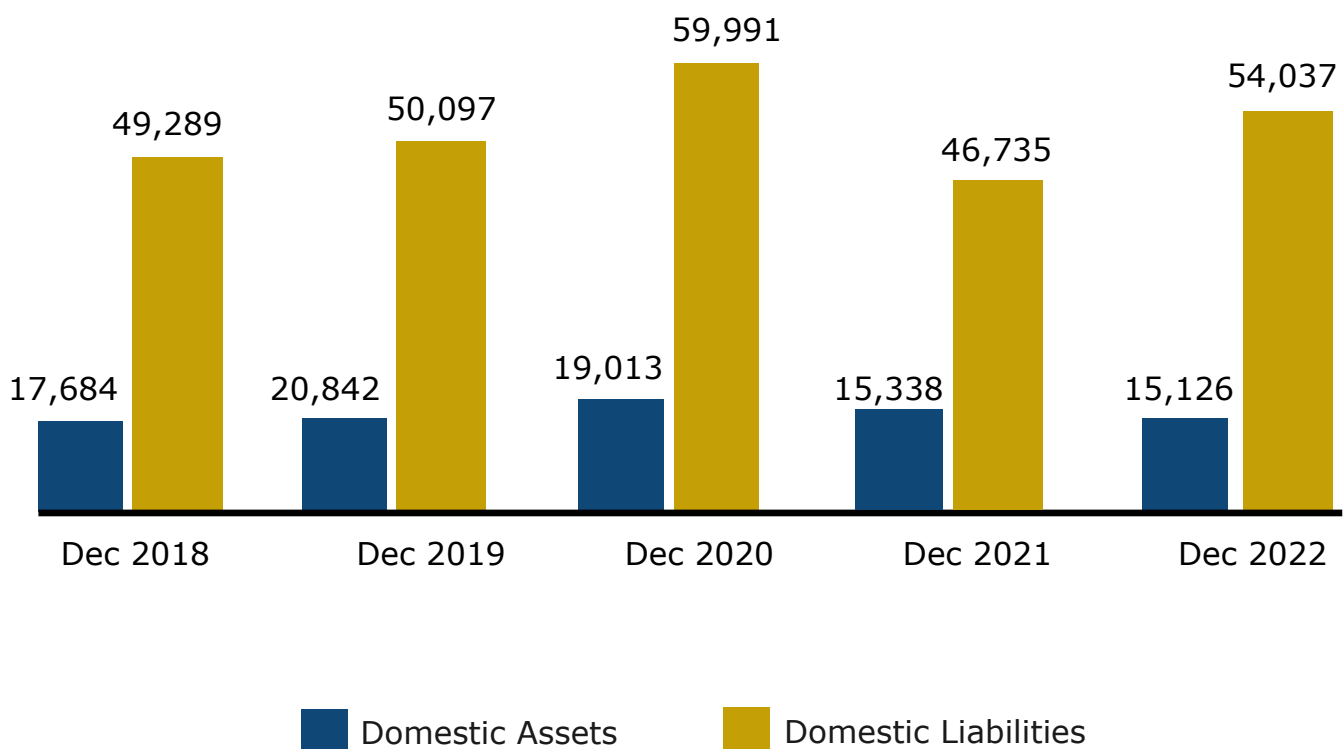
Domestic Assets and Liabilities in Foreign and Local Currency

The domestic assets and liabilities in foreign currency positions are largely interbank exposures with Cayman Islands licensed Category "B" banks and other financial intermediaries and intra-bank positions. Also included in these positions are Category "A" banks' lending to the resident domestic sector, which largely consists of residential

2022 and was partially offset by licence surrenders later in the year. Figure 4 provides a comparison of the level of cross-border assets and liabilities booked by banks licensed in the Cayman Islands from December 2018 to December 2022.

mortgages, commercial private sector lending and loans to other financial intermediaries, namely investment funds. Figure 5 illustrates the assets and liabilities in foreign currencies from December 2018 to December 2022.

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



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.

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

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.



Retail banks held assets of **US\$15.1** billion



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



Retail banks reported **US\$13.6** billion in deposits

Table 3: Financial Soundness Indicators

Indicator (%)	2018	2019	2020	2021	2022
Capital Adequacy					
Regulatory Capital to Risk-Weighted Assets	25.6	28.5	26.6	26.7	30.3
Regulatory Capital to Total Assets	13.1	13.3	11.6	12.0	14.6
Asset Quality					
Non-performing Loans to Total Gross Loans	1.8	1.5	1.6	1.8	1.8
Specific Provisions to Impaired Loans	44.9	47.5	40.1	40.5	43.1
Earnings and Profitability					
Return on Equity	13.7	16.8	5.2	11.1	13.4
Return on Assets	1.9	2.4	0.6	1.4	2.0
Interest margin to gross income	74.2	72.4	71.8	67.6	75.1
Non-interest expenses to gross income	71.6	62.5	297	106.4	78.8
Liquidity					
Liquid assets to total assets	32.4	31.0	34.8	28.6	32.9

INDUSTRY OVERVIEW

Capital Adequacy Ratios

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

Asset Quality

Nonperforming loans ("NPLs") as a percentage of total gross loans for the retail banking sector remained flat at 1.8% for the year ended December 2022. The overall loan book quality and provisioning levels continues to be fairly stable due to the Cayman Islands' strong economic environment and resilience of the sector.

Earnings and Profitability

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

Liquidity

The ratio of liquid assets to total assets for retail banks decreased to 28.2% as of December 2022 from 28.6% for the year ended December 2021 mainly due to a decrease in cash balances held with group related entities.

Effective 1 June 2019, 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 2022, the average LCR and NSFR for Category A retail banks were 136.00% and 185.50%, respectively signifying the resilience in the liquidity and funding profiles of the Retail Banks in the Cayman Islands.

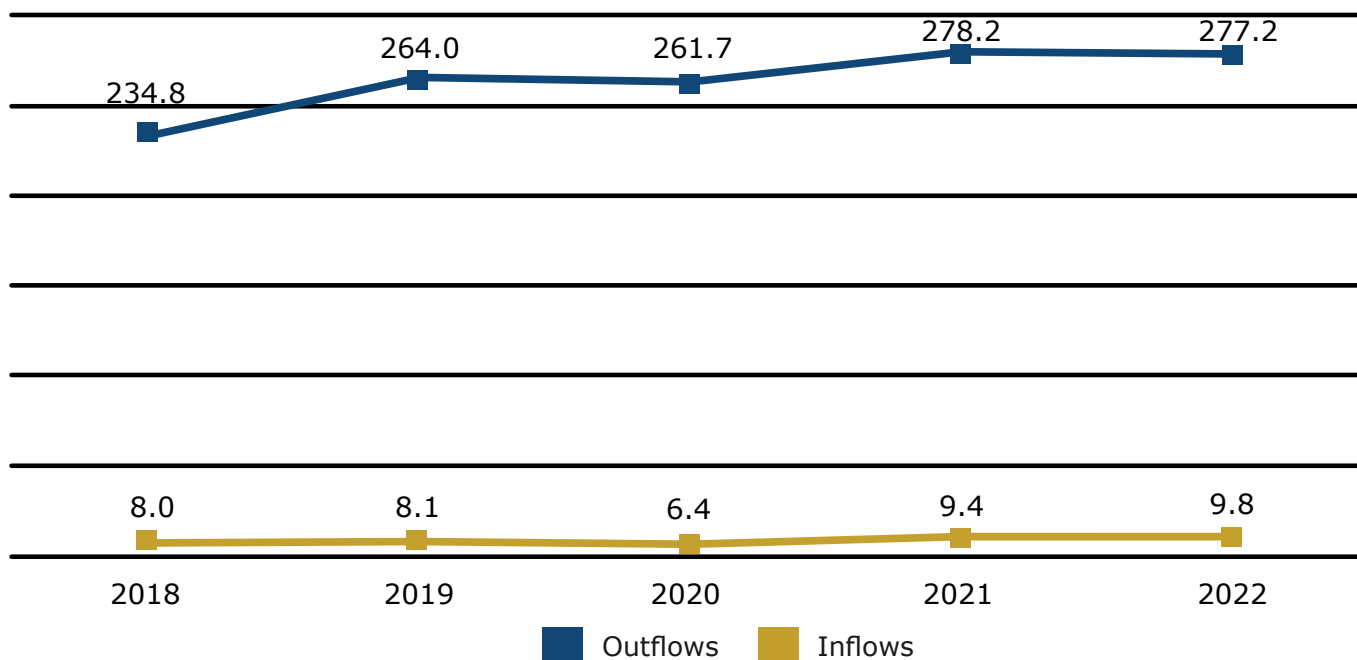
Money Services Businesses

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.”



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

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



Total remittance outflows posted a decrease relative to outflows for December 2021 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 COVID-19 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

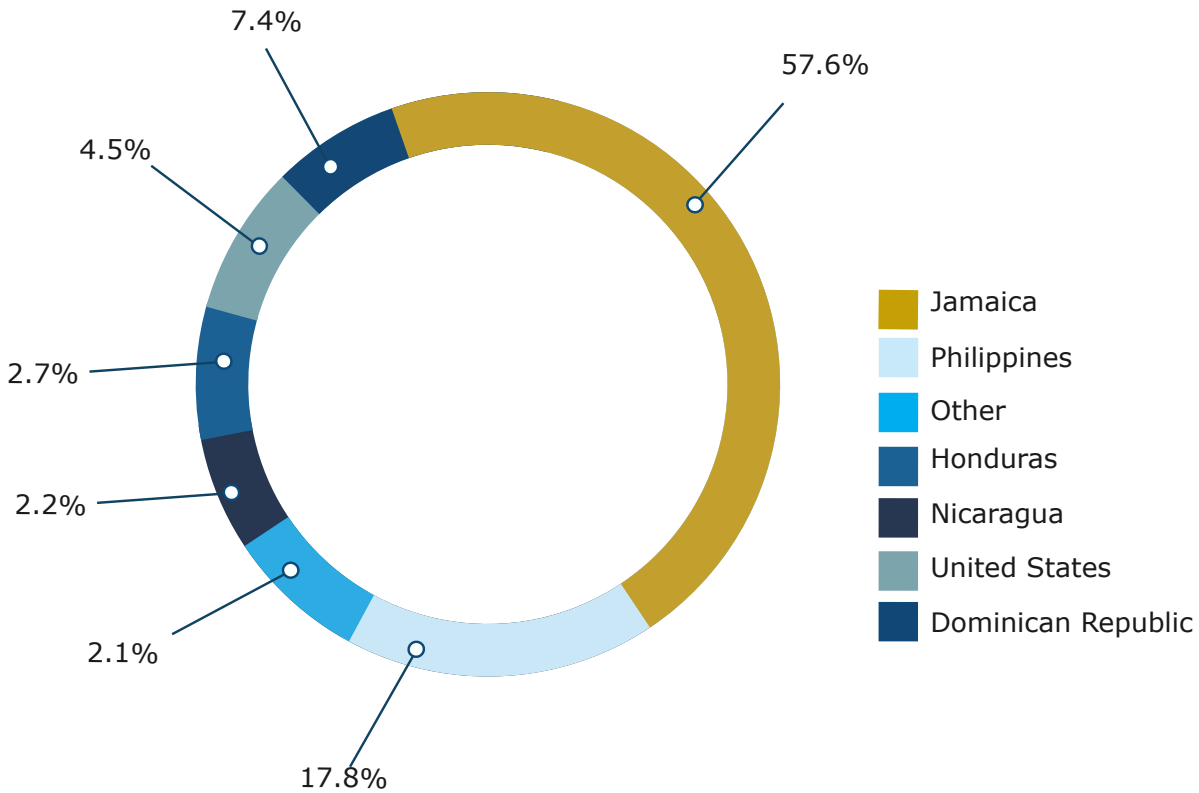
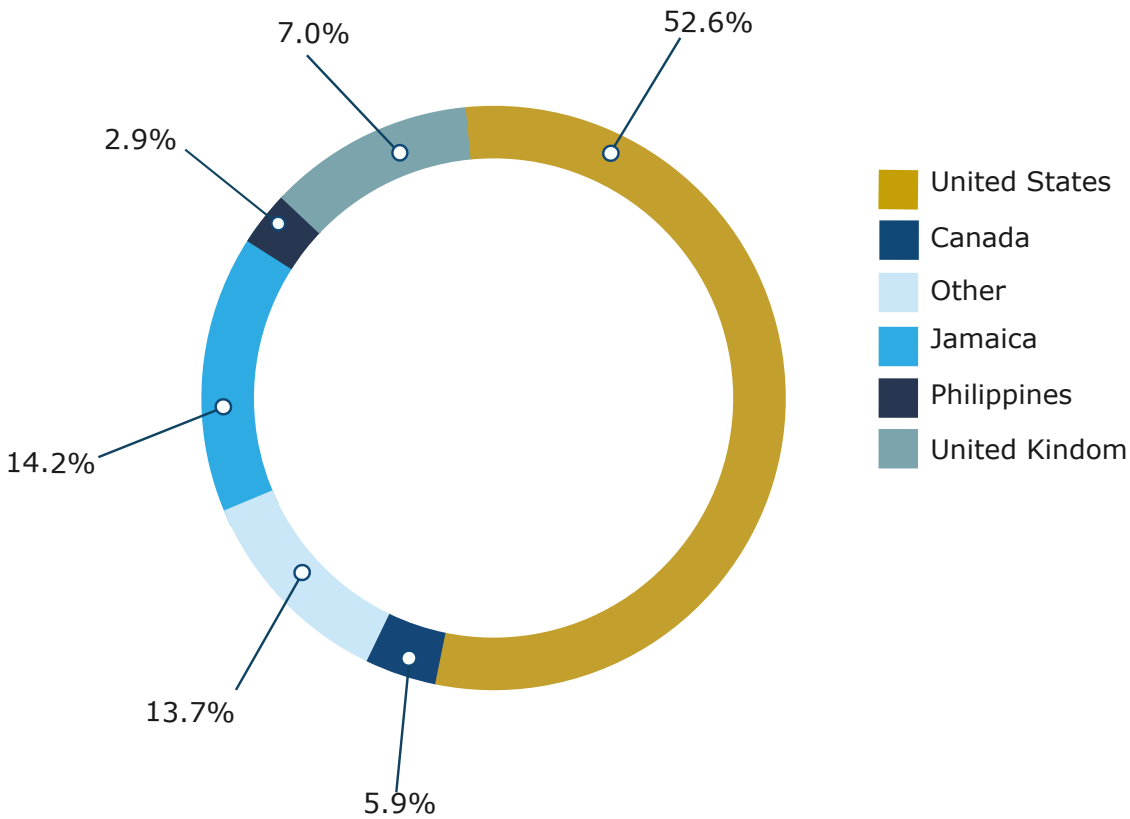


Figure 8: Proportion of total remittance inflows



INDUSTRY OVERVIEW

Trusts

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



389

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

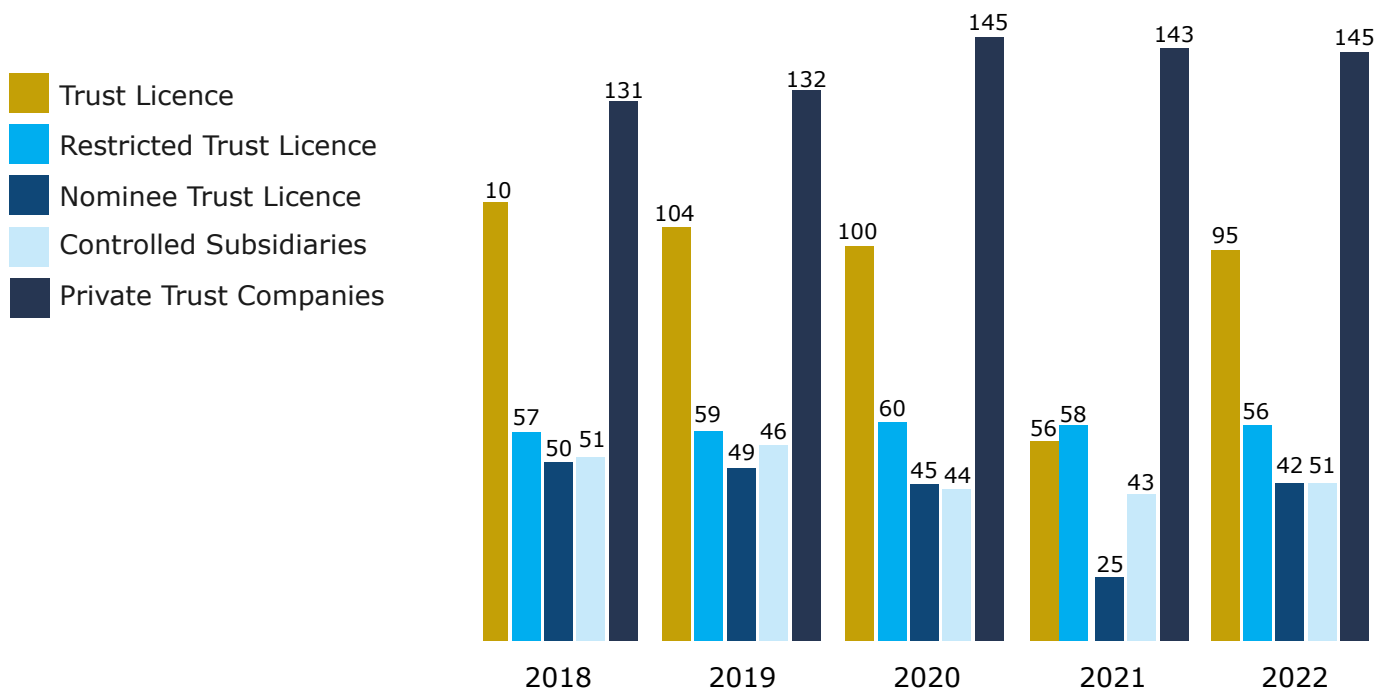
Controlled Subsidiary

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 or registration category



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.



142

Companies providing corporate services in and from the jurisdiction

Figure 10: Number of corporate service providers by licence category

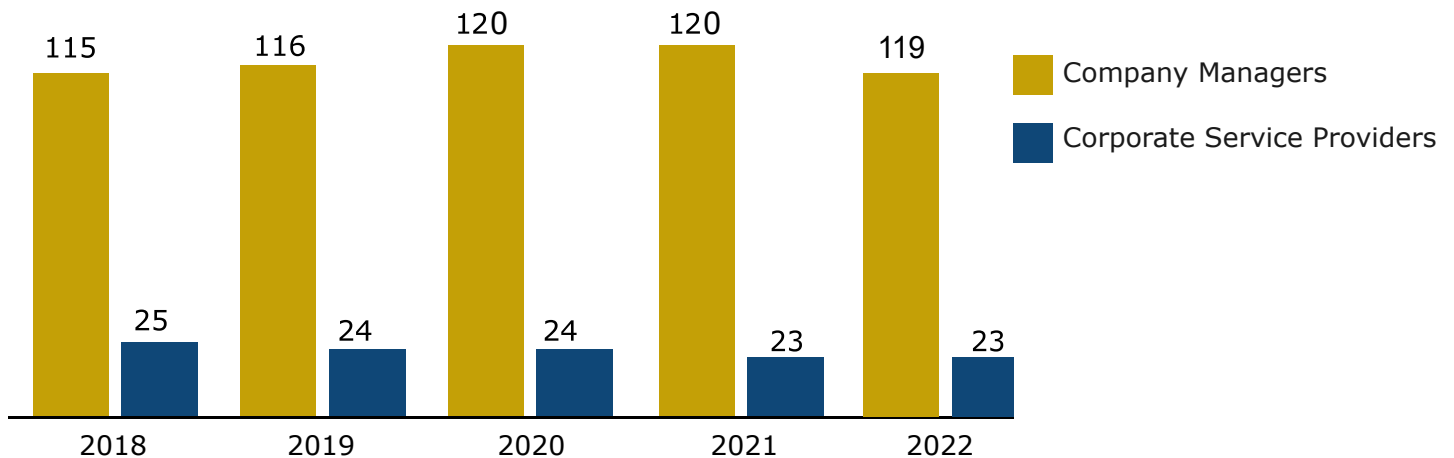


Table 4: Director authorisation activity under the Directors Registration and Licensing Act

Authorisation Type	Active as at 31 Dec 2019	Active as at 31 Dec 2020	Active as at 31 Dec 2021	Active as at 31 Dec 2022
Registration - Exemption from licensing	101	113	129	132
Licence - Professional Director	59	61	63	61
Licence - Corporate Director	22	24	18	17

Virtual Asset Service Providers

The Cayman Islands continues to be at the forefront of developing a robust regulatory framework for entities conducting virtual asset services.

The jurisdiction took a phased approach in implementing the regulatory framework for the supervision of VASPs. Phase one of the VASP Act came into effect on 31 October 2020. Under phase one of the VASP Act all entities engaged in, or that intend to engage in, virtual asset services are required to be registered with the Authority.

As at 31 December 2022, the Authority has registered 18 VASPs, with each registered provider offering various virtual asset services as defined under Section 2 of the VASP Act.

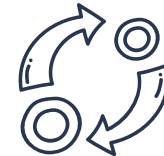
All virtual asset service providers are required to comply with other relevant regulations and guidance, including requirements under the AMLRs and the Guidance Notes (Amendment) (No. 1) February 2021 - Virtual Asset Service Providers. Further, the AMLRs were updated to reflect the commencement and full implementation of Part XA – Identification and record-keeping requirements relating to transfers of virtual assets, also known as the Travel Rule, which took effect on 1 July 2022.

The implementation of Phase two is expected to commence in 2023 which will involve the commencement of licensing framework for virtual asset trading platforms and virtual asset custodians, as well as the introduction of a sandbox regime.



18

Total registered VASPs



6

Trading exchanges and platforms



10

Custodian services



2

ICO and subsequent offerings



3

VC to VC/fiat conversions



7

Virtual asset dealers



3

Participating in financial services

Insurance

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

Domestic insurance segment, which provides insurance coverage to Cayman Islands residents and businesses through locally incorporated and licensed insurance companies or through foreign insurers licensed in the Cayman Islands as branch operations. The market also includes intermediaries who represent insurance companies in Agent/Agency capacity as well as Brokers representing consumers.

International insurance segment, which provides insurance coverage for foreign risks through insurance and reinsurance companies incorporated and licensed in the Cayman Islands but conducting business overseas. The international segment also provides intermediation through locally incorporated insurance brokers representing consumers who are located outside of the Cayman Islands.

The Authority grants four main classes of insurer licences to companies conducting insurance/reinsurance business in or from within the Cayman Islands, namely, Class 'A' licence for domestic insurers (this includes locally incorporated companies as well as foreign incorporated companies operating in Cayman Islands as branches), Class 'B' licence for international insurers (this includes captives providing self-insurance to affiliated entities as well as commercial entities conducting business with third parties), Class 'C' licence for international insurers whose obligations are fully collateralised through funding mechanisms such as issuance of ILS e.g. Catastrophe Bonds ("Cat Bonds"), and Class 'D' licence for large open-market commercial reinsurers conducting property and casualty business and/or long term business.

In addition to insurer licences, the Authority also grants licence to insurance managers who are incorporated and based in the Cayman Islands with the responsibility of providing key services to Class 'B' and 'C' insurers, including provision of place of business and maintenance of full books and records.



Number 1
domicile in
healthcare
captives
worldwide



2nd largest
jurisdiction for
captive insurance



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



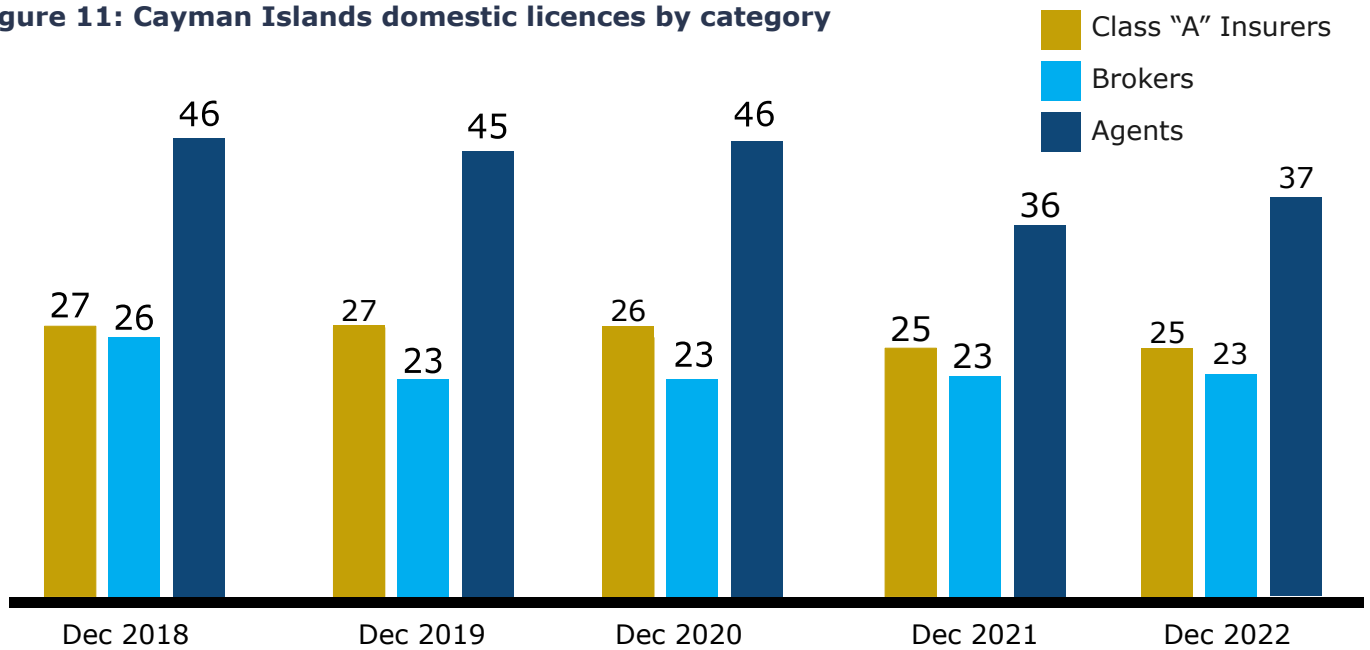
Domestic gross
premiums written
and assumed
reinsurance
premiums of
US\$909
million as at 31
Dec 2022

INDUSTRY OVERVIEW

Table 5: Insurance licensing activity

Licence Type	Total as at 31 Dec 2021	Cancelled 1 Jan - 31 Dec 2022	Issued 1 Jan - 31 Dec 2022	Total as at 31 Dec 2022
Class A	25	0	0	25
Class B, C, D	661	24	33	670
Insurance Managers	20	1	0	20
Brokers	23	0	0	23
Agents	36	0	1	37
Total	765	25	34	775

Figure 11: Cayman Islands domestic licences by category



INDUSTRY OVERVIEW

Figure 12: Coverage provided by domestic Class 'A' insurers, measured by Gross Written and Assumed Premiums, 2021

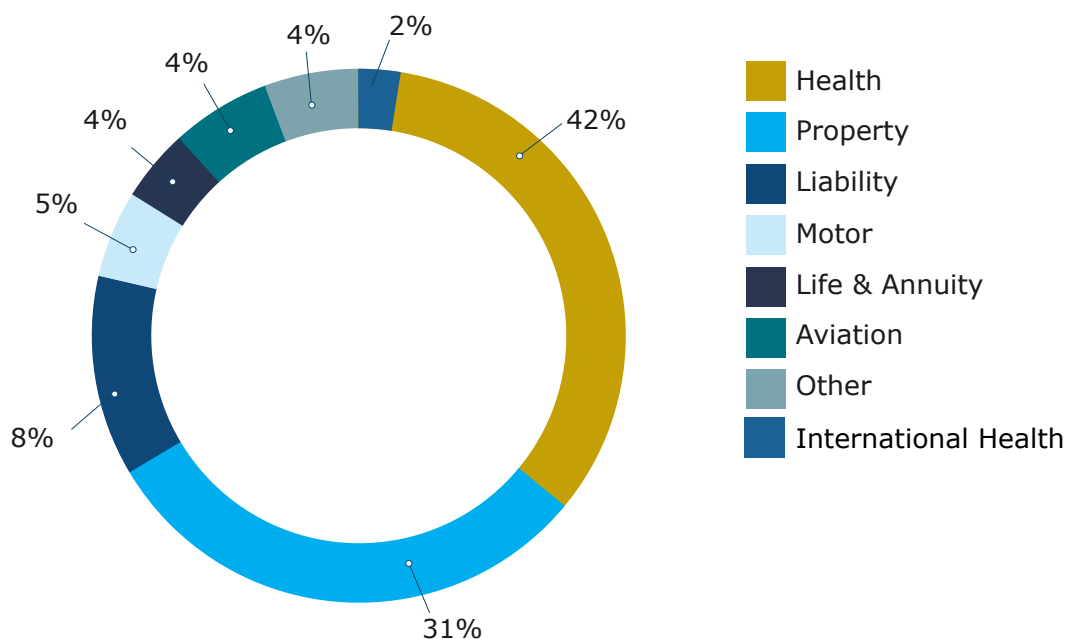


Table 6: Domestic insurance companies performance statistics by primary line of business per the last annual filing for the year-ended 31 December 2021

	Motor	Property	Liability	Marine & Aviation	Health	International Health	Other	Total Non-Life	Total Life & Annuity	Grand Total
Gross Written Premiums	\$47,965,907	\$284,404,546	\$71,570,328	\$34,715,300	\$378,399,981	\$16,973,580	\$40,680,063	\$874,709,705	\$34,208,589	\$908,918,294
Assumed Premiums	\$400,877	\$50,154,432	\$96,813,336	\$17,274,124	\$0	\$1,355,308	\$6,723,794	\$172,721,871	\$0	\$172,721,871
Reinsurance Ceded	\$21,420,659	\$238,729,352	\$7,796,968	\$1,527,150	29,089,446	\$0	\$1,422,444	\$299,986,019	\$4,121,209	\$304,107,228
Net Written Premium	\$26,946,125	\$95,829,626	\$160,586,696	\$50,462,274	\$349,310,535	\$18,328,888	\$45,981,413	\$747,445,557	\$30,087,380	\$777,532,937
Unearned Premium Adjustment	\$1,518,515	\$1,419,334	\$1,264,172	\$21,000	\$12,848	\$0	\$16,810	\$4,252,679	\$0	\$4,252,679
Net Earned Premiums	\$28,464,640	\$97,248,960	\$161,850,869	\$50,483,274	\$349,323,383	\$18,328,888	\$45,998,223	\$751,698,236	\$30,087,380	\$781,785,616
Commissions Received	\$7,359,511	\$38,147,130	\$2,391,021	\$0	\$853,652	\$0	\$121,027	\$48,872,341	\$30,645	\$48,902,986
Total Underwriting Income	\$35,824,151	\$135,396,090	\$164,241,889	\$50,483,274	\$350,177,035	\$18,328,888	\$46,119,250	\$800,570,577	\$30,118,025	\$830,688,602
Net Claims Paid	\$13,899,719	\$26,006,029	\$40,029,373	\$4,001,000	\$295,794,890	\$11,910,509	\$5,597,263	\$397,238,783	\$11,808,954	\$409,047,737
Movement in Claim Reserves	\$493,430	\$6,199,070	-\$10,697,037	\$2,466,000	\$11,697,237	\$76,637	\$443,189	\$10,678,526	\$5,012,384	\$15,690,910
Acquisition Costs	\$5,325,813	\$34,554,696	\$1,808,155	\$1,154,000	\$21,666,219	\$0	\$86,838	\$64,595,721	\$5,222,170	\$69,817,891
Other Underwriting Expenses	\$236,801	\$1,026,189	\$4,281,354	\$0	\$3,120,183	\$79,479	\$1,386,994	\$10,131,000	\$1,651,951	\$11,782,951
Total Underwriting Expenses	\$19,955,763	\$67,785,984	\$35,421,845	\$7,621,000	\$332,278,529	\$12,066,625	\$7,514,284	\$482,644,030	\$23,695,459	\$506,339,489
Underwriting Profit/Loss	\$15,868,388	\$67,610,106	\$128,820,044	\$42,862,274	\$17,898,506	\$6,262,263	\$38,604,966	\$317,926,547	\$6,422,566	\$324,349,113

INDUSTRY OVERVIEW

International Insurance Segment

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

Over the years, businesses have made extensive utilisation of captives as part of their overall risk management strategy, reducing the amount of premiums they pay to commercial insurers by retaining risk internally and self-insuring it through their captive insurance companies. Further, captives provide flexibility and additional coverage capacity to owners giving them a better platform to access and negotiate with the commercial (re)insurance markets.

With a mature and stable captives' industry, Cayman Islands is now attracting major commercial operators which has seen increased licensing of commercial insurance and reinsurance companies within the Class 'B(iii)' and 'D' licence categories. On overall basis, approximately 70% of the international insurance market in the Cayman Islands is made up of self-insurance vehicles (captives) while 30% is made up of commercial insurance and reinsurance companies. However, the landscape is fast changing with more and more commercial entities getting licensed by the Authority compared to self-insurance vehicles. On average, the Authority has over the past five years granted new licences to commercial insurance and reinsurance companies at a ratio of 55% compared to 45% to captives.



670

Cayman-based international insurance companies



33

New international insurers



152

Segregated portfolio companies



46

Portfolio insurance companies



US\$23

billion premiums; increased by 10.4% since 2022



US\$74.1

billion assets held; increased by 6.1% since 2022

INDUSTRY OVERVIEW

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

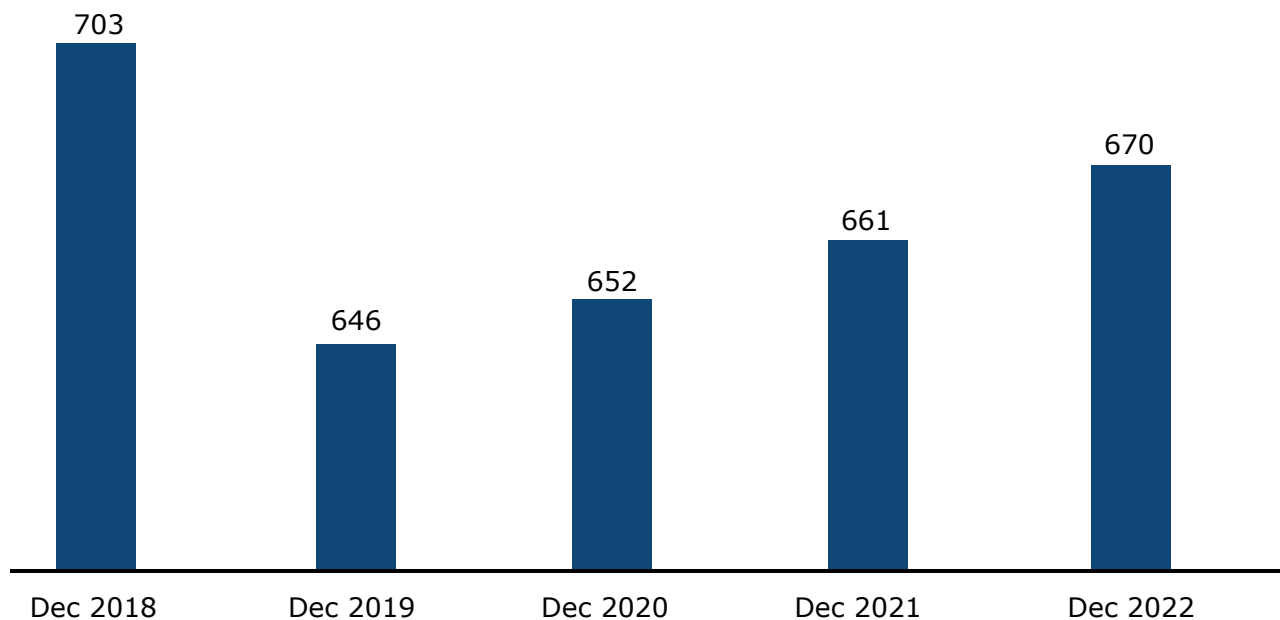
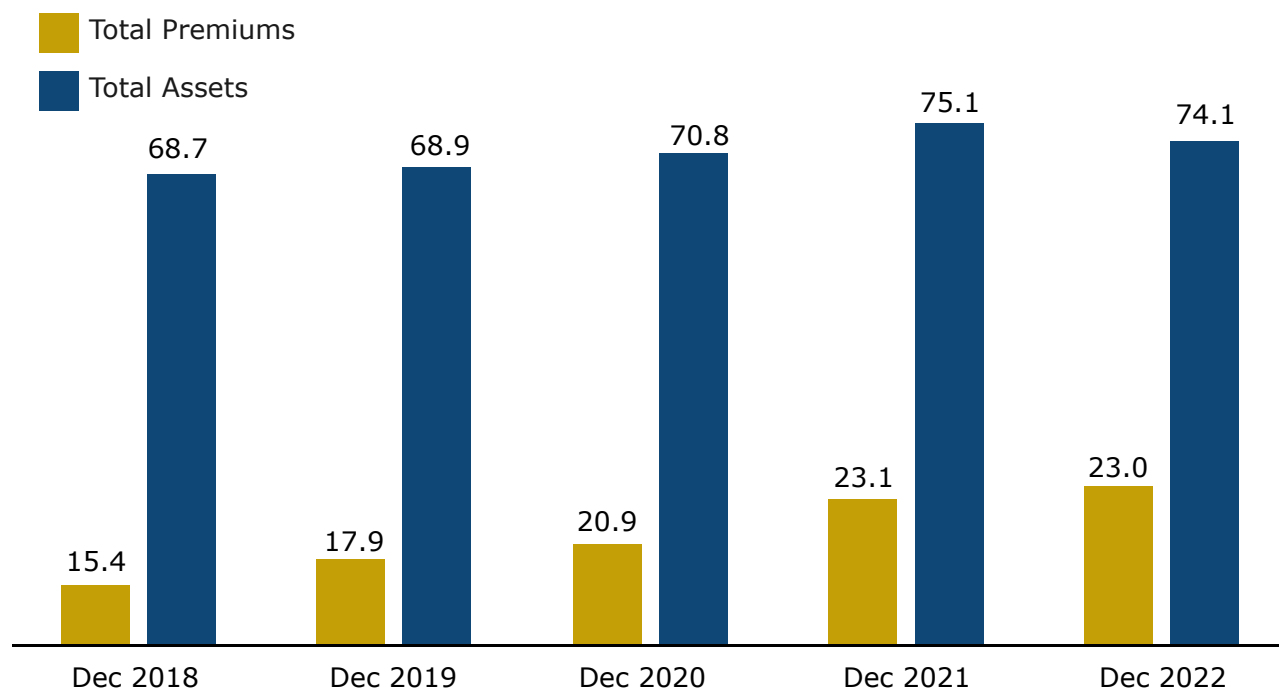


Figure 14: Total premiums & assets generated and held by international insurance and reinsurance companies licensed in the Cayman Islands (Class B, C, D), 2018-2022 (in US\$ billion)



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

INDUSTRY OVERVIEW

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

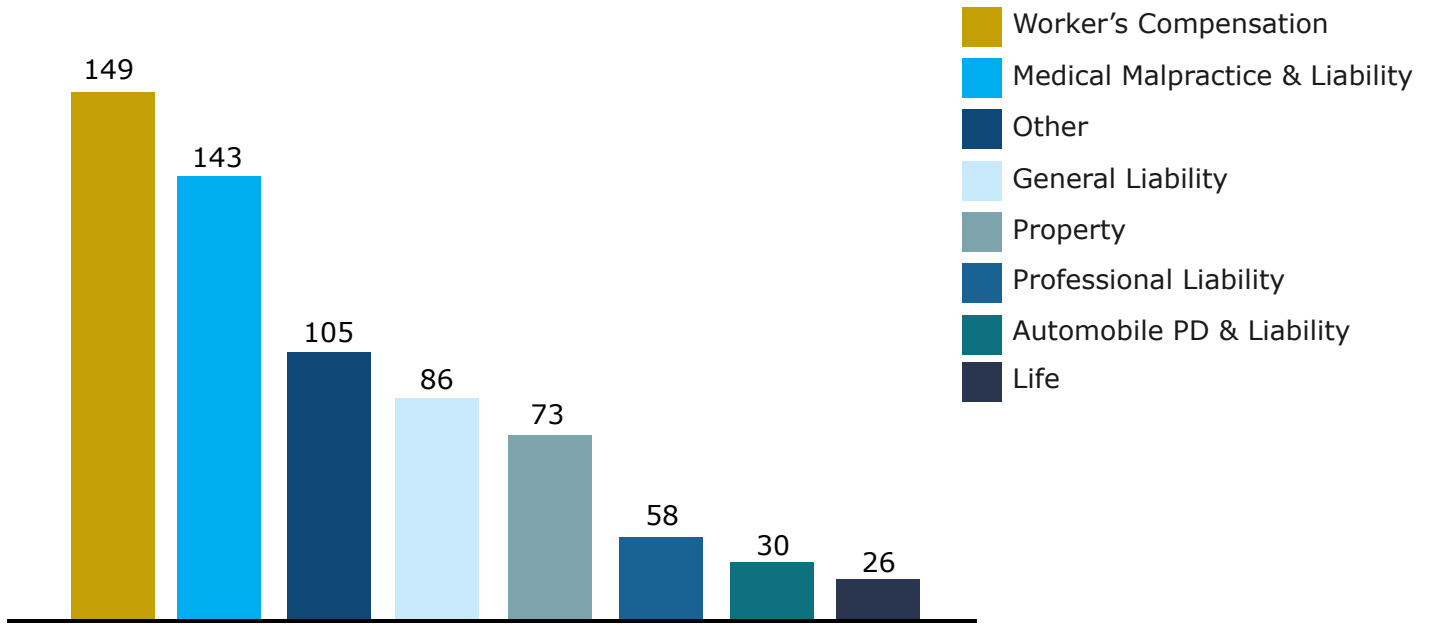
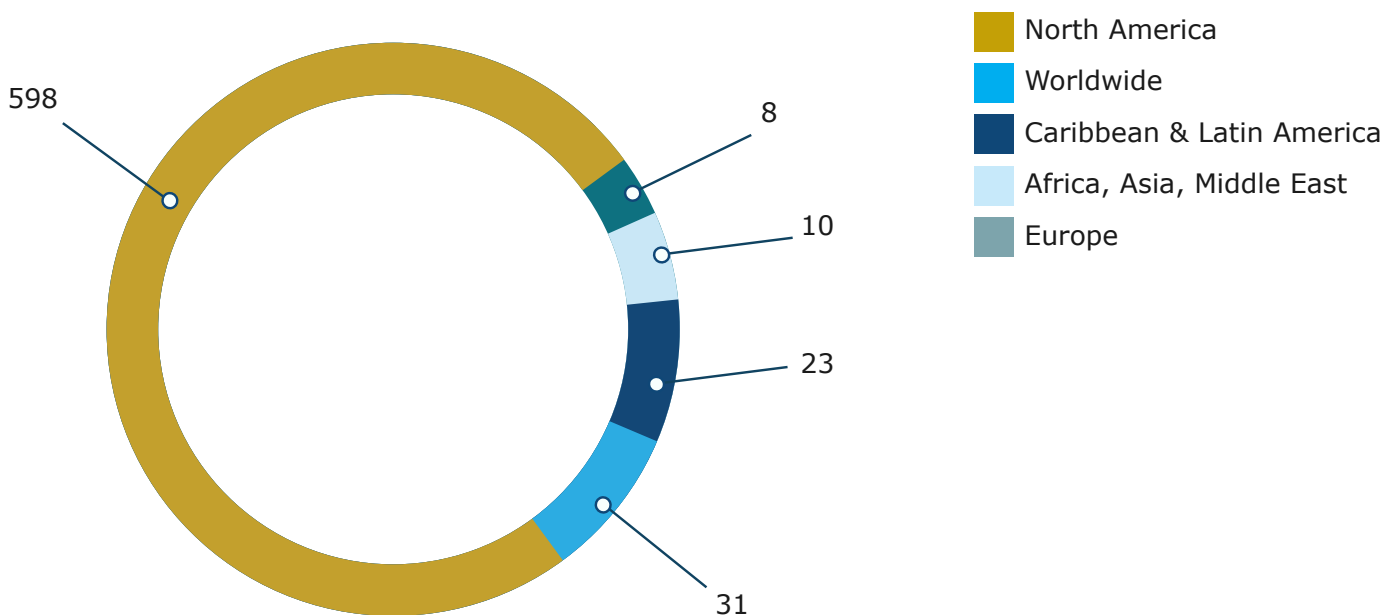


Figure 16: Original source of business (risk location) covered by Cayman Islands domiciled international insurance and reinsurance companies (by number of licensed entities), 2022



Outlook - International Insurance Segment

The global insurance market, particularly the U.S. which is the key source of business for the Cayman Islands international insurance sector continued to harden in 2022 thus resulting in premium rate increases, contract exclusions, higher deductibles, and reduced coverage. With the rising inflation and forecasted global recession, this state of the global insurance market is expected to continue, at least in the medium term. As a result, the insurance market in the Cayman Islands has seen and will continue to see increased utilisation of captives with captive owners seeking to retain more risks in their self-insurance vehicles to mitigate the rising insurance costs and to provide additional capacity for insurance coverage.

The international insurance market in the Cayman Islands is expected to continue to diversify with more formations of commercial insurance and reinsurance companies. In particular, the reinsurance market is expected to be the next frontier for new insurance business in the Cayman Islands as seen with formations of large asset-intensive reinsurance companies over the past five years. These entities (mainly conducting long term business) are being formed as affiliates of existing large reinsurance groups while in other cases they are new stand-alone formations backed by large private equity funds, largely originating from the U.S. This trend is expected to continue into the near future.

Technological innovations continue to gain traction in the Cayman Islands with formation of insurtechs which are utilising artificial intelligence for risk selection, pricing, and loss adjudication, mainly covering U.S. property and casualty exposures. This phenomenon is expected to continue to evolve as more entrepreneurs seek to leverage on emerging technologies.

INDUSTRY OVERVIEW

Investment Funds and Fund Administration

Investment funds fall into two general categories, Mutual Funds and Private Funds.

Mutual Funds are generally open-ended and have unlimited duration. There are four types of mutual funds regulated pursuant to the Mutual Funds Act (2021 Revision), as follows: Section 4(3) or registered fund; Section 4(1)(a) or licensed fund; 4(1)(b) or administered fund; 4(4) or limited investor fund.

Private Funds are generally closed-ended and have limited duration. Private funds are regulated pursuant to the Private Funds Act (2021 Revision).

Mutual Fund Administrators must be authorised by 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 licence allows administration of no more than 10 funds.



12,995
Mutual funds; 2.2% increase



15,854
Private funds; 8.0% increase



74
Mutual fund administrators



15,352
Registered or licensed directors

Table 7: Regulated mutual funds activity

	2021	2022
Authorised Regulated Entities	1,614	1,040
Terminated Regulated Entities	(1,066)	(1,089)
Net annual change	548	(49)

Table 8: Regulated private funds activity, 2021 - 2022

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

INDUSTRY OVERVIEW

Figure 17 : Number of Cayman regulated funds by category

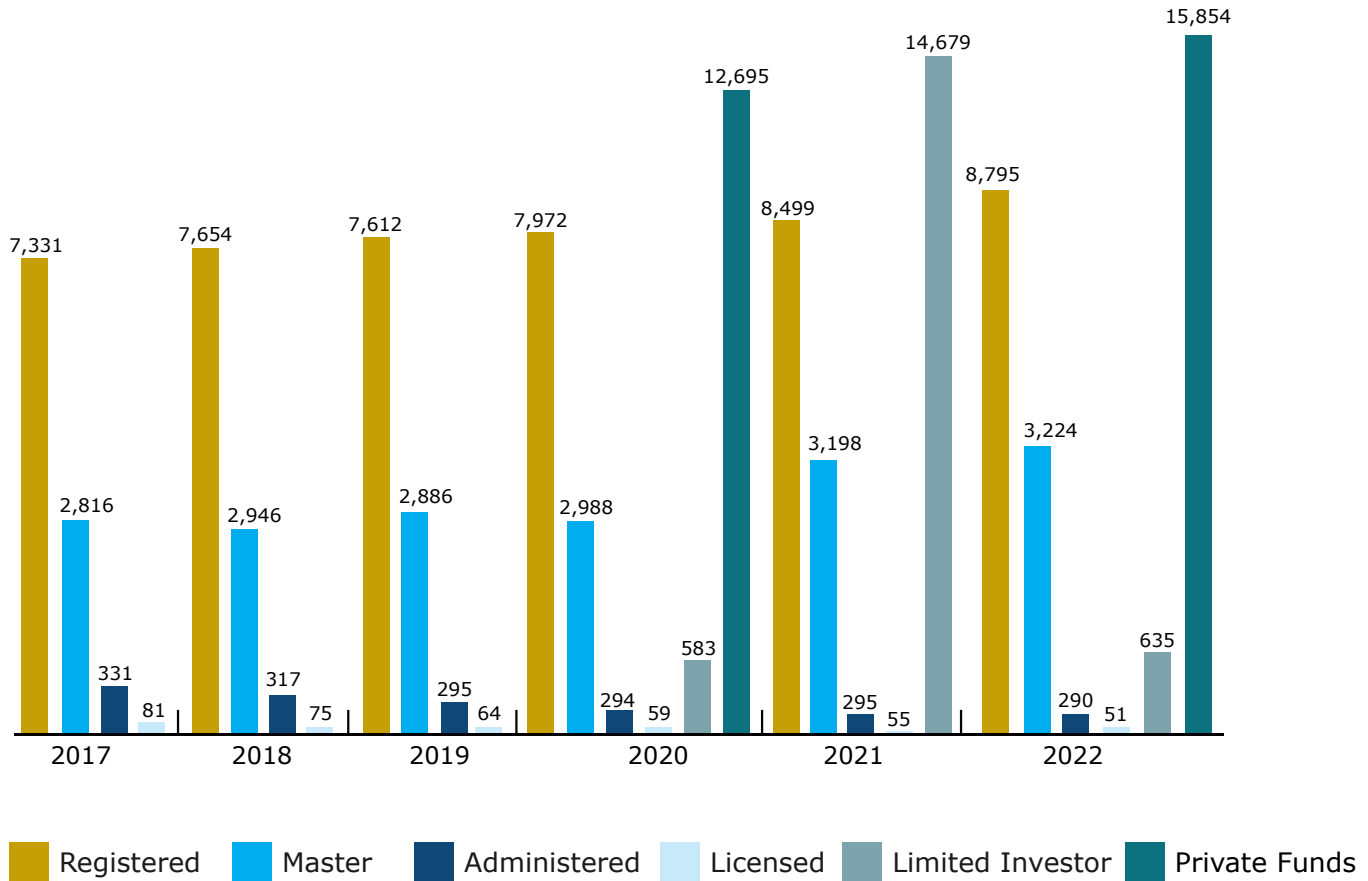
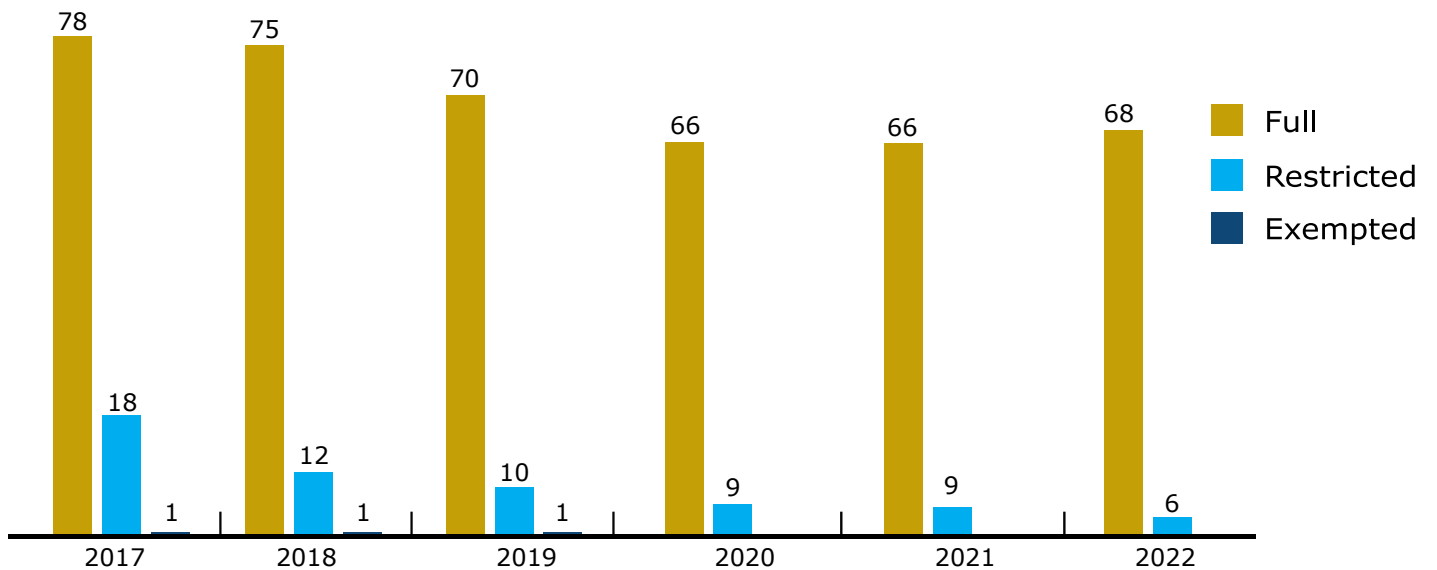


Figure 18: Mutual fund administrators by category



INDUSTRY OVERVIEW

2021 Investments Statistical Digest

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

See [2021 Investment Statistical Digest](#) for full details

Top 5 investment manager locations (measured by net assets)



With the war in Ukraine and negative global market conditions, 2022 has proven to be the most challenging year since the 2008 financial crisis.

Only 915 hedge funds were launched globally in 2022, the fewest in 10 years.

A total of 481 private equity funds were launched globally year-to-date through 19 December 2022, representing a 67% decline from 2021 when 1,464 funds launched, according to S&P Global Market Intelligence data. Almost all regions had more than a 50% drop in the number of funds launched when compared to 2021.

As at the end of December 2022, CIMA saw lower application volume of fund registrations in Q4 2022 compared with Q4 2021, in line with the global trend.

The Eurekahedge Hedge Fund Index was down 4.71% in 2022, considerably outperforming the global equity market's loss of 18.36% (as represented by the MSCI ACWI).

2022 witnessed notable global investor push-back, particularly in Europe, against certain large global asset manager's ESG products which were perceived as falling short of meeting goals set out in marketing materials. CIMA continues to monitor global developments and regulatory best practices within the ESG area.

INDUSTRY OVERVIEW

Jurisdictional Comparisons - Funds

Table 9: Number of active funds in the Cayman Islands and other financial jurisdictions for which figures are available, 2017 - 2022

Jurisdiction	2017	% change ('17 v '18)	2018	% change ('18 v '19)	2019	% change ('19 v '20)	2020	% change ('20 v '21)	2021	% change ('21 v '22)	Latest available for 2022*
Bahamas	783	↑2.6%	803	↓3.5%	775	↓6.3%	726	0.00%	726	↑1.1%	734
Bermuda	543	↓5.5%	513	↑24.4%	508	↑24.8%	708	↑.4%	708	↑0.1%	800
BVI	1,499	↓0.1%	1,502	↓1.3%	1,489	↑15.4%	1,527	↑9.6%	1,527	↑2.1%	1,910
Ireland ∞	739	↑2.3%	754	↑4.9%	764	↑3.2%	808	↑1.0%	808	↑5.2%	869
Jersey	1,104	↓12.8%	1,020	↓12.4%	943	↓11.1%	781	↓4.9%	781	↓5.9%	671
Guernsey	976	↑0.9%	970	↑1.4%	961	↑2.1%	840	↓1.4%	840	↑3.7%	854
Cayman	10,559	↑4.1%	10,992	↓1.2%	10,857	↑126.5%	24,034	↑11.4%	24,034	↑5.6%	28,923

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

∞ - comprised of AIFs (excluding sub-funds) and excludes UCITS

The above table depicts the growth rate of the funds industry in key offshore jurisdictions where funds are primarily domiciled. Based on the latest numbers available, the most significant changes for competing jurisdictions were reflected by Jersey (671; down 5.9%) and Ireland (869; up 5.2%).

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 Persons’.

Since the amendments to the SIBA, there was a 25% decrease in registrations from the older Excluded Persons regime to the newer Registered Persons which amounted to 1,654 registrations as at 31 December 2022. The decrease in registrations from the older to newer regime of registrants was primarily due to the legislative changes that have taken effect to meet the economic substance requirements under the ES Amendment Act, which require securities (fund) managers to have physical

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

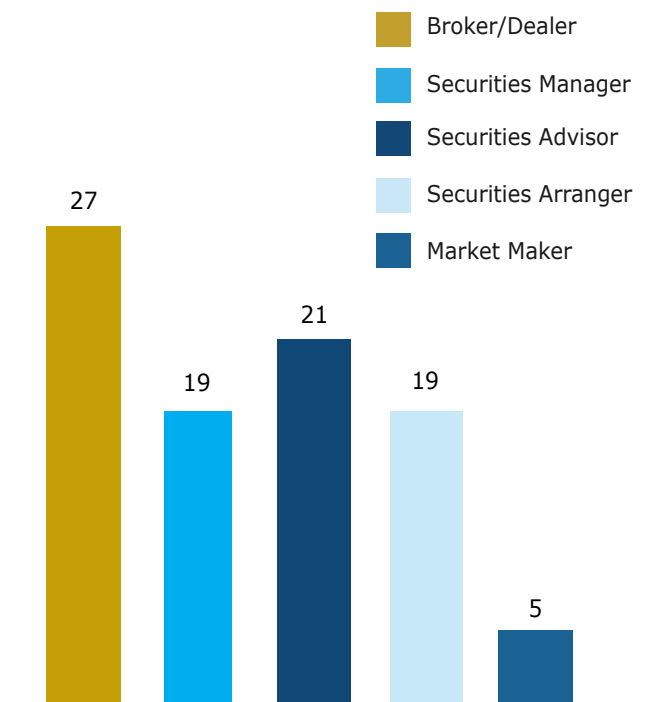


47 total SIB licensees



1,654 total SIB Registered Persons

Figure 19 : Securities Investment Business licensees by type



Securities Investment Business licence applications



1

SIB licence applications returned



3

SIB licence applications approved



0

SIB licence application refused



3

SIB licences cancelled or revoked

Registered Persons licence applications



25

Registered Persons licence applications were



78

Registered Persons licence applications



0

Registered Persons licence application



109

Registered Persons licences cancelled or

Execution of Monetary Functions

CIMA is the sole issuing authority for Cayman Islands (CI) currency and is responsible for the issue, re-issue, and withdrawal of CI currency notes and coins against the United States (US) dollar via local retail banks. The Authority also administers the sale and redemption of numismatic coins to and from local and overseas collectors.

Currency Reserve Management

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

The currency in circulation is backed by the currency reserve assets in accordance with Section 32 of the Monetary Authority Act. As at 31 December 2022, the value of the currency reserve assets was CI\$195.1m. Full details can be found within the Annual Financial Statements.

Numismatic Programmes

The Authority commissioned two silver commemorative coins one for the 25th Anniversary of the Cayman Islands Monetary Authority and one for the Queen's Platinum Jubilee.

The design for the 25th anniversary coin includes CIMA's 25th anniversary logo on the reverse side and the Cayman Islands Coat of Arms on the obverse.

Inspired by her Late Majesty's 70-year reign, the design for the Queen's Platinum Jubilee coin features two portraits of Her Majesty Queen Elizabeth II on the reverse side, while the obverse side bears the Cayman Islands Coat of Arms.



\$171.1
million total
currency in
circulation;
1.38% decrease
since 2021



\$156.8
million notes in
circulation



\$14.3
million coins in
circulation

ORGANISATIONAL DEVELOPMENTS

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

Date	2018	2019	2020	2021	2022
30 Jun	\$117.90	\$124.10	\$155.40	\$161.70	\$166.60
31 Dec	\$126.60	\$140.40	\$164.40	\$173.50	\$171.10

Figure 20 : Cayman Islands currency in circulation by month, 2018 - 2022

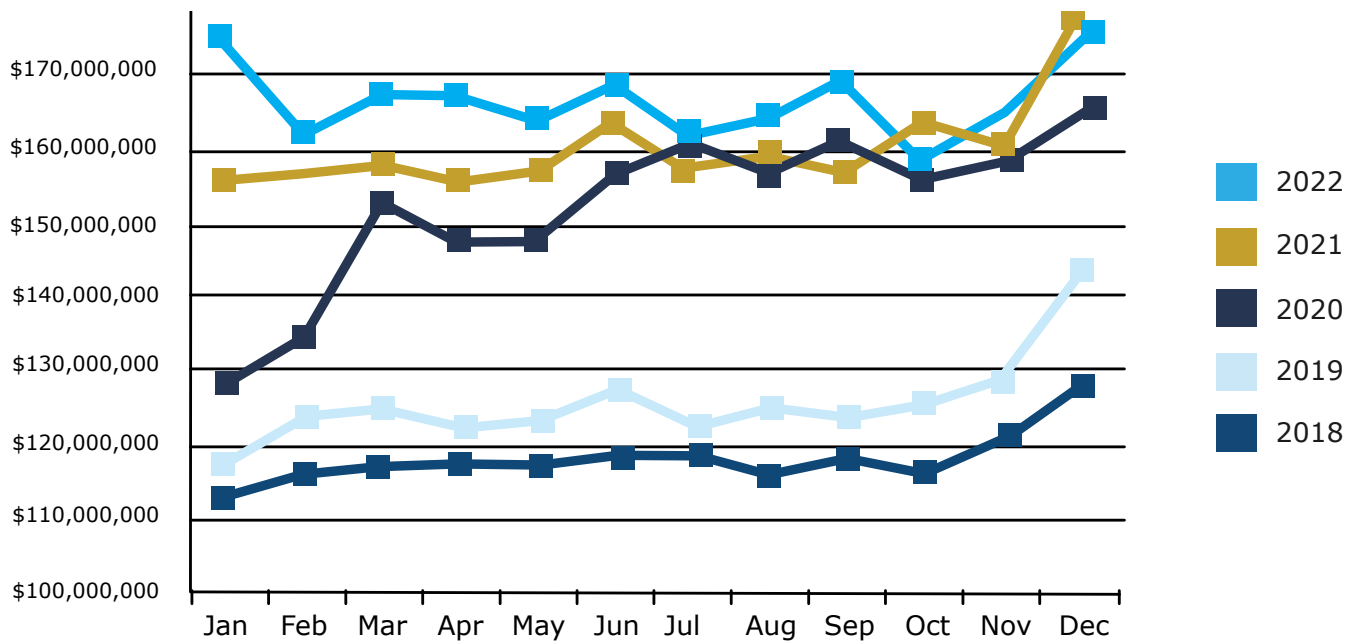


Table 10: Number of counterfeit banknotes withdrawn from circulation

	2018	2019	2020	2021	2022
\$100	4	0	0	16	78
\$50	1	1	1	1	1
\$25	0	0	0	10	0
\$10	8	0	0	0	4
\$5	0	0	0	0	0
\$1	0	0	0	1	0
Total No. of Notes	13	0	1	28	83
Total Dollar Value	\$530	\$0	\$50	\$1,901	\$7,890

Execution of Financial Stability

The Authority achieved various milestones as it pertains to:

- Drafting the inaugural edition of the Financial Stability Report
- Developing a framework for the calculation of the Residential Property Price Index ("RPPI")
- Activities in collaboration with international organisations
- Capacity building, Training and Development Initiatives
- Collaboration with the Financial Stability Board's Non-Bank Monitoring Experts Group
- Database development initiatives and inter-divisional collaboration on financial stability related projects

Financial Stability Report initiatives

During 2022, FSSD completed work on CIMA's inaugural Financial Stability Report ("FSR"). Upon completing of graphics processing, the FSR is to be published in early 2023.

Activities within International Organisations

CIMA acknowledges that climate-related risks are affecting the world economy and the safety and soundness of financial systems. Therefore, CIMA joined the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS") in February 2022 to keep up to date with latest regulatory developments and actively contribute within this space.

Over 2022, the Authority has been involved in two work streams of the NGFS, focusing on the supervision and scenario design analysis as well as capacity building and training. The Authority also established an internal working group with a strategic mandate to build a roadmap to fully embed climate-related risks within the existing regulatory and supervisory framework. More details on the implementation of the roadmap will be

provided in the coming year. Emphasis was placed in 2022 on internal capacity building as various employees gained climate certifications and participated in climate related courses from various international standard setting bodies.

Residential Property Price Index

CIMA also engaged with the Cayman Islands Government Lands & Survey Department ("LSD") and Economics & Statistics Office ("ESO") to develop a RPPI for the Cayman Islands.

This RPPI will be an important input into financial stability models for the jurisdiction. CIMA with the Cayman Islands Government colleagues are working with subject matter experts within the International Monetary Fund ("IMF") Caribbean Regional Technical Assistance Centre ("CARTAC") to deliver Technical Assistance ("TA") to the Cayman Islands on the construction of the RPPI.

The Cayman Islands Government are owners of the main input data set and will host CARTAC TA and the future compilation of the RPPI.

Capacity Building

In 2022, CIMA continued to collaborate with IMF and CARTAC on technical assistance and training for staff. Select employees also participated in financial stability training offered by IMF through CARTAC, including a workshop on Systemic Risk and Macroprudential Policies for Household Indebtedness and Housing Markets.

Financial Stability Board Non-Bank Monitoring Experts Group

The Authority continued to collaborate with the Nordic Market Expert Group, actively providing non-bank financial intermediation ("NBF") data to the Basel-based Financial Stability Board.

Statistical Publications

Through our Statistics Unit, CIMA has also further automated the production of the tables and graphs for the Banking Statistical Digest and Investments

ORGANISATIONAL DEVELOPMENTS

Statistical Digest. This will assure greater year to year consistency in presentation as well as accelerate production times.

Database Development Initiatives

During 2022, work towards our database and business intelligence development and analysis initiatives. Other efforts included the completion of the Basel II QPR mapping process to fully integrate our largest prudential reporting form onto the eReporting platform. We also continued to update extract, transform and load packages to capture new data points for prudential supervision.

ORGANISATIONAL DEVELOPMENTS

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 and respective regulations • Monetary Authority (Administrative Fines) Regulations • Proceeds of Crime Act • Anti-Money Laundering Regulations • Terrorism Act • Public Authorities Act • Public Management and Finance Act • Companies Act and respective regulations • Proliferation Financing (Prohibition) Act • Special Economic Zones Act 	<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 Supervision • Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore Group of Banking Supervisors <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

ORGANISATIONAL DEVELOPMENTS

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 Regulation <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 	

ORGANISATIONAL DEVELOPMENTS

Regulation and Supervision

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

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

Regulatory Developments

Rules, Guidelines and Policies

Through our Policy & Development Division, CIMA continued its work towards the development of the jurisdiction's financial services regulatory framework in accordance with international standards. This entails research of international developments and initiatives, analysis of the impact on the local financial services industry, formulation of appropriate options for consideration by the Authority and providing policy advice to the Authority, including recommendations during the industry consultation process.

Copies of all regulatory measures issued by the Authority are available on our [website](#).

Other Regulatory Developments

CIMA also conducted comprehensive self-assessments against core principles in the insurance, banking, securities sectors, and trust and company service providers sectors. The outcome of this exercise continues to be the driving

force for enhancements to the regulatory and supervisory framework for the Cayman Islands.

Development of a Framework for Virtual Assets

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

Throughout 2022, the Authority continued its collaboration with the Ministry of Financial Services and Commerce to determine the optimal legislative approach for regulating issuers of virtual assets while developing the necessary framework, forms and guidance for VASP Trading Platforms and Custodians.

Work also continued in policy research of the most efficient regulatory model for a VASP Sandbox in consideration of an appropriate prudential and systemic risk mitigation regime.

ORGANISATIONAL DEVELOPMENTS

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

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

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](#).

Enforcement

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

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

Table 13: Due Diligence applications referred to the Compliance Division

Sector	Number of referred due diligence applications
Banking	94
Fiduciary	92
Insurance	10
Investments	41
Securities	17
Total	254

- Referring contraventions that result in offences and criminal penalties to the appropriate authorities.

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

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

ORGANISATIONAL DEVELOPMENTS

Enforcement Activities



24

Initiated enforcement actions, 8 related to AML/
CFT and Fitness and Propriety infractions



7

Revocations/cancellations



2

Imposing conditions



8

Warning/breach notices - entities



4

Directors and shareholders not found fit
and proper



7

Imposed Administrative Fines totalling
CI\$4.9 million

ORGANISATIONAL DEVELOPMENTS

Table 14: Entity list of enforcement actions initiated

Name of entity	Authorisation Type	Enforcement action
Artex Risk Solutions (Cayman) Limited	Insurance Manager	Administrative Fine
Global Core Insurance SPC	Class B Insurer	Administrative Fine
ICC Intercertus Capital (Cayman) Ltd.	Securities - Full	Administrative Fine
Kevin Poole	Director/Officer	Administrative Fine
Lion Brokers Limited	Securities - Full	Administrative Fine
Providers Re SPC	Class B Insurer	Administrative Fine
Obelisk Global Fund SPC	Mutual Fund - Registered	Cancellation of Registration
Stefan He Qin	Registered Director	Cancellation of Registration
Virgil Sigma Fund, LP	Mutual Fund - Registered	Cancellation of Registration
VQR Multistrategy Cayman Feeder Fund Ltd.	Mutual Fund - Registered	Cancellation of Registration
VQR Multistrategy Fund LP	Mutual Fund - Master	Cancellation of Registration
Artex Risk Solutions (Cayman) Limited	Insurance Manager	Imposed Requirements
Global Core Insurance SPC	Class B Insurer	Imposed Requirements
Advanced Fund Administration (Cayman) Limited	Restricted Mutual Fund Administrator	Revocation of Licence
The RDI Company Ltd.	Company Manager	Revocation of Licence

Table 15: Directors found not fit and proper

Name
Jazeb Matthew Jones
Lawrence Winfield Sifton
Matthew Yiu Kong Ho
Stefan He Qin

Other Compliance Matters

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

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

Local Co-operation

CIMA filed 13 suspicious activity reports with the Financial Reporting Authority of the Cayman Islands ("FRA") during the reporting period. The FRA made 58 onward disclosures to the Authority during the same period, pursuant to the Memorandum of Understanding between the FRA and CIMA.

We also processed 12 inter-agency requests from local competent authorities pursuant to the Inter-Agency Multilateral Memorandum of Understanding, with 9 inter-agency requests made to local competent authorities pursuant to the Inter-Agency Multilateral Memorandum of Understanding.

Additionally, the Authority made two referrals to the Royal Cayman Islands Police Service for criminal investigation during the reporting period.

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

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 [here](#).

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

Local Cooperation

AML/CFT Supervisors

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

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

The Cayman Islands hosted the CFATF Risk Trends and Methods Group ("CRTMG") meeting as well as the CFATF's 55th Plenary and Working Group

meetings from 27 November to 1 December 2022. The meeting coincided with the 30th anniversary of the CFATF, and was attended by over 200 delegates from overseas. Local delegates who participated included representatives from CIMA, the Anti-Money Laundering Steering Group and Inter-Agency Coordination Committee.

Financial Crime Investigations Unit

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

Scrutiny by Parliament

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. Since the 2020 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures.

These include:

- Anti-Money Laundering (Class A and Class B Bank Threshold Reporting) Regulations, 2022
- Beneficial Ownership (Limited Liability Partnership) Regulations (2022 Revision)
- Companies Management Act (2021 Revision)
- Monetary Authority (Administrative Fines) Regulations, 2022
- Virtual Asset (Service Providers) Act (2022 Revision)

Freedom of Information

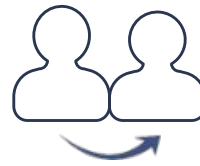
Four requests in 2021 and two requests in 2022 were excluded from release on the basis that the Freedom of Information Act excludes access to records containing information that may not be

disclosed under Section 50 of the Monetary Authority Law. All requests were responded to within 30 days except for one request in 2021.



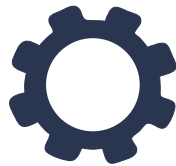
14

Requests received



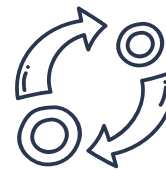
4

Requests granted full access



3

Requests denied as information was publicly available



291

Requests for assistance from ORAs

Human Resource Management and Development

Learning & Development

Following the successful launch of our Learning & Development strategy, we capitalised on a robust plan where staff obtained soft skills and technical training opportunities and development.

These programmes were facilitated by our Learning & Development Unit along with subject experts from within the Authority. Areas covered leadership, crypto currency, cybersecurity, as well as blockchain currency. There were several bespoke courses on soft skills, policy development and strategies, AML/CFT, risk management and onsite inspections. Anti-bullying, data protection and complaints handling awareness sessions were also availed to employees. Unfortunately, despite these initiatives, some of the staff became well equipped and coupled with the regulatory experience, the Authority lost 46 staff, the majority of whom were hired by the local industry.

A competition was also held in July 2022 to allow interested staff to send video submissions for a chance to win a scholarship to participate in the International Certificate in Financial Regulation course being offered by the School of International Financial Services. Three staff members received scholarship awards. The programme commenced in late October 2022 and will run up until October 2023. Each awardee was assigned a mentor from within CIMA to provide support and guidance during and after the duration of the programme.

In August 2022, CIMA became an ACCA approved employer recognising our commitment to ensuring ACCA students, affiliates and members have the right skills, ethics, and competences to add value and drive strategic objectives forward.

Work also started on developing courses for our first ever Diploma in Financial Regulation and Supervision, which is aimed to be launched mid-2023.

Employee Relations

CIMA established various staff benefits and options in an effort to offer more work-life balance and flexibility, such as work from home and remote working arrangements, enhanced maternity and paternity benefits, mental health awareness and benefits of specific days for well-being and recognition initiatives.

Through diligence, hard work and proven performance, 39 promotions were earned across various divisions, namely Anti-Money Laundering, Banking Supervision, Fiduciary Services, Financial Stability, Human Resources, Information Systems, Insurance Supervision, Investments Supervision, Legal, Onsite Inspection, Policy & Development, and Professional Support Services.

Employee Recognition

Staff recognition programmes and employee engagement and recognition initiatives continue to be welcomed across the Authority through the Employee of the Quarter, the MD's Leadership Award and Staff Recognition Awards for excellence of service to stakeholders and fellow colleagues. Additionally, the Authority conducted an employee engagement survey from which various internal working groups were formed to address some of the points raised by the staff.

Internships

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

ORGANISATIONAL DEVELOPMENTS

Service & Contributions to the Community

As part of our community spirit, a dedicated charity fund pool was also established, which allow staff to voluntarily contribute towards a chosen charity. The beneficiaries for 2022 were the Cayman Islands Crisis Center's Teens and Young Adults (TAYA) Project and Special Olympics Cayman Islands.

As part of its 25th Anniversary celebration, the Authority also organised an internal fundraising competition with a goal of raising a total of CI\$25,000 by the end of 2022, to benefit Cayman ARK. Through dedication and commitment from staff, whilst fulfilling our work objectives, CIMA raised over CI\$27,000, all of which was donated to Cayman ARK.

Additionally, and with support from various businesses, government agencies, public participants, volunteer groups and staff, CIMA's 5th Annual 5K Walk-Run proved to be another success, with the event raising CI\$12,410.97. All proceeds have been earmarked to benefit literacy and numeracy initiatives within the local government primary schools.

Information Systems

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

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

Systems Security – The finance industry is a prime target for cyber attacks. Therefore, CIMA

continues to focus on security. Working from home on a rotational basis increases the threat surface area, however, no major incidents were reported due to added control monitoring and exception reporting.

A Network Penetration Test was carried out by EY. According to this report, no outside access into 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 2022 reporting period, the following tasks were accomplished:

Network Infrastructure

- Ordered, configured and implemented 4 new HPE Super-Dome Flex servers which can automatically share resources among themselves depending on their load.
- Successfully monitored and managed various network security necessities and responded to Helpdesk requests for both in-office staff and those working remotely from home.

Software Development

- An API was implemented to provide external access to authorised data from the CIMA website and is currently used by other government authorities to update the latest entities.
- Continued ongoing updates and revisions to REEFS forms to better facilitate requests.
- The internal client relationship management system is being updated to a web-based architecture.
- Continued the development of a new CIMA ID portal to simplify forms input processes for industry. This will be launched soon.
- New Risk Management solutions were implemented for AML data capture surveys with integration for back-end systems and industry communication. With this, CIMA staff can now visualise data streams better with new back-end processes.

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 enhanced AML/CFT compliance across regulated sectors as well as targeted financial sanctions following the Russian-Ukraine war. This included featured public articles and notices, and assistance in various training and outreach projects.

Spearheaded by the PR Unit, CIMA also launched an investor education campaign, which seeks to raise awareness about the importance of financial education as well as understanding the risks associated with investment opportunities.

Similar work has also begun on the content development and production of the main blog page of the website, which will be launched in early 2023. Topics will highlight viewpoints from some of CIMA’s own experts and other specialists on issues affecting general investors and consumers. In keeping with the modern use of communications and in assessing our current stakeholder engagement practices, the page will also feature visual, written, video and audio content, along with other topical regulatory updates in more real-time that will result in quality engagement.

On 8 December 2022, CIMA hosted the meeting for the Financial Stability Board Regional Consultative Group for Americas, an event which was also co-managed by the PR Unit.

External Publications

Throughout the year, senior staff produced written articles, information gathering and interviews for various publications such as the Cayman Captive Magazine and the IFC Cayman Report.

CIMA Publications

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

Additional communication material included The Anchor, the AML/CFT Activity Report, the 2021 Investments Statistical Digest and the 2021 Banking Statistical Digest, a newly developed REEFS Industry User Guide among other internal publications.

Direct Public Information and Assistance

The PR Unit regularly responded to local, regional and international media requests. Regular updates were also posted to the Authority’s LinkedIn and Facebook company page, in addition to frequent updates to the 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 the Managing Director and members of CIMA’s senior management team.

The PR Unit was also instrumental in coordinating and overseeing the main activities of our 25th anniversary celebrations, including various staff recognition and award programmes as previously mentioned.

Staff and Executive Management were also kept abreast of local and international market, regulatory and political developments affecting the financial services industry.

Coercive Revenue Collection

The Authority collected \$170.6m in coercive fees from regulated entities and imposed Administrative Fines, on behalf of, and forming part of the Cayman Islands Government revenue, compared to \$156.8m in the previous year.



Collected **\$170.6**
million in fees from
regulated entities and
imposed Administrative
Fines

Income

The Authority depends on the sale of its outputs to the Cabinet, as one of its main sources of income to meet its obligations. The outputs delivered, for a total of \$31.9m, were:

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



\$31.9
million total outputs
delivered

The Authority's other sources of income are from the Directors Registration and Licensing fees, which were recorded at \$10.4m, Transactional Fees \$6.8m, Investment Income \$3.0m, and Commission Income \$1.4m.



Comprehensive
Income of **\$13.7**
million

Comprehensive Income

The Authority's Comprehensive Income for the year was \$13.7m (2021: \$5.7m), of which \$8.7m was allocated to Capital Expenditures Reserve, and \$5.0m to General Reserve.

Details of CIMA's financial position for the year can be found in the Audited Financial Statements that follow.

Highlight 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

- Developed wholesome and sustainable employee benefit programmes to promote work-life balance of its employees. These will be implemented in 2023.

Enhance the regulatory response to innovations in business models and technologies

- Maintained a steady progression of addressing automation needs with a plan to further improve technological resources in 2023.
- Developed a framework for the identification and evaluation of emerging technological trends and issues, and to respond in a timely manner and as necessary.

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

- Taking into account the recommendations made by external experts, the growing regulatory population and changes to the regulatory standards and landscape, CIMA is considering changes to its structure, governance practices and operational workflows to improve internal efficiencies.

Develop and implement a renewed framework for effective stakeholder engagement

- Finalised stakeholder engagement framework document and accompanying guidance manual to improve communication and engagement with its external stakeholders. Framework to be implemented in 2023.

Risk Management

As the primary regulator of the Cayman Islands financial services industry, CIMA is exposed to numerous challenges as it works towards effective delivery of its mission. An effective risk management approach is, therefore, vital for strengthening CIMA's capacity to recognise, understand, and address the challenges whilst maximising its opportunities.

In 2019, the Authority's Board of Directors approved the establishment and implementation of an Enterprise Risk Management Framework for the Authority. Progress was halted in this regard due to the onset of the COVID-19 pandemic in 2020. However, in 2021 a Chief Risk Officer ("CRO") was appointed to progress the mandate. Below outlines a list of some of the key achievements to date.

Risk Governance

Integral to the success of the Enterprise Risk Management Framework, is a strong Risk Governance structure. As such, a CIMA Management Risk Committee ("CMRC") was established at the organisational level consisting of a cross-disciplinary team of leaders to facilitate the application of a holistic approach to risk management at CIMA. The CMRC's Terms of Reference was created and outlines responsibilities as the identification, assessment, management and monitoring of key risks in effort to support the achievement of CIMA's strategic objectives, principal functions and the promotion of a risk aware culture encouraging sound risk management practices and risk-based decision making.

The CMRC is primarily supported by the Executive Management team and the Risk Sub-Committee of the Board ("RSCB"), meeting at minimum quarterly to pursue its mandate, and of course secondarily by the entire staff complement at the Authority who all take direct or indirect ownership for the management of risk as aligned with the Three Lines of Defence governance model.

Risk Appetite Statement

In conducting appropriate oversight, the board and management must resolve the key question of how much risk is acceptable in pursuing its strategic objectives. The answer to this question is articulated through a risk appetite statement to help the Authority make decisions from a risk-based approach. In 2022, the Board of Directors ratified the Authority's first Risk Appetite Statement.

The development of CIMA's Risk Appetite Statement encompassed the outline of the Risk Management Framework, addressing the main process components such as risk identification, assessment, treatment, monitoring and reporting. Through its establishment CIMA's main categories of risk were agreed, and appetite statements were set by the Board for each as guidance and consideration by staff at decision making junctures.

Also in 2022, bespoke tools and processes were established in support of the activation of the Risk Appetite Statement; utilising the risk rating methodology to facilitate the capturing and reporting of risk events through a risk reporting template and to assess the alignment of initiatives with objectives and appetite through a project risk assessment template.

Risk Management Framework

CIMA continues to progress towards the finalisation of its Risk Management Framework having customised key components, processes and tools suited to enact the risk management processes in a manner that is tailored to its objectives and environment, and in line with the ISO 31000: 2018 Risk Management Process.

Risk Management

Risk Identification

The purpose of risk identification is to find, recognise and record risks that might hinder, prevent or have a material impact on the achievement of objectives. CIMA has employed a range of techniques for identifying risks which include surveys, interviews and questionnaires. Through these mediums Divisional Risk Registers have been created by their respective Risk Owners, where the risks identified in day-to-day operations, and the control framework in place to mitigate, are recorded. The CRO has responsibility for the collation of the Divisional Risk Registers into an Enterprise-Wide Risk Register. Risk Registers are reviewed and the risk ratings of key risks are re-evaluated on a periodic basis to account for a shift in context and environment where applicable.

Risk Assessment

Once a risk is identified and categorised, CIMA has created a Risk Assessment Methodology to facilitate the determination of a risk rating score for the applicable risk. The Risk Assessment Methodology consists of an Impact and Likelihood scale that assists the user with assessing the risk's likelihood of occurrence and impact on objectives. From this assessment, a risk rating score is calculated and allocated into a specific risk zone, which is intended to aid decision-making regarding treatment. A Project Risk Assessment template has been developed to evaluate the risk profile of initiatives, utilising the risk assessment methodology, to determine alignment with objectives and appetite.

Risk Treatment

Following the allocation into a risk zone, a determination is made on risk treatment, oversight and monitoring in line with risk appetite. Determining the most appropriate risk treatment plan involves balancing the potential benefits derived in relation to the achievement of the objectives against resources, competing objectives,

risk appetite and possible disadvantages to implementation.

Risk Monitoring

Monitoring and review play key roles in determining risk management effectiveness. Indicators are used in multiple facets across the Authority to monitor risk and performance. A dashboard is being curated with these indicators to assist with identifying the onset of emerging risks, escalation of existing risks and charting of performance over time.

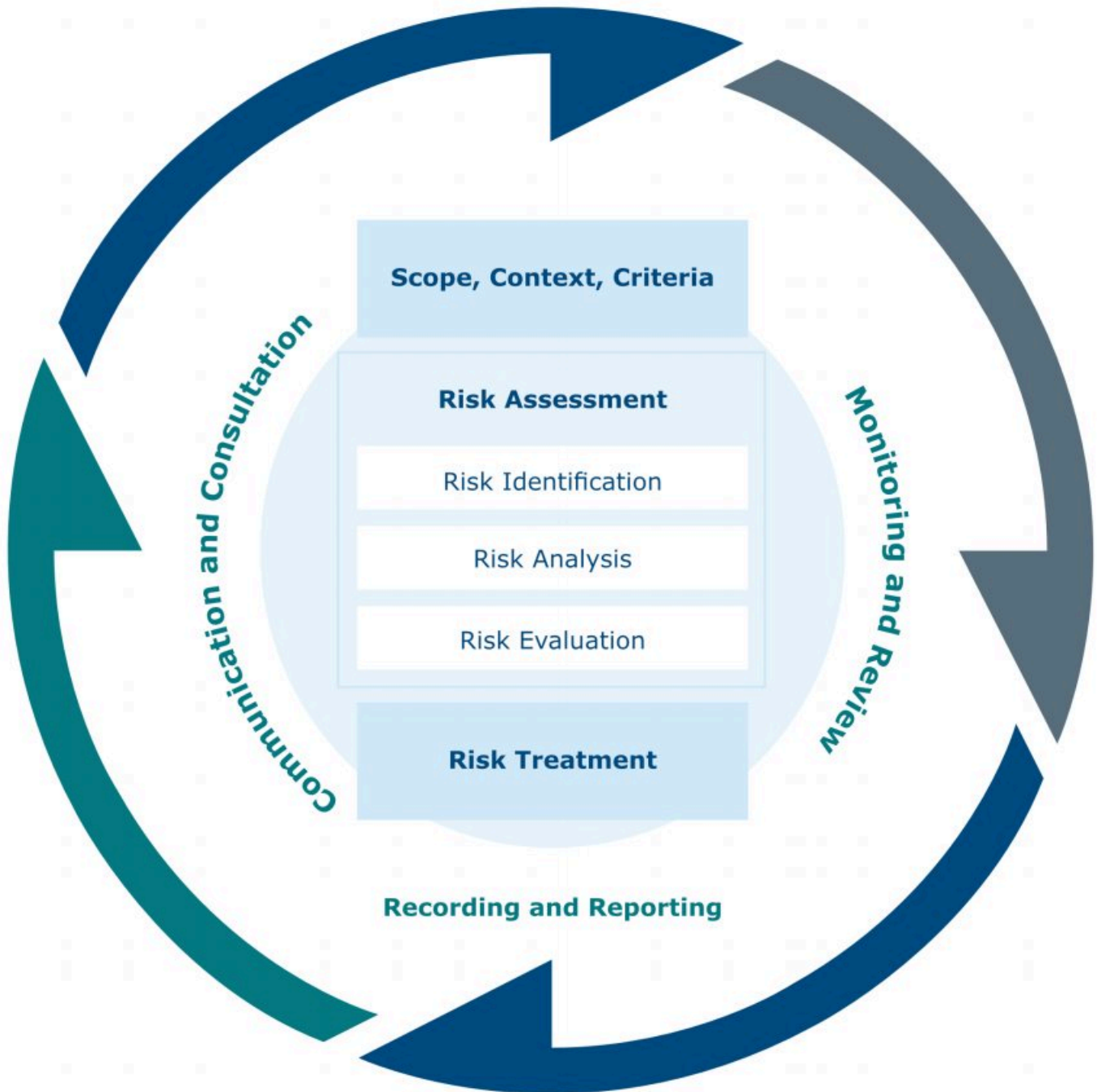
Risk Reporting

A Risk Reporting Template has been created, to enable staff to share identified risks and risk events with the CRO and ultimately for escalation to the Risk Committees and the Board where applicable. A risk reporting email address has been created to facilitate submission of same. The template provides the user with an opportunity to outline details around the risk event, assess its likelihood and impact to the Authority and capture current and suggested treatment plans and their outcomes; documentation of which will foster dialogue and serve as a learning opportunity for other staff.

Training and Development

Six bespoke training modules were developed with a focus on the Risk Appetite Statement and the risk management processes and tools enacted to date. These modules were administered to all staff via a Risk Awareness Campaign initiative developed by the Learning and Development team and the CRO. Modules remain live for ease of reference and will be deployed as part of the on-boarding orientation for new staff. To encourage the knowledge adoption and facilitate the development of a risk aware culture, weekly micro learning activities were deployed to increase engagement with all staff across a period of six months.

Figure 20 : Risk management methodology



FINANCIAL STATEMENTS
FOR THE FISCAL YEAR-END
31 DECEMBER 2022



CAYMAN ISLANDS MONETARY AUTHORITY

Statement of Responsibility

For Financial Statements

For year ended 31 December 2022

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 the 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 2022.

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

Handwritten signature of Garth MacDonald in blue ink.

Garth MacDonald

Chairman

Cayman Islands Monetary Authority

Date: 30 April 2023

Handwritten signature of Cindy Scotland in blue ink.

Cindy Scotland

Managing Director

Cayman Islands Monetary Authority

Date: 30 April 2023



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www.auditorgeneral.gov.ky Grand Cayman, KY1-1103, Cayman Islands

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 2022 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 2022, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 8 to 38.

In my opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Authority as at 31 December 2022 and its financial performance and its cash flows for the year ended 31 December 2022 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 16 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 requirement to standardize salaries and benefits. At the date of this report, standardization process was still ongoing, therefore the potential impact of this requirement was not reflected in these financial statements. 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.



Angela Cullen
Acting Auditor General


30 April 2023
Cayman Islands

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 31 December 2022
(in Cayman Islands Dollars)

	Note	31 December 2022 \$000	31 December 2021 \$000
ASSETS			
Currency Reserve Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	4b	120,014	119,519
Short-Term Investments	4a	3,040	11,797
Interest and Other Receivables		632	90
Stocks	7	2,293	2,948
<i>Non-Current Assets</i>			
Long-Term Investments	4a	69,157	63,774
Total Currency Reserve Assets		195,136	198,128
Operating Assets			
<i>Current Assets</i>			
Cash and Cash Equivalents	4b	20,874	11,348
Short-Term Investments	4a	12,995	12,892
Accounts Receivable	5a	3,604	3,120
Other Receivables and Prepayments	5b	1,432	1,159
<i>Non-Current Assets</i>			
Defined Benefit Pension Plan	9b	2,948	332
Property and Equipment	6a	3,483	5,287
Intangible Assets	6b	1,758	1,548
Right-of-use Assets	10	10,229	11,385
Total Operating Assets		57,323	47,071
TOTAL ASSETS		252,459	245,199
LIABILITIES, RESERVES and CONTRIBUTED CAPITAL			
Liabilities			
<i>Current Liabilities</i>			
Demand Liabilities, Currency in Circulation	8a	171,117	173,504
Other Liabilities and Payables	8b	7,040	7,486
Lease Liability - Premises	10	1,767	1,816
<i>Non-Current Liabilities</i>			
Lease Liability - Premises	10	8,658	9,901
Defined Benefit Healthcare Program	9c	8,082	10,398
Total Liabilities		196,664	203,105
Reserves			
General Reserve		35,427	29,125
Currency Issue Reserve		375	375
Capital Expenditures Reserve		17,665	10,267
Total Reserves		53,467	39,767
Contributed Capital			
		2,328	2,328
TOTAL LIABILITIES, RESERVES and CONTRIBUTED CAPITAL		252,459	245,199

Approved on 30 April 2023


Cindy Scotland
Managing Director
Cayman Islands Monetary Authority


Gilda Moxam-Murray
Chief Financial Officer
Cayman Islands Monetary Authority

The accompanying notes on pages 8-38 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 2022
(in Cayman Islands Dollars)

	31 December Note	2022 \$000	31 December 2021 \$000
INCOME			
Services Provided to The Cayman Islands Government	12a	31,858	24,641
Directors Registration and Licensing Fees	2q	10,421	10,231
CIMA Transactional Fees	2q	6,827	5,777
Investment Income		2,967	795
Commission Income		1,456	1,227
Numismatic Income		1	-
Realised Gain on Investments		1	-
TOTAL INCOME		53,531	42,671
EXPENSES			
Salaries and Benefits	14	27,006	27,067
Other Operational Expenses	13	4,401	3,859
Realized loss on Sale of Securities		3,519	5
Depreciation and Amortisation	6	2,906	1,311
Accommodation	15	189	175
Professional Fees		1,908	3,280
Pension Expenses	9a	1,796	1,955
Utilities		602	519
Training and Conferences		150	164
Official Travel		144	-
Depreciation expense - Right-of-use Asset	10	1,795	1,844
Interest expense - Lease Liability	10	402	436
Loss on sale of Numismatic Items		-	46
Expected Credit (Gain) / Loss IFRS 9		2	(38)
TOTAL EXPENSES		44,820	40,623
INCOME FOR THE YEAR		8,711	2,048
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to Profit or Loss in subsequent periods			
Net Loss on Debt Securities at Fair Value		(922)	(1,248)
Expected Credit Gain / (Loss)	4c	2	(30)
Items that will not be reclassified to Profit or Loss in subsequent periods			
Remeasurement of Defined Benefit Pension Plan	9a	2,814	3,137
Remeasurement of Defined Benefit Healthcare Program	9c,14	3,095	1,804
		4,989	3,663
COMPREHENSIVE INCOME FOR THE YEAR		13,700	5,711

The accompanying notes on pages 8-38 form an integral part of these financial statements.

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL
For the year ended 31 December 2022
(in Cayman Islands Dollars)

31 December 2022

	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Contributed Capital \$000
BALANCE AT 01 January 2022	29,125	375	10,267	2,328
Transfers in :				
From Income for the Year	13,700	-	8,711	-
Transfers out :				
To Capital Expenditures Reserve	(8,711)	-	-	-
Capital Purchases	1,313	-	(1,313)	-
BALANCE AT 31 December 2022	35,427	375	17,665	2,328

31 December 2021

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

The accompanying notes on pages 8-38 form an integral part of these financial statements.

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 31 December 2022
(in Cayman Islands Dollars)

		31 December	31 December
	Notes	2022	2021
		\$000	\$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive Income for the Year		13,700	5,711
Adjustments for:			
Depreciation and Amortisation	6	2,906	1,311
Depreciation - Right-of-use Asset	10	1,795	1,844
Interest Expense - Lease Liability	10	402	436
(Gain) / Loss on Defined Pension Benefits	9b	(2,616)	(2,816)
(Gain) / Loss on Defined Health Care Benefits		(2,316)	(895)
(Gain) / Loss on Expected Credit Loss		-	(8)
Net Unrealised Gain / (Loss) on Fair Value of Financial Investments		(2)	30
Decrease / (Increase) in Interest Receivable - Currency Reserve Assets		(541)	62
Decrease / (Increase) in Interest Receivable - Operating Assets		(30)	(2)
Decrease / (Increase) in Accounts Receivable		(485)	3,475
Decrease / (Increase) in Other Receivables and Prepayments		(243)	(563)
(Decrease) / Increase in Unearned Income - Directors Registration and Licensing Fees		(86)	873
(Decrease) / Increase in Unearned Income - CIMA Transactional Fees		(19)	3
(Decrease) / Increase in Other Liabilities and Payables		(342)	366
Decrease / (Increase) in Stocks		655	556
(Decrease) / Increase in Demand Liabilities		(2,387)	9,077
NET CASH PROVIDED BY OPERATING ACTIVITIES		<u>10,391</u>	<u>19,460</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Property, Equipment and Intangible Assets	6	(1,312)	(2,181)
Net Purchase of Financial Investments Currency Reserve Assets		(142)	671
Net (Gain) / Loss on Fair Value of Sales and Maturities of Financial Investments		3,519	5
Net purchase of financial investments Operating Assets		(102)	(10)
NET CASH FROM INVESTING ACTIVITIES		<u>1,963</u>	<u>(1,515)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES			
Lease Liability Payments	10	(2,332)	(2,130)
Dividend Paid to CI Government	8c	-	(2,752)
NET CASH USED IN FINANCING ACTIVITIES		<u>(2,332)</u>	<u>(4,882)</u>
INCREASE IN CASH AND CASH EQUIVALENTS		10,022	13,063
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		<u>130,867</u>	<u>117,804</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	4b	<u>140,888</u>	<u>130,867</u>

The accompanying notes on pages 8-38 form an integral part of these financial statements.

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

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 2022 the Authority has 257 employees (31 December 2021: 269). 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 2022

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 2022

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 2022

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) Short-term Investments

Short-term investments represent fixed deposits with banks and other financial institutions or treasury bills with original maturities of greater than three months but less than twelve months.

g) 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”.

b) 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.

i) Numismatic Coins in Circulation

The total nominal value of numismatic coins outstanding as at 31 December 2022 is \$14,491k (31 December 2021: \$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.

j) 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 2022

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 are 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.

k) 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 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.

l) 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 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 2022

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.

m) 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.

Under Section 39(3) of the Public Authorities Act (2020 Revision), the Authority is not required to pay dividends in accordance with the formula established by the Ministry as the Authority has been granted an exemption effective 1 January 2019 which applies to dividends payable in respect of each fiscal year thereafter. (Note 16).

n) 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 2022, the General Reserve was \$35,427k (31 December 2021: \$29,125k) equating to 20.70% (31 December 2021: 16.79%) of Demand Liabilities.

o) 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 2022 was \$375k (31 December 2021: \$375k).

p) 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 2022, the Capital Expenditure Reserve was \$17,665k (31 December 2021: \$10,267k).

q) 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 2022 was \$2.328 million (31 December 2021: \$2.328 million).

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

Significant Accounting Policies (continued)

r) 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.

s) 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.

t) Going concern

Management has assessed that the Authority has the ability to continue as a going concern and has accordingly prepared these financial statements on a going concern basis.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Significant Accounting Policies (continued)

2.1 Changes in Accounting Standards

Certain new accounting standards have been published that are not mandatory for the 31 December 2022 reporting period. The Authority opted for early adoption on some and the assessment of the impact of these new standards is set out below:

IAS 1 – Classification of Liabilities as Current or Non-current (including Amendment to IAS 1 – Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2023)).

In January 2020, the IASB issued amendments to IAS 1 which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. This standard has been early adopted but does not have a material effect on the Authority's financial statements.

IFRS 16 specifies the procedure to recognize, measure, present and disclose leases. (Effective for annual reporting periods beginning on or after 1 January 2024).

The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. This standard has been early adopted and presented in the Authority's financial statements.

IFRS 17 Insurance Contracts and Amendments (Effective for annual periods beginning on or after 1 January 2023)

In June 2020, the IASB issued amendments to IFRS 17 which creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and take into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are required to be measured based only on the obligations created by the contracts and an entity will be required to recognize profits as an insurance service is delivered, rather than on receipt of premiums. It is anticipated that IFRS 17 will not have a significant impact on the Authority's financial statements. This will be assessed more fully in the next financial year.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2022				
Investments, Hold to collect and sell	85,143	-	-	85,143
Total financial instruments	85,143	-	-	85,143

	<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

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.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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 2022	31 December 2021
	\$000	\$000
Investments, Hold to collect and sell		
AAA	64,728	67,105
AA	9,657	8,921
A	10,758	12,436
BBB	-	-
	<u>85,143</u>	<u>88,462</u>
Cash and cash equivalents		
Cash at bank and in-hand		
AAA	222	222
AA	2,526	2,457
A	1,585	1,926
BBB	20,000	10,512
	<u>24,333</u>	<u>15,117</u>
Overnight repurchase agreements		
AAA	116,583	115,750
	<u>140,916</u>	<u>130,867</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 2022

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 2022, the value of Currency Reserve Assets was \$195,136k (31 December 2021: \$198,128k) representing 114.04% (31 December 2021: 114.19%) of total Demand Liabilities. The value of external assets equated to 110.42% (31 December 2021: 110.29%) while the value of local assets as at 31 December 2022 equated to 3.62% (31 December 2021: 3.90%) 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 0.75% to 7.47% and maturity dates between 22 May 2024 and 24 March 2028.

There are no investment securities with maturities over ten years (31 December 2021 – 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 2022	31 December 2021
Range of maturities	\$000	\$000
1-5 years	69,157	63,774
6-10 years	-	-
Over 10 years	-	-
	<u>69,157</u>	<u>63,774</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

Short-term Investments – Currency Reserve Corporate Bond maturity date 08 November 2023 and Fixed Deposit maturity date 13 June 2023.

	31 December 2022	31 December 2021
	\$000	\$000
U.S. Treasury Notes	-	9,206
Corporate Bonds rated A or higher	429	-
Fixed Deposit	2,611	2,591
Total Short-term Investments	3,040	11,797

Short-term Investments – Operating AAA U.S. Treasury Bills dates 12 Jan 2023 – 08 Jun 2023 and Fixed Deposit maturity date 29 Mar 2023.

	31 December 2022	31 December 2021
	\$000	\$000
U.S. Treasury Bills	8,817	8,721
Fixed Deposit	4,178	4,171
Total Short-term Investments	12,995	12,892

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 2022, domestic deposits were \$4,975k (31 December 2021: \$4,886k) representing 2.91% (31 December 2021: 2.82%) of Demand Liabilities.

Interest was earned on domestic call accounts at a rate of 0.01% during the period ended 31 December 2022 (31 December 2021: 0.01%). The domestic fixed deposits earned interest at rates ranging between 0.15% to 1.65% during the period ended 31 December 2022 (31 December 2021: 0.20% to 0.40%).

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 2022 no interest was earned (31 December 2021: None).

Overnight repurchase agreements for terms of one business day are acquired through buy back transactions with the US Federal Reserve to earn an overnight interest rate of 4.30% (31 December 2021: 0.05%).

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

	Holding	31 December 2022	31 December 2021
	Currency	\$000	\$000
i) Operating Assets			
Current	KYD	(20)	(17)
Savings	KYD	10,752	4,817
Savings	USD	10,083	6,447
CI Cash on Hand		59	101
Total Current and Call Deposits		<u>20,874</u>	<u>11,348</u>
Total Cash and Cash Equivalent - Operating Assets		<u>20,874</u>	<u>11,348</u>
ii) Currency Reserve Assets			
Domestic Deposits			
Savings	KYD	1,092	1,026
Savings	USD	1,272	1,270
Foreign Deposits			
Federal Reserve Bank	USD	222	222
Investment Portfolio	USD	845	1,251
Federal Reserve Repurchase Agreement	USD	116,583	115,750
Total Call Deposits		<u>120,014</u>	<u>119,519</u>
Domestic - Fixed Deposits	USD	-	-
Total Cash and Cash Equivalent - Currency Reserve		<u>120,014</u>	<u>119,519</u>
Total Cash and Cash Equivalent		<u>140,888</u>	<u>130,867</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.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

5. Receivables and Prepayments

a) Aged profile of Accounts Receivable

	31 December 2022	31 December 2021
Period Outstanding Days	\$000	\$000
1-30	3,589	3,120
31-60	15	-
61-90	-	-
>90	-	-
	<u>3,604</u>	<u>3,120</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 no 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 2022, there were no receivables greater than 120 days past due.

	31 December 2022	31 December 2021
Output Income	2,655	2,238
CIMA Transactional Fees	509	553
Directors Registration and Licensing Fees	440	329
Accounts Receivable, net	<u>3,604</u>	<u>3,120</u>

b) Other Receivables and Prepayments

	31 December 2022	31 December 2021
Prepayments	962	1,123
Other Deposits	435	1
Accrued Interest	32	2
Employee Advances	3	-
Receivable - Lease Allowance Fit-out	-	33
	<u>1,432</u>	<u>1,159</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

6a. Property and Equipment

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment Hardware	Office Equipment	Motor Vehicle	TOTAL TANGIBLE	Work in Progress	GRAND TOTAL
Original Cost								
Balance as at 31/12/2021	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 31/12/2021	1,245	4,494	1,851	451	20	8,061	-	8,061
Additions	-	14	229	6	-	249	476	725
Disposals	(1)	-	-	(19)	-	(20)	-	(20)
Balance as at 31/12/2022	1,244	4,508	2,080	438	20	8,290	476	8,766
Accumulated Depreciation and Amortisation								
Balance as at 31/12/2021	507	834	1,089	335	9	2,774	-	2,774
Depreciation and Amortisation for the year	221	1,906	356	42	4	2,529	-	2,529
Relieved on disposals	(1)	-	-	(19)	-	(20)	-	(20)
Balance as at 31/12/2022	727	2,740	1,445	358	13	5,283	-	5,283
Net Book Value as at 31/12/2022	517	1,768	635	81	7	3,008	476	3,483
Net Book Value as at 31/12/2021	738	3,660	762	116	11	5,287	-	5,287

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment Hardware	Office Equipment	Motor Vehicle	TOTAL TANGIBLE	Work in Progress	GRAND TOTAL
Original Cost								
Balance as at 31/12/2020	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 31/12/2020	946	3,278	1,867	406	20	6,517	-	6,517
Additions	299	1,216	454	65	-	2,034	-	2,034
Disposals	-	-	(470)	(20)	-	(490)	-	(490)
Balance as at 31/12/2021	1,245	4,494	1,851	451	20	8,061	-	8,061
Accumulated Depreciation and Amortisation								
Balance as at 31/12/2020	324	446	1,186	318	5	2,279	-	2,279
Depreciation and Amortisation for the year	183	388	373	37	4	985	-	985
Relieved on disposals	-	-	(470)	(20)	-	(490)	-	(490)
Balance as at 31/12/2021	507	834	1,089	335	9	2,774	-	2,774
Net Book Value as at 31/12/2021	738	3,660	762	116	11	5,287	-	5,287
Net Book Value as at 31/12/2020	622	2,832	681	88	15	4,238	-	4,238

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

6a. Property and Equipment

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment Hardware	Office Equipment	Motor Vehicle	TOTAL TANGIBLE	Work in Progress	GRAND TOTAL
Original Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 31/12/2021	1,245	4,494	1,851	451	20	8,061	-	8,061
Additions	-	14	229	6	-	249	476	725
Disposals	(1)	-	-	(19)	-	(20)	-	(20)
Balance as at 31/12/2022	1,244	4,508	2,080	438	20	8,290	476	8,766
Accumulated Depreciation and Amortisation								
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Depreciation and Amortisation for the year	221	1,906	356	42	4	2,529	-	2,529
Relieved on disposals	(1)	-	-	(19)	-	(20)	-	(20)
Balance as at 31/12/2022	727	2,740	1,445	358	13	5,283	-	5,283
Net Book Value as at 31/12/2022	517	1,768	635	81	7	3,008	476	3,483
Net Book Value as at 31/12/2021	738	3,660	762	116	11	5,287	-	5,287

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment Hardware	Office Equipment	Motor Vehicle	TOTAL TANGIBLE	Work in Progress	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	-	6,517
Additions	299	1,216	454	65	-	2,034	-	2,034
Disposals	-	-	(470)	(20)	-	(490)	-	(490)
Balance as at 31/12/2021	1,245	4,494	1,851	451	20	8,061	-	8,061
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Relieved on disposals	-	-	(470)	(20)	-	(490)	-	(490)
Balance as at 31/12/2021	507	834	1,089	335	9	2,774	-	2,774
Net Book Value as at 31/12/2021	738	3,660	762	116	11	5,287	-	5,287
Net Book Value as at 31/12/2020	622	2,832	681	88	15	4,238	-	4,238

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

6b. Intangible Assets

	Intangible	TOTAL INTANGIBLE	Work in Progress Intangible	GRAND TOTAL
Original Cost	\$000	\$000	\$000	\$000
Balance as at 31/12/2021	5,222	5,222	22	5,244
Additions	477	477	110	587
Disposals	(14)	(14)	-	(14)
Balance as at 31/12/2022	5,685	5,685	132	5,817
Accumulated Depreciation and Amortisation				
Balance as at 31/12/2021	3,696	3,696	-	3,696
Depreciation and Amortisation for the year	377	377	-	377
Relieved on disposals	(14)	(14)	-	(14)
Balance as at 31/12/2022	4,059	4,059	-	4,059
Net Book Value as at 31/12/2022	1,626	1,626	132	1,758
Net Book Value as at 31/12/2021	1,526	1,526	22	1,548

	Intangible	TOTAL INTANGIBLE	Work in Progress Intangible	GRAND TOTAL
Original Cost	\$000	\$000	\$000	\$000
Balance as at 31/12/2020	5,152	5,152	15	5,167
Additions	139	139	8	147
Disposals	(69)	(69)	-	(69)
Balance as at 31/12/2021	5,222	5,222	23	5,245
Accumulated Depreciation and Amortisation				
Balance as at 31/12/2020	3,439	3,439	-	3,439
Depreciation and Amortisation for the year	327	327	-	327
Relieved on disposals	(69)	(69)	-	(69)
Balance as at 31/12/2021	3,697	3,697	-	3,697
Net Book Value as at 31/12/2021	1,525	1,525	23	1,548
Net Book Value as at 31/12/2020	1,713	1,713	15	1,728

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

7. Stocks

	31 December 2022	31 December 2021
	\$000	\$000
Bullion from the melt-down of coins	639	643
Coins for resale	331	316
Museum items	111	111
	<u>1,081</u>	<u>1,070</u>
Inventory of unissued currency notes and coins	<u>1,212</u>	<u>1,878</u>
Total Stocks	<u><u>2,293</u></u>	<u><u>2,948</u></u>

The amount of inventory recognised as expense during the period amounted to \$667k (2021: \$450k). 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 2022	31 December 2021
	\$000	\$000
Currency notes in circulation	156,767	159,558
Currency coins in circulation	14,350	13,946
Total Demand Liabilities	<u><u>171,117</u></u>	<u><u>173,504</u></u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Liabilities (continued)

b) *Other Liabilities and Payables*

	31 December 2022	31 December 2021
	\$000	\$000
Unearned income - Director Registration Fees	4,609	4,696
Unearned income - CIMA Transactional Fees	56	75
Performance Awards	735	692
Other accruals	377	838
Annual leave accrual	420	425
Accounts payable	659	662
Pension Payables	-	5
Other Payables	184	93
	7,040	7,486

As at 31 December 2021, Other Payables included unsettled investment management and custody fees of \$10k (2021: \$23k).

c) *Dividend Paid to CI Government*

In 2021 the Board approved to pay over \$2,752k of the net income 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 Dividend 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 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 2022

Post-Employment Benefits (continued)

All Pension Plans (continued)

The Plans are funded at rates of: -

	31 December <u>2022</u>	31 December <u>2021</u>
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 2022. 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 2022 was \$1,018k (31 December 2021: \$1,182k). 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 <u>2022</u>	31 December <u>2021</u>
	\$000	\$000
Public Service Pension Plan Defined Benefit	234	261
Public Service Pension Plan Additional cost contribution DB	66	72
Public Service Pension Plan Defined Contribution	873	901
Public Service Pension Plan Additional cost contribution DC	60	63
Private Pension Plans	365	337
Defined Benefit Pension cost: IAS 19 valuation	198	321
Total Pension Expense All Plans	1,796	1,955
Remeasurement of DB Plan in OCI	(2,814)	(3,137)
Total Pension Expense	<u>(1,018)</u>	<u>(1,182)</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Post-Employment Benefits (continued)

b) *Defined Benefit Pension*

The actuarial position is as follows:

	31 December 2022	31 December 2021	31 December 2020	31 December 2019
	\$000	\$000	\$000	\$000
Net Present Value of Funded Obligation	(9,906)	(15,012)	(16,360)	(12,292)
Fair Value of Plan Assets	12,854	15,344	13,876	12,235
Funded Status	2,948	332	(2,484)	(57)
Net Asset/(Liability)	2,948	332	(2,484)	(57)

	31 December 2022	31 December 2021
Components of defined benefit pension cost	\$000	\$000
Current service cost	363	469
Interest expense on DBO	398	360
Interest income on plan assets	(410)	(308)
Defined benefit cost included in P&L	351	521
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	-	39
Effect of changes in financial assumptions	(4,469)	(1,052)
Effect of experience adjustments	(1,476)	(645)
(Return) on plan assets (excluding interest income)	3,131	(1,479)
Total remeasurements included in OCI	(2,814)	(3,137)
Total defined benefit cost recognised in P&L and OCI	(2,463)	(2,616)
Employer Contributions		(200)
Asset re-allocations true up	-	-
Total net defined benefit cost recognised in P&L and OCI	(2,463)	(2,816)

	31 December 2022	31 December 2021
Reconciliation of defined benefit pension liability	\$000	\$000
Previous year net defined benefit liability	(332)	2,484
Defined benefit cost included in P&L	351	521
Total remeasurement included in OCI	(2,814)	(3,137)
Employer contributions	(153)	(200)
Net Transfer in (including the effect of any business combinations/divestures/transfers)	-	-
Net defined benefit (asset)/liability	(2,948)	(332)

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Post-Employment Benefits (continued)

Defined Benefit Pension (continued)

	31 December 2022	31 December 2021
Change in defined benefit pension obligation	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at end of prior year	15,012	16,360
Current service cost	363	469
Interest expense	398	360
Transfers between Other Participating employers	-	(373)
Benefit payments from plan asset	-	(231)
Plan participant contributions	78	85
Remeasurements:-		
Effect of changes of demographic assumptions	-	39
Effect of changes of financial assumptions	(4,469)	(1,052)
Effect of experience adjustments	(1,476)	(645)
Defined benefit obligation at end of year	<u>9,906</u>	<u>15,012</u>

	31 December 2022	31 December 2021
Change in fair value of plan assets	<u>\$000</u>	<u>\$000</u>
Fair value of plan assets as at end of prior year	15,344	13,876
Interest income	410	308
Employer contributions	153	200
Plan participant contributions	78	85
Transfers between Other Participating employers	-	(373)
Benefit payments from plan assets	-	(231)
Other significant events:-		
Increase/(Decrease) due to effect of any business combinations/ divestitures/transfers	-	-
Remeasurements:-		
Return on assets (excluding interest income)	(3,131)	1,479
Fair value of plan assets at end of year	<u>12,854</u>	<u>15,344</u>

Composition of Plan Assets

The composition of the total plan assets managed by the PSPB, as at 31 December 2022 and 31 December 2021, was as follows: -

	31 December 2022	31 December 2021
	%	%
Global equity securities	81	82
Debt securities	18	17
Cash	1	1
Total	<u>100</u>	<u>100</u>

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

Post-Employment Benefits (continued)

Defined Benefit Pension (continued)

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
	%	%
Effective discount rate for defined benefit obligation	5.40	2.90
Rate of salary increase	see note below	2.50
Price inflation rate	see note below	2.00
Rate of pension increases	see note below	2.00
Rate of salary increase –	5.0% in 2023, 4.0% in 2024 and 3.7% thereafter.	
Price inflation rate –	4.0% in 2023, 2.4% in 2024 and 2.0% thereafter.	
Rate of pension increase –	4.0% in 2023, 2.4% in 2024 and 2.0% thereafter.	

The economic assumptions used to determine Net Periodic Benefit Cost for the period ended 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
	%	%
Weighted-average assumptions to determine defined benefit cost:		
Effective rate for net interest cost	2.65	2.20
Effective discount rate for service cost	2.95	2.70
Effective rate for interest on service cost	2.85	2.50
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

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Post-Employment Benefits (continued)

Defined Benefit Pension (continued)

	31 December 2022	31 December 2021
	\$000	\$000
Sensitivity analysis on defined benefit pension obligation		
Discount rate		
Discount rate - 25 basis points	10,366	15,882
Discount rate + 25 basis points	9,475	14,205
Inflation rate		
Inflation rate - 25 basis points	9,507	14,308
Inflation rate + 25 basis points	10,329	15,763
Mortality rates		
Mortality - 10% of current rates	10,088	15,414
Mortality + 10% of current rates	9,739	14,650
Expected cash flows for following year		
Expected employer contributions	199	156
Participant contributions	85	81
Defined benefit obligation by participant status		
Actives	7,508	11,303
Vested deferreds	2,398	3,709
Total	9,906	15,012

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.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Post-Employment Benefits (continued)

Defined Benefit Healthcare (continued)

The Authority has a present value net defined healthcare benefit obligation of \$8,082k at the end of the financial year 31 December 2022 (31 December 2021: \$10,398k).

	31 December 2022	31 December 2021
Change in defined benefit healthcare obligation	<u>\$000</u>	<u>\$000</u>
Defined benefit obligation at end of prior year	10,398	11,293
Current service cost	500	651
Interest expense	294	271
Cashflows - Benefits from employer	(15)	(13)
Remeasurements:-		
Effect of changes of demographic assumptions	2,127	9
Effect of changes of financial assumptions	(3,945)	(1,829)
Effect of experience adjustments	(1,277)	16
Defined benefit obligation at end of year	<u>8,082</u>	<u>10,398</u>
	31 December 2022	31 December 2021
Components of defined benefit healthcare cost	<u>\$000</u>	<u>\$000</u>
Current service cost	500	651
Interest expense on DBO	294	271
Interest income on plan assets	-	-
Defined benefit cost included in P&L	<u>794</u>	<u>922</u>
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	2,127	9
Effect of changes in financial assumptions	(3,945)	(1,829)
Effect of experience adjustments	(1,277)	16
Total remeasurements included in OCI	<u>(3,095)</u>	<u>(1,804)</u>
Total defined benefit cost recognised in P&L and OCI	<u>(2,301)</u>	<u>(882)</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

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

	31 December	31 December
Reconciliation of defined benefit healthcare liability	<u>2022</u>	<u>2021</u>
	\$000	\$000
Net defined benefit liability	10,398	11,293
Defined benefit cost included in P&L	794	922
Total remeasurement included in OCI	(3,095)	(1,804)
Cash Flows - Employer direct benefit payments	<u>(15)</u>	<u>(13)</u>
Net defined benefit liability	<u><u>8,082</u></u>	<u><u>10,398</u></u>
Define benefit obligation by participant status		
Actives	5,351	8,780
Retirees	<u>2,731</u>	<u>1,618</u>
Defined benefit obligation total	<u><u>8,082</u></u>	<u><u>10,398</u></u>

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2022 and 31 December 2021 are as follows:

	31 December	31 December
	<u>2022</u>	<u>2021</u>
	%	%
Weighted-average assumptions to determine defined benefit obligation		
Effective discount Rate for defined benefit obligation	5.35	2.95
Healthcare cost trend rates		
Immediate trend rates	5.28	5.33
Ultimate trend rate	4.00	4.00
Weighted-average assumptions to determine defined benefit cost		
Effective Discount Rate for defined benefit obligation	2.95	2.70
Effective rate for net interest cost	2.83	2.40
Effective discount rate for service cost	2.95	2.75
Effective rate for interest on service cost	2.98	2.75
Healthcare cost trend rates		
Immediate trend rates	5.33	5.00
Ultimate trend rate	4.00	5.00

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Post-Employment Benefits (continued)

Defined Benefit Healthcare (continued)

	31 December 2022	31 December 2021
	\$000	\$000
Sensitivity analysis		
Change in defined benefit obligation		
Effective discount rates - 25 basis points	444	631
Effective discount rates + 25 basis points	(415)	(587)
Healthcare cost trend rates - 100 basis points	(1,503)	(2,155)
Healthcare cost trend rates + 100 basis points	1,942	2,835
Mortality assumption + 10%	(324)	(445)
Expected cash flows for following year		
Expected employer contributions	75	47
Expected total benefit payments		
Year 1	75	47
Year 2	87	57
Year 3	102	70
Year 4	119	86
Year 5	138	106
Next 5 years	1,120	960

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\$49.65 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\$44.12 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 for a two-year period.

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.

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

Lease of premises (continued)

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

Right-of-use asset

	2022	2021
	\$000	\$000
Balance at 1 January	11,385	11,116
Additions	638	2,113
Depreciation charge for the year	(1,795)	(1,844)
Balance at 31 December	<u>10,228</u>	<u>11,385</u>

Lease liability

	2022	2021
	\$000	\$000
Balance at 1 January	11,717	11,298
Additions	638	2,113
Interest Expense	402	436
Lease payments	(2,332)	(2,130)
Balance at 31 December	<u>10,425</u>	<u>11,717</u>

	Future minimum lease payments (undiscounted) \$000	Interest \$000	Present value of minimum lease payments \$000
Less than one year	2,089	(322)	1,767
Between one and two years	1,735	(271)	1,464
More than two years	7,880	(686)	7,194
	<u>11,704</u>	<u>(1,279)</u>	<u>10,425</u>

Amounts recognised in the Statement of Comprehensive Income

	2022	2021
	\$000	\$000
Depreciation of right-of-use asset	1,795	1,844
Interest on lease liabilities	402	436
	<u>2,197</u>	<u>2,280</u>

The total cash outflows for leases in 2022 was \$2,332k (2021: \$2,130k).

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

11. Commitments

Capital and operating commitments

	One year or less \$000	One to five years \$000	Over five years \$000	Total \$000
Capital Commitments				
Leashold Fitouts and furniture	5,824	6,898	-	12,722
Total Capital Commitments	5,824	6,898	-	12,722
Operating commitments				
Non-cancellable contracts for the supply of goods and services	3,761	24,617	45,997	74,375
Total Operating Commitments	3,761	24,617	45,997	74,375
Total Commitments	9,585	31,515	45,997	87,097

The outstanding capital commitments are for the commitments related to new office accommodations at Cricket Square Ltd. The Authority signed the “Heads of Terms – Subject to Contract” for the Phase 7 office space in April 2022 and signed the lease on 9 March 2023.

In addition, the Authority has entered various operating commitments with terms less than one year to over five years term amounting to \$74,375k (2021: \$76,774k). A substantial part of this amount pertains to contract with Cricket Square Ltd. The Cricket Square Leases in note 10 will be replaced by the new lease for Cricket Square Phase 7, which has a rent commencement date of 1 February 2025 and is for a period of ten (10) years.

12. 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 2022, the services provided to the Government was \$31,858k (31 December 2021: \$24,641k).

Commencing in the year ended 30 June 2007 the Authority’s capital expenditure was funded from the Capital Expenditures Reserve, which was created from an allocation of the surplus for the year ended 30 June 2006; previously capital expenditure was funded by means of a Government grant. At the end of each financial year, the Authority contributes to the Government’s net operating surplus after fulfilling Reserve requirements.

b) Directors

The Board of Directors of the Authority is appointed by Cabinet and consisted of the Managing Director (“MD”) and six directors as at 31 December 2022 (eight directors at 31 December 2021). The fees of \$130k (2021: \$159k) 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 20 at year-end, but 23 during the year (2021: 23) and salaries & other benefits expensed in 2022 was \$4,303k (2021: \$4,325k).

AUDITED FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

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 \$519k (2021: \$434k).

13. Other Operating Expenses

	31 December 2022	31 December 2021
	\$000	\$000
Maintenance and software licences	1,221	1,149
Other expenses	1,023	958
Common Area Maintenance cost (CAMS)	766	609
Currency Stock issues and related expenses	682	472
eMerchant Discounts	245	240
Janitorial Services	215	157
Directors Fees	131	159
Management and Custody Fees	78	78
Business Continuity	41	38
Total	<u>4,402</u>	<u>3,859</u>

14. Salaries and Benefits

	31 December 2022	31 December 2021
	\$000	\$000
Salaries and Allowances	23,222	23,293
Performance Award	713	692
Medical Expense	2,277	2,160
DB Healthcare Expense	794	922
	<u>27,006</u>	<u>27,067</u>
Remeasurement of DB Healthcare liability in OCI	<u>(3,095)</u>	<u>(1,804)</u>
	<u>23,911</u>	<u>25,263</u>

15. Accommodation

As at 31 December 2022, total accommodation expense including conference room and parking was \$189k (2021: \$175k).

CAYMAN ISLANDS MONETARY AUTHORITY NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 December 2022

16. Contingencies

Section 47 of The Public Authorities Act, (2020 Revision)

Section 47 of the Public Authorities Act, (2020 Revision), (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.

Liability to the Cayman Islands Government – Compliance with the Public Authorities Act, (2020 Revision)

The Authority is required to comply with the Public Authorities Act, (2020 Revision), (the “PAA”). Section 36(1) of the PAA requires public authorities to pay an annual capital charge for the use of equity invested by the Government in the Office. The capital charge is set by the Minister of Finance and Economic Development (“the Ministry”) after consultation with the public authority’s board. There is no capital charge payable for 2022 (2021: \$0) because the rate for the 2022 financial year was set at 0%. Going forward, the Authority may be required to pay a capital charge in accordance with the PAA for future equity investments by the Government.

Under Section 39(2) of the PAA, any surplus cash exceeding ninety days reserve should be paid to the Cayman Islands Government, unless directed otherwise by Cabinet, after consultation with the Board. The Cabinet has granted the exemption to public authorities from paying over surplus cash reserves as at 31 December 2022.

Under Section 39(3) of the Public Authorities Act (2020 Revision), the Authority is not required to pay dividends in accordance with the formula established by the Ministry as the Authority has been granted an exemption effective 1 January 2019 which applies to dividends payable in respect of each fiscal year thereafter.

The Ministry of Finance and Economic Development, Policy name: “Policy for the Payment of Annual Dividends by Statutory Authorities and Government Companies (SAGCs),” Policy Number 1 of 2019, section 5. b. states:

“The Cayman Islands Monetary Authority, where Net Profits of the Authority will be calculated, disbursed and transferred to the General Revenue of the Islands pursuant to the provisions of the Monetary Authority Law (2018 Revision) and in particular sections 9, 10 and 32 thereof.”

Legal Proceedings

There are currently five (5) ongoing judicial reviews of the Authority’s regulatory decisions before various levels of the Cayman Islands courts, of which some are under seal and are therefore confidential. As the outcomes are still pending and have not been finally determined, it is not yet possible to estimate reportable costs.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2022

17. Subsequent events

On 9 March 2023, the Authority signed a Lease Agreement with Cricket Square Ltd relating to Phase 7, Cricket Square, for new office accommodations (Note 11).

On 28 March 2023, the Board granted its approval for the Authority to accrue \$735k, and to seek the support of Cabinet, for the payment of performance awards for the year ended 31 December 2022.

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 2022 reporting period, several legislative documents were tabled in Parliament, most of which related to anti-money laundering and financial terrorism procedures.

These include:

- Freedom of Information Act, 2021
- Freedom of Information (General) Regulations, 2021
- Freedom of Information (Information Commissioner) Regulations, 2008
- Complaints Maladministration Act (2018 Revision)
- Complaints Commissioner Regulations, 2008

Freedom of Information

14 total FOI requests received and processed

4 granted full access

7 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

The Authority received a total of 18 requests during the reporting period. The following observations were made:

- Complaints were made against entities which were not registered with the Authority.
- An entity that was carrying out crypto currency business in the Cayman Islands despite not being authorised to do so.
- Matters where the Authority instructed the individual to file a complaint with the police.
- Due to the complex nature of some entities, multiple divisions considered and responded to the complaint.
- Inconsistencies in the wording of the present complaints policies and procedures, as well as teething issues with the technological solution to manage complaints.
- The policy for complaints against the Authority indicates that must respond to a complaint within 90 days. However, the policy for complaints against licensees, is not specific and suggests a "reasonable time". These inconsistencies are being recorded into a teething problems list for later consideration and review of the various policies and procedures documentation.

Cross Government Commitment & Objectives

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 49.

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 2023.



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