CAYMAN ISLANDS MONETARY AUTHORITY

ANNUAL REPORT 2023



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STATEMENT BY BOARD OF DIRECTORS



Over the past year, the Cayman Islands Monetary Authority ("CIMA" or "the Authority") has continued to build upon its strong foundation, driving significant achievements and reinforcing our regulatory regime's effectiveness. This year marks a notable milestone with the removal of the Cayman Islands from the Financial Action Task Force's (FATF) grey list, a testament to the tireless efforts of CIMA, our Board of Directors, and the collaborative spirit of our public and private sector stakeholders.

After two years of sustained hard work and engagement, both locally and internationally, the Cayman Islands celebrates FATF's decision to remove us from its anti-money laundering (AML) grey list. This achievement underscores that our AML regime now meets global standards. The significance of this development cannot be overstated. Being removed from the FATF grey list is crucial for the Cayman Islands' reputation as a leading financial centre. It reassures our global partners and stakeholders that our financial system is robust and compliant with international AML standards.

CIMA has worked diligently with the Cayman Islands Government and various industry stakeholders to achieve this milestone.

Our collaborative efforts included enhancing our regulatory framework, improving compliance measures, and conducting extensive training and awareness programs. The removal from the grey list not only reflects our commitment to maintaining a transparent and secure financial environment but also strengthens our position in the global financial market.

Throughout 2023, the Board remained steadfast in its commitment to overseeing the implementation of CIMA's strategic objectives. These objectives aimed at enhancing internal operational efficiencies and improving work-life balance options, thereby solidifying CIMA's reputation as an employer of choice.

Throughout 2023, the Board remained steadfast in its commitment to overseeing the implementation of CIMA's strategic objectives. These objectives aimed at enhancing internal operational efficiencies and improving work-life balance options, thereby solidifying CIMA's reputation as an employer of choice. The Board approved several new policies that offer flexible yet sustainable employee benefit programmes, including enhanced maternity and paternity leave, a compressed work week, an extended paid sabbatical for senior management, work-from-home arrangements, and increased personal and mental health days. Additionally, the Board reviewed and updated the Recruitment & Selection Policy, emphasising a timely, consistent, and transparent recruitment process aimed at filling positions with qualified Caymanians in compliance with the Cayman Islands Immigration Law and the Public Authorities Act.

In addition to these internal improvements, CIMA launched its first-ever annual Financial Stability Report. This report provides a comprehensive assessment of our local financial system, highlighting trends and vulnerabilities. Despite the challenges faced in 2020, our analysis revealed that all supervised sectors remained resilient, with strong financial positions demonstrated through various stress tests. This publication underscores our commitment to reinforcing the integrity of the financial services industry and maintaining a robust macro-prudential framework for sustainable financial stability.

STATEMENT BY BOARD OF DIRECTORS

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 'to protect and enhance the integrity of the financial services industry of the Cayman Islands', through the efficacy of its principal functions and with consideration for the Authority's regulatory objectives of 'promoting and enhancing market confidence, consumer protection and the reputation of the Islands as a financial centre'.

Operating in a dynamic environment with increasing volatility, complexity, and ambiguity, an effective risk management approach is vital for strengthening CIMA's capacity to recognise, understand, and address the challenges it faces while maximising its opportunities. The Authority has always practiced risk management in the external context regarding the supervision and regulation of its licensees, referred to as the Risk-Based Supervisory Approach. This approach adopts the philosophy that the Authority can deliver the most value to its stakeholders by applying its limited resources efficiently, focusing on the licensees that pose the greatest threat to the financial stability of the Islands and its consumers.

While the Risk-Based Supervisory Approach is the responsibility of the Supervisory Divisions, it is everyone's responsibility to manage the risks associated with the implementation and achievement of the Authority's objectives. The Authority's Risk Management Processes support a consistent approach to identifying, assessing, and managing these risks. These processes are deployed annually and as needed, with mitigating controls embedded within the Authority's day-to-day operations.

Annually, each of the Authority's Divisions conducts a Risk and Control Self-Assessment to update their Divisional Risk Registers. Additionally, through the Authority's 2020-2023 Strategic Plan, various initiatives are pursued to address key risks. Risk management efforts are designed to manage rather than eliminate risk, providing reasonable, but not absolute, assurance against material divergence from objectives. As the Authority's risk culture continues to mature, the benefits of sound risk management practices will become increasingly evident.

CIMA also took a significant step in commemorating the legacy of Her Majesty Queen Elizabeth II with the unveiling of a special $70 banknote in collaboration with De La Rue.

This limited-edition banknote honours the one-year anniversary of Her Majesty's passing and her Platinum Jubilee, featuring distinct portraits of the Queen, including a depiction of her 1983 visit to the Cayman Islands. This initiative reflects our commitment to preserving and celebrating the rich history and culture of the Cayman Islands.

As we look ahead, the Board is committed to maintaining our momentum and preparing for FATF's 5th round of evaluations. We are proactively monitoring changes to the FATF standards and evaluation methodology to ensure our policies and legislation remain aligned and effective. The lessons learned during FATF's 4th round have significantly improved our approach to incorporating international standards and enhancing our inter-governmental cooperation in combating financial crime.

On behalf of the Board, I extend my deepest gratitude to CIMA's dedicated management and staff, whose diligent efforts continue to strengthen the supervision of the financial services industry. Special thanks to my fellow Board members for your unwavering support and commitment. To the Cayman Islands Government and all industry stakeholders, your collaboration and expertise have been invaluable in navigating another challenging year.

As we celebrate these achievements and milestones, we remain confident in CIMA's contribution towards our common vision of being a globally respected financial services centre of excellence. I look forward to seeing CIMA continue to grow and thrive, reinforcing the Cayman Islands' status as a leader in the financial services industry.

Garth MacDonald
Chairman of the Board of Directors

STATEMENT BY MANAGING DIRECTOR



I am delighted to present the 2023 annual report reflecting on another successful year for CIMA. As the Authority transitioned from the 2020-2023 strategic period, we remained steadfast to the mission of protecting the jurisdiction's commitment to maintaining our standard as an international financial centre of choice. During this year we continued in earnest, our efforts towards more robust supervision including the application of various regulatory measures to protect against money laundering, financing of terrorism ("AML/CFT") and other financial crimes, while enhancing our financial services as a key economic pillar for our Islands.

As part of these efforts, CIMA collaborated with the Ministry of Financial Services ("Ministry") and relevant stakeholders for strengthening the regulatory framework. CIMA worked closely with the Ministry to effect necessary legislative amendments and partnered with relevant stakeholders to establish enhancements to the supervisory framework, including various regulatory measures and supervisory practices. All this was undertaken whilst taking into consideration the emerging risks and trends within the financial services supervision.

Some of these revisions to regulatory measures included the review of our approach to consolidated and group-wide supervision with a global perspective in mind, and to align with Basel and other international standards. In our ongoing efforts to strengthen the safety and stability of the domestic market, we also introduced measures related to prudential and systemic risk for banks and other deposit-taking institutions, through the development of the Rule and Policy on Domestic Systemically Important Deposit-Taking Institutions which will take effect, early next year.

Guidance Notes on the Prevention and Detection of Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands was amended to provide enhanced guidance to the virtual asset service providers ("VASPs") and also in the areas of electronic and remote customer due diligence. The Authority introduced Travel Rule reporting for, as well as distributed AML surveys the virtual asset service providers ("VASPs") registered with CIMA.

The Authority continued its robust on-site inspection regime, throughout 2023, and we have noted positive response from industry, with increased levels of compliance. In 2023 the Authority also included VASPS in its on-site inspection schedule and conducted AML/CFT and cyber risk inspections.

During this year, CIMA continued its efforts to improve its operational efficiencies with adjusting its supervisory practices and building its expertise and technological capabilities. CIMA strengthened its human capital through recruitment and training. CIMA also invested in deploying technological solutions for making enhancements to current capabilities and to deploy new technological solutions.

With the aim of continuing this work, the Authority's new strategic Plan 2024-2026 focuses on further enhancing its supervisory framework. CIMA will undertake some strategic initiatives to increase its efforts for protecting the integrity of CI currency, combatting financial crime, and increasing public awareness and industry's understanding in these areas. The other key initiatives include digital transformation, enhancements to its operational structure and fostering a positive work-life balance for CIMA staff.

STATEMENT BY MANAGING DIRECTOR

In 2023, CIMA took significant steps to prioritise staff wellbeing, demonstrating our commitment to fostering a supportive work environment. We undertook organisation-wide leadership training for all supervisory and management staff, and continued initiatives focused on staff recognition and mental health awareness. These initiatives are just the beginning of our journey towards further enhancing employee satisfaction and engagement.

The Cayman Islands financial services industry maintained its strong reputation as a major player in the global financial services industry. Details on the performance of specific industry sectors are contained in this report. However, some of the key areas of performance are highlighted below.

As of December 2023, there were 29,353 regulated funds, compared to 28,849 the previous year. This increase included a 4.4% growth in the number of private funds since the enforcement of the Private Funds Act. The ongoing effects of the Russia-Ukraine war and negative global conditions have slowed the demand for new fund launches, however, the post COVID recovery has led to one of the quickest rebounds for global financial markets for the year 2023. Therefore, the numbers have continued to be consistent during the past three years.

The banking sector remained resilient and overall, the sector experienced a minimal decline in licensed banks with 87 licensed banks as of December 2023, compared to 94 in 2022, a 7% decrease. Banks continued 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.

The Insurance sector continued its steady growth and saw an increase during 2023 with approximately 683 insurance licensees compared to 669 in 2022.

Whilst paying close attention ensuring prudence in risk management the Authority has recognised the global need for innovation and efficiency in the delivery of services. Consequently, the Authority has noted that technological innovations continue to gain traction in the Cayman Islands. and This phenomenon is expected to continue to evolve as more entrepreneurs seek to leverage on emerging technologies and we remain cautiously observant on the impact to the industry.

The fiduciary services sector showed that there was a 0.5% increase in trusts and company management licensed entities, which stood at 391, compared to 389 in the previous year.

At the end of 2023, there were 45 active securities investment business licensees and 1,527 Registered Persons, compared to the 47 licensees and 1,654 Registered Persons in 2022.

In 2023, a dedicated division for the supervision of VASPs became operational. As of 31 December 2023, the Authority has registered 19 VASPs, compared to the 18 registered VASPs in 2022.

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Overall, the Cayman Islands' financial sector remained stable throughout the year, which indicates a positive outlook in 2024.

I am pleased to report that the Financial Action Task Force ("FATF") made the decision to remove the Cayman Islands from its Grey List.

While the primary objective of the recent assessment was to evaluate the progress in fulfilling follow-up actions, the discussions also underscored how the Cayman Islands have fortified and sustained a robust culture of AML/CFT compliance.

With work already underway, we are closely monitoring potential changes in the FATF standard to ensure alignment of our policies and legislation; and monitoring changes to the FATF evaluation methodology to assess how best to demonstrate the Cayman Islands' effectiveness in implementing these global recommendations. Insights gained during this phase are guiding our early and robust preparations for the 5th-round FATF mutual evaluation.

STATEMENT BY MANAGING DIRECTOR

While the process has been demanding, what we once perceived as a challenge has transformed into an opportunity to showcase our capabilities. 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. It is one of the Authority's strategic priorities under the new strategic plan 2024-2026 to continue to improve our effectiveness in combatting financial crime working together with all relevant stakeholders.

I extend my heartfelt gratitude to the management and staff for their hard work and unwavering dedication throughout the year. Their diligence and hard work has been instrumental in CIMA's pivotal role within the Cayman Islands financial services sector. I am proud of the collaborative efforts between CIMA, the Cayman Islands Government, and our valued industry and other stakeholders.

Looking ahead to 2024, and entering our new strategic plan period, our strategic priorities guide us in continuing our ongoing efforts to strengthen CIMA's operational and supervisory frameworks.

CIMA remains committed to its robust and balanced regulation of financial services, while supporting the Cayman Islands as an international financial centre of choice, ensuring compliance with global standards, and fostering growth and stability in our financial services sector.

Cindy Scotland, OBE

OVERVIEW

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

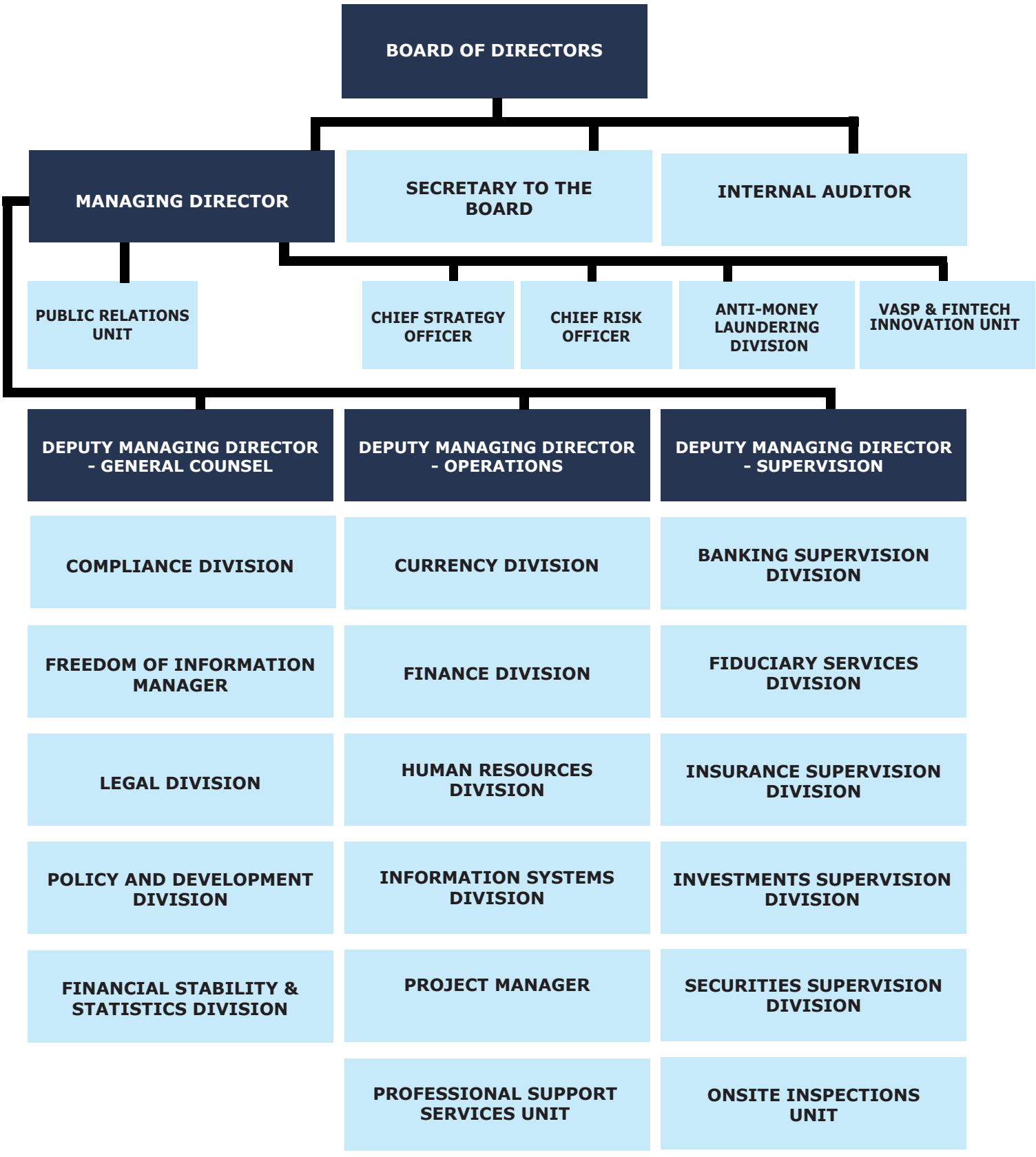
Advisory

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

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

ORGANISATIONAL CHART



BOARD OF DIRECTORS



Chairperson
Garth MacDonald



Managing Director
Cindy Scotland



Director
Anna Goubault



Director
Helen Dombowsky



Director
Ormond Williams



Director
Johann Moxam



Director (Non-voting)
Dr. Dax Basdeo

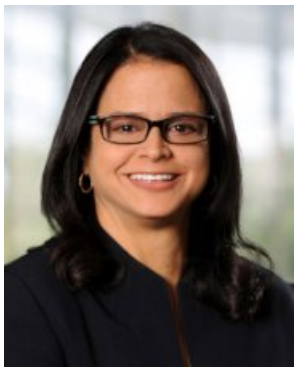


Director
Sabrina Foster

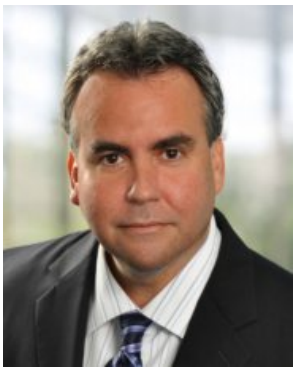


Director
Vaughan Carter

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



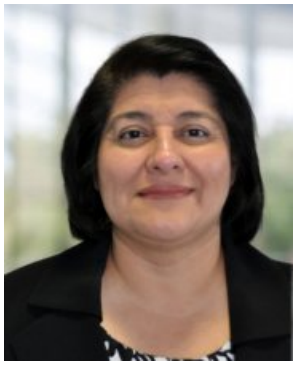
Head, Securities
Heeraman Jowaheer



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, AML/CFT
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.



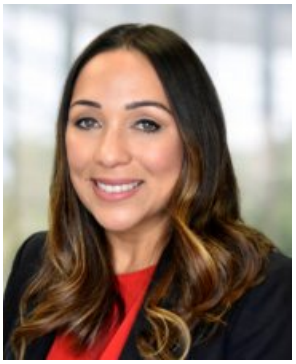
Head, Compliance
Audrey Roe



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



Deputy Head, Financial Stability & Statistics
Michelle Majid



Deputy Head, Financial Stability & Statistics
Yoshneck Mutomba



Chief Human Resources Officer
Deborah Musson

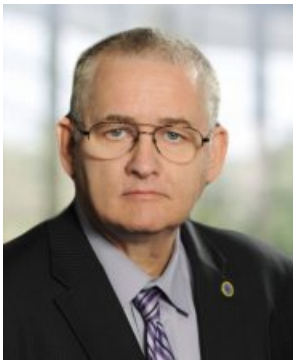
EXECUTIVE MANAGEMENT & SENIOR OFFICERS



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



Head, Onsite Inspection Unit
Razaak Busari



Deputy Head, Onsite Inspection Unit
Stephanie Azan



Chief Risk Officer
Janique Samson



Head of Professional Support Services
Tina Harris

EXECUTIVE MANAGEMENT & SENIOR OFFICERS



Head of Investments
Pranav Variava



Deputy Head, Investments
Christopher Bouck



Deputy Head, Policy & Development
Ife Adanna Romeo-Bernard



Chief Financial Officer
Gilda Moxam-Murray



Deputy Chief Financial Officer
Tammy Archer

Nature and Scope of Activities



AML Monitoring
Monitor and ensure compliance with anti-money laundering regulations



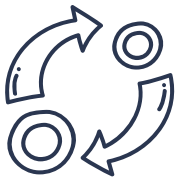
Currency
Issue and redeem currency notes and coins and manage currency reserves



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.

Anti-Money Laundering/ Counter Financing Terrorism Division



Develop and implement the Authority's anti-money laundering/counter financing of terrorism ("AML/CFT") supervisory and regulatory strategy while ensuring an efficient and effective operation that meets or exceeds international standards as well as providing timely feedback to improve industry's AML/CFT compliance thereby reducing the risk exposure of licensees.

Financial Stability & Statistics Division



Assists in the provision of responses, of both a statistical and non-statistical nature on the financial sector, to various international and domestic organisations.

ABOUT US

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.

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.

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.

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.

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.

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.

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 financiial sector. Also responsible for the coordination of the development of Rules, Statements of Guidance and Statements of Principle applicable to financial services providers.

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 employment, our staff complement is made up of over 21 nationalities across various regions, including the Caribbean, North America, Africa, United Kingdom and India.

In 2023, we onboarded 41 new employees, all of whom contribute to protecting and enhacning the integrity of the Cayman Islands financial services industry.

Table 1: Number of staff across each division

Division	Staff Total
Anti Money Laundering/CFT Division	25
Banking Supervision Division	19
CIMA Board (Internal Audit)	3
Compliance Division	22
Currency Operations	6
Fiduciary Services	14
Finance Division	9
Financial Stability Division	10
Human Resources Division	11
Information Systems Division	18
Insurance Supervision Division	25
Investments Supervision Division	33
Legal Division	14
Managing Director's Office	11
Onsite Inspection Unit	12
Policy & Development Division	11
Professional Support Services Unit	8
Securities Supervision Division	12
Virtual Assets Service Providers & FinTech Unit	5
Total	**268**

Banking

The Banking Supervision Division (the "BSD") regulates and supervises all banking entities, trust companies, nominee (trust) companies, and trust (controlled subsidiary) companies that have a banking licence, as well as money services businesses operating in and from within the Cayman Islands.

Cooperative societies conducting credit union business, building societies, and development banks are not required to be licensed in the Cayman Islands, but are entities created by statute, supervised by CIMA, and are under the purview of the BSD. As at December 2023, CIMA supervised two cooperative credit unions, one building society, and one development bank.



87
Total banking licences



11
Category "A" Banks



76
Category "B" Banks



18
Nominee (Trust)



7
Trust (Controlled Subsidiaries)



1
Development Bank



35
Trust Company



2
Cooperative Credit Unions



5
Money Services Business



1
Building Society

Core Achievements and Objectives

International bank failures

In Q1 and Q2 2023, several banks in the US and Europe failed and resulted in concerns of a potential global banking crisis. Two (2) of the failed banks held a Category "B" licence issued by CIMA to operate a branch in the Cayman Islands. One of the two (2) banks was sold to another bank after intervention by its home regulator while the other bank was liquidated by a US court appointed receiver. The BSD noted that the bank failures did not have any material impact locally except for the two (2) branches above.

CIMA established an internal working group to assess the bank failures and to propose any required legislative and supervisory changes. The BSD continues to collaborate with other internal stakeholders to implement the recommendations identified by the working group. The BSD is also closely monitoring international standard setters such as the Basel Committee on Banking Supervision to identify whether any changes will be recommended in response to the bank failures.

Regulatory Framework Initiatives

The Authority's Regulatory Policy on Consolidated Supervision Framework was revised and published in November 2023. The revised policy provides more clarity and guidance on the Authority's role as home or host supervisor, offsite and onsite supervision activities, group reporting requirements, and home-host supervisor relationship. Additionally, the Authority is in the process of proposing legislative amendments to regulatory Acts with the aim of strengthening the consolidated supervision regime. Furthermore, the Authority will continue to develop more internal procedures and guidance on consolidated supervision.

The Rule and Regulatory Policy for Domestic Systematically Important Deposit-Taking Institutions ("DSIDTIs") was gazetted and published on the CIMA website in May 2023. The DSIDTIs measure becomes effective in May 2024. The DSIDTIs framework establishes criteria for identifying institutions that could cause significant disruption to the Cayman Islands' financial system and economy in the event of their distress or failure and the approaches to mitigating negative externalities posed by these institutions. The Authority initiatives for the rollout of the DSIDTIs are ongoing.

The BSD continued to work on several regulatory initiatives in collaboration with the Policy & Development Division and is keen on enhancements of the regulatory framework in line with international best practices, emerging risks and recommendations arising from international bank failures outlined above.

Financial Stability

The BSD collaborated with the Financial Stability & Statistics Division ("FSSD") and other internal stakeholders to issue the inaugural Financial Stability Report ("FSR"). The FSR assessed the performance of the major sectors in the domestic financial system as well as salient trends, while highlighting vulnerabilities that can amplify financial stability risks if not kept in check. The FSR also examined qualitative and quantitative analyses of the interconnectedness of the financial system while also highlighting the regulatory and supervisory measures that were implemented to help alleviate some of the issues that emanated due to the pandemic. The BSD will continue to collaborate with FSSD on various initiatives relating to financial stability and macro-prudential supervision such as stress testing.

INDUSTRY OVERVIEW

AML/CFT Compliance

The Authority's AML/CFT Division continued to lead AML/CFT supervisory activities. The BSD continued to collaborate with the AML/CFT Division in various areas such as risk assessments, data collection and also the BSD flagged licensees that should be considered for inspection based on the observations from the BSD supervisory activities. The BSD will continue to collaborate with the AML/CFT Division on AML/CFT matters including preparation for the 5th round FATF assessment.

Emerging Risks and Trends

The BSD has continued to closely monitor emerging risks and the respective regulatory trends. In this regard, BSD staff members sat on the following Caribbean Group of Banking Supervisors ("CGBS") technical working groups:

- Cybersecurity
- Climate Risk and Green Financing

Following a desk-based cybersecurity thematic review of selected entities conducted by the On-Site Inspection Unit ("OIU"), the Authority published a thematic review report in June 2023 highlighting key themes identified.

The Authority's Climate Change and Green Finance Initiatives working group continues with its initiatives on these areas. The Authority has developed a comprehensive survey focused on climate change and other environmental-related risk which is expected to be released in Q1 2024. Additionally, the BSD continued to review regulatory fillings to assess how licensees have incorporated climate-related financial risks in their business and risk strategies.

In addition to cybersecurity and climate risk, the BSD is also continued to closely monitor developments relating to digitization and automation. The BSD continues to see an increase in licensees aiming to be digital banks or licensees seeking to automate various processes.

The BSD also continued to monitor economic developments such as increases in interest rates along with other global developments such as supply chain issues to identify whether they have any impact on the Cayman Islands banking system. The BSD noted that the banking system continued to be resilient with minimal impact of the above developments on the asset quality and delinquency rates of the banks regulated by CIMA.

Information Technology (IT) and Automation

The BSD views IT and automation initiatives as key pillars of achieving the Authority's strategic objective of improving efficiencies by optimizing technological processes.

The BSD thus continued its close collaboration with the Information Systems Division and the Financial Stability & Statistics Division in the upgrade of the Authority's regulatory reporting portal, enhancements to existing workflows, and improvements to data reporting and analysis. The BSD also continues to contribute to the Authority's plans to implement a new regulatory reporting and supervision tool.

INDUSTRY OVERVIEW

Outreach Activities

The BSD continues to meet with local, regional, and international industry groups to monitor the regulatory and economic landscape.

In connection with these efforts, the following circulars and/or surveys were issued during the year:

- Digitisation of Finance Survey – a survey to assess the adoption, risk appetite, and risk mitigation of fintech in the banking sector.
- Complaints Handling Survey – a survey to facilitate a greater understanding and assessment of the effectiveness of complaints handling frameworks of supervised institutions.
- Customer Deposits – a survey of retail banks and other deposit-taking institutions in connection with the ongoing development of the jurisdiction's financial stability framework.

The BSD also continues to engage in dialogue with major correspondent banks to provide updates on the jurisdiction.

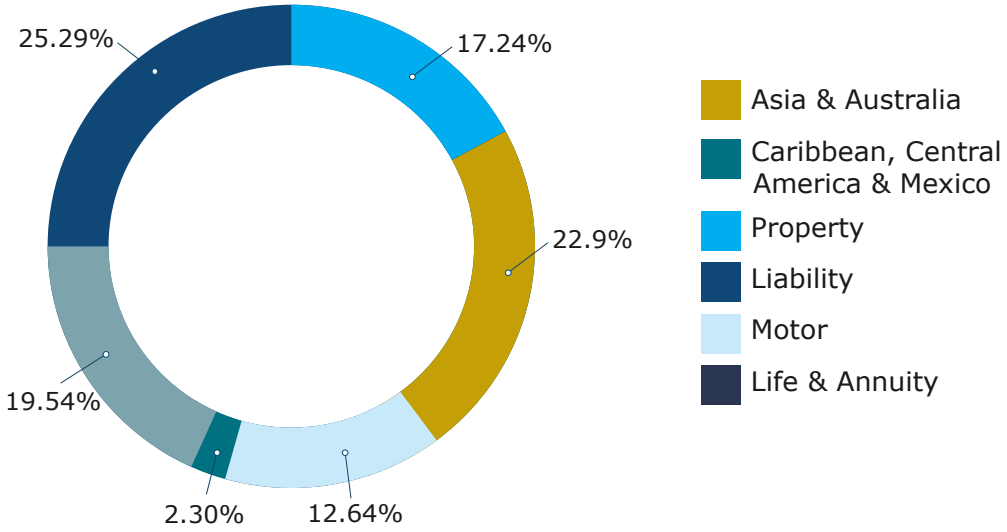
The Sector

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 non-retail banks can provide services to international clients without restrictions. Category "A" banks can also offer principal office/authorised agent services to Category "B" banks that do not have a physical presence in the Cayman Islands. Category "B" licence permits international banking business with limited domestic activity. The holders of a Category "B" licence are primarily used as financial intermediaries to raise funds in the international market to provide capital for parent entities and for the financing of external/cross-border business on their own account in the international market.

Table 2: Supervised banking licenses, Jun 2022 - Dec 2023

Licensees	June 2022	December 2022	June 2023	December 2023
Category "A" Bank	10	11	11	11
Category "B" Bank	88	83	85	76
Money Services Business	5	5	5	5
Trust Company	39	37	37	35
Nominee (Trust)	18	18	18	18
Trust (Controlled Subsidiary) (Registered)	7	7	7	7

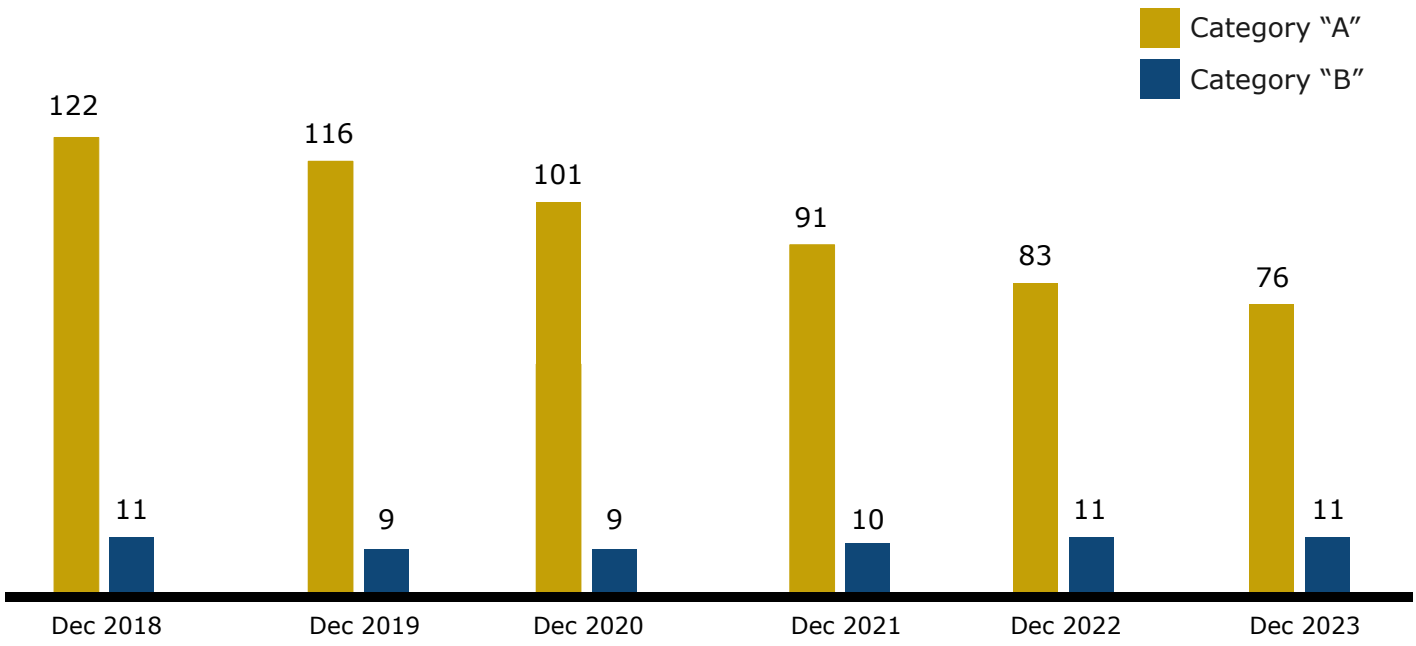
Figure 1: Region of origin of Cayman-licensed Category "A" and Category "B" banks, 2023



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 remains interest in obtaining banking licences resulting in two (2) new Category B licences issued during the year. The number of banking licensees supervised in the Cayman Islands decreased by 7% from 94 at December 2022 to 87 at December 2023.

Figure 2: Number of bank licences by category, December 2018 – December 2023



Jurisdictional Comparison

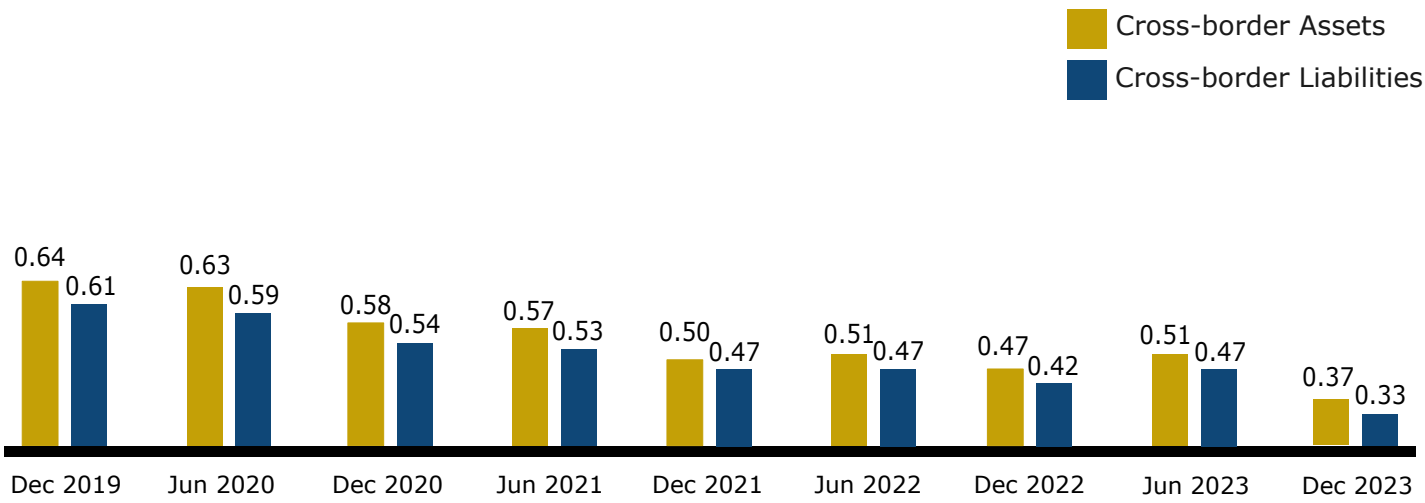
As illustrated in Table 3, the number of banks licensed in the listed jurisdictions declined over the past five years.

Table 3: Number of bank licences per selected jurisdictions, 2018 - 2022

Jurisdiction	2018	2019	2020	2021	2022	% change 2018-2022
Cayman	135	125	110	101	87	-36%
Bahamas	81	70	69	65	61	-25%
Panama	83	83	67	58	56	-33%
Jersey	25	24	24	21	20	-20%
Luxembourg	146	128	126	123	120	-19%
Switzerland	250	248	247	241	235	-6%
Hong Kong	186	181	190	183	170	-9%
Singapore	157	156	154	153	143	-9%

Assets and Liabilities

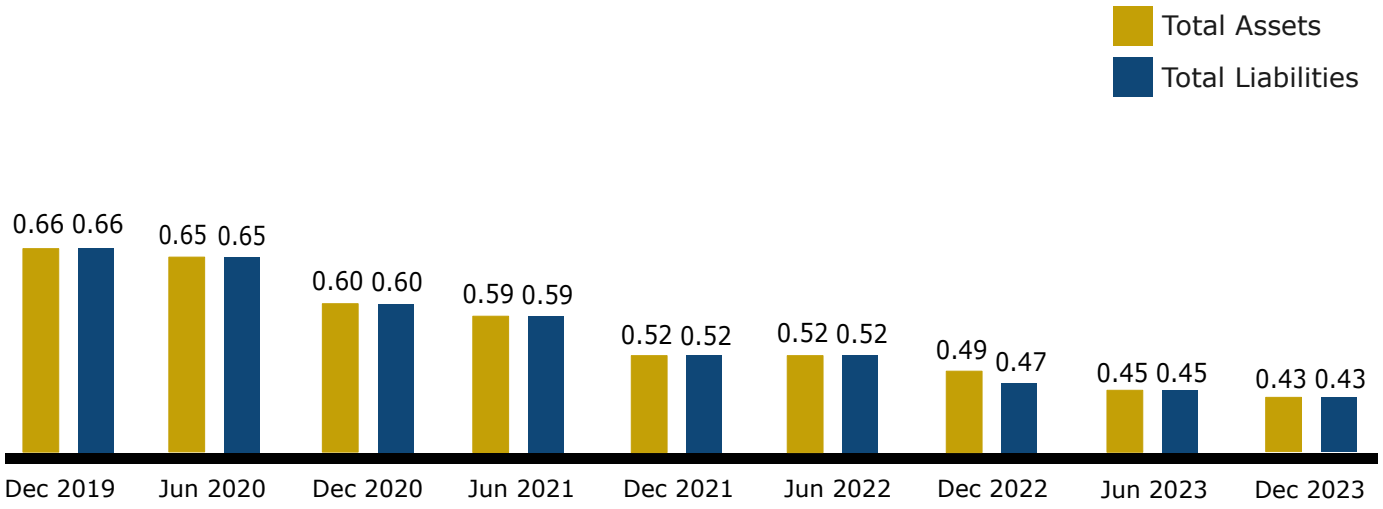
Figure 3: Cross-Border Assets and Liabilities of Cayman Islands-licensed banked, Dec-2019 to Dec 2023 (USD$ Trillions)



As at 31 December 2023, the jurisdiction ranked twentieth internationally in terms of cross-border assets of US$369 billion, and twenty-first internationally by cross-border liabilities of US$331 billion booked by banks licensed in the Cayman Islands. Cross-border activity increased early in 2023 and was offset by distributions and 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 2019 to December 2023.

Assets and Liabilities

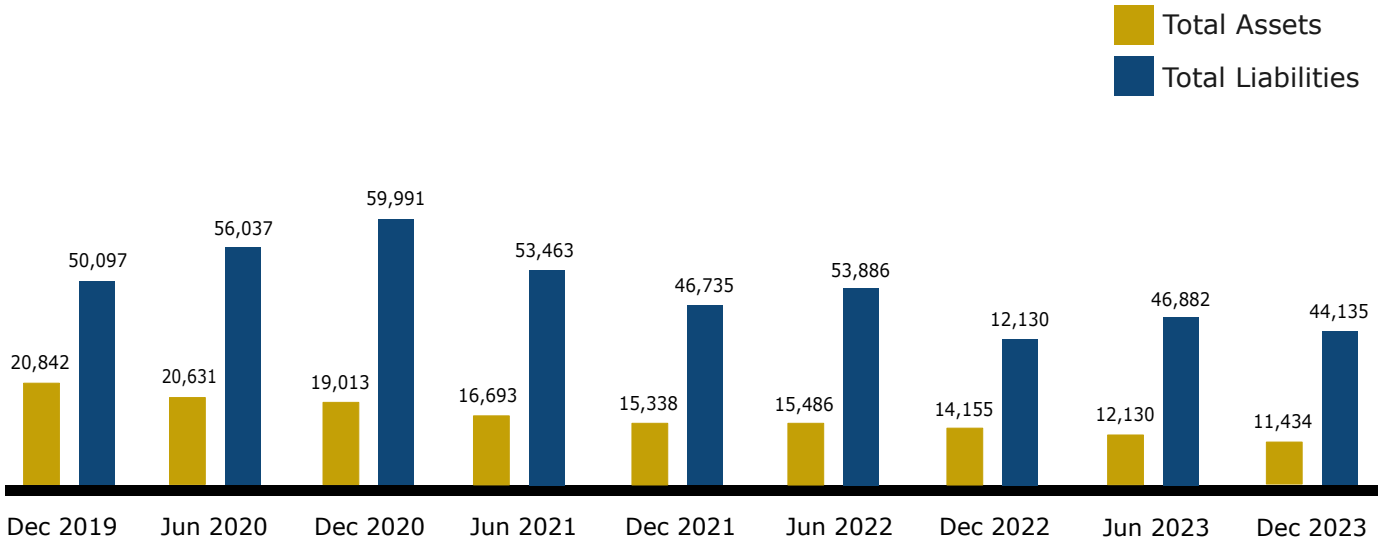
Figure 4: Cross-Border Assets and Liabilities of Cayman Islands-licensed banked, Dec-2019 to Dec 2023 (measured in US$ trillions)



Domestic Assets and Liabilities in Foreign Currency

The domestic assets and liabilities in foreign currency positions are largely inter-bank exposures with Cayman Islands licensed Category "B" banks and other financial intermediaries and intra-bank positions. Also included in these positions are Category "A" banks' lending to the resident domestic sector, which largely consists of residential mortgages, commercial private sector lending and loans to other financial intermediaries, namely investment funds. Figure 5 illustrates the assets and liabilities in foreign currencies from December 2019 to December 2023.

Figure 5: Domestic Assets & Liabilities of Cayman Islands-licensed banks in Foreign Currency, Dec 2019 - Dec 2023 (measured in US$ millions)



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. The international bank failures observed in 2023 did not have any material impact on the Category "A" Retail banks.



Retail banks held assets of **US$15.9** billion



Retail sector reported liabilities of **US$13.7** billion



Retail banks reported **US$13.5** billion in deposits

Financial Soundness Indicators (FSIs)

As highlighted in the table below, 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 ("BCBS") and 10% required by the BTCA, in addition to sound asset quality as evidenced by a relatively small increase in non-performing loans as a per cent of total gross loans despite the economic impact of the COVID-19 pandemic, inflation, and interest rate environment.

Table 4: Financial Soundness Indicators, 2019-2023 year end

Indicator (%)	2019	2020	2021	2022	2023
Capital Adequacy					
Regulatory Capital to Risk-Weighted Assets	28.5%	26.6%	26.8%	28.3%	31.1%
Regulatory Capital to Total Assets	13.3%	11.6%	12.1%	12.2%	14.1%
Asset Quality					
Non-performing Loans to Total Gross Loans	1.4%	1.7%	1.8%	1.7%	1.9%
Specific Provisions to Impaired Loans	48.8%	39.0%	41.8%	39.7%	33.8%
Earnings and Profitability					
Return on Equity	17.9%	5.3%	13.8%	18.3%	25.3%
Return on Assets	2.5%	0.7%	1.7%	2.2%	3.3%
Interest margin to gross income	71.5%	70.9%	66.4%	69.9%	75.9%
Non-interest expenses to gross income	41.5%	69.6%	54.1%	46.8%	38.6%
Liquidity					
Liquid assets to total assets	31.8%	34.6%	28.2%	26.4%	25.8%

INDUSTRY OVERVIEW

Capital Adequacy Ratios

The CAR increased from 28.3% as at 31 December 2022 to 31.1% as of December 2023 while the ratio of regulatory capital to total assets increased from 12.2% in December 2022 to 14.1%. The increase in the capital ratios is mainly due to the increase in total capital arising from higher profits for the year which is also reflected in the increase in Return on Assets from 2.2% as of December 2022 to 3.3% as of December 2023. The CAR remains comfortably above the minimum CAR requirements of 10% required by the BTCA or 8% by the BCBS and demonstrates that the sector is well-capitalised.

Asset Quality

Nonperforming loans ("NPLs") as a percentage of total gross loans for the retail banking sector rose to 1.9% following further rapid increases in interest rates. However, the overall loan book quality and provisioning levels remain relatively stable due to the Cayman Islands' strong economic environment and resilience of the sector. Furthermore, the Authority's review in July 2023 revealed that the Cayman Islands NPL ratio was the lowest across the region.

Earnings and Profitability

Relative to the previous year, the sector continued to report increases in profits due largely to the interest rate environment and the economic recovery of the jurisdiction. 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 25.8% as of December 2023 mainly due to reallocation's to higher-earning assets.

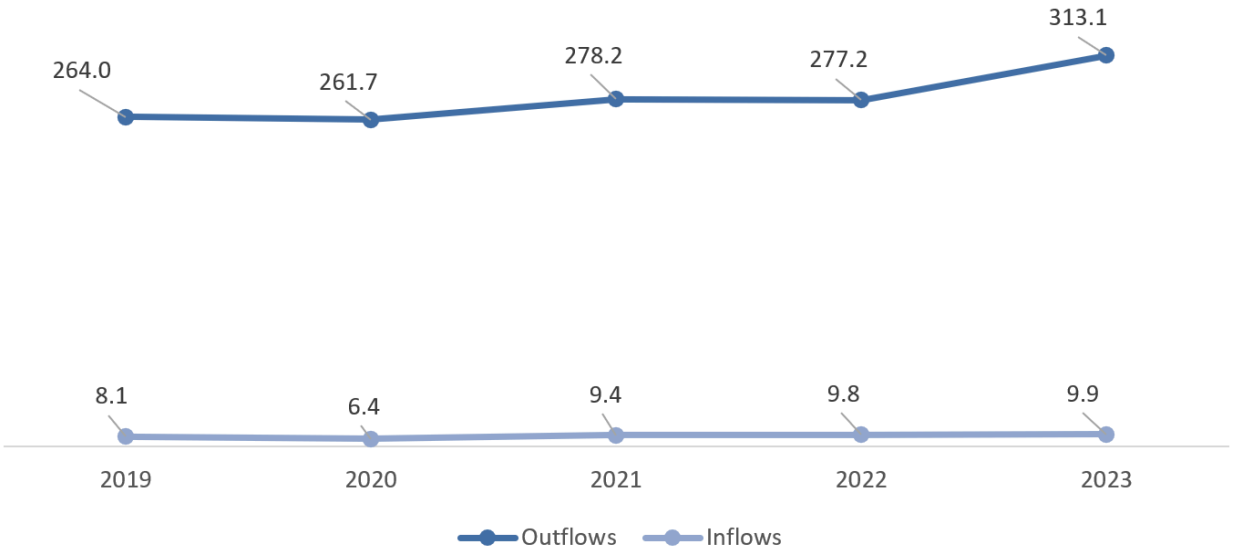
Effective 1 June 2019, CIMA implemented a comprehensive Liquidity Risk Management framework for banks, which included the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR"). All Category "A" Retail banks are required to maintain a minimum LCR and NSFR of 100%. As at 31 December 2023, the average LCR and NSFR for Category A Retail banks were 174% and 205%, respectively signifying the resilience in liquidity and funding profiles of 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."

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

Figure 6: Total remittance outflows and inflows, 2019 – 2023 (measured in US$ millions)



Total remittance outflows increased relative to outflows for December 2022 and remained higher than the average annual outflows for years 2017 – 2022. Similarly, there was a marginal increase in total remittance inflows year on year which resulted in the highest average annual inflows over the past five years. The increase in remittance outflows indicates positive economic recovery following the COVID-19 pandemic. The proportion of remittances by country in figures 7 and figure 8 is generally 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.

Figure 7: Proportion of total remittance outflows, December 2023

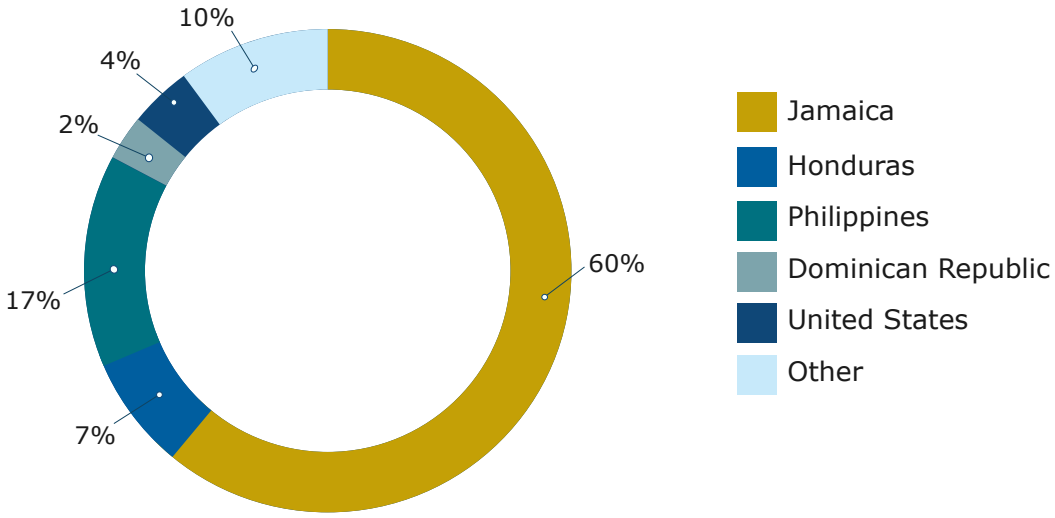
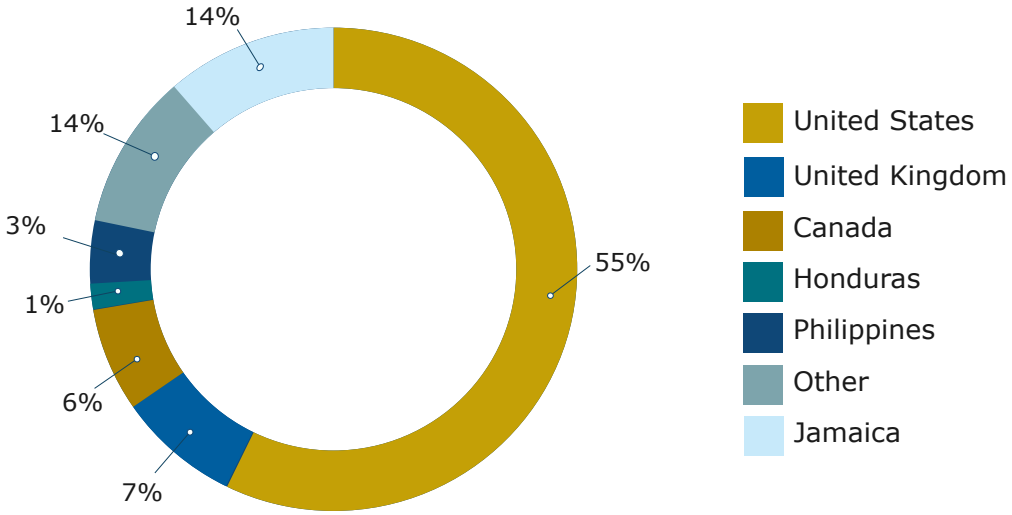


Figure 8: Proportion of total remittance inflows, December 2023



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.

391
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

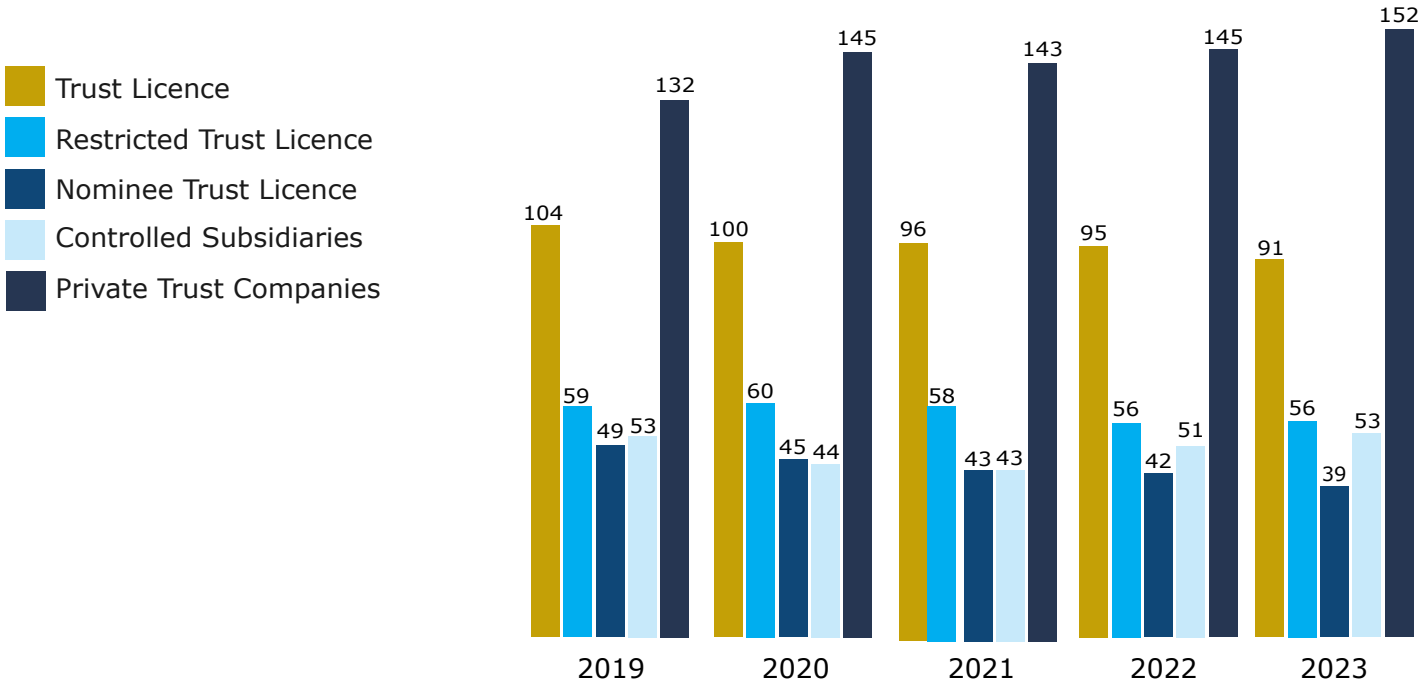
Nominee (Trust)
Licensee authorised to act solely as the nominee of a trust licensee, being the wholly-owned subsidiary of that licensee

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, 2019-2023



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.

140
Companies providing corporate services in and from the jurisdiction

Figure 10: Number of corporate services providers by license category, 2019-2023

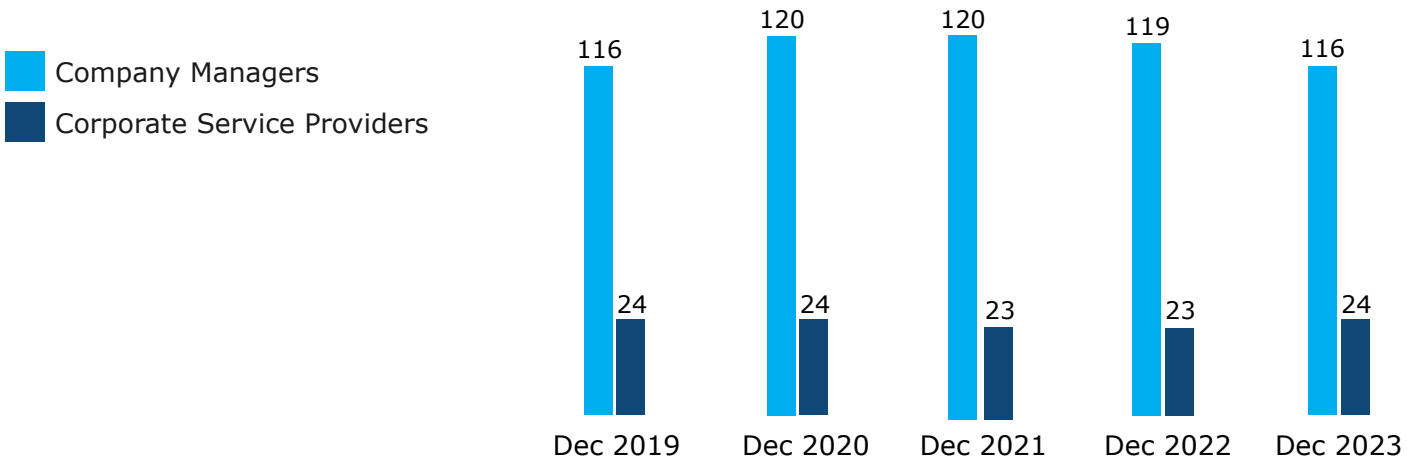


Table 5: Director authorisation activity under the Directors Registration and Licensing Act

Authorisation Type	Active as at 31 Dec 2020	Active as at 31 Dec 2021	Active as at 31 Dec 2022	Active as at 31 Dec 2023
Registration - Exemption from licensing	113	129	132	115
Licence - Professional Director	61	63	61	76
Licence - Corporate Director	24	18	17	17

Virtual Asset Service Providers

In the Cayman Islands, entities conducting virtual asset services i.e. Virtual Asset Service Providers ("VASPs"), are regulated under the Virtual Assets (Service Providers) Act (2022 Revision) ("VASP Act"). The jurisdiction took a phased approach in implementing the VASP regulatory regime and the VASP Act came into effect on 31 October 2020, bringing into force Phase I. As of December 2023, the regulatory regime is still in Phase I and the focus is primarily on the oversight of Anti-Money Laundering/Combatting the Financing of Terrorism/Combatting Proliferation Financing/ Targeted Financial Sanctions ("AML/CFT/CPF/Sanctions"), cybersecurity and other key risk areas.

The Authority is continuing to collaborate with the Ministry of Financial Services in preparing for the implementation of Phase 2 of the VASP Act. Phase 2, once fully developed and implemented, will involve a more in-depth supervisory regime, which would allow greater prudential oversight.

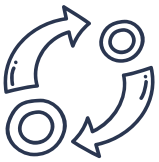
The Phase I of the VASP regime requires entities conducting virtual asset services to register with CIMA. In March 2023, the Cayman Islands Monetary Authority ("Authority") established a dedicated VASP and Fintech Innovation Unit ("VASP Unit") as part of its supervisory regime, to further enhance the registration and supervision of VASPs. Additionally, CIMA has also begun obtaining data from VASPs using the AML Survey-VASP Form and the VASP Travel Rule Return, submitted annually and quarterly respectively.

Applications and Registrations

As of 31 December 2023, the Authority has received 54 virtual asset service provider applications for registration under the VASP Act. Of those 54 applications, 22 were approved, 1 in the stage of conditional approval, 7 were in progress, 19 were rejected or returned for incompleteness and 5 were withdrawn. Of the 22 that were registered, 19 are regulated by the Authority, with 1 registration cancelled on request and 2 lapsed registrations due to non-payment of renewal fees.



19
Total registered VASPs



4
Trading exchanges and platforms



9
Custodian services



11
VC to VC/fiat conversions



2
Virtual asset dealers



7
Participating in financial services

Onsite Inspections and Offsite Monitoring

CIMA continued its off-site monitoring as well as conducted its first set of AML/CFT/CPF/Sanctions on-site inspections of VASP registrants. In Q3/Q4 of 2023, CIMA conducted on-site inspections of 4 VASP registrants and the inspection reports are expected to be issued in 2024. For registrations, off-site and on-site monitoring, CIMA continued coordinating and engaging with relevant foreign authorities as needed.

Policing the Perimeter

As part of implementing the supervisory regime, the Authority continued to proactively monitor the VASP industry to ensure all persons conducting virtual asset services within the Cayman Islands are operating in accordance with the VASP Act. To date, 89 entities have been issued with requirements/directions to provide information, seek registration, and/or to cease and desist activity.

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$841** million as at 30 September 2023

Table 6: Insurance licensing activity

Licence Type	Total as at 31 Dec 2023	Cancelled 1 Jan - 31 Dec 2023	Issued 1 Jan - 31 Dec 2023	Total as at 31 Dec 2023
Class A	25	2	2	25
Class B, C, D	670	28	41	683
Insurance Managers	20	1	0	19
Brokers	23	1	1	23
Agents	37	1	1	37
Total	**775**	**33**	**45**	**787**

Figure 11: Cayman Islands domestic licences by category

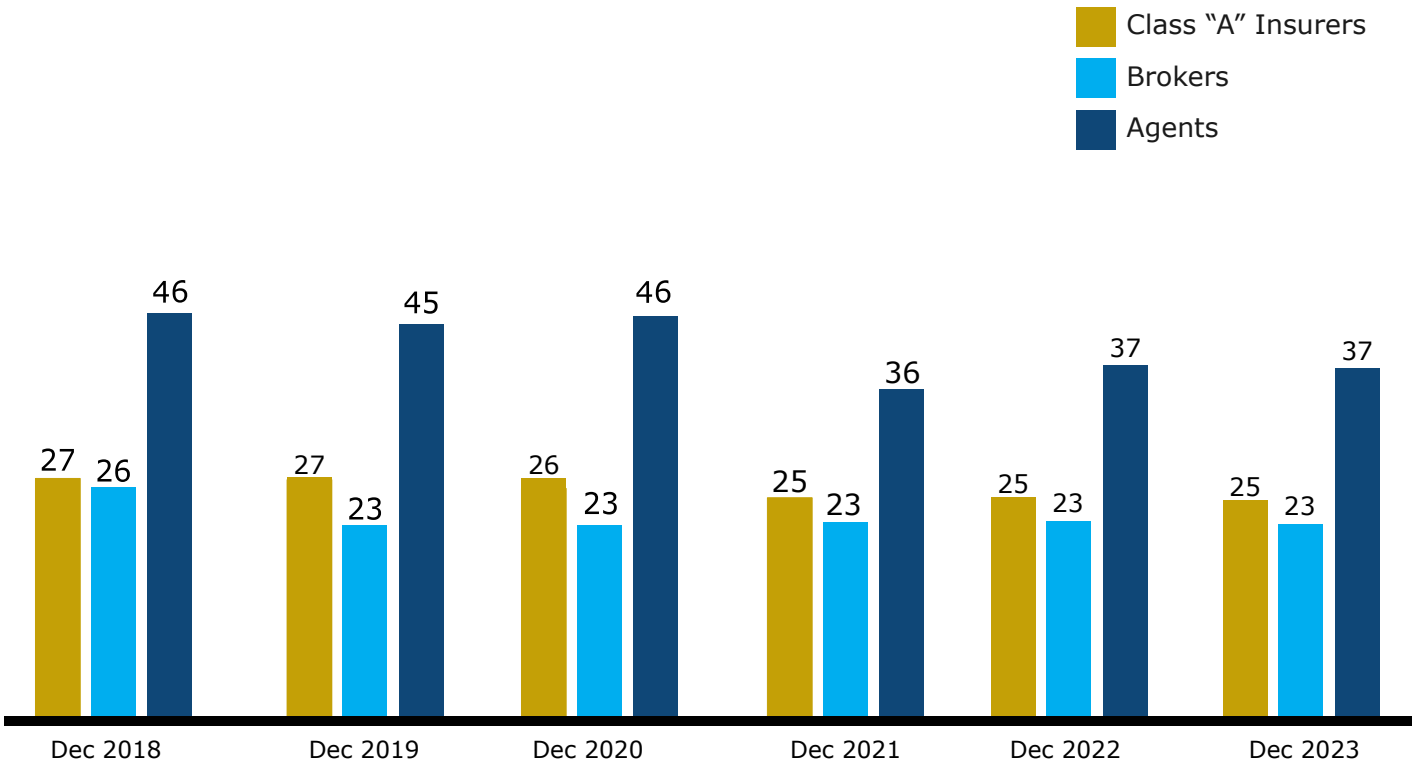


Figure 12: Coverage provided by domestic Class 'A' insurers, measured by Gross Written Premiums per the last annual filing for the year-ended 31 December 2022

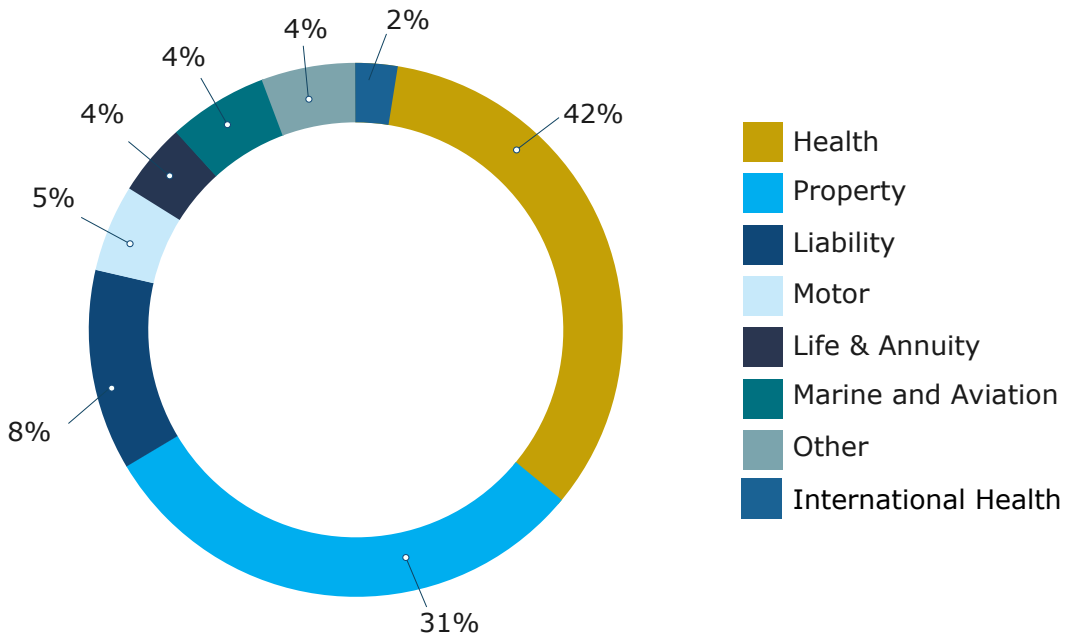


Table 7: Domestic insurance companies performance statistics by primary line of business per the last quarterly unaudited filings for the year-ended 30 September 2023 (in US$ 000')

	Motor	Property	Liability	Marine & Aviation	Health	International Health	Other	Life	Grand Total
Gross Written Premiums	$46,148	$290,295	$61,350	$33,237	$345,058	$8,023	$29,785	$27,823	$841,719
Assumed Premiums	$441	$46,490	$92,817	$11,457	$241	$753	$5,432	$0	$157,631
Reinsurance Ceded	-$21,983	-$255,130	-$5,215	-$1,741	-$13,677	$0	-$465	-$4,562	-$302,773
Unearned Premium Adjustment	-$1,222	-$998	-$1,858	-$22	-$2	$0	-$3	$0	-$4,105
Net Earned Premiums	$23,384	$80,657	$147,094	$42,931	$331,620	$8,776	$34,749	$23,262	$692,437
Net Claims Paid	$17,301	$10,634	$80,213	$2,755	$288,859	$5,883	$11,178	$0	$416,823
Policy Holder Benefits & Dividends	-	-	-	-	-	$0	-	$9,753	$9,753
Net Change in Outstanding Claims	-$4,237	-$9,594	$41,736	$4,937	$275	-$206	$75,135	$0	$108,046
Net changes to Actuarial Liabilities	-	-	-	-	-	-	-	$6,908	$6,908
Change in IBNR	-$26	-$114	-$308	$0	-$6,592	$0	$0	$0	-$7,040
Incurred Loss Sub Total	$926	$926	$121,641	$7,692	$282,542	$5,677	$86,313	$16.661	$522,378
Acquisition Expenses	-$3,862	-$3,862	$5,550	$535	$25,633	$135	$887	$4,836	$29,852
Total Underwriting Expenses	-$2,936	-$2,936	$127,191	$8,227	$308,175	$5,812	$87,200	$21,497	$552.230
Underwriting Profit/Loss	**$83,593**	**$83,593**	**$19,903**	**$34,704**	**$23,445**	**$2,964**	**-$52,451**	**$1,765**	**$197,516**

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.



683
Cayman-based international insurance companies



41
New international insurers



154
Segregated portfolio companies



54
Portfolio insurance companies



US$57.6
billion premiums; increased by 150.43% since 2022



US$74.1
billion assets held held; increased by 87.51% since 2022

Figure 13: Number of insurance/reinsurance companies licensed in the Cayman Islands to conduct international insurance business (Class B, C, D), 2018-2023

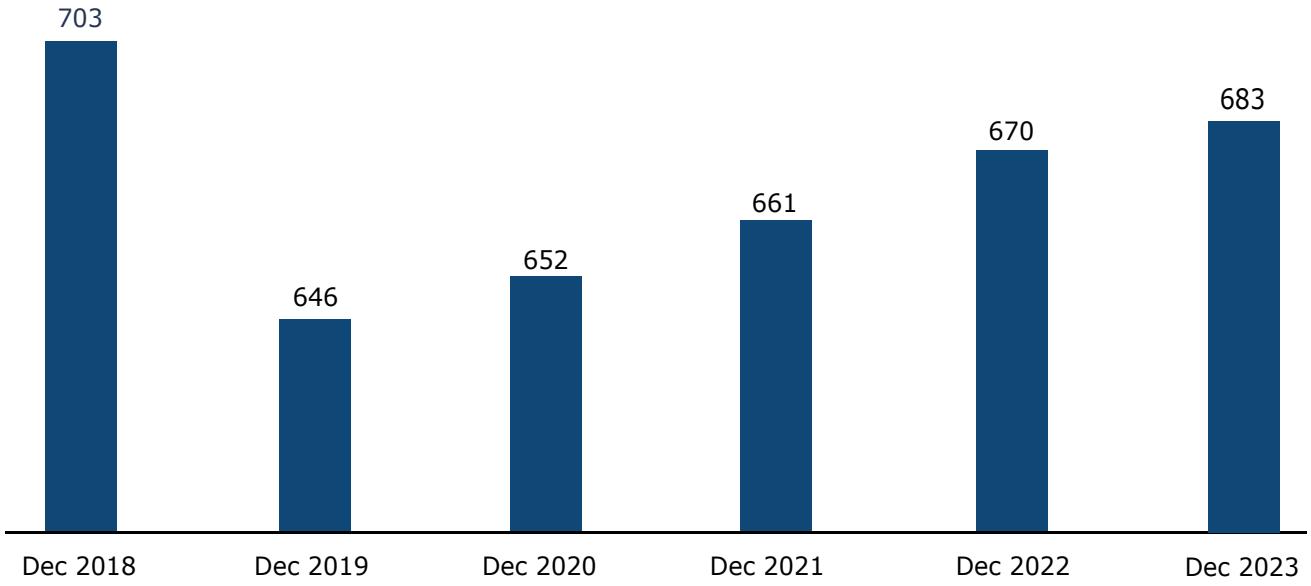
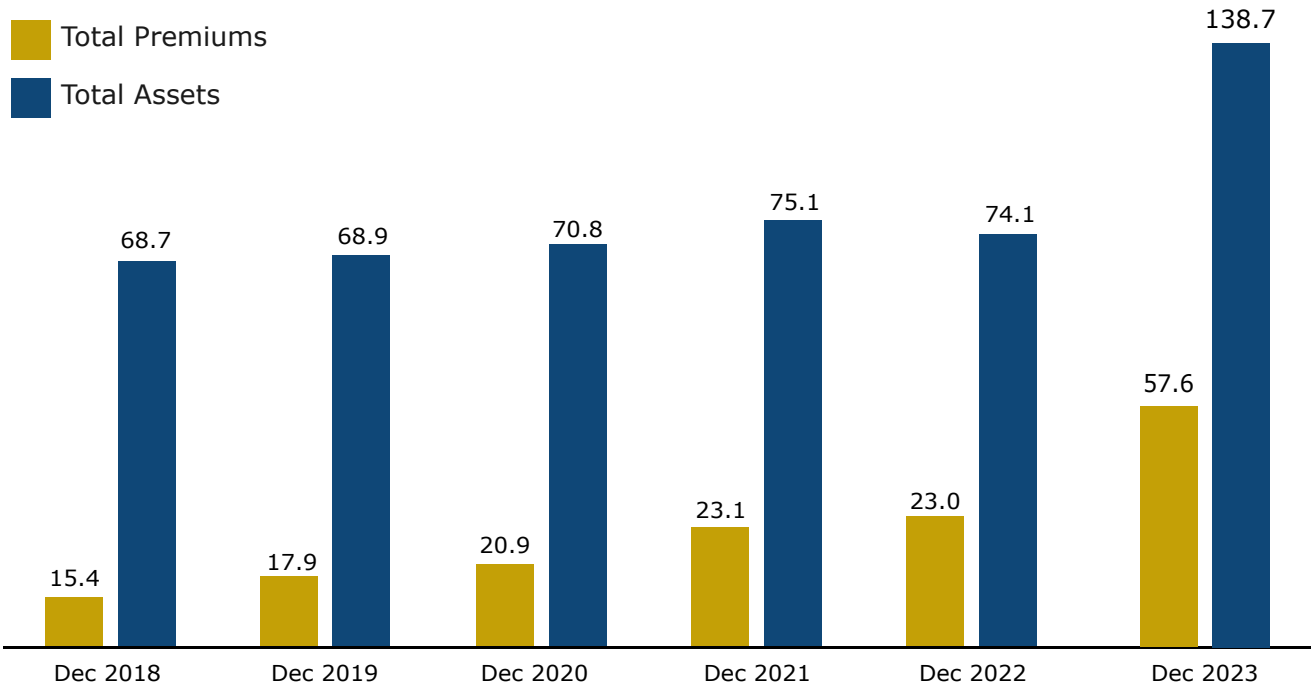


Figure 14: Total premiums & assets generated and held by international insurance and reinsurance companies licensed in the Cayman Islands (Class B, C, D), 2018-2023 (in US$ billion)



Total premiums written and total assets held increased in 2023 compared to prior year (2022).

Figure 15 : Primary Class of Business conducted by Cayman Islands domiciled international insurance and reinsurance companies (by number of licensed entities), 2023

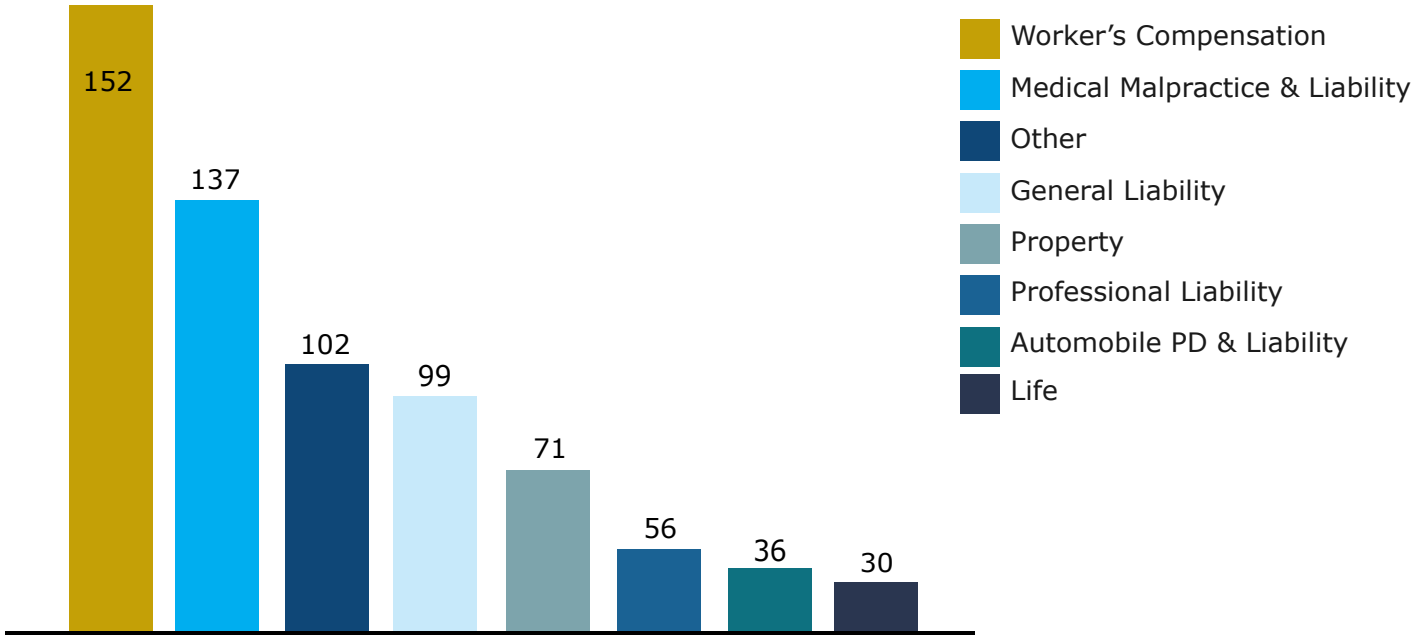
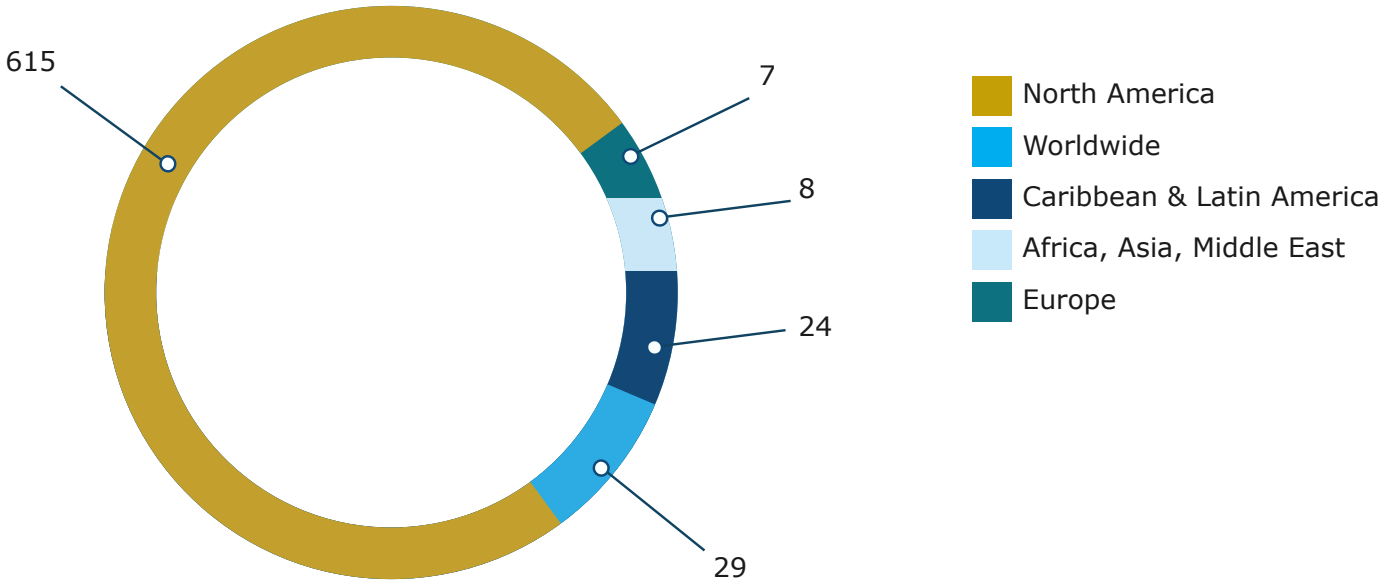


Figure 16: Original source of business (risk location) covered by Cayman Islands domiciled international insurance and reinsurance companies (by number of licensed entities), 2023



Outlook - International Insurance Segment

Despite the challenging market conditions, the prevailing high-interest rate environment, and a notable economic downturn, the Cayman Islands' insurance sector has consistently shown resilience, marking its seventh consecutive year of growth in new formations. The Cayman Islands continues to maintain its position as the second largest domicile for captives and a dominant jurisdiction worldwide for healthcare captives, group captives and catastrophe bonds. Since the previous update in 2022, the jurisdiction continues to see an increase in reinsurance company formations, signifying that the jurisdiction is quickly solidifying its position as an international hub for reinsurance business. Amid the prolonged market challenges and economic constraints, captives have led the new license formations for 2023.

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 2023 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.

As new risks and threats continue to emerge and impact the insurance sector on a macroeconomic scale, the Authority remains optimistic that the insurance sector will sustain its growth trajectory. This growth is driven by addressing protection gaps, addressing intensified economic impacts, and embracing technological and innovative advancements. Consequently, there will be a substantial demand for new insurance products, necessitating adjustments to business, investment strategies, and service models to meet the evolving challenges. The acceleration of digital technology and innovation, along with the reshaping of physical and transition risks, will further emphasise the need for flexible and efficient insurance solutions.

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.



12,802
Mutual funds; 2.2% decrease



16,551
Private funds; 4.4% increase



71
Mutual fund administrators



14,269
Registered and/or licensed directors

Table 8: Regulated mutual funds activity, 2022-2023

	2022	2023
Authorised Regulated Entities	1,057	749
Terminated Regulated Entities	(1,107)	(994)
Net annual change	**(50)**	**(245)**

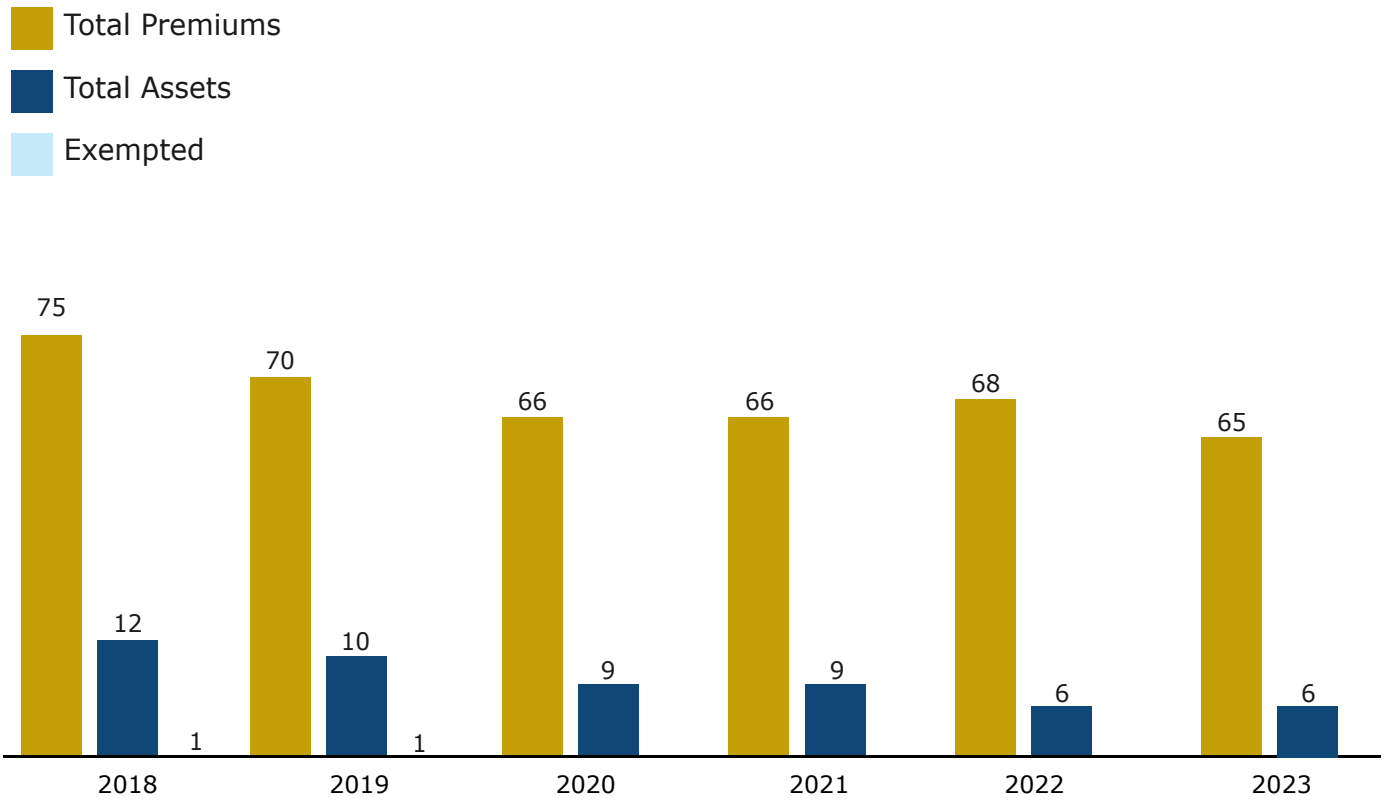
Table 9: Regulated private funds activity, 2022-2023

	2022	2023
Authorised Regulated Entities	1,703	1,268
Terminated Regulated Entities	(722)	(752)
Net annual change	**981**	**516**

Table 10: Number of Cayman regulated funds by category, 2018 - 2023

	2018	2019	2020	2021	2022	2023
Registered MF	7,654	7,612	7,972	8,499	8,795	8,681
Master MF	2,946	2,886	2,988	3,198	3,224	3,175
Administered MF	317	295	294	295	290	269
Licensed MF	75	64	59	55	51	50
Limited Investor MF	-	-	583	672	635	627
Private Funds	-	-	12,695	14,679	15,854	16,551

Figure 17: Mutual fund administrators by category



INDUSTRY OVERVIEW

2022 Investments Statistical Digest

- Total Assets increased by 1.2% from US$12.3 trillion to US$12.5 trillion.
- Ending Net Assets decreased by 7.1% from US$8.6 trillion to US$7.9 trillion.
- 24,797 regulated investment funds filed a 2022 Fund Annual Return Form ("FAR") with the Authority, representing 86.0% of all investment funds.
- Total subscriptions decreased by US$190 billion or 11.4%. Total redemptions increased by US$15 billion or 1.4%.
- Net outflow of US$440 billion compared to a net inflow of US$1.1 trillion in 2021.

See 2022 Investment Statistical Digest for full details

Top 5 investment manager locations
(measured by net assets)



The post COVID recovery led to one of the quickest rebounds for global financial markets for the year 2023, notwithstanding the ongoing Russia-Ukraine war and the conflict which arose in the Middle East in Q3 2023.

In 2023, the Eurekahedge Hedge Fund Index was up 8.66%, considerably underperforming the global equity market's gain of 22.0% (as represented by the MSCI ACWI). The S&P 500 posted a total return of 26.3%, well above its average annual return of around 10% and rebounding from its 19.4% fall in 2022.

Cryptocurrencies emerged from the so-called crypto winter of 2022, which led to a crisis of confidence in the overall stability of cryptocurrency market. Cryptocurrency hedge funds were up 65.8% in 2023 (as represented by the HFR Cryptocurrency Index).

With fierce competition for new capital, the number of funds that launched in 2023 dropped dramatically. Only 952 funds were launched globally compared to 2,284 in 2022, the lowest since 2013, according to S&P Global Market Intelligence data. North American private equity firms accounted for the largest number of funds entering the market, with 471 funds. Asia-Pacific launched 244 funds in 2023, exceeding Europe's 172.

For the period from January 2023 to December 2023, CIMA witnessed a reduction in the fund registrations applications received, compared to the same period in 2022, which is in line with the global trend.

Jurisdictional Comparisons - Funds

Table 11: Number of active funds in the Cayman Islands and other financial jurisdictions for which figures are available, 2018 - 2023

Jurisdiction	2018	% Change (`18 v `19)	2019	% Change (`18 v `19)	2020	% Change (`18 v `19)	2021	% Change (`18 v `19)	2022	% Change (`18 v `19)	*Latest available for 2023
Bahamas	803	↓3.5%	775	↓6.3%	726	0.0%	726	↑1.1%	734	↓10.2%	659
Bermuda	513	↑24.4%	638	↑24.8%	796	↑0.4%	799	↑0.6%	804	↓1.0%	796
BVI	1,498	↓1.3%	1,479	↑15.4%	1,707	↑9.6%	1,871	↑4.7%	1,959	↑1.0%	1,978
Ireland ∞	756	↑4.9%	793	↑3.2%	818	↑1.0%	826	↑5.2%	869	↑1.4%	881
Jersey	963	↓12.4%	844	↓11.1%	750	↓4.9%	713	↓10.7%	637	↑0.2%	638
Guernsey	813	↑1.4%	824	↑2.1%	841	↑1.8%	856	↑14.4%	979	↓2.5%	955
Cayman Islands	10,992	↓1.2%	10,857	↑126.5%	24,591	↑11.4%	27,398	↑5.3%	28,849	↑1.7%	29,353

***** *- The latest available numbers for 2023 are as at the following period: Bahamas – Q4 2023; Bermuda – Q3 2023; BVI – Q3 2023; Ireland – May 2023; Jersey – Q3 2023; and Guernsey – Q3 2023.*

∞ - *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 investment funds are predominantly domiciled. Based on the latest numbers available, the most significant changes for competing jurisdictions were reflected by Bahamas (reduction of 10.2%) and Guernsey (reduction of 2.5%).

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.

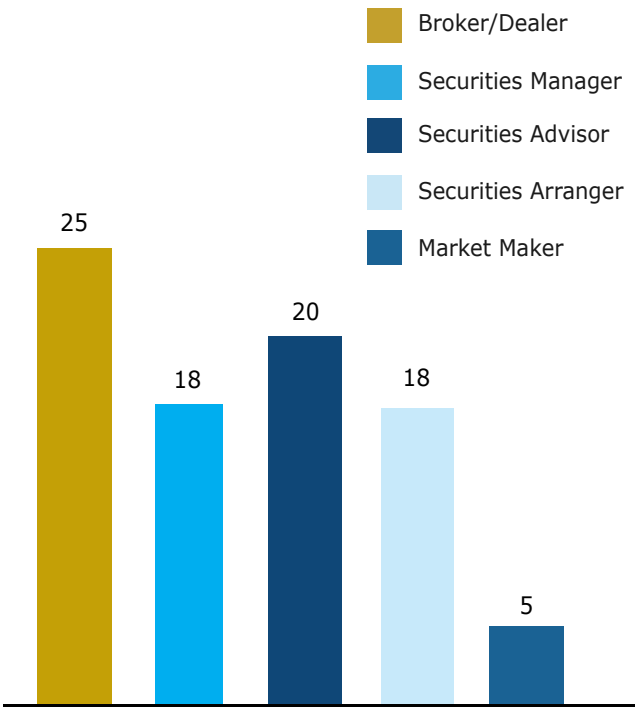
The amendments to the SIBA, which was gazetted on 16 January 2020 to amalgamate legislative changes within 2019, gave the Authority supervisory, inspection and enforcement powers to more effectively regulate SIB Registered Persons. These registrants were required to apply to the Authority by 15 January 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.

45 total SIB licensees

1,527 total SIB Registered Persons

Figure 18: Securities Investment Business licensees by type, 2018-2023



INDUSTRY OVERVIEW

Securities Investment Business licence applications



1
SIB licence applications returned



1
SIB licence applications approved



0
SIB licence applications refused



3
SIB licences cancelled or revoked

Registered Persons licence applications



7
Registered Persons licence applications were approved



42
Registered Persons licence applications approved



0
Registered Persons licence application



183
Registered Persons licences cancelled or revoked

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.



$169.5
million total currency in circulation; 0.94% decrease since 2022

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



$154.8
million notes in circulation

The currency in circulation is backed by the currency reserve assets in accordance with Section 32 of the Monetary Authority Act (2020 Revision). As at 31 December 2023, the value of the currency reserve assets was CI$203.2m.



$14.7
million coins in circulation

Full details on the currency reserve assets, including specifics on the performance of the investments and cash and cash equivalent deposits that comprise the currency reserve assets, can be found within the Annual Financial Statements (page 69 and following).

ORGANISATIONAL DEVELOPMENTS

Numismatic Programmes

In October 2023, CIMA unveiled a limited edition commemorative $70 banknote to honour the one-year anniversary of the passing of Her Majesty Queen Elizabeth II and in recognition of her remarkable Platinum Jubilee – as tribute to her 70 years of dedication to duty.

Inspired by Queen Elizabeth II's extraordinary 70-year reign, the banknote showcases three distinct portraits of Her Majesty, including a poignant depiction of her historic visit to the Cayman Islands in 1983. The obverse side elegantly displays the Cayman Islands Coat of Arms and the Royal Cipher of Queen Elizabeth II, symbolising her reign from 1952 to 2022.

Only 10,000 unit were produced by the banknote printer De La Rue.



Table 12: Currency in circulation at half year and year-end, 2019-2023 (in CI$ million)

Date	2019	2020	2021	2022	2023
30 Jun	$124.10	$155.40	$161.70	$166.60	$158.53
31 Dec	$140.40	$164.40	$173.50	$171.10	$169.51

Figure 19 : Cayman Islands currency in circulation by month, 2019 - 2023

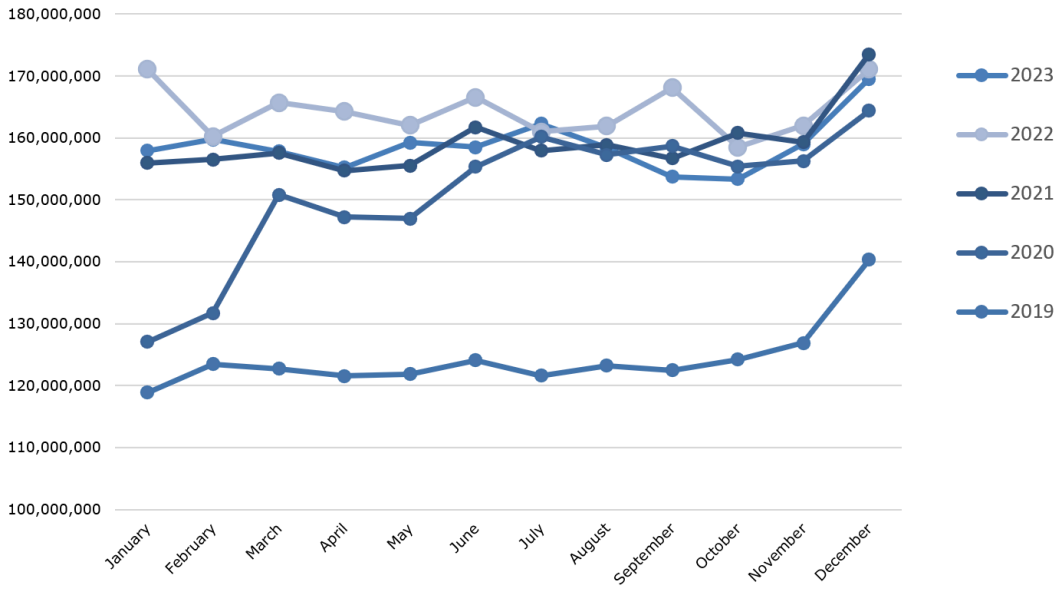


Table 13: Number of counterfeit banknotes withdrawn from circulation

	2019	2020	2021	2022	2023
$100	0	0	16	78	2
$50	1	1	1	1	0
$25	0	0	10	0	0
$10	0	0	0	4	0
$5	0	0	0	0	0
$1	0	0	1	0	0
Total No. of Notes	0	1	28	83	2
Total Dollar Value	$0	$50	$1,901	$7,890	$200

Execution of Financial Stability

During 2023, FSSD completed work on notable statistical and reporting initiatives, macroprudential analyses, and international collaborations.

Statistical and Reporting Activities:

During 2023, a strong emphasis was placed by FSSD on refining operational procedures and fostering robust processes tailored for key statistical reports including Locational Banking Statistics, Investment Statistical digest, Banking digest, Money Service bulletin, Foreclosure reports, Money Service business, Coordinated Portfolio Investments Survey and Domestic Banking Activities. Within 2023, FSSD continued its meticulous annual review exercise to ensure the integrity and reliability of the Funds Annual Report submissions, which aids in informed decision making and regulatory compliance within the financial sector. FSSD also played a crucial role in Authority-wide working groups related to various global mid-size bank failures over 2023, providing pertinent assessments of interconnectedness and contagion risk to domestic financial stability.

Financial Stability Report Initiatives

As part of CIMA's mandate to ensure stability within the domestic financial system, FSSD was integral in the release of the Authority's inaugural Financial Stability Report. This marked a significant milestone in assessing the local financial system's health and identifying key trends and vulnerabilities. This accomplishment was the result of extensive collaboration between the Supervisory Divisions, the Public Relations unit, and FSSD, demonstrating a shared dedication to strategic objectives and transparency.

Preparations for the second edition of the FSR are already underway, with various chapters currently in advanced stages of development, which is expected to be published by mid-2024.

Financial Stability Report Initiatives

FSSD continues to actively participate in Authority-wide working groups and collaborative projects and/or surveys on an international scale. Achievements in this realm include work with Financial Stability Board ("FSB"), International Monetary Fund ("IMF"), Caribbean Regional Technical Assistance Centre ("CARTAC"), and the Network of Central Banks and Supervisors for Greening the Financial System ("NGFS").

Notably, FSSD continues to represent the Cayman Islands on FSB's Non-bank Monitoring Experts Group ("NMEG") for the annual non-bank financial intermediation data collection exercise.

Climate Change Initiative

The Authority's internal working group on Climate Change and Green Finance, which FSSD is a member, finalized a roadmap, which was approved by the Board, for implementing initiatives concerning the measurement and management of climate and environmental-related risks. A short survey was developed aimed at regulated entities, to gauge their risk appetite and governance arrangements concerning climate and environmental related risks. The survey is expected to be launched in the first quarter of 2024.

Macroprudential Monitoring

In the last quarter of 2023, CIMA demonstrated its commitment to bolstering the macroprudential capabilities within FSSD by recruiting a Deputy Head of Division, Chief Economist and Senior Econometrician, effectively enhancing the department's capacity.

As a result, CIMA expanded its early warning indicators by constructing of a bespoke Aggregate Financial Stability Index ("AFSI"). When used in conjunction with qualitative indicators, the AFSI can aid in the assessment of the stability and health of Cayman's financial system. Additionally, CIMA updated key macroprudential indicators, including the Banking Stability Index ("BSI") and the household credit-to-GDP gap. These enhancements will be featured in the upcoming edition of the FSR.

In a proactive stance toward sustaining continuous macroprudential monitoring, FSSD began foundational work on several macroprudential dashboards which encapsulates pertinent financial soundness indicators for various sectors along with relevant macroeconomic variables. These dashboards will be rolled out to requisite staff in 2024.

Residential Property Price Index

FSSD maintained its collaboration with Cayman Islands Government Lands & Survey Department ("LSD") and Economics & Statistics Office ("ESO") to develop a RPPI for the Cayman Islands. This included a CARTAC Technical Assistance mission aimed at advancing the initiative, and rigorous testing of preliminary results for plausibility, to ensure that the RPPI accurately reflects residential property price trends in the Cayman Islands. This collaborative effort underscores a commitment to enhancing data-driven decision-making and fostering transparency within the real estate market. The RPPI is expected to be released in 2024.

Data Management Initiatives

FSSD continued its dedicated efforts in fostering a data-driven culture and optimizing data management practices. This included constructing comprehensive data models for various databases, with the overarching objective of enhancing the efficiency and effectiveness of data access and insights.

To enhance data visualization and to streamline information access, FSSD also launched several initiatives aimed at developing dashboards for easier visualization of information and graphs. One such initiative included the creation of a dashboard specifically dedicated to monitoring fee payment statuses, allowing for easy tracking and analysis of payment statuses in real-time. Another initiative involved the creation of self-service business intelligence tools for supervisory staff, facilitating easier access and analysis of data.

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 14: List of domestic acts and international standards

Sector/Entity Type	Cayman Islands Acts	International Standards/ Memberships
All	• Monetary Authority Act and respective regulations • Monetary Authority (Administrative Fines) Regulations • Proceeds of Crime Act • Anti-Money Laundering Regulations • Terrorism Act • Public Authorities Act • Public Management and Finance Act • Companies Act and respective regulations. • Proliferation Financing (Prohibition) Act • Special Economic Zones Act • Anti-corruption Act • Health Insurance Act • Standards of Public Life Act	**Standards:** • Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation **Memberships:** • Caribbean Financial Action Task Force ("CFATF") • Regional Consultative Group for the Americas (Financial Stability Board) • Network for Greening the Financial System ("NGFS")
Banks, Trusts, Money Services Businesses, Credit Unions, Building Societies, Corporate Services Providers, Company Managers	• Banks and Trust Companies Act and respective regulations. • Private Trust Companies Regulations • Money Services Act and respective regulations • Cooperative Societies Act and respective regulations. • Building Societies Act • Development Bank Act • Companies Management Act (as amended) and respective regulations. • Beneficial Ownership Transparency Act and respective regulations.	**Standards:** • Basel Core Principles for Effective Banking Supervision • Standard on the Regulation of Trust and Corporate Service Providers ("TCSPs")

Sector/Entity Type	Cayman Islands Acts	International Standards/ Memberships
		Memberships: • Group of International Finance Centre Supervisors ("GIFCS") • Caribbean Group of Banking Supervisors ("CGBS") • Association of Supervisors of Banks of the Americas ("ASBA") • Working Group on Cross Border Banking • Irving Fisher Committee on Central Bank Statistics ("IFCCBS")
Insurance companies, Managers, brokers, agents	• Insurance Act, and respective regulations	**Standards:** • International Association of Insurance Supervisors ("IAIS") Core Principles of Insurance Regulation **Memberships:** • International Association of Insurance Supervisors ("IAIS") • Group of International Insurance Centre Supervisors ("GIICS") • Caribbean Association of Insurance Regulators ("CAIR")
Mutual Funds, Private Funds, Fund Administrators and Securities Investment Businesses (market makers, broker-dealers, securities arrangers, securities advisors and securities managers)	• Mutual Funds Act and respective regulations • Retail Mutual Funds (Japan) Regulations • Private Funds Act, and respective regulations • Securities Investment Business Act and respective regulations • Directors Registration and Licensing Act, and respective regulations	**Standards:** • Objectives and Principles of Securities Regulation **Memberships:** • Offshore Group of Collective Investment Schemes Supervisors ("OGCISS") • Caribbean Group of Securities Regulators • International Organisation of Securities Commission ("IOSCO")
Virtual Asset Service Providers	• Virtual Asset (Service Providers) Act, and respective regulations • Virtual Asset (Service Providers) (Savings and Transitional) Regulations	

Regulation and Supervision

The Banking Supervision Division, Securities Supervision Division, Fiduciary Services Division, Insurance Supervision Division, VASP Unit 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 ongoing supervision of licensees/registrants.

The Onsite Inspection Division is responsible for licensees' off-site and on-site supervision. 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 in the Cayman Islands and overseas.

Regulatory Developments

Rules, Guidelines and Policies

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

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

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

Other Regulatory Developments

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.

Climate Change and Environmental Related Risks

Inspections in the Cayman Islands and overseas. The CIMA Climate Change Working Group, with the assistance of the Policy and Development Division ("PDD"), provided feedback to the Ministry of Sustainability and Climate Resiliency on the Cayman Islands' Climate Change Policy 2023 – 2040 consultation ("the Policy").

Additionally, PDD has contributed to the development of a Climate Change and Environmental-Related Risks Survey that will be disseminated to regulated entities in Q1 of the 2024 calendar year.

Additionally, the following proposed regulatory measures were issued for private-sector and Ministry of Financial Services and Commerce consultation in 2023. Subject to Board approval, these measures will be issued in 2024.

AML Guidance Notes (Amendment) - VASP "Travel Rule"

Proposed amendments to Part IX of the AML Guidance Notes seek to include guidance that aligns with Part XA within the AMLRs, which commenced with effect on 1 July 2022.

Proposed Rule and Statement of Guidance - Market Conduct for Trust and Corporate Services Providers ("TCSPs") and Company Managers

This regulatory measure will replace the existing SOG on Market Conduct and introduce rules that will address the overall lack of enforceability in the TCSP Sector and improve compliance with GIFCS Standards.

Table 15: List of regulatory measures issued and updated by the Authority in 2023

Issued	Type of Standard	Title	Description
April 2023	Rule and Statement of Guidance	Internal Controls for Regulated Entities	This measure consolidated the previous Rule and four (4) Statements of Guidance issued by the Authority relating to internal controls. The measure incorporated developments in best practices on internal controls and addressed deficiencies identified during assessments conducted by the Authority.
April 2023	Rule and Statement of Guidance	Rule on Corporate Governance for Regulated Entities. Statement of Guidance on Corporate Governance for Mutual and Private Funds	These measures replaced the previous Rule on Corporate Governance for Insurers and Statements of Guidance on Corporate Governance Regulated Entities and Mutual Funds. These measures set out to expand the scope of applicability for corporate governance regulation/standards to all regulated entities and address the identified issue of supervisory enforceability as well as align with international corporate governance principles and standards.
April 2023	Rule and Statement of Guidance	**Amendment to Regulatory Measures for applicability to Virtual Assets and Other Regulated Entities**: Rule: Cybersecurity for Regulated Entities, Statement of Guidance: Outsourcing Regulated Entities, Statement of Guidance: Cybersecurity for Regulated Entities and Statement of Guidance: Nature, Accessibility and Retention of Records	The scope of applicability for these four Regulatory Measures was expanded to VASPs and other regulated entities.
April 2023	Regulatory Policy	Approved Stock Exchanges	This measure seeks to clarify the Authority's definition of a stock exchange with an "approved" status pursuant to the relevant Regulatory Acts, while outlining the Authority's process for the approval/removal of a stock exchange from the published list of approved stock exchanges.

Table 15: List of regulatory measures issued and updated by the Authority in 2023

Issued	Type of Standard	Title	Description
May 2023	Rule and Statement of Guidance	Reinsurance Arrangements	This measure sets out to expand the scope of applicability for reinsurance requirements to all insurers and registered PICs supervised by the Authority that use outward reinsurance. Additionally, the measure seeks to include relevant updates from the insurance Core Principles on Reinsurance and other forms of Risk Transfer.
May 2023	Rule and Regulatory Policy	Domestic Systemically Important Deposit-Taking Institutions	This measure sets out the Authority's criteria for identifying Domestic Systemically Important Deposit-Taking Institutions (D-SIDTIs) in the Cayman Islands and calibrating HLA capital requirements applicable to such entities. The Rule sets out requirements that must be met by institutions identified as being systemically important at the domestic level.
May 2023	Regulatory Policy	Licencing for Class D Insurers	This measure provides regulatory clarity on the criteria and procedure for issuing a licence for this category of insurance business. It also enhances the recognition of the Cayman Islands reinsurance supervisory framework and promotes compliance with relevant international standards.
August 2023	Guidance Notes	Guidance Notes on the Prevention and Detection of ML, TF and PF in the Cayman Islands August 2023	This measure establishes the requirements and provides guidelines that should be adopted by FSPs in order to maintain the integrity of the Cayman Islands financial sector in respect of preventing and combating money laundering ("ML"), terrorist financing ("TF") and proliferation financing ("PF"). Additionally, the GNs of August 2023 consolidated previously issued amendments to the parts of the June 2020 GNs related to Securitization and Virtual Assets Service Providers.

ORGANISATIONAL DEVELOPMENTS

Table 15: List of regulatory measures issued and updated by the Authority in 2023

Issued	Type of Standard	Title	Description
August 2023	Rule and Statement of Guidance	Nature, Accessibility, and Retention of Records for Licensees Conducting the Business of Company Management.	This measure delineates a clear framework for minimum requirements and related guidance to licensees conducting the business of company management on the maintenance of records in a manner that promotes accessibility, retention, and appropriate security.
November 2023	Regulatory Policy	Consolidated Supervision	This measure clarifies the Authority's approach to Consolidated Supervision and incorporates developments in international standards of group-wide supervision by Standard setters.

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. The Compliance Division, which is tasked with conducting due diligence on applicants that are referred to it by the Regulatory Divisions, received **two hundred and two (202)** such applications during the reporting period of **1 January 2023** to **31 December 2023 (the "Reporting Period")**.

Enforcement

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

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

Table 16: Due Diligence applications referred to the Compliance Division

Sector	Number of referred due diligence applications
Banking	53
Fiduciary	70
Insurance	23
Investments	19
Securities	13
VASP	24
Total	**202**

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) describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the Regulatory Acts and the AMLRs by a regulated entity. The manual includes the steps the Authority will follow in the event of non-compliance by a regulated entity. The Compliance Division and the Legal Division are responsible for the exercise of enforcement action, under the authorisation of the Authority's Board of Directors.

The Authority initiated **twenty-eight (28)** enforcement actions during the Reporting Period.

ORGANISATIONAL DEVELOPMENTS

Enforcement Activities



8

Revocations/cancellations



9

Warning/breach notices - entities



11

Warning/breach notices - individuals

Table 17: Entity list of enforcement actions initiated

Name of entity	Authorisation Type	Enforcement action
Jolly Capital Limited	Securities - Registered Person	Cancellation of Registration
Jianxin Yu	Registered Director	Cancellation of Registration
Ling Zhang	Registered Director	Cancellation of Registration
VIA Asset Management	Securities - Registered Person	Cancellation of Registration
Trade and Commerce Bank	Banking Class B	Revocation of License
12 Peers Capital Markets	Securities - Registered Person	Administrative Fine
Trevor Dead Federkiewicz	Registered Director	Cancellation of Registration
Gordon Kenneth Ferguson	Registered Director	Cancellation of Registration

Not all enforcement actions are published.

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

The Authority's Money Laundering Reporting Officer filed **eleven (11)** Suspicious Activity Reports with the Financial Reporting Authority of the Cayman Islands (the "FRA") during the Reporting Period. The FRA made **one hundred (100)** Onward Disclosures to the Authority during the same period, pursuant to the Memorandum of Understanding between the FRA and the Authority.

The Compliance Division also processed **seven (7)** Inter-Agency Requests from local competent authorities pursuant to the Inter-Agency Multilateral Memorandum of Understanding. The Compliance Division made **fourteen (14)** Inter-Agency Requests to local competent authorities pursuant to the Inter-Agency Multilateral Memorandum of Understanding.

Additionally, the Authority made **two (2)** referrals to the Cayman Islands Bureau of Financial Investigations for criminal investigation during the Reporting Period.

Sanctions

As of 2022, the Compliance Division became tasked with the oversight of targeted financial sanctions relating to Russia, in addition to the previously established compliance reporting to the Financial Reporting Authority. In this regard, the Compliance Division is the domestic inter-agency liaison and represents the Authority on national committees.

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.

Ima signed **two** bi-lateral MOUs, which were concluded on 17 October 2023, and 15 December 2023 with the North Carolina Department of Insurance and the Texas Department of Insurance respectively. On 27 June 2023, the Authority signed a domestic MOU with the Cayman Islands Institute of Professional Accountants.

Assistance to Overseas Regulatory Authorities

One of the functions of the Legal Division is to advise on, and coordinate responses to, requests for assistance from overseas regulatory authorities ("ORAs"). The division works closely with the other divisions, particularly Compliance, to ensure that requests are handled in a timely and efficient manner, and that they conform to the requirements of the MAL, the Regulatory Handbook and relevant procedures.

The Compliance Division assists primarily on those requests where CIMA does not have the information within its files and where external parties must be approached to obtain it.

Local 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/in November 2023. 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 (CIBFI).

Human Resource Management & Development

The Mission of the Human Resources Division (the "Division") of the Cayman Islands Monetary Authority ("CIMA"; "the Authority") is to be a strategic partner with the authority to recruit, develop and retain high performing individuals by proactively providing holistic employee support through policies, programmes, and services while reinforcing CIMA's values and encouraging engagement for success.

The Division reassessed and further aligned its Human Resources Policies to meet the objectives of the Strategic Plan for the Authority, as well as ensuring that human resources best practices and work-life balance are sustained. This involved the implementation of new policies and enhancement of others as well as the launch of CIMA's Wellness Programme and Charter.

Employee Demographics

With the continued evolvement of the regulatory landscape, locally and internationally, the Human Resources Division worked closely with the other Divisions to ensure that the manpower needs were monitored, and recruitment exercises were executed accordingly. In 2023, the Authority onboarded forty-one (41) new employees to the CIMA Team from twelve (12) different nationalities (Ghana, Belgium, Trinidad and Tobago, United Kingdom, Belize, Jamaica, Zimbabwe, Kenya, Ireland, Barbados and India), including the Cayman Islands.

Diverse and experienced candidates are important to enhance the calibre of staff complement who contribute to protecting and enhancing the integrity of the Cayman Islands' financial services industry. Despite its efforts, the Authority lost thirty (30) employees, most of whom were hired by the local industry.

Mental Health First Aider Training

All members of the Human Resources Division undertook Mental Health First Aid Training and became Certified Mental Health First Aiders. Members were further sensitized to and learnt how to identify, understand, and help persons who may be experiencing mental health challenges. They are also equipped with tools on how to better understand and support positive wellbeing for themselves and to tackle mental health stigma within the work environment and local community. Through this, the Human Resources Division will be able to enhance a meaningful and caring work-life balanced environment.

Employee Relations

Through diligence, hard work, and proven performance, forty-eight (48) ***promotions*** were earned across the Divisions of: Anti-Money Laundering, Banking Supervision, Financial Stability & Statistics, Information Systems, Insurance Supervision, Investments Supervision, Policy & Development, Onsite Inspection, Compliance, and Finance.

In valuing the importance of its Employees' wellbeing, the Authority's Wellness Committee devised a list of activities or competitions in which staff participate and through a point system, points are collected for attendance and/or participation in specific wellness-related activities or competitions. The goal is to encouraging staff to take healthy actions including, but not limited to exercising on a regular basis, attending wellness related workshops or informational sessions, participating in sporting competitions, eating a nutritious diet, getting adequate sleep, and engaging in stress-reduction activities.

Internships

The Authority provided twenty-four (24) – [a 50% increase] promising, ambitious young persons real life experience from applying for a position to which they felt their interests lay. Following an interview, the successful interns were placed in the respective area to receive on-the-job learning opportunities across several Divisions in the Authority. These persons were pursuing studies in various fields such as Accounting, Law, Cybersecurity, Public Administration, and Human Resources.

During the internship, the HR team arranged various presentations for the students on the topics of mental health awareness, and workplace etiquette. Additionally, the interns were welcomed to initiate collective fund-raising activities where the funds would be donated to a local charity of their choice. Activities included dress-down days, trivia fun day and a bake sale, and the beneficiaries from the 2023 internship cohorts were the Alex Panton Foundation and the N.C.V.O.

Human Resource Management & Development

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 initiatives were either put in place or enhanced to address some of the suggestions contributed by the staff.

Learning & Development

In house training opportunities were availed to employees and facilitated by the Authority's Learning & Development Unit along with subject experts from within the Authority. Areas covered included but were not limited to Complaints Handling, VASP, Onsite Inspection Processes, Writing Strategies, Monitoring Compliance and Filing of SARs, and Data Protection.

Members of staff were also awarded scholarships to participate in the Certificate in Leadership and Management (ILM) Aspire & ILM 5 Programs 5 which were facilitated by the Civil Service College.

The Cayman Islands CFA Society awarded an Analyst in the Compliance Division a scholarship to attend the newly enhanced CFA Institute Investments Foundations Certificate. This certificate provided an overview of the essentials of finance, ethics, and investment roles, providing clear understanding of the global investment industry including terminology and foundational concepts. Additionally, nine staff members across the Authority were awarded the opportunity to partake in the Certified Fintech Practitioner Certification course based on the current need for upskilling in this area.

Service & Contributions to the Community

The employees of the Authority not only work hard but we believe in giving back to community. The Authority has a dedicated charity fund pool to which staff can willingly contribute funds monthly with the aim of having an annual vote as to which local charity organization(s) or persons in need would receive any of the proceeds.

In 2023, the Authority also participated in the John Gray High School and Clifton High School Careers Fairs. Additionally, in August 2023, CIMA hosted its own Career Fair organized by the Learning & Development Unit to accompany the annual Financial Student Mixer event with support from the Public Relations Unit.

The targeted audience was to be University graduates; persons looking for a career change; Caymanians or persons with RERC, and Caymanian Status holders. Over 150 individuals attended and partnered with 6 companies who were in attendance and set up alongside CIMA's divisional booths.

Thirty-three (33) students completed Job Interest Forms indicating that they would like to be considered for various placement opportunities including internships or work experience with the Authority. This allowed for further student engagement with and about CIMA. The event was a huge success and allowed for CIMA to capture the interests of our local talent or subsequently provided work experience opportunities for some.

In addition, through the CIMA Wellness Programme, employees volunteered their time and made contributions to public events such as local 5K/10K or marathon events, the Chamber Earth Day Cleanup, and the 6th annual CIMA 5K Walk/Run charity event from which the funds raised were donated towards the literacy and numeracy initiatives in 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 & Business Continuity – Prior to the start of the hurricane season each year, tests are completed to ensure Disaster Recovery and Business Continuity plans are effective. Each year, CIMA assembles all requested improvements from the previous year's test and incorporates those that will provide value, resilience and increased efficiencies into its current plan and operations. Our Disaster Recovery and Business Continuity was tested in full via our robust remote desktop connection to facilitate the working-from-home policy. The network is designed to be robust with matching hardware equipment in two separate buildings which provides redundancy in case either site should have a failure.

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

Email continues to dominate the global statistics for the most common entry point of cybersecurity malicious attacks with some 90+% numbers being addressed. Staff awareness training is one of the key points that businesses can adopt to assist in their defence. Along with onboarding cybersecurity videos that are mandatory for staff to complete, CIMA uses a product that sends various campaigns out as tests to the staff and there are additional videos that provide additional training on the new things to keep a lookout for.

A Network Penetration Test was carried out by the local audit firm EY, and according to their report no outside access into CIMA's network or other systems could be found. This shows the commitment in experienced cybersecurity staff and the results of using in-depth layering of Industry Standard and Best Practices security products along with the effective NIST framework and policies that CIMA has adopted.

During the 2023 reporting period, the following tasks were accomplished:

Network Infrastructure

- Freedom of Information Act (2021 Revision) Expanded SSD disk array
- Ordered, Configured and implemented 4 new servers which can automatically share resources among themselves depending on their loads during peak periods.
- Increases in bandwith and speed were made to our internal internet Wi-Fi links in order to sustain the additional network traffic for more Zoom/WebEx/Teams video conference communications between staff working-from-home and those in-office along with the increased client meetings.
- Successfully monitored and managed various network security necessities and responded to Helpdesk requests for both in-office staff and those working remotely from home.

ORGANISATIONAL DEVELOPMENTS

Information Systems

During the 2023 reporting period, the following tasks were accomplished:

Software Development

- Implemented Complaints Management system for Industry on Zoho.
- Improved entity search feature on www.cima.ky website to include by entitlement.
- A new API which allows external access to surface authorised data similar to what is already displayed on the CIMA website is available for and in use for some other government authorities as well as to keep our website updated with the latest entities.
- A migration to a new release of REEFS v4 was started in in August and completed before year-end.
- Continued updates and revisions for REEFS forms is ongoing that provide solutions from requests as they come in.
- Updates to our internal client relationship management system are ongoing which will be web-based instead of the client server architecture it currently uses.
- A new CIMA ID portal is soon to go live so that industry can just type in a name and verified CIMA ID number on REEFS forms instead of the multiple fields that are currently required.
- Improvements were added to our Risk Management solutions allowing integration with our back-end systems to allow efficiency in processing. Also, new forms for AML data capture have been created and improvements for notification and communication with Industry have been implemented.
- Many quality-of-life back-end processes for CIMA staff have been added to existing systems allowing for more visualisation of data streams.
- Other projects are being worked on in the pipeline as well but have not reached full production as yet.

ORGANISATIONAL DEVELOPMENTS

Internal Audit

The primary mission of Internal Audit is to enhance and protect CIMA's value by providing risk-based and objective assurance, advice, and insight to executive management and the Board of Directors. Internal Audit reports provide root cause analysis on key risks and highlight where improvements are necessary.

During 2023, alongside our core assurance activities Internal Audit undertook relevant work streams geared towards enhancing operational efficiency and enabling a closer alignment between Internal Audit and Risk Management. The purpose of these initiatives is to facilitate integrated reporting on risk management and internal controls across the Authority to better support governance, oversight and informed decision-making. One of the key accomplishments from this work was the identification of an appropriate GRC tool which will be implemented to enable effective collaboration and partnership with Risk Management to achieve these objectives.

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.

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 2023 Investments Statistical Digest and the 2023 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.

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 and Administrative Fines

The Authority collected $168.7m in coercive fees from regulated entities on behalf of the Cayman Islands Government, compared to $166.3m in the previous year. In 2023, the Authority collected no fees from administrative fines, compared to $4.9m in 2022.

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 $33.5m, 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
- Monitor compliance with the Anti-Money Laundering Regulations

The Authority's other sources of income are from the Directors Registration and Licensing fees, which were recorded at $13.4m, CIMA Transactional fees $8m, Commission Income $1.5m, and Investment Income $8.9m.

Net Income

The Authority's Total Comprehensive Income for the year was $21.7m (2022: $13.7m), of which $10.7m was allocated to CIMA's Capital Expenditures Reserve, $5.0m to CIMA's Litigation Costs Reserve, $3.0m to CIMA's General Reserve and CI$3.0m to the general revenue of the Cayman Islands Government.

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



$168.7
million in fees from regulated entities and imposed Administrative fines



$33.5
Million total outputs delivered



$21.7
Million in Comprehensive Income

Highlight of Achievements

Key initiatives conducted throughout the year in support of the Authority's 2020 - 2023 Strategic Plan included:

Strategic Objective 1

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

- Identified challenges in attracting, retaining and developing staff
- Developed an action plan for the implementation of new approached for the attraction and retention of competent and experienced staff with transferable skills
- Identified certain areas where external resources could be engaged, including automation requirements
- Identified enhancement needs to the current procurement processes for expediting the commencement of services by external parties/deployment of technological solutions
- Continued to develop wholesome and sustainable employee benefit programmes to promote work-life balance of its employees, and the enhancement and expansion of wellness initiatives which will be implemented in 2024 through CIMA's staff-led Wellness Committee.

Strategic Objective 2

Enhance the regulatory response to innovations in business models and technologies

- Conducted a comprehensive internal survey to understand divisional needs and assess the adequacy and effectiveness of current IT systems.
- Maintained a steady progression of addressing automation needs with a plan to further improve technological resources in 2024, as noted in the 2024-2026 strategic plan.
- Adopted a framework for the identification and evaluation of emerging technological trends and issues, and to respond in a timely manner and as necessary

Strategic Objective 3

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, with support and guidance of the Board, refined its internal structure, governance practices and operational workflows to improve internal efficiencies.
- Determined an operational framework tailored from CIMA, designed to address existing gaps and weaknesses, while enhancing efficiencies in the execution of CIMA's functions in a more consistent, effective, and cost-efficient manner

Highlight of Achievements

Strategic Objective 4

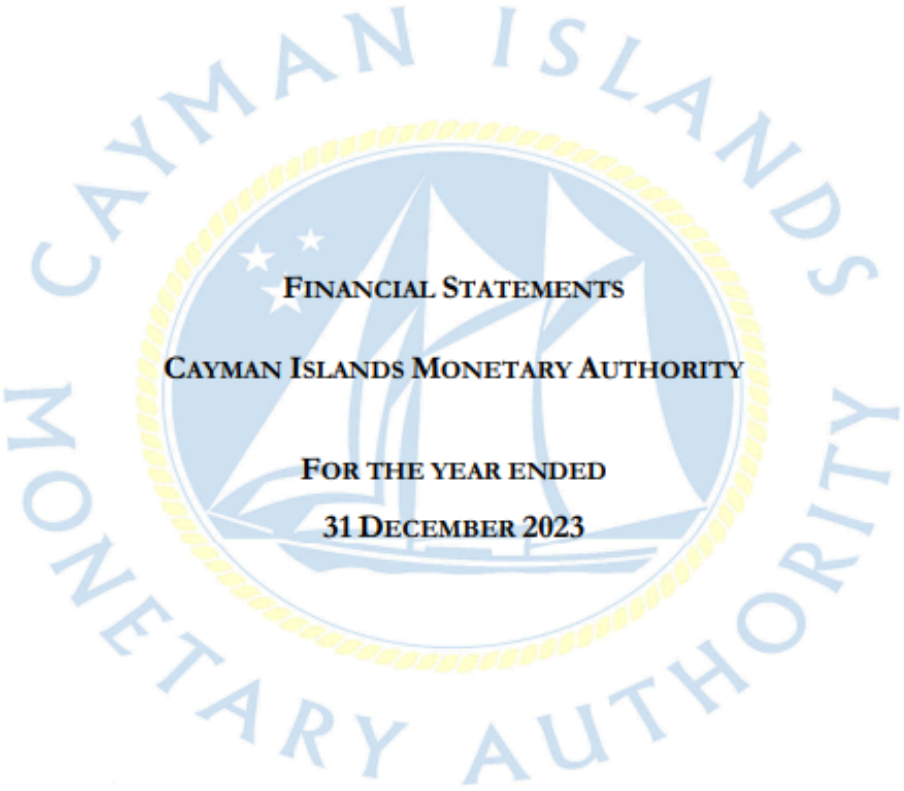
Develop and implement a renewed framework for effective stakeholder engagement

- Conducted a comprehensive internal survey to assess the adequacy and effectiveness of current stakeholder engagement practices
- Conducted research on stakeholder engagement best practices among other regulatory bodies
- Working towards the implementation of the stakeholder engagement framework document and accompanying guidance manual to improve communication and engagement with its external stakeholders. Framework to be revisited and complemented with a new internal and external communications plan in 2024, to further develop KPI's and a seamless integration internally, and externally to industry.

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR-END 31 DECEMBER 2023

AUDITED FINANCIAL STATEMENTS



FINANCIAL STATEMENTS

CAYMAN ISLANDS MONETARY AUTHORITY

FOR THE YEAR ENDED

31 DECEMBER 2023

CAYMAN ISLANDS MONETARY AUTHORITY

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CAYMAN ISLANDS MONETARY AUTHORITY

Statement of Responsibility

For Financial Statements

For year ended 31 December 2023

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 2023.

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 2023;

(b) fairly reflect the financial position as at 31 December 2023 and performance for the financial year ended 31 December 2023;

(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.

Garth MacDonald

Chairman

Cayman Islands Monetary Authority

Date: 30 April 2024

Patrick Bodden

Acting Managing Director

Cayman Islands Monetary Authority

Date: 30 April 2024

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CAYMAN ISLANDS

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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Monetary Authority

Opinion
I have audited the financial statements of the Cayman Islands Monetary Authority (the "Authority"), which comprise the statement of financial position as at 31 December 2023 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 2023, 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 2023 and its financial performance and its cash flows for the year ended 31 December 2023 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.



Sue Winspear
Auditor General

30 April 2024
Cayman Islands

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 31 December 2023
(in Cayman Islands Dollars)

	Note	31 December 2023 $000	31 December 2022 $000
ASSETS			
Currency Reserve Assets			
Current Assets			
Cash and Cash Equivalents	4b	124,419	120,014
Short-Term Investments	4a	3,740	3,040
Interest and Other Receivables		678	632
Stocks	7	2,610	2,293
Non-Current Assets			
Long-Term Investments	4a	71,769	69,157
Total Currency Reserve Assets		203,216	195,136
Operating Assets			
Current Assets			
Cash and Cash Equivalents	4b	27,553	20,874
Short-Term Investments	4a	17,803	12,995
Accounts Receivable	5a	3,942	3,604
Other Receivables and Prepayments	5b	1,465	1,432
Non-Current Assets			
Defined Benefit Pension Plan	9b	4,681	2,948
Property and Equipment	6a	4,997	3,483
Intangible Assets	6b	1,616	1,758
Right-of-use Assets	10	9,342	10,229
Total Operating Assets		71,399	57,323
TOTAL ASSETS		**274,615**	**252,459**
LIABILITIES, RESERVES and CONTRIBUTED CAPITAL			
Liabilities			
Current Liabilities			
Demand Liabilities, Currency in Circulation	8a	169,515	171,117
Other Liabilities and Payables	8b	8,752	7,040
Lease Liability - Premises	10	1,705	1,767
Due to Cayman Islands Government	8c	3,000	-
Non-Current Liabilities			
Lease Liability - Premises	10	8,029	8,658
Defined Benefit Healthcare Program	9c	9,074	8,082
Total Liabilities		200,075	196,664
Reserves			
General Reserve		41,834	35,427
Currency Issue Reserve		375	375
Capital Expenditures Reserve		25,003	17,665
Litigation Costs Reserve		5,000	-
Total Reserves		72,212	53,467
Contributed Capital		2,328	2,328
TOTAL LIABILITIES, RESERVES and CONTRIBUTED CAPITAL		**274,615**	**252,459**

Approved on 30 April 2024

Patrick Bodden
Acting 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.

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2023

(in Cayman Islands Dollars)

	Note	31 December 2023 $000	31 December 2022 $000
INCOME			
Services Provided to The Cayman Islands Government	12a	33,458	31,858
Directors Registration and Licensing Fees	2s	13,390	10,421
CIMA Transactional Fees	2s	8,043	6,827
Investment Income		8,901	2,967
Commission Income		1,478	1,456
Numismatic Income		80	1
Realised Gain on Investments		6	1
TOTAL INCOME		**65,356**	**53,531**
EXPENSES			
Salaries and Benefits	14	28,909	27,006
Other Operational Expenses	13	5,073	4,401
Realized loss on Sale of Securities		361	3,519
Depreciation and Amortisation	6	2,011	2,906
Accommodation	15	213	189
Professional Fees		4,319	1,908
Pension Expenses	9a	1,611	1,796
Utilities		653	602
Training and Conferences		550	150
Official Travel		319	144
Depreciation expense - Right-of-use Asset	10	1,880	1,795
Interest expense - Lease Liability	10	742	402
Expected Credit (Gain) / Loss IFRS 9		(6)	2
TOTAL EXPENSES		**46,635**	**44,820**
NET INCOME FOR THE YEAR		**18,721**	**8,711**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to Profit or Loss in subsequent periods			
Net Gain (Loss) on Debt Securities at Fair Value		1,644	(922)
Expected Credit Gain / (Loss)	4c	(5)	2
Items that will not be reclassified to Profit or Loss in subsequent periods			
Remeasurement of Defined Benefit Pension Plan	9a	1,669	2,814
Remeasurement of Defined Benefit Healthcare Program	9c,14	(284)	3,095
TOTAL OTHER COMPREHENSIVE INCOME		3,024	4,989
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**21,745**	**13,700**

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL
For the year ended 31 December 2023
(in Cayman Islands Dollars)

31 December 2023

	General Reserve $000	Currency Issue Reserve $000	Capital Expenditures Reserve $000	Litigation Costs Reserve $000	Contributed Capital $000
BALANCE AT 01 January 2023	35,427	375	17,665	-	2,328
Transfers in :					
From Income for the Year	21,745	-	-	-	-
Transfers out :					
Contribution Payable to CI GOVT	(3,000)	-	-	-	-
To Capital Expenditures Reserve	(10,721)	-	10,721	-	-
To Litigation Costs Reserve	(5,000)	-	-	5,000	-
Capital Purchases	3,383	-	(3,383)	-	-
BALANCE AT 31 December 2023	**41,834**	**375**	**25,003**	**5,000**	**2,328**

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 Expenditure Reserve	(8,711)	-	-	-
Capital Purchases	1,313	-	(1,313)	-
BALANCE AT 31 December 2022	**35,427**	**375**	**17,665**	**2,328**

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 31 December 2023
(in Cayman Islands Dollars)

	Notes	31 December 2023 $000	31 December 2022 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Comprehensive Income for the Year		21,745	13,700
Adjustments for:			
Depreciation and Amortisation	6	2,011	2,906
Depreciation - Right-of-use Asset	10	1,880	1,795
Interest Expense - Lease Liability	10	742	402
(Gain) / Loss on Defined Pension Benefits		(1,733)	(2,616)
(Gain) / Loss on Defined Health Care Benefits		992	(2,316)
(Gain) / Loss on Expected Credit Loss		(2)	-
Net Unrealised Gain / (Loss) on Fair Value of Financial Investments		5	(2)
Decrease / (Increase) in Interest Receivable - Currency Reserve Assets		(45)	(541)
Decrease / (Increase) in Interest Receivable - Operating Assets		(63)	(30)
Decrease / (Increase) in Accounts Receivable		(337)	(485)
Decrease / (Increase) in Other Receivables and Prepayments		30	(243)
(Decrease) / Increase in Unearned Income - Directors Registration and Licensing Fees		45	(86)
(Decrease) / Increase in Unearned Income - CIMA Transactional Fees		33	(19)
(Decrease) / Increase in Other Liabilities and Payables		1,635	(342)
Decrease / (Increase) in Stocks		(317)	655
(Decrease) / Increase in Demand Liabilities		(1,602)	(2,387)
NET CASH PROVIDED BY OPERATING ACTIVITIES		25,019	10,391
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Property, Equipment and Intangible Assets	6	(3,383)	(1,312)
Net Purchase of Financial Investments Currency Reserve Assets		(3,678)	(142)
Net (Gain) / Loss on Fair Value of Sales and Maturities of Financial Investments		361	3,519
Net purchase of financial investments Operating Assets		(4,809)	(102)
NET CASH FROM INVESTING ACTIVITIES		(11,509)	1,963
CASH FLOWS USED IN FINANCING ACTIVITIES			
Lease Liability Payments	10	(2,426)	(2,332)
NET CASH USED IN FINANCING ACTIVITIES		(2,426)	(2,332)
INCREASE IN CASH AND CASH EQUIVALENTS		11,084	10,022
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR		140,888	130,867
CASH AND CASH EQUIVALENTS, END OF THE YEAR	4b	151,972	140,888

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

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 2023 the Authority has 268 employees (31 December 2022: 257). 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 2023

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 2023

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 2023

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".

h) 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 2023 is $14,492k (31 December 2022: $14,491k). 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 2023

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 2023

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 vacation days, sick leave, maternity and paternity leave, mental health days, personal 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 2023, the General Reserve was $41,834k (31 December 2022: $35,427k) equating to 24.68% (31 December 2022: 20.70%) 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 2023 was $375k (31 December 2022: $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 2023, the Capital Expenditure Reserve was $25,003k (31 December 2022: $17,665k).

q) Litigation Costs Reserve
The Litigation Costs Reserve has been established in accordance with Section 9 of the *Act (2020 revision)*, to provide funding for costs in relation to litigation. As at 31 December 2023, the Litigation Costs Reserve was $5,000k (31 December 2022: None)

r) 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.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

Significant Accounting Policies (continued)
Contributed Capital (continued)

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 2023 was $2.328 million (31 December 2022: $2.328 million).

s) 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.

t) 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.

u) 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 2023

2.1 Changes in Accounting Standards

Certain new accounting standards have been published that are not mandatory for the 31 December 2023 reporting period. The impact of these new standards is set out below:

Amendments to IFRS 16 – Leases which add to requirements to specify a seller-lessee would apply the subsequent measurement requirements in IFRS 16 to the lease liability that arises in a sale and leaseback transaction. (Effective for annual reporting periods beginning on or after 1 January 2024).

The amendment applies to paragraphs 36-38 of IFRS 16 to a sale and leaseback transaction with variable lease payments, a seller-lessee be required:

i) to determine the lease payments made (as described in paragraph 36(b)) as the payments included in the measurement of the lease liability. The payments included in that measurement are those that, when discounted using the discounted rate described in paragraph 37, result in an amount equal to the carrying amount of the lease liability.
ii) not to remeasure the lease liability to reflect any reassessment of future variable lease payments.
iii) to apply paragraph 38 in accounting for any difference between the payments made for the lease and those included in the measurement of the lease liability.
iv) in applying paragraph 40 and 45 of IFRS 16 to lease modification and changes in the lease term related to a sale and leaseback transaction, a seller-lessee be required to determine the revised lease payments as the revised expected payments for the lease.

It is anticipated that the amendment will not have a significant impact on the Authority's financial statements. This will be assessed in greater detail closer the effective date of adoption.

IFRS 17 Insurance Contracts and Amendments (Effective for annual reporting 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.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

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.

	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Financial instruments at fair value as at 31 December 2023				
Investments, Hold to collect and sell	93,312	-	-	93,312
Total financial instruments	93,312	-	-	93,312

	Level 1	Level 2	Level 3	Total
	$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

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, pension and post-retirement healthcare liabilities, and IFRS 16 Lease Assessments. 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 2023

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 2023	31 December 2022
	$000	$000
Investments, Hold to collect and sell		
AAA	72,970	64,728
AA	9,225	9,657
A	11,117	10,758
	93,312	85,143
Cash and cash equivalents		
Cash at bank and in-hand		
AAA	247	222
AA	9,652	2,526
A	21,656	1,585
BBB	-	20,000
	31,555	24,333
Overnight repurchase agreements		
AAA	120,333	116,583
	151,888	140,916

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.

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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 n.)

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 2023, the value of Currency Reserve Assets was $203,216k (31 December 2022: $195,136k) representing 119.88% (31 December 2022: 114.04%) of total Demand Liabilities. The value of external assets equated to 115.75% (31 December 2022: 110.42%) while the value of local assets as at 31 December 2023 equated to 4.13% (31 December 2022: 3.62%) 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 January 2025 and 20 January 2053.

There are four MBS securities with maturities over ten years (31 December 2022 – None).

The investment guidelines states that:
i) For amortizing securities (MBS) the average life shall be used in place of maturity.
ii) The average maturity for the portfolio shall not exceed 5 years.

	31 December 2023	31 December 2022
Range of maturities	$000	$000
1-5 years	66,174	69,157
6-10 years	-	-
Over 10 years	5,595	-
	71,769	69,157

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

Short-term Investments – Currency Reserve Corporate Bond maturity dates of 31 August and 13 December 2024 and Fixed Deposit maturity date 11 June 2024.

	31 December 2023	31 December 2022
	$000	$000
U.S. Treasury Notes	220	-
Corporate Bonds rated A or higher	858	429
Fixed Deposit	2,662	2,611
Total Short-term Investments	3,740	3,040

Short-term Investments – Operating AAA U.S. Treasury Bills dates 07 Mar 2024 – 11 Apr 2024 and Fixed Deposit and maturity date 01 Apr 2024.

	31 December 2023	31 December 2022
	$000	$000
U.S. Treasury Bills	13,472	8,817
Fixed Deposit	4,331	4,178
Total Short-term Investments	17,803	12,995

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 2023, domestic deposits were $5,512k (31 December 2022: $4,975k) representing 3.25% (31 December 2022: 2.91%) of Demand Liabilities.

Interest was earned on domestic call accounts at a rate of 0.01% during the period ended 31 December 2023 (31 December 2022: 0.01%). The domestic fixed deposits earned interest at rates ranging between 4.70% to 5.40% during the period ended 31 December 2023 (31 December 2022: 0.15% to 1.65%).

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 2023 no interest was earned (31 December 2022: 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 5.30% (31 December 2022: 4.30%).

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For the year ended 31 December 2023

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

	Holding Currency	31 December 2023 $000	31 December 2022 $000
i) Operating Assets			
Current	KYD	(5)	(20)
Savings	KYD	6,146	10,752
Savings & Call	USD	1,261	10,083
Fixed Deposit	KYD	8,990	-
Fixed Deposit	USD	11,072	-
CI Cash on Hand		89	59
Total Current and Call Deposits		27,553	20,874
Total Cash and Cash Equivalent - Operating Assets		27,553	20,874

ii) Currency Reserve Assets	Holding Currency	31 December 2023 $000	31 December 2022 $000
Domestic Deposits			
Savings	KYD	1,478	1,092
Savings	USD	1,372	1,272
Foreign Deposits			
Federal Reserve Bank	USD	247	222
Investment Portfolio	USD	989	845
Federal Reserve Repurchase Agreement	USD	120,333	116,583
Total Call Deposits		124,419	120,014
Total Cash and Cash Equivalent - Currency Reserve		124,419	120,014
Total Cash and Cash Equivalent		151,972	140,888

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
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5. Receivables and Prepayments

a) Aged profile of Accounts Receivable

Period Outstanding Days	31 December 2023 $000	31 December 2022 $000
1-30	3,942	3,589
31-60	-	15
	3,942	3,604

The creation and release of provision for impairment of receivables has been included in Other Operating expenses (Note 13) 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 2023, there were no receivables greater than 120 days past due.

	31 December 2023 $000	31 December 2022 $000
Output Income	2,922	2,655
CIMA Transactional Fees	581	509
Directors Registration and Licensing Fees	439	440
Accounts Receivable, net	3,942	3,604

b) Other Receivables and Prepayments

	31 December 2023 $000	31 December 2022 $000
Prepayments	1,143	962
Other Deposits	146	435
Accrued Interest	95	32
Employee Advances	81	3
	1,465	1,432

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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 31/12/2022	1,244	4,508	2,080	438	20	8,290	476	8,766
Additions	3	7	87	8	-	105	2,998	3,103
Reclass	-	-	357	-	-	357	(357)	-
Balance as at 31/12/2023	1,247	4,515	2,524	446	20	8,752	3,117	11,869
Accumulated Depreciation and Amortisation								
Balance as at 31/12/2022	727	2,740	1,445	358	13	5,283	-	5,283
Depreciation and Amortisation for the year	222	1,062	273	29	4	1,590	-	1,590
Balance as at 31/12/2023	949	3,802	1,718	387	17	6,873	-	6,873
Net Book Value as at 31/12/2023	298	713	806	59	3	1,879	3,117	4,997
Net Book Value as at 31/12/2022	517	1,768	635	81	7	3,008	476	3,483

	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								
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

CAYMAN ISLANDS MONETARY AUTHORITY
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For the year ended 31 December 2023

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 31/12/2022	1,244	4,508	2,080	438	20	8,290	476	8,766
Additions	3	7	87	8	-	105	2,998	3,103
Reclass	-	-	357	-	-	357	(357)	-
Balance as at 31/12/2023	1,247	4,515	2,524	446	20	8,752	3,117	11,869
Accumulated Depreciation and Amortisation								
Balance as at 31/12/2022	727	2,740	1,445	358	13	5,283	-	5,283
Depreciation and Amortisation for the year	222	1,062	273	29	4	1,590	-	1,590
Balance as at 31/12/2023	949	3,802	1,718	387	17	6,873	-	6,873
Net Book Value as at 31/12/2023	298	713	806	59	3	1,879	3,117	4,997
Net Book Value as at 31/12/2022	517	1,768	635	81	7	3,008	476	3,483

	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								
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

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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6b. Intangible Assets

	Intangible	TOTAL INTANGIBLE	Work in Progress Intangible	GRAND TOTAL
Original Cost	$000	**$000**	**$000**	**$000**
Balance as at 31/12/2022	5,685	**5,685**	132	**5,817**
Additions	128	**128**	152	**280**
Disposals	(147)	**(147)**	-	**(147)**
Balance as at 31/12/2023	5,666	**5,666**	284	**5,950**
Accumulated Depreciation and Amortisation				
Balance as at 31/12/2022	4,059	**4,059**	-	**4,059**
Depreciation and Amortisation for the year	422	**422**	-	**422**
Relieved on disposals	(147)	(147)	-	**(147)**
Balance as at 31/12/2023	4,334	**4,334**	-	**4,334**
Net Book Value as at 31/12/2023	1,332	**1,332**	284	**1,616**
Net Book Value as at 31/12/2022	1,626	**1,626**	132	**1,758**

	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**

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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

7. Stocks

	31 December 2023 $000	31 December 2022 $000
Bullion from the melt-down of coins	656	639
Coins for resale	349	331
Museum items	125	111
	1,130	1,081
Inventory of unissued currency notes and coins	1,480	1,212
Total Stocks	2,610	2,293

The amount of inventory recognised as expense during the period amounted to $874k (2022: $667k). The currency related expenses during the period amounted to $31k (2022: $15k). 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 2023 $000	31 December 2022 $000
Currency notes in circulation	154,773	156,767
Currency coins in circulation	14,742	14,350
Total Demand Liabilities	169,515	171,117

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Liabilities (continued)

b) Other Liabilities and Payables

	31 December 2023	31 December 2022
	$000	$000
Unearned income - Director Registration Fees	4,654	4,609
Unearned income - CIMA Transactional Fees	89	56
Performance Awards & Honorarium	1,164	735
Accounts payable	1,185	659
Professional Fees	729	-
Other accruals	446	377
Annual leave accrual	425	420
Other Payables	60	184
	8,752	7,040

As at 31 December 2023, Other Payables included unsettled investment management and custody fees of $18k (2022: $10k).

c) Dividend due to CI Government

In 2024 the Board approved to pay over $3,000k of the net income for the period 2023 to the General Revenue of the Cayman Islands Government in accordance with Section 9 and 10 of the *Act (2020 revision)*.

9. Post-Employment Benefits

a) All Pension Plans

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 and the defined contribution plan, the Authority pays both the employer and employee contributions.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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Post-Employment Benefits (continued)
All Pension Plans (continued)

The Plans are funded at rates of: -

	31 December 2023	31 December 2022
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 2023. 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 2023 was $(58k) (31 December 2022 $(1,018k)). 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 2023	31 December 2022
	$000	$000
Public Service Pension Plan Defined Benefit	226	234
Public Service Pension Plan Additional cost contribution DB	69	66
Public Service Pension Plan Defined Contribution	923	873
Public Service Pension Plan Additional cost contribution DC	64	60
Private Pension Plans	393	365
Defined Benefit Pension cost: IAS 19 valuation	(64)	198
Total Pension Expense All Plans	1,611	1,796
Remeasurement of DB Plan in OCI	(1,669)	(2,814)
Total Pension Expense	(58)	(1,018)

CAYMAN ISLANDS MONETARY AUTHORITY
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Post-Employment Benefits (continued)

b) Defined Benefit Pension

The actuarial position is as follows:

	31 December 2023	31 December 2022	31 December 2021	31 December 2020
	$000	$000	$000	$000
Net Present Value of Funded Obligation	(10,866)	(9,906)	(15,012)	(16,360)
Fair Value of Plan Assets	15,547	12,854	15,344	13,876
Funded Status	4,681	2,948	332	(2,484)
Net Asset/(Liability)	4,681	2,948	332	(2,484)

Components of defined benefit pension cost	31 December 2023	31 December 2022
	$000	$000
Current service cost	245	363
Interest expense on DBO	530	398
Interest income on plan assets	(695)	(410)
Defined benefit cost included in P&L	80	351
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	-	-
Effect of changes in financial assumptions	(234)	(4,469)
Effect of experience adjustments	401	(1,476)
(Return) on plan assets (excluding interest income)	(1,836)	3,131
Total remeasurements included in OCI	(1,669)	(2,814)
Total defined benefit cost recognised in P&L and OCI	(1,589)	(2,463)
Employer Contributions		
Asset re-allocations true up	-	-
Total net defined benefit cost recognised in P&L and OCI	(1,589)	(2,463)

Reconciliation of defined benefit pension liability	31 December 2023	31 December 2022
	$000	$000
Previous year net defined benefit liability	(2,948)	(332)
Defined benefit cost included in P&L	80	351
Total remeasurement included in OCI	(1,669)	(2,814)
Employer contributions	(144)	(153)
Net Transfer in (including the effect of any business combinations/divestures/transfers)	-	-
Net defined benefit (asset)/liability	(4,681)	(2,948)

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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Post-Employment Benefits (continued)
Defined Benefit Pension (continued)

Change in defined benefit pension obligation	31 December 2023	31 December 2022
	$000	$000
Defined benefit obligation at end of prior year	9,906	15,012
Current service cost	245	363
Interest expense	530	398
Transfers between Other Participating employers	(20)	-
Benefit payments from plan asset	(37)	-
Plan participant contributions	75	78
Remeasurements:-		
Effect of changes of demographic assumptions	-	-
Effect of changes of financial assumptions	(234)	(4,469)
Effect of experience adjustments	401	(1,476)
Defined benefit obligation at end of year	10,866	9,906

Change in fair value of plan assets	31 December 2023	31 December 2022
	$000	$000
Fair value of plan assets as at end of prior year	12,854	15,344
Interest income	695	410
Employer contributions	144	153
Plan participant contributions	75	78
Transfers between Other Participating employers	(20)	-
Benefit payments from plan assets	(37)	-
Other significant events:-		
Increase/(Decrease) due to effect of any business combinations/ divestitures/transfers	-	-
Remeasurements:-		
Return on assets (excluding interest income)	1,836	(3,131)
Fair value of plan assets at end of year	15,547	12,854

Composition of Plan Assets

The composition of the total plan assets managed by the PSPB, as at 31 December 2023 and 31 December 2022, was as follows: -

	31 December 2023	31 December 2022
	%	%
Global equity securities	81	81
Debt securities	18	18
Cash	1	1
Total	100	100

CAYMAN ISLANDS MONETARY AUTHORITY
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Post-Employment Benefits (continued)
Defined Benefit Pension (continued)

Actuarial Assumptions

The principal actuarial assumptions used to determine benefit obligations at 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023 %	31 December 2022 %
Effective discount rate for defined benefit obligation	5.15	5.40
Rate of salary increase	see note below	see note below
Price inflation rate	see note below	see note below
Rate of pension increases	see note below	see note below

Rate of salary increase –	4.0% in 2024 and 3.7% thereafter.
Price inflation rate –	2.5% in 2024, 2.4% in 2025 and 2.0% thereafter.
Rate of pension increase –	2.5% in 2024, 2.4% in 2025 and 2.0% thereafter.

The economic assumptions used to determine Net Periodic Benefit Cost for the period ended 31 December 2023 and 31 December 2022 are as follows:

	31 December 2023 %	31 December 2022 %
Weighted-average assumptions to determine defined benefit cost:		
Effective rate for net interest cost	5.35	2.65
Effective discount rate for service cost	5.35	2.95
Effective rate for interest on service cost	5.40	2.85
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.

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 2023

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

	31 December 2023 $000	31 December 2022 $000
Sensitivity analysis on defined benefit pension obligation		
Discount rate		
Discount rate - 25 basis points	11,352	10,366
Discount rate + 25 basis points	10,409	9,475
Inflation rate		
Inflation rate - 25 basis points	10,419	9,507
Inflation rate + 25 basis points	11,340	10,329
Mortality rates		
Mortality - 10% of current rates	11,072	10,088
Mortality + 10% of current rates	10,676	9,739
Expected cash flows for following year		
Expected employer contributions	176	199
Participant contributions	75	85
Defined benefit obligation by participant status		
Actives	8,307	7,508
Vested deferreds	2,559	2,398
Total	10,866	9,906

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 (2022 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 2023

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

The Authority has a present value net defined healthcare benefit obligation of $9,074k at the end of the financial year 31 December 2023 (31 December 2022: $8,082k).

Change in defined benefit healthcare obligation	31 December 2023	31 December 2022
	$000	$000
Defined benefit obligation at end of prior year	8,082	10,398
Current service cost	300	500
Interest expense	430	294
Cashflows - Benefits from employer	(22)	(15)
Remeasurements:-		
Effect of changes of demographic assumptions	(26)	2,127
Effect of changes of financial assumptions	371	(3,945)
Effect of experience adjustments	(61)	(1,277)
Defined benefit obligation at end of year	9,074	8,082

Components of defined benefit healthcare cost	31 December 2023	31 December 2022
	$000	$000
Current service cost	300	500
Interest expense on DBO	430	294
Interest income on plan assets	-	-
Defined benefit cost included in P&L	730	794
Remeasurements (recognised in other comprehensive income)		
Effect of changes in demographic assumptions	(26)	2,127
Effect of changes in financial assumptions	371	(3,945)
Effect of experience adjustments	(61)	(1,277)
Total remeasurements included in OCI	284	(3,095)
Total defined benefit cost recognised in P&L and OCI	1,014	(2,301)

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

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

	31 December 2023	31 December 2022
	$000	$000
Sensitivity analysis		
Change in defined benefit obligation		
Effective discount rates - 25 basis points	493	444
Effective discount rates + 25 basis points	(460)	(415)
Healthcare cost trend rates - 100 basis points	(1,634)	(1,503)
Healthcare cost trend rates + 100 basis points	2,101	1,942
Mortality assumption + 10%	(371)	(324)
Expected cash flows for following year		
Expected employer contributions	86	75
Expected total benefit payments		
Year 1	86	75
Year 2	101	87
Year 3	118	102
Year 4	137	119
Year 5	162	138
Next 5 years	1,291	1,120

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$51.63 for rent;

iii. Office Accommodation Leases with Cricket Square Ltd. effective 1 August 2020 for eight (8) years and ten (10) months at a current cost per square foot of US$49.65 for rent;

iv. 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$45.89 for rent; and

v. Storage Agreement with Rosseau Ltd effective 1 June 2023 for five (5) years at a current annual rent of CI$108.5k and annual CAMs of CI$7k.

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 2023 for a period of three year at an annual rent of US$224.4k;

ii. An agreement with the DRC (Cayman Islands) Limited for dedicated suite effective 1 September 2023 for a period of five years at an annual rent of US$87.12k; 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.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

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

	2023	2022
	$000	$000
Balance at 1 January	10,228	11,385
Additions	994	638
Depreciation charge for the year	(1,880)	(1,795)
Balance at 31 December	9,342	10,228

Lease liability

	2023	2022
	$000	$000
Balance at 1 January	10,425	11,717
Additions	994	638
Interest Expense	742	402
Lease payments	(2,426)	(2,332)
Balance at 31 December	9,735	10,425

	Future minimum lease payments (undiscounted)	Interest	Present value of minimum lease payments
	$000	$000	$000
Less than one year	2,333	(628)	1,705
Between one and two years	2,231	(522)	1,709
More than two years	7,250	(929)	6,321
	11,814	(2,079)	9,735

Amounts recognised in the Statement of Comprehensive Income

	2023	2022
	$000	$000
Depreciation of right-of-use asset	1,880	1,795
Interest on lease liabilities	742	402
	2,622	2,197

The total cash outflows for leases in 2023 was $2,426k (2022: $2,332k).

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

11. Commitments

Capital and operating commitments

	One year or less	One to five years	Over five years	Total
	$000	$000	$000	$000
Capital Commitments				
Leashold Fitouts and furniture	12,582	(2,801)	-	9,781
Total Capital Commitments	12,582	(2,801)	-	9,781
Operating commitments				
Non-cancellable contracts for the supply of goods and services	4,142	28,186	40,143	72,471
Total Operating Commitments	4,142	28,186	40,143	72,471
Total Commitments	16,724	25,385	40,143	82,252

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 $72,471k (2022: $74,375k). 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 2023, the services provided to the Government was $33,458k (31 December 2022: $31,858k).

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 general revenue after fulfilling Reserve requirements.

b) Directors

The Board of Directors of the Authority is appointed by Cabinet and consisted of the Managing Director ("MD") and eight directors as at 31 December 2023 (six directors at 31 December 2022). The fees of $153k (2022: $130k) relates to payments made to the seven directors only, as there is one ex-officio director.

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 22 at year-end, but 23 during the year (2022: 20) and salaries & other benefits expensed and/or paid in 2023 was $4,378k (2022: $4,303k).

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 $458k (2022: $519k).

13. Other Operating Expenses

	31 December 2023	31 December 2022
	$000	$000
Maintenance and software licences	1,392	1,221
Other expenses	1,150	1,023
Currency Stock issues and related expenses	907	682
Common Area Maintenace cost (CAMS)	840	766
eMerchant Discounts	315	245
Janitorial Services	192	215
Directors Fees	153	131
Management and Custody Fees	82	77
Business Continuity	42	41
Total	5,073	4,401

14. Salaries and Benefits

	31 December 2023	31 December 2022
	$000	$000
Salaries and Allowances	24,420	23,222
Performance Award and honorarium	1,151	713
Medical Expense	2,607	2,277
DB Healthcare Expense	731	794
	28,909	27,006
Remeasurement of DB Healthcare liability in OCI	284	(3,095)
	29,193	23,911

15. Accommodation

As at 31 December 2023, total accommodation expense including conference room and parking was $213k (2022: $189k).

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2023

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. The Authority is also in the process of conducting a full-scale analysis of the impact of adopting section 47 of the PAA. 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 2023 (2022: $0) because the rate for the 2023 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 2023.

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 and 5.b. states:

> 5. "The dividend formula, as provided in paragraph 18, applies to all SAGCs except for:"
>
> > b. "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 Act (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
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For the year ended 31 December 2023

17. Subsequent events

In February 2024, the Board granted its approval for the Authority to accrue $1,194k for the payment of performance awards and honorarium for the year ended 31 December 2023.

SCRUTINY BY PARLIAMENT

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

Complaints

The Authority processed a total of 206 complaints. The following observations were made:

- 66% complaints processed in 30 days;
- 31% complaints processed in 30 to 60 days and
- 3% processed in 60 to 90 days.
- More than 10% of complaints relate to entities that are conducting business without a license or are conducting business that does not fall to be regulated under the regulatory laws. Where appropriate, the Authority refers these matters to other domestic or international agencies.
- Approximately 7% of complaints relate to entities that the Authority is actively monitoring through its internal processes.
- 75% of the Complaints are closed.

Freedom of Information



13

Total FOI requests received and processed



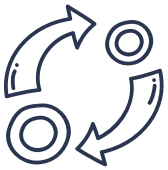
6

Requests granted full access



2

Granted partial access publicly available



206

Complaints requests received and processed

The remaining requests were excluded from release on the basis that the Freedom of Information Act ("FOI Act") excludes access to records containing information that may not be disclosed under Section 50 of the Monetary Authority Act. All but two requests were responded to within 30 days, one of which related to statistical data which would have fallen outside the scope of the FOI Act.

GOVERNMENT COMMITMENT AND FUTURE OBJECTIVES

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.

Future Objectives and Outlook

In line with our 2024 - 2026 Strategic Plan, CIMA continues to deliver on its six main strategic objectives. These are:

1. Improving our technological/digital capability for enhanced productivity, and to support efficient and effective regulation of the financial services industry.

2. Providing support for improving effectiveness in combating financial crime and a positive assessment on the FATF 5th Round Review of the Cayman Islands.

3. Establishing proactive, sustainable, and effective financial services regulation to promote new products/models and enable the existing business products/models to thrive.

4. Being recognised as an employer of choice.

5. Improving the integrity and quality of the Cayman Islands currency.

6. Increasing public outreach and education.

7. Improving our technological/digital capability for enhanced productivity, and to support efficient and effective regulation of the financial services industry.

The implementation of these plans will be closely monitored and reviewed on a quarterly and annual basis to ensure the degree to which each initiative is on time, on budget and within scope. They will also seek to strike an appropriate balance between the human and financial resources directed at implementing an agenda for change, and the resources needed for ongoing successful delivery of the activities and outputs outlined in the delivery model.

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 'to protect and enhance the integrity of the financial services industry of the Cayman Islands', through the efficacy of its principal functions and with consideration for the Authority's regulatory objectives of 'promoting and enhancing market confidence, consumer protection and the reputation of the Islands as a financial centre'.

As the Authority operates in a dynamic environment with increasing volatility, complexity and ambiguity, an effective risk management approach is vital for strengthening CIMA's capacity to recognise, understand, and address the challenges it faces whilst maximising its opportunities.

The Authority has always practiced risk management in the external context with regards to the supervision and regulation of its licensees; referred to as the Risk Based Supervisory Approach. This approach adopts the philosophy that the Authority can deliver the most value to its stakeholders by applying its limited resources in the most efficient manner, to focus on the licensees that pose the greatest threat to the financial stability of the Islands and its consumers. The Supervisory Divisions are responsible for managing and deploying this approach.

While the Risk Based Supervisory Approach is the responsibility of the Supervisory Divisions, it is everyone's responsibility to manage the risks associated with the implementation and achievement of the Authority's objectives. The Authority's Risk Management Processes are intended to support a consistent approach to identifying, assessing, and managing these risks. Risk management processes are deployed annually, and as needed, and mitigating controls are embedded within the Authority's day-to-day operations.

Annually, each of the Authority's Divisions conduct a Risk and Control Self-Assessment in effort to update their Divisional Risk Registers. The CRO has responsibility for the review of these registers and their collation into an Enterprise-Wide Risk Register. Subsequently, risk treatment plans are actively pursued by risk owners to manage and mitigate the key risks. Additionally, through the Authority's Strategic Plan, various initiatives are pursued in effort to assist with addressing key risks, examples of which are listed below.

OPERATIONAL - HUMAN RESOURCES: The risk that the Authority is unable to attract, recruit or retain sufficient human resources to meet the capacity needs in a timely manner results in reduced productivity.	**STRATEGIC INITIATIVE 1:** Strengthened human capacity and capabilities through enhanced employee benefit programmes, reviewed organizational structures, continued training and development and streamlined recruitment practices.
OPERATIONAL - TECHNOLOGY: The risk that inadequate adoption (new) or utilisation (existing) of technological tools and platforms results in inefficiencies.	**STRATEGIC INITIATIVE 6:** Developed a new technologies framework to identify, address and onboard suitable tools.
OPERATIONAL - CYBERSECURITY: The risk that the Authority is unable to prevent, detect and manage cyber threats resulting in a compromise of data and/or systems.	**ONGOING INITIATIVES:** Completed internal and external audits and continued penetration testing to review and enhance cyber security and date protection.
REGULATORY - INFRASTRUCTURE: The risk that the Authority fails to keep pace with industry innovation, trends (products and services) and standards resulting in a negative impact	**STRATEGIC INITIATIVE 13&14:** Finalised the stakeholder engagement framework document and accompanying guidance manual to improve communication and engagement with its external stakeholders to the efficacy of supervision and regulation and to competitive advantage.
OPERATIONAL - THIRD PARTY AND OUTSOURCING RISK: The risk of not vetting, selecting and monitoring Vendors thoroughly which may expose the Authority to reputational or other risks through the Vendor's risk vulnerabilities, actions or under performance.	**STRATEGIC INITIATIVE 2:** Explore and implement creative approaches to the use of external resources by way of enhancement to the procurement process and through the use of technology as an external resource that helps to automate manual processes and improve operational efficiencies.

RISK MANAGEMENT

Risk management efforts are designed to manage rather than eliminate risk and, as such, provide reasonable, but not absolute, assurance against material divergence from objectives. As the Authority's risk culture continues to mature, it is anticipated that the benefits of sound risk management practices will become increasingly evident.

ANNUAL REPORT 2023

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