

22 April 1998

His Excellency The Governor
Mr. John Owen, MBE
Office of the Governor
Government Administration Building
George Town, Grand Cayman

Your Excellency,

In accordance with Subsection (1) of Section 36 of the Monetary Authority Law 1996, as amended, I have the honour on behalf of the Board of Directors of the Cayman Islands Monetary Authority to submit herewith the Annual Report and Accounts of the Authority for the year ended 31 December 1997.

Respectfully yours,



George A. McCarthy, C.P.A., O.B.E., J.P.
Chairman

MISSION STATEMENT

The Cayman Islands Monetary Authority (the Authority) is a statutory agency created by the Cayman Islands Government to regulate and supervise the financial services industry in order to maintain a first class financial system, and to safeguard the interests of depositors, trust beneficiaries, policyholders and mutual fund investors from undue loss. The Authority contributes to public confidence in our financial system by promoting sound corporate governance, prudent business practices and compliance with laws and regulations.

The Authority is also responsible for promoting and maintaining monetary stability, for preserving the value and integrity of the Cayman Islands currency, and for advising the government on banking and monetary matters. The Authority endeavours to fulfil its' regulatory and supervisory mandate having due regard to international standards and the need for operational freedom by financial services providers and for the maintainance of a dynamic and competitive industry. The Authority values a close and harmonious working relationship with all segments of the industry and is committed to maintaining the highest standards and skills in our staff that responds expeditiously and effectively to the challenges posed by an ever-changing financial environment.

INTRODUCTION

The Cayman Islands Monetary Authority was established as a body corporate under The Monetary Authority Law, 1996, and commenced operations on 1 January 1997. The former responsibilities, duties and activities of the Financial Services Supervision Department and the Cayman Islands Currency Board now fall to the Monetary Authority which was created from the merger of these two bodies.

Within the Authority there are six divisions, namely:

- Administration
- Banking and Trust Supervision
- Currency Operations
- Insurance Supervision
- Investment Services
- Policy and Research

Over the first year, the number of personnel employed by the Authority increased from 24 to 43. This increase in staff is to ensure continued efficiency in the services provided by the Authority.

APPOINTMENTS

During 1997 there were several key appointments:

- Mr. Neville Grant, Managing Director
- Ms. Cindy Bush, General Manager
- Mr. Mitchell Scott, Head of Policy & Research
- Sir Vassel Johnson, Director

NEW PREMISES

The Authority has been in operation since January 1997. The move into their present offices in Elizabethan Square was completed by February 28; and His Excellency the Governor, Mr. John Owen officially opened the Authority, on July 3, 1997.

ACKNOWLEDGEMENTS

The Authority would like to thank all those who contributed to the success of our first year of operations. Special mention should be made of the Public Works Department, the Cayman Islands Government Computer Services Department, Lands and Survey, and the Royal Cayman Islands Police Service.

Thanks to all of the financial institutions for their continued assistance and co-operation. To the many committees, both private and public, a very special thanks for your contribution.

The Authority thanks the staff for their continued dedication and service.



Monetary Authority Board of Directors



*Chairman
George McCarthy*



*Managing Director
Neville Grant*

BOARD OF DIRECTORS

From left to right

Hon. George McCarthy, C.P.A., O.B.E., J.P.

Financial Secretary; Head of the Portfolio of Finance and Economic Development; Third Official Member of the Legislative Assembly – Ex-Officio Chairman of the Authority and the main force behind the formation of the Monetary Authority. Mr. McCarthy served as Chairman of the Currency Board for the period 1992 – 1996. He has been a Civil Servant for the past 22 years, and was awarded the OBE by her Majesty Queen Elizabeth II in 1994.

Sir Vassel Johnson

Founding Father of the Cayman Islands Financial Industry, former Financial Secretary (1965 – 1982), former Chairman of the Currency Board (1972 -1982). Now retired and serving as consultant to many local Companies. Her Majesty Queen Elizabeth II knighted Sir Vassel in 1994.

Mr. Richard Chalmers, M.A.

Formerly a member of the Currency Board and also a Cayman Islands Inspector of Banks (1983-1986). Mr. Chalmers is currently employed by the U.K. Financial Services Authority and was one of the key persons in the formation and establishment of the Monetary Authority.

Mrs. Julene Banks, LLB

A Caymanian, who has been with the Civil Service for 11 years, the past six years have been served with the Legal Department in the capacity of Crown Counsel.

Mr. Neville Grant, M.A., MBA

Managing Director, Cayman Islands Monetary Authority. A Canadian bank supervisor of wide and varied experience. As a consultant with the International Monetary Fund (IMF) for the past six years, he served as a banking-supervision advisor to the governments of Jamaica, Vanuatu and Zambia.

Mr. Michael Austin, M.B.E., F.C.A.

Retired senior partner of KPMG Peat Marwick, Cayman, now a Consultant, currently serving as a non-executive director on several Company Boards.



*General Manager
Cindy Bush*

SENIOR MANAGEMENT OF THE AUTHORITY

Managing Director – Mr. Neville Grant

Mr. Grant is a Canadian regulator of wide and varied experience. For many years he was employed by the Office of the Superintendent of Financial Institutions (Canada) as Director, Bank Supervision. As a consultant with the International Monetary Fund (IMF), he served as a banking supervision advisor to the governments of Jamaica, Vanuatu and Zambia. As Managing Director he acts with the powers vested in him by the Board to run the affairs of the Authority.

General Manager – Ms. Cindy Bush

Ms. Bush joined the Currency Board in 1991 after completing her Bachelor of Arts degree in Economics at Macalester College, Minnesota, USA. She served as Currency Board Manager from 1993-1996. Prior to her appointment as General Manager, Ms. Bush was Head of Currency Operations. As General Manager, she retains responsibility for Currency Operations and is also responsible to the Managing Director for the day to day administration of the Authority.

Head of Insurance – Mr. William McCullough

Mr. McCullough is responsible for regulation and supervision of the domestic insurance market, captive insurance companies and for insurance managers and all other issues. Mr. McCullough, who is an associate of the Chartered Insurance Institute (London) and a Fellow of the Corporation of Insurance Brokers, has also served as Managing Director of International Insurance Brokers in Nigeria, Malaysia and New Zealand.

Head of Policy and Research – Mr. Mitchell Scott

A graduate of Furman University, South Carolina, Mr. Scott holds a Bachelor of Art Degree with a Major in Accounting. He has been in government service for twelve years including a one-year secondment to the Bank of England. Mr. Scott has spent his twelve years in the areas of banking and mutual fund regulation.

Deputy Head of Banking and Trust (Off-Site) – Mrs. Anna McLean

A graduate of Florida State University, Mrs. McLean holds a Bachelors of Science Degree in Business Management. She joined the Banking Supervision Department in 1990 and has received extensive training in banking supervision and regulation, including one year secondment to the Bank of England, course at the Bank for International Settlements, Board of Governors of the Federal Reserve System, and various other regional Central Banks.

Deputy Head of Banking and Trust (On-Site) – Mr. Karl Adamsons

Mr. Adamsons, held various positions with the Office of the Superintendent of Financial Institutions (OSFI), Canada in policy and research and bank examinations. He has served as consultant in bank supervision to the International Monetary Fund in Eastern Europe. Before joining OSFI, he worked for a major bank in Canada. He holds an MBA from the University of British Columbia.

Deputy Head of Currency Operations – Mrs. Dena Thompson

Mrs. Thompson joined the Currency Board in 1996 as Assistant Manager, having accumulated 15 years experience in the private sector. Mrs. Thompson's main responsibility is to provide the Head of Currency Operations with accounting, administrative and supervisory assistance and support in the performance of her duties as they affect the day to day operations of Currency Operations, and to act in her absence.

Deputy Head of Insurance – Mr. Chris Collins

Mr. Collins joined the former Financial Services Supervision Department in 1996 after being employed in the U.K., in the insurance industry for a number of years.

Mr. Collins' main responsibility is to assist with the administration of the Insurance Law, 1995, and the regulation of the insurance industry as a whole.

Deputy Head of Investment Services – Mr. Dwight Carter

Mr. Carter served in the Banking and Mutual Fund Regulation for the past nine years, the first seven of which was spent in Banking Supervision including a one year secondment to the Bank of England. Before joining the Government service he was employed in the private sector for some thirteen years with a major international Bank/Trust Company in a number of senior positions. He has over the years completed various management courses sponsored by his former employer as well as several supervisory courses sponsored by the Federal Reserve Board and CEMLA.

Financial Controller – Mr. Don Seymour

Mr. Seymour joined the Authority as Financial Controller in September 1997. Mr. Seymour was previously employed with Price Waterhouse in Grand Cayman as Manager, Audit and Business Advisory Services. He holds a Bachelor of Business Administration degree in Accounting from the University of Texas at Austin and a Certified Public Accountant certificate from the State of Illinois.

Information Technology Manager – Mr. Neil Glasson

Mr. Glasson joined the Authority in September 1997. For two years prior to this he was employed by the Cayman Islands Government in their Computer Services Department. Before coming to Cayman, Neil was employed by British Telecommunications Plc. for fourteen years during which time he gained an ONC in Telecommunications and a HNC in Electronics in addition to extensive Information Technology skills.

MESSAGE BY HIS EXCELLENCY THE GOVERNOR JOHN OWEN, MBE

The Cayman Islands has grown into one of the world's largest financial centres by providing the key services and infrastructure clients need, within the framework of clear carefully enforced legal and ethical guidelines. The Islands' policy of remaining responsive and flexible while maintaining the highest regulatory standards has been integral to its success.

Combating commercial crime and ensuring our financial institutions remain sound present the same challenges for us in the Cayman Islands as it does for every other major financial centre – be it London, Tokyo, Hong Kong or New York. However, we remain vigilant to the constantly changing methods by which criminals attempt to abuse the system and we are committed to the effective regulation of the industry.

It is against this background that the Cayman Islands Monetary Authority (the Authority) was created one year ago. Its aim: to further strengthen the regulation of the financial services sector, while acting as a catalyst for its continued success.

The consolidation of the resources and responsibilities of the former Financial Services Supervision Department and the Cayman Islands Currency Board into the Authority has enabled more efficient oversight of the sector. At the same time, the broadening of the Authority's scope to include research and policy formulation has placed it in a position to be much more proactive in the planning of the industry's development.

The Authority's initial year has been one of building on foundations. While maintaining its day-to-day supervisory functions it has focused on expanding dialogue with the private sector and on enhancing co-operation and co-ordination with overseas regulators, in the area of cross-border supervision, for example. These initiatives have been crucial in our efforts to protect both the Cayman Islands and the international financial system.

The value of the Authority to the Cayman Islands' continued development cannot be overstated. I commend the management and staff for their dedication and professionalism in discharging the Authority's responsibilities.



CHAIRMAN'S STATEMENT

The financial services industry is never static; international standards constantly evolve, in keeping with emerging demands from legitimate international clientele. The Cayman Islands continues to be a prime choice for discriminating



*The Hon.
George McCarthy*

investors seeking an overseas operational base. As such, it was imperative for our financial jurisdiction to create a single regulatory and supervisory body to oversee financial issues. Having the Cayman Islands Monetary Authority in place as regulator, therefore endorses our commitment to remaining in the forefront of the leading-edge supervisory structures so essential to the needs of an integrated global market.

The Authority holds particular supervisory responsibility over banking, trust, insurance and mutual funds, also serving as advisor to government on banking and monetary issues. The Authority, of course, also has the overall task of further augmenting Cayman's position of prominence in the ranks of major offshore financial centres. Accordingly, as the first operative period for the Cayman Islands Monetary Authority, 1997 was indeed a landmark year.

The Authority is cognisant of the importance of international co-operation to today's financial services industry. CIMA accordingly placed special emphasis on the development of pertinent supervisory and regulatory provisions during its first year, recruiting the necessary expertise and implementing appropriate training programmes to do so. Concerted effort was made to fully implement and build on proposals detailed in *the Basle Committee and Offshore Group of Banking Supervisors'* joint accord, agreed the previous year. As a leading and founding member of the *Offshore Group, Cayman*, through the Monetary Authority, continued to formulate a clear response to procedural concerns.

Another of the priorities for the Authority during 1997 was the initiation of intensive discussions with Cayman's private sector. In order to remain conversant with their issues and concerns, the Authority maintains an open door policy to all institutions operating within our financial industry to enable dialogue and monitoring of financial issues as they arise.

As it observes its first anniversary, the Cayman Islands Monetary Authority is poised to build on its initial efforts to ensure that the Cayman Islands maintains its world status as a firm yet flexible and innovative leader of the financial industry. As Chairman, I applaud and congratulate the efforts of the dedicated management and staff. They have united to maintain their central focus: to further strengthen Cayman's regulatory and supervisory regime and to retain its prominence in the ranks of leading international financial jurisdictions.

MANAGING DIRECTOR'S STATEMENT

The year 1997 was an important milestone in the history of the Cayman Islands as it celebrated the FIRST ANNIVERSARY of the Cayman Islands Monetary Authority (the Authority). Its establishment occurred at a time of rapid expansion in the financial services sector, with the concurrent need for enhanced supervision of a broad cross-section of financial intermediaries in line with international standards and expectations. The Authority brought together the functions of the former *Financial Services Supervision Department* and the *Currency Board*. It also created a new department for Policy and Research that will serve as a catalyst for new and improved systems of supervision and regulation of the financial sector. Among its various functions the Authority acts as adviser to the Government on banking and monetary policy issues and is a strong defender of Cayman's position as a first class international financial centre.



Mr. Neville Grant

During the year a number of initiatives were developed, including the strengthening of supervisory structures and the building of institutional capacity. The Authority recognises that the expansion of the financial services sector is very much mirrored by the global expansion of cross-border financial activities. Consequently, it has undertaken projects designed to enhance international co-operation and co-ordination to facilitate the supervision of cross-border banking operations. This includes procedures for facilitating on-site examinations of Cayman banks by overseas supervisors by way of Memoranda of Understanding. Cayman's systems of supervision are being adapted to meet the challenges presented by the changing international financial environment. To this end, an on-site bank inspection programme was developed and is now being implemented. Onsite review programmes for the insurance and investment services sectors are expected to be implemented in 1998. The Authority is also enhancing its off-site surveillance capabilities in line with its on-site programme and has recruited a number of experienced expatriate supervisors to assist in this process.

In keeping with its objectives, the Authority has developed a training programme focused on providing its supervisory staff with hands-on experience through attachments with regulatory bodies such as the Bank of England, and with the private sector. This is consistent with its policy of maintaining an effective supervisory regime that is in touch with leading edge developments in the private sector and the international supervisory community. On its agenda for 1998, the Authority plans to recommend appropriate legislative reform to enable it to exercise a judicious degree of regulatory oversight over money exchange houses (*bureau de change*), money transfer entities, building societies and credit unions.

Besides the supervision of the financial services sector, the Authority has undertaken other projects including the production of new currency notes for 1998. Efforts to recruit additional staff for its Policy and Research Unit are also underway. This is all in keeping with the Authority's legal mandate as it evolves into a full-fledged autonomous regulatory body.

As it celebrates its FIRST ANNIVERSARY, the Authority compliments its management and staff for the hard work and dedication exhibited during the year. The Authority stands proudly as a key element in the country's financial sector accountability. As Managing Director, I would like to record my sincere appreciation to the staff for a job well done.



*General Manager
Cindy Bush*

ADMINISTRATION DIVISION

The Administration Division is very much a key component in facilitating the efficient operations of the Authority. There are a number of functions within the division, including responsibility for Budget and Financial Management, Information Technology Management, and Human Resource Management.

STAFF TRAINING

During 1997 the Authority hosted a two-week banking supervision course conducted by the Bank of England and sponsored by Cable & Wireless. The course covered the techniques of banking supervision together with financial analysis for banking supervision. The programme proved to be invaluable to our financial analysts.

During the course of the year, staff members attended various conferences and seminars, both locally and overseas.



Administration Division staff

INFORMATION TECHNOLOGY

With the formation of the Authority came the need to create information technology systems independent of government to support all accounting, word-processing and information management systems. The computer infrastructure of the Authority consists of one server running MS Exchange messaging system, MS SQL Server database, Platinum accounting system and forty five Personal Computers. This provides us with a very modern platform on which to build.

One of the first tasks was to train all staff to effectively use this equipment. This was achieved through a combination of in-house cross-training and by sending staff to one of

the local training facilities. One major impact of the new hardware and software was to implement an electronic diary system for use by the entire Authority to manage the six departments' appointments and booking of the two conference rooms. This was achieved using Microsoft Outlook Personal Information Management software.

As a result of the now fully-incorporated functions of the Authority, it was decided by the Board that the existing five separate, rather dated, on-line databases should be re-written to create a fully incorporated information system for the Authority. In September Neil Glasson was employed as Information Technology Manager with the task to design, develop and implement new information systems, in addition to providing support to all staff.

The first challenge was to reduce the amount of data entry being undertaken by the financial analysts, to enable more extensive analysis of the information to be carried out.

It was decided that distributing the annual surveys using electronic forms would help both the Monetary Authority and the institutions report more effectively and efficiently. To determine the best mechanism with which to achieve this goal, an information technology survey was dis-

tributed, in the first instance, to all banks registered with the Authority. Following this, it is our intention to either post computer disks, or e-mail all those institutions that have compatible computer systems.

To establish the current state of readiness that the financial institutions registered in Cayman had achieved with the now internationally recognised “Year 2000 problem,” a questionnaire was distributed to all registered banks, insurance companies, company managers and mutual fund administrators. The results from this survey will help us determine any financial risks associated with this problem.

FINANCIAL REPORT

The first annual financial statements of the Authority as at 31 December 1997, are shown on pages 38 to 46 of this annual report.

Total assets of \$54.9 million include \$53.7 million of Currency Reserve assets representing investments and current, call and fixed deposits. The investments are characterised by short-term, high credit quality and liquidity features comprised of certificates of deposit and bankers acceptances of U.S. and European issuers maturing within one year. Investment decisions were made in accordance with our principal investment objectives of security, liquidity and income. Total return earned of 5.7% exceeded our estimate and we believe that yields beyond this level are difficult to achieve in the current investment climate, without undue risks, because the yield curve remains fairly flat.

Total liabilities of \$43.8 million include \$40.5 million of demand liabilities for currency in circulation which are fully secured by the Currency Reserve assets as required by Section 28(7) of the Monetary Authority Law, 1996, as amended.

Total reserves and capital is \$11.0 million and the General Reserve is maintained at 15% of demand liabilities as required by Section 6(2) of the Law. Net income of \$3.5 million for the fiscal year was largely achieved by sound investment decision-making and enhancing cost controls.

The Board continued the policy established by the predecessor organisation and transferred \$0.48 million to the Currency Issue Reserve to provide for the costs of future currency reprints. Additionally, \$1.5 million was transferred to the Paid-Up capital account. After these transfers, the Authority was still able to exceed its budgetary target by allocating \$2.5 million for transfer to the General Revenue of the Cayman Islands Government.

During the next fiscal year, the Board and management will continually focus on maintaining sound investment management policies and implementing effective cost reduction techniques, while remaining committed to the progressive strengthening of reserves and capital by the continued capitalisation of profits.

BANKING AND TRUST

During 1997, the number of banks and trust companies licensed to operate in the Cayman Islands increased by 17 - from 577 at the end of December 1996 to 594 at the end of December 1997. In effect, 36 licences were issued and 19 were terminated constituting a net increase of 17 licences for the year. Terminated licences were primarily



Banking and Trust staff

due to mergers and acquisitions in the banking industry as well as the cancellation of inactive licensees. In addition, on 13 October 1997, First Cayman Bank and Gulf Union Bank were closed to permit further investigation into apparent irregularities at First Cayman Bank which came to light during the due diligence of a prospective purchaser. As a result of further investigations, irregularities were confirmed and on 17 October 1997, Executive Council revoked the licences of First Cayman Bank and Gulf Union Bank and applied to the Grand Court to wind up the affairs of both banks. The firm of Deloitte and Touche has been appointed as liquidators.

Of the 36 licences issued during the year, 20 licences were issued to international banks for the establishment of branches or subsidiaries while 13 Trust and 3 Restricted Banking Licences were issued. The Restricted Banking Licences were granted to large international corporations to facilitate financing to affiliated companies.

Of the 36 licences issued during 1997, one third were issued to banks from the United States, the remainder were from other jurisdictions.

As of 31st December 1997, there were 30 Category "A" Banks, 475 Category "B" Banks and 89 Trust Companies licenced to operate in the Cayman Islands. In addition, 98 Nominee (Trust) Licences have been issued. The number of banks and trust companies licenced to operate in the Cayman Islands has almost doubled from 324 at the end of December 1980 to 594 at the end of December 1997.

Due to various mergers, acquisitions, and a shift in the ranking of the world's top 50 banks, the Cayman Islands now has 45 of the top 50 banks represented on the Islands. In addition, four of the top 50 banks obtained additional Banking Licenses during 1997.

Banks and trust companies represent 65 different countries, in the world including the United States, the United Kingdom, Switzerland, Hong Kong, Japan, Germany, France, Brazil, Mexico and Portugal.

Congruent with the increase in the number of banking and trust licences, total assets in the banking sector rose to \$503 billion at the end of December 1996.

The Monetary Authority is in the early stage of preparing On-Site Inspections for the first half of 1998 in accordance with the Core Principles for Effective Banking Supervision set out by the Basle Committee. Its purpose is to ensure the safety and soundness of a bank by evaluating areas such as risk management, operational controls and compliance, and asset quality. The examinations have started with the inspection of retail banks operating within the Cayman Islands and those institutions for which we are the primary home supervisor.

On the international front, The Basle Committee issued “The Core Principles for Effective Banking Supervision” in 1997. The Division reviewed these principles to determine how effectively the Cayman Islands Monetary Authority adhered to the principles. As a result of this review, the Authority will be making recommendations for revisions to existing policies and procedures and amendments to the Banks and Trusts Companies Law (1995 Revision) to ensure that the Cayman Islands moves towards compliance with the 25 “Core Principles for Effective Banking Supervision.”

The “Core Principles for Effective Banking Supervision” also reinforce the obligation of Banking Supervisors to practice global consolidated supervision. As part of the Cayman Islands’ commitment to meeting its international obligations, the Authority has been negotiating a Memorandum of Understanding with Brazil. Discussions are currently underway with a view of developing Memoranda of Understanding with other regulatory supervisors.

The Division has also been involved in a number of international conferences with other regulators including the Caribbean Group of Banking Supervisors and the Basle Group of Offshore Banking Supervisors.



On-Site Inspections Staff

CURRENCY OPERATIONS

The Cayman Islands Monetary Authority, Currency Operations continues to be responsible for the issue, re-issue, and withdrawal of the Cayman Islands currency notes and coins against the US dollar in its dealings with the seven local retail banks. These banks are British American Bank, Barclays Bank PLC., Bank of Butterfield International (Cayman) Ltd., Cayman National Bank, Bank of Nova Scotia, CIBC Bank & Trust Company (Cayman) Ltd., and Royal Bank of Canada.

Currency Operations continue with the sale and redemption of numismatic coins and banknotes to/from local and overseas collectors.



Currency Operations staff

At 31 December, 1997, currency in circulation (excluding numismatic issues) stood at CI\$40.4 million (\$36mn in notes and \$4.4mn in circulating coins). This represented a 7.7% increase over that of \$37.5 million in 1996. In 1997 mutilated notes totaling \$9.4 million were withdrawn from circulation for destruction. This represented a 2.2% increase over the 1996 figure of \$9.2 million.

The Authority has commissioned De La Rue Security Print and Paper to manufacture a new family of banknotes, the "C" series which will be circulated in 1998.

In 1997 the Authority authorised the British Royal Mint to issue one commemorative coin programme. The \$2 silver coin, commemorated Her Majesty The Queen and Prince Philip's Golden Wedding Anniversary. The design by John Savage, depicts the Queen and the Duke of Edinburgh, with their two children, being driven up Whitehall in an open State Landau, escorted by a Sovereign's Escort of the Household Cavalry, on their return from the Commonwealth Tour in 1954. The obverse features Raphael Maklouf's unoccupied regal portrait of Her Majesty the Queen. A distinctive feature of this coin is a golden cameo inset displaying the year of their tour. The Authority has also commissioned the British Royal Mint to issue another coin programme for 1997, to commemorate the establishment of the Monetary Authority. This will be available in 1998.

Currency Operations would like to extend a special thanks to the Public Works Department of the Cayman Islands Government and to the Royal Cayman Islands Police Service for their invaluable assistance during the year.

INSURANCE DIVISION

Important new legislation in the latter part of the year was introduced to ensure prudential supervision of the domestic insurance market. The Insurance Law (Liabilities Support) Bill requires all licensed insurance companies operating in the Cayman domestic market to maintain sufficient funds to the order of the Authority, to match liabilities incurred.

In addition, specific on-site inspection programmes have been put in place to assist the effective supervision of Class A companies operating in the domestic market. These will be effected in 1998.

Continued growth in the captive insurance area over the last two years has been maintained as illustrated in the overleaf statistical summary detailing the licensing activity demonstrates. The year 1995, with 49 licences issued, was a particular successful one and 1997 with 50 licences issued at 31st December and a further 21 approved, has surpassed expectations. The total number of licensed captives is, therefore, in excess of 450 which continues to place Cayman as the second largest captive insurance centre in the world.



Insurance Division staff

Whilst the major interest in captive insurance companies is from organisations located in the U.S., the general relaxation of regulations in certain South American insurance markets was seen as providing an opportunity for companies in those countries to form captives in the offshore centres, and we believe Cayman is ideally placed to take advantage of these changes.

Little change has been seen in the origin or composition of the newcomers when compared to previous years; 85% of them have U.S.-based risks or owners and 35% write liability risks in the health care area. Despite the attention given to this particular sector of the market by other offshore centres, Cayman continues to be the domicile of preference for medical malpractice and health care captives, due to the significant level of expertise built up in the 21 years since the first health care captive was established on the island.

Cayman is preparing legislation to provide for legal segregation between the individual participant cells of rent-a-captive insurance companies. Draft legislation has been considered and it is hoped that Segregated Portfolio Company legislation will be approved by the Legislative Assembly early in 1998 and come into effect soon afterwards.

The Cayman Islands has always supported new and innovative financial products. With a very significant and buoyant capital market it is perhaps not surprising that several "catastrophe" bond programmes should have originated from its insurance area. Considerable interest from the capital markets was generated by all of these programmes

which are seen as providing an alternative, both in cost and participants, to the traditional catastrophe reinsurance market. The flexibility of the insurance law combined with the expertise and understanding of alternative financing vehicles makes the Cayman Islands an attractive location for these facilities. With similar structures in the pipeline this is seen as a significant growth area.

In summary, the last year has been an active one with continued expansion and the development of new insurance structures. The joint approach of Government, the Authority and the private sector will continue to maintain the Islands as a premier location for captive insurance companies for the future growth of the economy.

LICENSING ACTIVITY 1994 - 97

| | 1994 | 1995 | 1996 | 1997 |
|--|------|------|------|------|
| No. of licences at 1 st January | 352 | 361 | 390 | 418 |
| Licences Issued During Year | 45 | 49 | 41 | 50 |
| Licences Surrendered | 36 | 20 | 13 | 18 |
| No. of Licences at 31 st December | 361 | 390 | 418 | 450 |

INVESTMENT SERVICES

The year 1997 saw continued strong growth in the number of regulated Mutual Funds. The number grew by 350 from 1335 a year earlier to 1685 at the end 1997. Of the various types of funds, the strongest growth was in registered funds that have a minimum subscription of at least US\$50,000 or are listed on a recognised stock exchange.

These funds rose to 1037 at the end of 1997 from 724 at the end of 1996. The total number of Mutual Fund Administrators also showed a healthy increase from 124 to 139.



Investment Services staff

What is particularly noteworthy is the global nature of the growth, once again demonstrating that Cayman is a major international Off-shore Financial Centre.

The Cayman Islands Fund Administrators Association has estimated that at the end of 1997, assets held in mutual funds domiciled in Cayman had reached US\$ 200 billion. On-island provision of services has also shown a healthy growth. In 1995, there were 195 mutual funds that were fully serviced by Cayman Licensed Mutual Fund Administrators; in 1997 that figure almost doubled to 357.

In 1997, the Investment Services Division of the Monetary Authority continued to keep pace with the growth of the mutual funds industry. Greater emphasis was placed on the regulation of mutual funds registered under Section 3 (3) of the Mutual Funds Law (1996 Revision). These funds, which comprise sixty percent of the total mutual funds registered with the Authority, will, together with the other fund categories, now have to submit an expanded annual return. This return captures information such as total net asset value, location of main investors, main geographical sector of investment and total return of fund over the previous twelve months. This information will enhance the Authority's ability to effectively supervise these funds.

Licensed Cayman Mutual Fund Administrators' compliance with Section 15 of the Mutual Funds Law (1996 Revision) has also been under review. In the last quarter of 1997, steps were taken to develop an on-site inspection programmes for fully licensed Cayman Mutual Fund Administrators. On-site inspection of local administrators is planned for 1998 and will greatly increase the effectiveness of the Authority's regulation of these companies and help ensure the continued quality of business practice in a jurisdiction that is already renowned for modern financial sector legislation and supervision.

COMPANY MANAGERS

The Company Management sector continues to experience steady growth. There are now 38 fully licensed Company Managers, up from 32 at the end of 1996. Only one licence has been surrendered since 1996. There are presently 63 exempted company managers, up from 57 at the end of 1996. Two licenses for exempted company managers have been surrendered since 1996. With the continued growth of Cayman's finance and fund industry, the importance of these managerial service providers will continue to increase proportionally.

1998 will also see the introduction of plans for on-site inspection of company managers. The on-site inspections are designed to test a company manager's compliance with the legislative requirements.

The Cayman Islands Government continues to enhance its legal framework to develop the financial industry. In November 1997, the government enacted the Special Trust (Alternative Regime) Law, 1997 (STAR) and in line with this an amendment was made to the Perpetuities Law. The STAR provides for the establishment of a non-charitable purpose trust.

A new Companies Management Bill has been drafted in an effort to bring the standard of Company Management regulation more on par with the regulation of Mutual Funds, Banks and Trust Companies. The bill is to be presented at a sitting of the Legislative Assembly in 1998.

POLICY AND RESEARCH

In July 1997, the Board of the Monetary Authority approved the creation of a Policy and Research Division. The division is responsible for researching topics relating to the financial industry and its regulation, drafting policy documents and compiling statistics on Cayman's financial industry.



Policy and Research staff

Research projects undertaken in 1997 included deposit protection, regulation of credit unions and building societies and other non-bank money service businesses. The division was also very active in providing input for Government on the Companies Management Bill scheduled to go before the Legislative Assembly in 1998 as well as the Companies (Amendment) (Protection of Depositors) Law, 1997 passed by the Legislature in December, 1997.

The division also completed the redesign of the annual banking survey form, with major assistance from the Information Technology Manager.

There were no significant changes in policy during the year nor were any definitive policy statements issued. The section, however, was active in providing assistance to other divisions in clarifying a number of policy issues which arose from individual institutions or events. Research leading to the issue of a paper or a policy statement is also underway in a number of areas.

It is expected that a significant portion of work in 1998 will be related to formalising and further defining existing informal policy which has been loosely communicated to existing institutions. Newly issued formal policy statements will be included or referenced in future Annual Reports or in the planned Authority Bulletin publications.

One area of policy that requires clarification is the licensing of banks. At present, applications for licences are granted to branches of international banks or subsidiaries of good banks, as well as affiliates that will be subject to consolidated supervision and, in special circumstances, companies owned by well-established corporate groups. The division has produced a Licensing of Banks (Eligible Shareholders) Policy Statement (reproduced in Appendix I) that provides additional details and clarification on eligible structures or shareholders. It is also intended that a Licensing of Banks (Applications) Policy Statement will shortly be produced.

OTHER ACTIVITIES

COMMUNITY SERVICE

The staff of the Authority is encouraged to become involved in community services and in 1997 participation in the “Breast Cancer Awareness Month” was significant. October marked the beginning of an international campaign to promote importance of ‘early detection as the best protection’ in the fight against breast cancer. To show its support, the Authority made a donation to the Lions Club of Tropical Gardens to assist in the cost of mammograms for 200 women. The Authority also participated in “Lions Breast Cancer Awareness Dress Down Day”, and wore “Breast Cancer” lapel pins so that they could be recognised with the rest of the world in the fight against this disease.

One of our analysts, Mr. Shedley Branche, has volunteered his time to assist in coaching the CAF Track Club. This club is for young track and field athletes between the ages of 8 and 14 years.

SOCIAL ACTIVITIES

Family Fun Day and Barbecue

In September 1997, the Authority held a Family Fun Day and Barbeque to bring staff together in a more relaxed atmosphere. The event proved to be very successful, especially since the amalgamation of the Currency Board and Financial Services was still relatively new. It gave staff the opportunity to get to know each other better, while having an enjoyable day with their families.



Staff enjoy Christmas festivities

Christmas Party

Our first Christmas party as the Monetary Authority, was held in December at the Lighthouse Restaurant. The party was a success, enjoyed by the staff and other invited guests.

Government Football League

There was great team effort from the staff who took part in this event, although the final results for the Authority was a tie for third place, everyone definitely enjoyed themselves. Each person received a certificate of appreciation and Miss Denise Tibbetts received the trophy for “Sportsmanship.”



CIMA footballers made a good team effort

APPENDIX I — LICENSING OF BANKS (ELIGIBLE SHAREHOLDERS) POLICY

1. Direct branches of well-regulated established international banks continue to be encouraged. International banks are considered to be banks with existing operations outside of their countries of origin.
2. Applications for wholly owned or controlled subsidiaries from well-regulated, established reputable banks continue to be considered.
3. Affiliates of well-regulated established reputable banks that are effectively supervised in their parent country continue to be licensed provided the parent country supervisory authorities have no objection to the establishment of a Cayman affiliate of the bank and confirm consolidated supervision.
4. Except in very special circumstances, for example in the case of a well-established international financial or corporate group, a banking licence is not granted unless the applicant has a supervised banking entity in another country. In such cases conditions or restrictions will most likely be attached to the licence prohibiting dealings with the public or all third parties i.e. all activity must be related.
5. Banking licences, included restricted licences, will not be issued to locally incorporated companies owned by individuals or by private holding companies.
6. Proposed transfers of shares to new controlling shareholders of all banks presently licensed in Cayman must fit one of the shareholder structures set out in the first four points above.

APPENDIX II— LIST OF ACTIVE INSURANCE COMPANIES, BANKS AND TRUST COMPANIES AS OF 31 ST DECEMBER 1997

List of active banks and trust companies as of 31st December 1997

| | | |
|---|--|--|
| Aall Trust & Banking Corporation Ltd. | Banco BMG S.A. | Banco Portuges de Investimento, S.A. |
| ABC Trust Company Ltd | Banco Borges & Irmao, S.A. | Banco Portuges do Atlantico |
| ABN Amro Bank N.V. | Banco Bozano, Simonsen S.A. | Banco Privado Portuges (Cayman) Ltd |
| ABN AMRO Trust Company (Cayman) Limited | Banco BPI, S.A. | Banco Real S.A. |
| Abu Dhabi Commercial Bank | Banco Bradesco S.A. | Banco Rio de la Plata S.A. |
| Active Bank International Ltd. | Banco Central Hispanoamericano, S.A. | Banco Safra S.A. |
| Aegis Trust Limited | Banco Colpatia Cayman Inc. | Banco Safra (Cayman Islands) Limited |
| Alexandria Bancorp Limited | Banco Comafi (Cayman) Limited | Banco Santander Mexicano, S.A. |
| Allied Irish Banks, Public Limited Company | Banco Comercial dos Acores | Banco Totta & Acores |
| Altajir Bank | Banco Credibanco S.A. | Banco Union Sociedad Anonima |
| Amadeus Trust Company Ltd. | Banco de Credito Argentino S.A. | Banco Urquijo Limited |
| Ambroveneto International Bank Ltd | Banco de Credito Nacional S.A. | Bancomer, Sociedad Anonima |
| American Express Bank Ltd | Banco de Galicia (Cayman) Limited | Bancrecer S.A. |
| American Express Centurion Bank | Banco de Galicia y Buenos Aires S.A. | Bancredit Cayman Limited |
| American National Bank and Trust Company of Chicago | Banco de la Nacion Argentina | Bangkok Metropolitan Bank Public Company Limited |
| Amex International Trust (Cayman) Limited | Banco de la Provincia de Buenos Aires | BANIF-Banco Internacional do Funchal (Cayman) Ltd. |
| AmSouth Bank of Alabama | Banco De Prestamos (Cayman) Ltd. | Baninter and Trust Company |
| Anchor Trust Co. Ltd. | Banco del Atlantico Sociedad Anonima | Bank Austria Aktiengesellschaft |
| Ansbacher (Cayman) Limited | Banco del Centro Sociedad Anonima | Bank Austria Cayman Islands Ltd. |
| Arab American Bank | Banco del Progreso Ltd. | Bank Danamon |
| Arab Bank PLC | Banco di Napoli S.p.A. | Bank Espirito Santo (International) Limited |
| Arab Banking Corporation (B.S.C) | Banco Dibens S.A. | Bank Hapoalim (Cayman) Limited |
| Arab Commerce Bank Limited | Banco do Brasil S.A. | Bank Hapoalim B.M. |
| Arabian Express Bank Limited | Banco do Estado de Sao Paulo S.A. | Bank Leumi Le Israel B.M. |
| Arctic Trustee Ltd | Banco do Estado do Parana S.A. | Bank Leumi Trust Company of New York |
| Asahi Bank, (The) | Banco do Estado do Rio de Janeiro S.A. | Bank of America National Trust and Savings Association |
| Asia Commercial Bank Limited | Banco do Estado do Rio Grande do Sul S.A. | Bank of Asia Public Company, Limited (The) |
| ATC Trustees (Cayman) Limited | Banco Economico S.A. | Bank of Ayudhya Public Company Limited |
| Atlantic Bank of New York | Banco Espanol de Credito, S.A. | Bank of Bermuda (Cayman) Limited |
| Atlantic European Banking Corporation | Banco Exterior de Espana | Bank of Bermuda (New York) Limited |
| Atlantic Security Bank | Banco Exterior de los Andes y de Espana S.A. | Bank of Butterfield International (Cayman) Ltd. |
| Atlantico Bank & Trust | Banco Finantia International Limited | Bank of China |
| Australia and New Zealand Banking Group Limited | Banco Fonsecas & Burnay | Bank of India |
| B.I. Bank & Trust, Ltd. | Banco Frances (Cayman) Limited | Bank of Ireland |
| BAC International Bank | Banco General (Overseas), Inc. | Bank of New York (Delaware) (The) |
| Bahrain Middle East Bank (E.C.) | Banco Inbursa S.A. | Bank of New York (The) |
| Banc Internacional of Andorra (Cayman) Ltd. | Banco Industrial Colombiano de Cayman | Bank of New York Trust Company (Cayman) Limited (The) |
| Banca Commerciale Italiana | Banco Inter-Atlantico S.A. | Bank of Nova Scotia (The) |
| Banca Cremi Sociedad Anonima | Banco Interfinanzas International, Ltd | Bank of Nova Scotia Trust Company (Cayman) Limited (The) |
| Banca CRT S.p.A. | Banco Internacional de Credito, S.A. | Bank of Scotland |
| Banca Di Roma | Banco Internacional, S.A. | Bank One Dayton, N.A. |
| Banca Monte dei Paschi di Siena S.p.A. | Banco Inverlat, S.A. | Bank One, Arizona, National Association |
| Banca Promex Sociedad Anonima | Banco Itau S.A. | Bank One, Colorado, National Association |
| Banca Unione Di Credito (Cayman) Ltd. | Banco Latinoamericano de Exportaciones, Limited (BLADEX) | Bank One, Columbus, National Association |
| Banco America do Sul S.A. | Banco Laylor Cayman Ltd | Bank One, Indiana, National Association |
| Banco Atlantico S.A. | Banco Mello (Cayman) Ltd | Bank One, Kentucky, N.A. |
| Banco B.I. Creditanstalt S.A. | Banco Mercantil de Sao Paulo S.A. Finasa | Bank One, Louisiana, National Association |
| Banco Bandeirantes Grand Cayman Inc. | Banco Mercantil Del Norte S.A. | Bank One, Texas National Association |
| Banco Bandeirantes S.A. | Banco Nacional de Comercio Exterior, SNC | Bank One, Utah, National Association |
| Banco Bilbao Vizcaya S.A. | Banco Noroeste S.A. | Bank One, Wisconsin |
| Banco Bilbao Vizcaya-Mexico S.A. | Banco Pinto & Sotto Mayor | BankAmerica Trust and Banking Corporation (Cayman) Limited |
| Banco BMC S.A. | Banco Pontual S.A. | BankBoston International |

BankBoston Trust Company (Cayman Islands) Limited
 Bankers Trust (Cayman) International Ltd
 Bankers Trust (Delaware)
 Banoro, S.A.
 Banpais, Sociedad Anonima
 Banque Bruxelles Lambert
 Banque Nationale de Paris
 Banque Paribas S.A.
 Banque Sudameris
 Barclays Bank PLC
 Barclays Finance Corporation of the Cayman Islands Limited
 Barclays Private Bank & Trust (Cayman) Limited
 Baybank, National Association
 Bayerische Hypotheken-und Wechsel-Bank
 Bayerische Landesbank Girozentrale
 Bayerische Vereinsbank A.G.
 BCP Bank & Trust Company (Cayman) Limited
 BCP International Bank Limited
 BCT Bank International
 BEAL Cayman Limited
 Bermuda International Finance Limited
 Bermuda Trust (Cayman) Limited
 Bessemer Trust Company (Cayman) Limited
 BFC Bank (Cayman) Ltd
 BHD Cayman International Bank
 BHF-BANK Aktiengesellschaft
 Biape International Bank Ltd
 BIE - Bank & Trust Ltd.
 BII International Bank (Cayman) Ltd.
 Blue Seas Trust Company Ltd.
 BMC Bank and Trust Limited
 BN Bank
 BNC - International (Cayman) Ltd.
 BNP Private Bank & Trust Cayman Limited
 BNY Fund Management (Cayman) Limited
 Boston Safe Deposit and Trust Company
 Bozano, Simonsen Banking Limited
 BPA-Overseas Bank Ltd.
 Branch Banking and Trust Company
 Braseg Overseas Bank Ltd.
 Brazilian American Merchant Bank
 Bridge Trust Co. Ltd.
 British American Bank Ltd.
 Brown Brothers Harriman & Co.
 Brown Brothers Harriman Trust Company (Cayman) Limited
 BTM Finance (Cayman) Ltd.
 Caisse Nationale de Credit Agricole
 Caixa Economica Montepio Geral
 Caledonian Bank & Trust Limited
 Camatruco Ltd
 Cambridge Bank & Trust Company Limited
 Canadian Imperial Bank of Commerce
 Cantrade Trust Company (Cayman) Limited
 Caribbean Bank of Exports
 CARIPOLO - Cassa Di Risparmio Delle Provincie Lombarde S.p.A.
 Cayman Corporate Services (1995) Limited
 Cayman International Trust Company Limited
 Cayman National Bank Ltd.
 Cayman National Trust Co. Ltd.
 Centura Bank
 Chase Manhattan Bank Delaware
 Chase Manhattan Bank USA, National Association
 Chase Manhattan Trust Cayman Ltd
 Chemical International Trust Company Limited
 Christiania Bank OG Kreditkasse
 CI Investments Ltd.
 CIBC Bank and Trust Company (Cayman) Limited
 CITCO Bank and Trust Company Limited
 Citico Trust Company (Cayman Islands) Limited
 Citibank N.A.
 Citicorp Banking Corporation
 Cititrust (Cayman) Limited
 Clariden Bank and Trust (Cayman) Limited
 Coastal Cayman Finance Ltd.
 Codan Trust Company (Cayman) Limited
 Colville Holdings Limited
 Comerica Bank - Detroit
 Commercial Bank (Grand Cayman) Ltd
 Commercial Bank of Dubai P.S.C.
 Commercial Bank of New York
 Commercial Banking Corporation
 Commerzbank Aktiengesellschaft
 Commonwealth Bank of Australia
 Compagnie Financiere De CIC Et De L'Union Europeenne
 Compass Trust Co. Ltd.
 Confia S.A.
 Continental International Securities Limited
 Continental Investment Bank
 Coral Trust Co., Ltd.
 Counsel Trust (Cayman) Limited
 Coutts (Cayman) Limited
 Crediop Overseas Bank Limited
 Credit Agricole Indosuez
 Credit Bank and Trust Company
 Credit Commercial de France
 Credit Lyonnais
 Credit Suisse First Boston
 Creditanstalt AG
 Credito Italiano
 Crestar Bank
 Dai-Ichi Kangyo Bank, Limited (The)
 Dao Heng Bank Limited
 Darier, Hentsch Bank & Trust Cayman Ltd.
 Dart Capital Limited
 December Trust Company Limited (The)
 Delta Bank and Trust Company, Grand Cayman
 Den Danske Bank Aktieselskab
 Den norske Bank AS
 Deutsche Bank Aktiengesellschaft
 Deutsche Genossenschaftsbank
 Deutsche Girozentrale Overseas Limited
 Deutsche Morgan Grenfell (C.I.) Limited
 Deutsche Morgan Grenfell (Cayman) Limited
 Dextra Bank & Trust Co. Ltd
 Discount Bank (North America) Limited
 Discount Bank and Trust Company
 Dresdner Bank Aktiengesellschaft
 Dresdner Bank Lateinamerika Aktiengesellschaft
 E.C.B. International Bank
 Eagle Merchant Bank of Jamaica Limited
 EastWest Trust Company Ltd.
 Energy Bank (Americas), Ltd.
 Erste Bank Der Oesterreichischen Sparkassen AG
 Euro Bank Corporation
 Euro Canadian Bank & Trust Company Limited
 Euro-American Capital Corporation Limited
 Eurocredit Bank (Cayman)
 Fairheads International Trust Company (C.I.) Limited
 Federal Bank of the Middle East Limited
 Federated International Bank Limited (FEDEBANK)
 Ferrier Lullin Cayman Bank & Trust
 Fiduciary Trust (Cayman) Limited
 Fifth Third Bank (The)
 FIL Bank and Trust Company Limited
 Finacorp Bank (The)
 Finansud International Bank & Trust Corporation Limited
 Finasa Bank Limited
 Finibanco, S.A.
 First American National Bank
 First Bangkok City Bank Public Company Limited
 First Bank of the Americas
 First Chicago Trust Company (Cayman) Ltd (The)
 First Hawaiian Bank
 First International Bank of Israel Limited (The)
 First National Bank of Chicago (The)
 First National Bank of Commerce
 First National Bank of Maryland (The)
 First Overseas Trading Bank
 First Pinebank Company (The)
 First Security Bank of Utah, National Association
 First Union Bank and Trust Company (Cayman) Limited
 Firstar Bank Milwaukee, National Association
 Fleet Bank of New York
 Fleet National Bank
 Fordsar (Cayman) Limited
 Foreningssparbanken AB (Publ). (Swedbank)
 FTCI (Cayman) Ltd
 Fuji Bank and Trust Company (The)
 Fuji Bank, Limited (The)
 Gefinor Bank Limited
 Generale Bank
 Genesis Trust Company Ltd.
 Givens Hall Bank & Trust Ltd
 GNB Bank Limited
 Goldman Sachs (Cayman) Trust, Limited
 Greenland Trust Co. Ltd.
 Gulf International Bank B.S.C.
 Guyerzeller Trust Company
 Habib Bank Zurich (International) Ltd
 Harbour Trust Co. Ltd. (The)
 Heritage Trust Company, Ltd.
 Hexagon Trust Company (CI) Limited
 Hibernia National Bank in New Orleans (The)
 Hongkong and Shanghai Banking Corporation (The)

HongKong Chinese Bank Ltd. (The)
 Hopkins (Cayman) Limited
 HSBC International Trustee Limited
 HSBC Trustee (Cayman) Limited
 Huntington National Bank (The)
 IBJ Schroder Bank & Trust Company
 IBT Trust Company (Cayman) Ltd
 Icatu Bank (Cayman), Co.
 Inchauspe Bank Corporation
 Indosuez Trust Company (Cayman) Ltd.
 Industrial Bank of Japan, Limited (The)
 ING Bank N.V.
 International Bank for Commerce
 International Bank of Finance
 International Discount Trust Limited
 International Mercantile Bank Limited
 International Trade and Credit Bank Limited
 Inverworld Bank Ltd.
 Israel Discount Bank Limited
 Israel Discount Bank of New York
 Itau Bank, Ltd
 ITOCHU Trust (Cayman) Limited
 Julius Baer Bank and Trust Company Ltd
 Julius Baer Trust Company (Cayman) Ltd
 K-Bank Corporation, Inc.
 KBC Bank N.V.
 Key Bank of New York
 KeyBank National Association
 Keystone Trust Company (The)
 Korea Long Term Credit Bank
 Krung Thai Bank Public Company Limited
 Landesbank Hessen-Thuringen Girozentrale
 LaSalle National Bank
 Law Debenture Trust Corporation (Cayman) Limited (The)
 Leumi Cayman Finance and Trust Corporation
 LGT Bank in Liechtenstein (Cayman) Limited
 Li Ka-Shing Castle Trustco Limited
 Li Ka-Shing Castle Trustcorp Limited
 Li Ka-Shing Castle Trustee Company Limited
 Li Ka-Shing Castle Trustee Corporation Limited
 Li Ka-Shing Unity Trustco Limited
 Li Ka-Shing Unity Trustcorp Limited
 Li Ka-Shing Unity Trustee Company Limited
 Li Ka-Shing Unity Trustee Corporation Limited
 Liu Chong Hing Banking Corporation, Cayman
 Lloyds Bank International (Cayman) Limited
 Long-Term Credit Bank of Japan, Limited (The)
 M & I Bank Fox Valley
 M & I Marshall & Ilsley Bank
 M&I Bank of Southern Wisconsin
 M.A. Bank Limited
 Marcep Overseas Trust Limited
 Mariza Investment
 Marmanco Trust Company Limited
 Mathilde Trust Company Limited (The)
 MBNA America Bank, National Association
 Mediobanca International Limited
 MeesPierson (Cayman) Limited
 Mellon Bank N.A.
 Mercantile Bank of St. Louis National Association
 Mercury Bank & Trust Limited
 Merita Pankki OYJ
 Merrill Lynch Bank and Trust Company (Cayman) Limited
 Michigan National Bank of Detroit
 Middenbank (Cayman Islands) Ltd.
 Middlefield Trust Company Ltd.
 Midland Bank plc
 Midland Bank PLC George Town Branch
 Midland Bank Trust Corporation (Cayman) Limited
 Minden Trust (Cayman) Limited
 Mitsubishi Trust and Banking Corporation (The)
 Mitsui Trust & Banking Company, Limited (The)
 MONY Bank & Trust Company of the Americas, Ltd.
 Morgan Trust Company of the Cayman Islands Ltd
 Morval Bank & Trust Cayman Limited
 MTB Bank
 MTC Company Limited
 Multi Banking Corporation (Overseas) Limited
 Multiple Bank International
 Nacional Financiera S.N.C.
 Nakornthon Bank Public Company Limited
 Natexis Banque
 National Australia Bank Limited
 National Bank of Kuwait S.A.K.(The)
 National City Bank of Columbus
 National City Bank of Indiana
 National City Bank of Kentucky
 National City Bank, Cleveland
 National Trust and Banking Corporation (Caribbean) Limited
 National Westminster Bank PLC
 NationsBank, N.A.
 Nazeer International Trust Company Limited
 NCB (Cayman) Limited
 Nippon Credit Bank, Ltd (The)
 Nomura Trust (Cayman) Limited
 Norbank International
 Norddeutsche Landesbank Girozentrale
 Norfolk and Hampton Bank
 Norinvest Bank
 Northern Star Trustcompany Limited
 Northern Trust Cayman International, Ltd.
 Northern Trust Company (The)
 Norwest Bank Colorado, National Association
 Norwest Bank Minnesota, N.A.
 Norwest Trust Company, Cayman Islands
 Okobank (Cayman Islands) Limited
 Old Kent Bank and Trust Company
 Oryx Merchant Bank Limited
 P.T. Bank Bali
 P.T. Bank Dagang Nasional Indonesia
 P.T. Bank Internasional Indonesia TBK
 P.T. Bank Negara Indonesia (Persero) TBK
 P.T. Bank Niaga
 P.T. Bank Pan Indonesia TBK
 Pacific Bank N.A. (The)
 Pacific Industrial Bank
 Painewebber Trust Company (Cayman) Ltd.
 Pargesa Bank Corp.
 PDG Bank (Cayman) Limited
 Pictet Bank and Trust (Cayman) Ltd
 PNC Bank, Kentucky, Inc.
 PNC Bank, Ohio, National Association
 Popular Bank & Trust, Ltd
 Portuguese World Bank
 Postipankki Ltd
 Produbank
 Provident Bank (The)
 PRS International (Cayman) Limited
 Prudential-Bache International Trust Company (Cayman)
 PT. Bank Bumi Daya (Persero)
 PT. Bank Dagang Negara (Persero)
 PT. Bank Ekspor Impor Indonesia
 PT. Bank Rakyat Indonesia (Persero)
 Qatar National Bank S.A.Q.
 Queensgate Bank & Trust Company Ltd.
 Queensgate SPV Services Limited
 Quilmes Bank and Trust (Cayman) Ltd.
 R & H Trust Co. Ltd (The)
 Rabobank Nederland
 Regions Bank
 Rena Trust Company Limited
 Republic Bank Trinidad and Tobago (Cayman) Limited
 Republic International Bank of New York
 Republic National Bank of New York
 Republic National Bank of New York (Cayman) Limited
 Riddick (Cayman) Limited
 Rimmer (Cayman) Limited
 ROFIN International Bank and Trust Company
 Rothschild Trust Cayman Limited
 Royal Bank of Canada
 Royal Bank of Canada Trust Company (Cayman) Limited
 Royal Bank of Scotland plc (The)
 Rurik Trust Company (International) Limited
 Sakura Bank, Limited (The)
 Sakura Finance Asia Limited
 Santander Riobank (Grand Cayman)
 Sanwa Bank Limited (The)
 Sanwa International Trust Company (Cayman) Limited
 Saudi African Bank
 SBC Special Transactions Trust Company Limited
 Schroder Cayman Bank and Trust Company Limited
 Schroders Asia (Cayman) Limited
 Scotia Mercantile Bank
 Scudder Trust (Cayman) Ltd.
 Serfin International Bank & Trust
 Shorman (Cayman) Limited
 Sistema Banking Corp. Ltd.
 Skandinaviska Enskilda Banken
 Skandinaviska Enskilda Banken Corporation
 Smith Barney Private Trust Company (Cayman) Limited
 Societe Bancaire (Overseas) Ltd
 Societe Generale
 Societe Generale Bank and Trust (Cayman) Limited
 Southern Star Bank

SouthTrust Bank of Alabama National Association
 St. George's Trust Company Limited
 Star Bank, National Association
 State Bank of India
 State Street Bank and Trust Company
 State Street Cayman Trust Company, Ltd.
 Strategic Trust Company
 Sudamero Trust Company (Cayman) Ltd.
 Sul America International Bank (Cayman) Ltd
 Sumitomo Bank, Limited (The)
 Sumitomo Finance (Asia) Limited
 Sumitomo Trust & Banking Co. (U.S.A.)
 Sumitomo Trust & Banking Company Limited
 Summit Bank
 Sun Trust Bank, Nashville, National Association
 SunTrust Bank, Atlanta
 SunTrust Banks Trust Company (Cayman) Ltd.
 Surfton (Cayman) Limited
 Svenska Handelsbanken
 Swiss Bank Corporation
 Sydbank A/S
 Taclaim Trust Company
 Thai Danu Bank Public Company Limited, The
 Thai Farmers Bank Public Company Limited
 Thai Military Bank Public Company Limited
 The Bank of Tokyo-Mitsubishi, Ltd.
 The Dundee Bank
 The Irish Trust Company (Cayman) Ltd.
 The Siam City Bank Public Company Limited

TIFD VIII Cayman Inc.
 Tokai Asia Limited
 Tokai Bank, Limited (The)
 Toronto - Dominion Bank (The)
 Towerbank, Ltd
 Toyo Trust and Banking Company, Limited (The)
 Trade and Commerce Bank
 Trade Link Bank
 Transatlantic Trust Corporation
 Transcorp Bank
 TransOcean Bank & Trust, Ltd
 Transworld Bank and Trust Limited
 Tribank International (Cayman) Limited
 Trident Trust Company (Cayman) Limited
 Triton (Cayman) Limited
 Twenty-First Century Trust Company
 U.S. Bank National Association
 UBS (Cayman Islands) Ltd.
 UBS Trustees (Cayman) Ltd.
 UMB Bank and Trust Company
 Unibanco - Uniao de Bancos Brasileiros S.A.
 Unibank A/S
 Unicity Bank Limited
 Unicorp Bank & Trust Ltd.
 Union Bank of California, National Association
 Union Bank of Hong Kong Limited
 Union Bank of Switzerland
 Union Bank of Switzerland (Cayman) Ltd
 Union Trade Bank Co. Ltd

United Bank for Africa Limited
 United Bank of Kuwait PLC (The)
 United Mizrahi Bank Ltd
 United States Trust Company of New York
 United States Trust Company of New York (Grand Cayman) Ltd.
 Universal Trust Company Ltd.
 Venecredit Bank & Trust, Ltd.
 Venecredit International Banking Ltd
 Von Ernst Trust Company Limited
 Vontobel Bank & Trust Company Ltd.
 Wachovia Bank of Georgia, National Association
 Wachovia Bank of South Carolina, N.A.
 Wachovia Bank, National Association
 Walbrook International Trust Company Limited
 Wells Fargo International Limited
 West Caribbean Bank
 Westdeutsche Landesbank Girozentrale
 Western International Trust Company Limited
 Western Oceanic Bank
 Westpac Banking Corporation
 Whitney National Bank
 Wiese Bank International
 Wing Hang Bank (Cayman) Ltd
 Wing Hang Bank Trustee Company (Cayman) Limited
 Wing Lung Bank Ltd.
 Worldwide Commercial Bank Ltd
 Yasuda Trust and Banking Company, Limited (The)
 Zions First National Bank

List of active Class A Insurance companies as of 31st December 1997

Aetna Life And Casualty (Bermuda) Ltd.
 American Home Assurance Company
 American Life Insurance Company
 Bankers Life Insurance Company
 Blue Cross And Blue Shield Of Delaware, Inc.
 British Caribbean Insurance Company Limited
 British Caymanian Insurance Company Limited
 British-American Insurance Company Ltd.
 Capital Life Insurance Company Limited
 Caribbean Home Insurance Company Limited
 Cayman General Insurance Company Limited

Cigna International Reinsurance Company Ltd.
 Clico (Cayman) Ltd.
 Colonial Life Assurance Company Limited
 Crown Life Insurance Company
 Dyll Insurance Company Limited
 Global Life Assurance Company Ltd.
 Great Southern Life Insurance Company
 Hartford Life Insurance Company
 Insurance Company Of The West Indies Limited (The)
 Island Heritage Insurance Company, Ltd.
 Jackson National Life Insurance Company

Jamaica Mutual Life Assurance Society
 Life Of Barbados
 Lloyds Of London
 Mony Life Insurance Company Of The Americas, Ltd
 Motor And General Insurance Company Limited
 N.E.M. (West Indies) Insurance Limited
 National Life Assurance Company Of Canada (The)
 Occidental Life Insurance Company Of North Carolina
 Reliastar Bankers Security Life
 Sun Alliance Insurance (Bahamas) Limited

List of active Class B Insurance companies as of 31st December 1997

A.M. Skier Reinsurance Company
 Abacus Insurance Limited
 Abs Insurance Limited
 Accident & General Insurance Company Ltd.
 Adamas Limited
 Affinity 500 Insurance Ltd.
 Agricultural Risk Insurance Company Ltd.
 Agrinational Ltd.
 Agta Insurance Ltd.
 Alembic, Inc.
 Allegheny Health Services Providers Insurance Company
 Allegro Life And Annuity Company
 Allied Meat Insurance Company Ltd.

Alpine Indemnity Limited
 Alternative Risk Reinsurance Company Limited
 Amcon Reinsurance, Inc.
 American Businessowners Assurance Ltd.
 American Contractors Reinsurance Company, Ltd.
 American Eagle Insurance Co. Ltd.
 American Guaranty And Health Care Insurance Company
 American Industries Assurance, Cayman Ltd.
 American Professional Assurance Ltd
 American Surgeons Insurance Company
 American Vehicle Insurance Services
 Americana Excess & Reinsurance Corporation
 Amfo Members Insurance Company Ltd.

Anchor Insurance Company (Cayman)
 Andelsikring Insurance Company Limited
 Anglo-Dutch Insurance Company Limited (The)
 Anlic Insurance Company (Cayman)
 Apic Insurance Corporation
 Aquitaine Insurance Company
 Arbil International Insurance Limited
 Arcadian Cayman Limited
 Arch Reinsurance Company, Ltd.
 Archway Insurance, Ltd.
 Arrowhead Insurance Company Ltd.
 Assistance-Re
 Astra Insurance Company

Atg Assurance Company Limited
 Atlantic And Caribbean Re
 Atlantic General Insurance Company
 Atlantic Gulf Insurance Company
 Atlantic Northern Insurance Company
 Avon Insurance Company, Ltd.
 Awa Insurance Company
 B.A. Insurance (Cayman) Ltd.
 Bay Primex Insurance Company, Ltd.
 Benchmark Insurance Company
 Benodet Insurance Ltd
 Best Meridian International Insurance Company
 Bhs Insurance Company, Ltd
 Biscayne Insurance Company Ltd
 Blair International Insurance (Cayman) Ltd
 Blodgett Assurance Company Ltd
 Blue Eagle Re
 Blue Horse Limited
 Bon Secours Assurance Company, Ltd
 Briarwoods Insurance Company Ltd.
 Britannia Guarantee National Insurance Company
 British Insurance Company Of Cayman
 Bucap Limited
 Builders Insurance Company, Ltd.
 C.M.M.C. Insurance Co. Ltd.
 Caduceus Indemnity Corporation Ltd.
 California Livery Insurance Company, Ltd.
 California Reinsurance Corporation
 Capitol Insurance Company Ltd.
 Cardinal Insurance Company (Cayman) Ltd.
 Care Insurance Ltd.
 Caribbean Catastrophe Insurance Ltd.
 Caribbean Equity Reinsurance Ltd.
 Carondelet Insurance Ltd.
 Cascades Insurance Company, Ltd.
 Castle Insurance Company Ltd.
 Catalina Assurance Ltd.
 Caterpillar Assurance Co. Ltd.
 Cathedral Insurance Company Limited
 Catmontu Insurance Company Ltd.
 Caydeaux Insurance Company Ltd
 Caydeaux Life Assurance Company Ltd
 Cayman Overseas Reinsurance Association
 Caymich Insurance Company, Ltd
 Caypac Insurance Limited
 Ccsf Reinsurance Ltd.
 Centra Indemnity, Ltd
 Centra Professional Indemnity, Ltd
 Centrum Insurance Company Ltd
 Centurian Re
 Chandler Insurance Company, Ltd.
 Chaparral Underwriters Ltd.
 Charabanc & General Insurance Company Ltd.
 Charger Insurance Group (The)
 Chariots Of Hire Insurance Company (Cayman)
 Che Insurance Company, Ltd.
 Chic Re Limited
 Churchill Casualty Ltd.
 Chw (Bermuda) Ltd.
 Clarion Indemnity Limited
 Cmh Insurance Company, Ltd.
 Cnmc Reinsurance Company, Ltd
 Coala Insurance Company Limited
 Colliers Professional Liability Insurance Company
 Columbia Reinsurance Company, Ltd.
 Columbus Insurance Ltd
 Commonwealth (Cayman) Insurance Company Limited
 Community Assurance Company, Ltd.
 Compass Life Assurance (Cayman) Ltd.
 Comprehensive Allied Reinsurance Services, Ltd
 Construction Insurance Company Ltd
 Consumer Insurance Company (Cayman)
 Continuous Quality Insurance Company, Ltd
 Contractors Reinsurance Corporation
 Controlled Risk Insurance Company, Ltd
 Cornerstone Insurance Company
 Corrugated Insurers Association
 Crescent Casualty Insurance Company
 Crestwood Assurance Company, Ltd.
 Crusader Casualty Company, Ltd
 Crusader International Insurance Company Ltd
 Cygnet Reinsurance Company
 Dakotacare Insurance, Ltd.
 Dallas Reinsurance Company, Ltd
 Dchs Insurance, Ltd
 Dennison Health Providers Assurance Company, Ltd.
 Dfg Insurance Company Ltd
 Diamond Insurance Company
 Dimensions Assurance, Ltd.
 Dnh Reinsurance Company Limited
 Durlacher Assurance Co. Ltd.
 Eagle Insurance Company (Cayman) Limited
 Eastbourne Insurance Company Limited
 Eastern Alliance Insurance Company
 Edinburgh Insurance Company
 Electrical Distributors Insurance Company (The)
 Electronic Insurers Limited
 Elgin Professional Indemnity Insurance Inc.
 Enviro-Sure Insurance Company
 Epsilon Insurance Company Ltd.
 Equipment Assurance Limited
 Equity International Insurance Company
 Everest Property Insurance Company
 F & G Overseas Limited
 Fapa Insurance Company (The)
 Fee Insurance Company Ltd
 Fh Assurance Company
 Fhs Insurance Ltd
 Financial Assurance Company, Ltd.
 Fire Arms Insurance Registry Ltd.
 First American Reinsurance Company (Cayman)
 First Atlantic Reinsurance Ltd.
 First Employers Insurance Company
 First Hospital Insurance Company, Ltd (The)
 First Initiatives Insurance, Ltd.
 First International Insurance Company Ltd
 First Southern Insurance Company
 Forbes Re-Insurance Company Limited
 Foundation Insurance Co., Ltd. (Cayman)
 Franciscan Health System Insurance Company Ltd
 Franklin International Reinsurance Company
 Galena Insurance Corporation
 Geisinger Assurance Company, Ltd.
 Gencay Property Insurance Company Limited
 Gentle Winds Reinsurance Ltd
 George Town Re. Ltd.
 Georgia Health Care Insurance Company
 Ghs Insurance Company, Ltd
 Gingo Assurance Company Limited
 Global Contractors Indemnity Ltd.
 Global Union Casualty Insurance Co.
 Gloucester Insurance Ltd
 Glp Insurance Company
 Grand Reinsurance Ltd
 Grande Alliance Co. Ltd.
 Grant-Atlas Insurance Company
 Grayhill Insurance (Cayman) Ltd.
 Greater Rochester Assurance Company Ltd.
 Greenleaf Insurance Company, Ltd.
 Gulf Insurance Company Ltd.
 Gulf Re
 Hanover Insurance Company Ltd.
 Harvest Insurance Company
 Haul Insurance Limited
 Health Care Assurance Company Ltd.
 Health Midwest Insurance Company Ltd.
 Health One Insurance Company, Ltd.
 Health Professionals Insurance Company, Ltd. (The)
 Health Risks Limited
 Health Systems Insurance Ltd.
 Heritage Reinsurance Company Ltd.
 Hillsdale Insurance Corporation Ltd.
 Hn Reinsurance Ltd.
 Hospital Assurance Company Ltd.
 Ichem Reinsurance Company Limited
 The Insurance Co. Inc.
 Illinois Masonic Insurance Co. Ltd.
 Imbi Ltd.
 Impa Ltd.
 Infinity Insurance Ltd.
 Insignia Management & Finance (Reinsurance) Ltd.
 Insurance Company Of Springfield, Inc.
 Insurance Security Company Limited
 Insurco International Ltd.
 Insure America (Cayman) Limited
 Intel Health Services Insurance Co Ltd.
 Intercontinental Casualty Insurance Company
 International Merchant Insurance Ltd.
 International Reinsurance Company Ltd.
 Interregional Reinsurance Company Limited (The)
 Investor Brokerage Insurance Incorporated
 Ipro Insurance Corporation
 Ipt Physicians Insurance Company (Cayman) Ltd.
 J. Win Insurance Co. Ltd.

Jazz Assurance Company
 Jefferson International Reinsurance Company
 Jhg Insurance Co. Ltd.
 Jojodi Insurance Company Of Cayman
 Jr Insurance Company
 J-W Reinsurance Ltd.
 Kci Insurance Company Ltd.
 Keystone Indemnity Insurance Company
 Kings Reinsurance Company Ltd.
 Km Insurance Company Ltd.
 Knight Insurance Company Ltd.
 Kover Limited
 L. Gilbraith Insurance Company
 La Chainé D'assurance Limited
 Labor Ready Assurance Corporation
 Lagniappe Insurance Company Ltd.
 Lancaster Health Alliance Insurance Company, Ltd.
 Landis Insurance Company Ltd.
 Latin American Caribbean Insurance Company Ltd.
 Latitude 19 Insurance Company
 Lea Insurance Company Ltd.
 Leader Insurance Company
 Legacy Insurance Company
 Libra International Insurance Limited
 Libris Indemnity Company
 Lighthouse Capital Insurance Company
 Lmh Insurance Company Ltd.
 Long Beach Insurance Company
 Loyola University Of Chicago Insurance Company, Ltd.
 Ltc Insurance Ltd.
 Mac Casualty Ltd.
 Madison Of Virginia Insurance Company Ltd.
 Mariner Offshore Insurance Ltd.
 Mash-Seg Reinsurance Limited
 Materials Insurance Company
 Maturewell Reinsurance Co. (Cayman)
 Max Insurance Company
 Md Insurance Company
 Medcap Insurance Company Ltd.
 Medical Alliance Insurance Network Ltd.
 Medical Indemnity Assurance Company Ltd.
 Medical Insurance Services Ltd.
 Medilink Insurance Company, Ltd.
 Mein Re Ltd
 Memorial Professional Assurance Company
 Meridian Insurance Company Limited
 Merlin Insurance Company Limited
 Mesa Assurance Company Ltd.
 Mfc Insurance Co.
 Mh Insurance Company
 Mission Trail Insurance (Cayman) Ltd.
 Montgomery Insurance Ltd.
 Mask Insurance Ltd.
 Mtrma Reinsurance, Ltd.
 Multihospital Mutual Insurance (Cayman) Ltd.
 Naico Indemnity (Cayman) Ltd.
 Natica Insurance Company, Ltd.
 National Association Reinsurance Company
 National Environmental Insurance Ltd.
 National Health Care Indemnity Corp.
 National Motorcoach Network Insurance, Ltd.
 National Physicians Insurance Company
 National Warranty Insurance Risk Retention Group
 New England Medical Center Insurance Company
 New Providence Insurance Company Limited (The)
 Newcap Insurance Company, Limited
 Nexus Limited
 Nightingale Insurance, Ltd.
 Nomic Insurance Company, Ltd.
 Norden Insurance Ltd
 Norfolk Insurance Corporation
 North Bay Reinsurance Ltd.
 Northeastern Reinsurance, Ltd.
 Northern California Indemnity Ltd.
 Northern Prairie Indemnity Limited
 Northern United Reinsurance Ltd.
 Northridge Insurance Company
 Northwest Assurance Company Ltd.
 Nova Insurance Company
 Ntnt Indemnity Company
 Nuclear Electric (Cayman) Limited
 Nuclear Mutual (Cayman) Ltd.
 Oakwood Assurance Company Ltd.
 Ob Physicians Insurance Co.
 Ocean State Insurance Co., Ltd.
 Old South Security Life Insurance Company
 Onika Insurance Company Ltd.
 Onlop Insurance Company
 Ontario Reinsurance Company Limited
 Operators Reinsurance Company
 Oral Surgeons Reimbursement Fund Ltd
 Ormaryd Insurance Company, Ltd.
 Overseas Indemnity Company Ltd.
 Pacific Coast Reinsurance Ltd.
 Pacific Northwest Insurance Company (Cayman) Ltd.
 Palms Insurance Company Limited
 Pan-American Benefits Insurance Company
 Pan-American International Insurance Corporation
 Panther Reinsurance Company, Ltd.
 Parametric Re, Ltd.
 Peer Insurance Corporation
 Pegasus Insurance
 Penn Reinsurance Ltd.
 Philan Insurance Ltd.
 Physicians' & Surgeons' Liability Insurance Company
 Physicians Assurance Medical Company
 Physicians Mutual Indemnity Corporation
 Physicians Reimbursement Fund Ltd.
 Pma Insurance, Cayman Ltd.
 Pmca Liability Insurance Ltd.
 Podia Insurance Limited
 Podiatry Assurance Company Ltd.
 Potomac Indemnity Company
 Premier Insurance Ltd. (Cayman)
 Princeton Cayman Liability, Ltd.
 Professional Protective Insurance Ltd.
 Professional Underwriters Corporation
 Progress Reinsurance Company Ltd.
 Providers Re
 Pruden Reinsurance Company, Ltd.
 Qhs Insurance Company (The)
 Quality Alliance Assurance Company (Cayman) Ltd.
 Queensbrook Insurance Limited
 Quest Insurance Co. Ltd.
 R.C.I. Ltd.
 R.P.S. L.M.C. Insurance Company Ltd.
 Raffles Insurance Limited
 Ravenswood Health Care Insurance Corporation
 Rdm Insurance Group Ltd.
 Real (International) Insurance Company
 Republic Insurance Company (Cayman) Limited
 Residential Reinsurance Limited
 Rigel Limited
 Risk Management Reengineering Assurance Group
 Riverview Indemnity Company
 Royal Bank Of Canada Reinsurance (Cayman) Limited
 Rt Insurance Company, Ltd.
 S.A. Insurance Ltd.
 S.O.P. Insurance Ltd.
 Safety National Re.
 Safewrite (Cayman Islands) Limited
 Samaritan Insurance Funding Ltd.
 Sascap Insurance Company Ltd.
 Saxon Insurance Company Limited
 Scott & White Assurance Ltd.
 Scottish Annuity Company (Cayman) Ltd. (The)
 Selandia Insurance Company Ltd.
 Selectcare Reinsurance Ltd.
 Sequoia Insurance Corporation
 Servanda Insurance Company
 Signature Insurance Company
 Smacal Reinsurance Company (Cayman) Ltd.
 Solemar Insurance Ltd.
 Southwest Professional Indemnity Corporation
 Southwest Transportation Underwriters, Inc
 Southwest Underwriters Inc.
 Southwestern Dealers Insurance Company
 Spectrum Insurance Company, Ltd.
 Springland International Assurance Company
 Sr Earthquake Fund, Ltd.
 St. Elizabeth Medical Insurance Company
 St. Francis Ltd.
 St. George Reinsurance Ltd.
 St. Ives Insurance Company Ltd.
 Stafford Insurance Company
 Stamford Insurance Company Ltd.
 Standard Fidelity Assurance Co. Ltd.
 Star Insurance Company (Cayman) Ltd.
 Starboard Indemnity, Ltd. (Cayman)
 State Reinsurance Co. Ltd.
 Stein Insurance Company Ltd.
 Stella Maris Insurance Company, Limited
 Stockton Reinsurance (Cayman) Ltd.
 Summit Insurance, Ltd.

Sunamerica (Cayman) Insurance Company Ltd.
Sunflower Assurance, Ltd.
Surgical Facilities Insurance, Ltd.
Swisspartners Insurance Company Ltd.
T.A.C. Insurance Company Limited
Tailored Risk Assurance Company Ltd.
Tch Insurance Company, Ltd.
Tcr Insurance Company, Ltd.
Temporary Services Insurance Ltd.
Terramar Insurance Company, Ltd.
Terrapin Insurance Company
Testudo Re Cayman, Ltd.
Texas Health Facility Insurance Corporation Ltd.
Three Lakes Insurance Company Ltd.
Tiger International Insurance Limited
Tortuga Casualty Company
Traffic Insurance Ltd.
Travel Safe International Insurance Company (Cayman)
Trax Insurance Ltd.
Tremont International Insurance Ltd.
Twickenham Insurance Company
U.I.B. International Insurance Co., Ltd.
Umce Insurance Funding Limited
Uneon Re Ltd
Unified Reinsurance Co. Ltd.
Union Fidelity Insurance Company
United Care Insurance Company
United Continental Corporation Ltd.
United Insurance Company
United Physicians Insurance Company Ltd.
United Security Associates Insurance Company
United States Global Reinsurance Ltd.

United Trades Insurance Company
University Of Florida Healthcare Education Insurance Company
Ursa Company Ltd.
Us Employers Insurance Inc.
Valence Insurance Co. Ltd.
Venzke Insurance Company Ltd.
Vista General Reinsurance Limited
Viznar Reinsurance Company Limited
W & I Indemnity Ltd.
Walnut Assurance Company Ltd.
Warrander Insurance Company Limited
Water Street Insurance Company Ltd.
Waterford Insurance Ltd.
Wellington Security International Insurance Company
West Coast Reinsurance Ltd.
Western International Insurance Company
Western Liability Insurance Company
Western Pacific Mutual Insurance Co. Ltd.
Western Technical Insurance Inc.
Westin International Insurance Company Ltd.
Westside Insurance Company
Whatahu Insurance Company
Whitehall Station Insurance Company Ltd.
William Penn Insurance Co. Ltd.
Wisconsin Health Care Assurance Limited
Woodbridge Insurance Company Ltd.
Wsh Insurance Company Ltd.
Yhs Insurance Company, Ltd.
Zeneca Reinsurance Company Limited
Zenith Casualty

SELECTED FINANCIAL STATISTICS

| Cayman Islands General Statistics | | | | |
|---|-------------------|--------|--------|--------|
| | | | | |
| | Cayman | | | |
| | Islands | Grand | Cayman | Little |
| Surface Area | Total | Cayman | Brac | Cayman |
| Land (sq. miles) | 93.0 | 69.4 | 14.9 | 8.7 |
| Inland Water (sq. miles) | 9.0 | 6.6 | 0.1 | 2.3 |
| Islands Total (sq. miles) | 102 | 76 | 15 | 11 |
| | | | | |
| | | | | |
| Economic Indicators | 1990 | 1995 | 1996 | |
| Consumer Price Index (Sept 1984=100) | 131.9 | 158.5 | 161.9 | |
| Annual percentage change (%) | 7.7 | 2.3 | 2.1 | |
| Imports (\$mn) | 239.7 | 332.2 | 314.8 | |
| Exports (\$mn) | 3.1 | 3.4 | 2.2 | |
| Current Surplus/(Deficit) as % of GDP ¹ | -0.2 | ... | ... | |
| Total Bank assets (US\$'000 mn) | 433 | 499.7 | 497.6 | |
| Net Foreign Assets of local banks (\$mn) | 32.1 | 4.7 | -9.9 | |
| Stay-over arrivals (000's) | 253 | 361.4 | 373.4 | |
| Stay-over Expenditure (\$mn) | 180 | 283 | 300 | |
| Cruise Ship arrivals (000's) | 362 | 682.8 | 771.1 | |
| Cruise Ship Expenditure (\$mn) | 14 | 26 | 31 | |
| Registered vehicles (000's) | 14.1 | 17.4 | 19.2 | |
| Unemployment rate-Oct. (%) | ... | 4.9 | 5.1 | |
| | | | | |
| | | | | |
| Social Indicators | | | | |
| End year population (000's) ² | 27 | 33.6 | 35.2 | |
| Percentages Caymanian (%) ² | 66 | 62 | 63 | |
| Growth rate (%) ² | 5 | 5.4 | 4.8 | |
| | | | | |
| Teacher : Pupil ratio | 1:14 | 01:13 | 01:14 | |
| Doctors (per '000 year end pop. ² | 1.6 | 1.4 | 1.5 | |
| Crimes (per '000 year end pop. ² | 104.6 | 65 | 81.1 | |
| Accident rate (per 100 vehicles) | 6.1 | 6.2 | 4.0 | |
| Life Expectancy at Birth (years) | 77.1 ³ | ... | ... | |
| | | | | |
| | | | | |
| Notes | | | | |
| ¹ Current Surplus = Recurrent Revenue less Recurrent & Statutory Expenditure | | | | |
| ² The population figures since 1990 have been revised due to changes in the Immigration figures. | | | | |
| ³ 1989. | | | | |
| | | | | |
| | | | | |
| SOURCE :Economics & Statistics Office, Cayman Islands Government | | | | |

| Employment By Sector | | | | | | |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|---|
| | 1992 | 1993 | 1994 | 1995 | 1996 | |
| BANKING ¹ | 1,320 | 1,305 | 1,439 | 1,369 | 1,727 | |
| INSURANCE ² | 210 | 250 | 310 | 365 | 360 | |
| HOTELS & CONDOS ³ | 1,430 | 1,517 | 1,629 | 1,770 | 1,451 | |
| GOVERNMENT | 1,704 | 1,604 | 1,959 | 1,961 | 2,098 | |
| OTHER INDUSTRIES | 10,540 | 11,319 | 11,493 | 13,380 | 13,734 | |
| TOTAL EMPLOYMENT ⁴ | 15,204 | 15,995 | 16,830 | 18,845 | 19,370 | |
| Percentage change | -(3.5) | (5.2) | (5.2) | (12.0) | (2.8) | |
| Notes | | | | | | |
| ¹ Data from annual banking surveys. | | | | | | |
| ² Data for 1991 from annual insurance surveys, 1993 - 1996 from Labour Force Survey. | | | | | | |
| ³ Annual average of data from the Dept. of Tourism which excludes small cottage operations. | | | | | | |
| ⁴ Estimated, including the self employed. Total employment based on October Labour Force Sample Surveys | | | | | | |
| Employment and Earnings by Occupation | | | | | | |
| OCCUPATION | 1992 LFS Oct | 1993 LFS Oct | 1994 LFS Oct | 1995 LFS Oct | 1996 LFS Oct | October 1996 LFS Average Monthly Salaries in CI\$ |
| All Occupations | 15,220 | 15,995 | 16,830 | 18,845 | 19,370 | 2,165 |
| Senior officials & managers | 1,275 | 1,475 | 1,650 | 1,435 | 1,375 | 4,698 |
| Professionals, Technicians & Associate professionals | 3,620 | 4,045 | 3,955 | 5,430 | 5,110 | 2,911 |
| Clerical & Executive | 2,645 | 3,320 | 2,730 | 2,620 | 2,500 | 1,760 |
| Service, shop & sales | 2,275 | 1,725 | 2,670 | 2,535 | 2,815 | 1,615 |
| Skilled agricultural & fishery | 260 | 350 | 570 | 340 | 385 | 1,260 |
| Craft & skilled manual | 2,180 | 1,770 | 2,465 | 2,130 | 2,655 | 2,045 |
| Plant & machine operators | 635 | 715 | 615 | 865 | 710 | 2,113 |
| Labourers & unskilled | 2,330 | 2,595 | 2,175 | 3,490 | 3,820 | 1,111 |
| Notes | | | | | | |
| ¹ Average monthly earnings for all employees including part-time workers. Earnings include second incomes | | | | | | |
| SOURCE :Economics & Statistics Office, Cayman Islands Government | | | | | | |

| Employment and Earnings by Industry | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|--|
| INDUSTRY | 1992 LFS Oct | 1993 LFS Oct | 1994 LFS Oct | 1995 LFS Oct | 1996 LFS Oct | October 1996 LFS Average Monthly Salaries in C1\$ |
| All Industries | 15,220 | 15,995 | 16,830 | 18,845 | 19,370 | 2,165 |
| Agric, Fish, Manuf, Constr, Util | 2,895 | 2,790 | 2,995 | 2,640 | 3,545 | 2,240 |
| Wholesale, Retail, Hotel & Rest | 4,160 | 4,310 | 4,715 | 5,555 | 5,375 | 1,815 |
| Transport, Post & Comm | 1,385 | 1,345 | 1,205 | 1,785 | 1,125 | 2,490 |
| Ins, Financial & Business | 2,375 | 3,610 | 2,920 | 3,570 | 3,840 | 3,063 |
| Public Administration | 700 | 770 | 1,015 | 950 | 890 | 2,729 |
| Educ, Health & Social Serv | 1,405 | 1,210 | 1,410 | 1,320 | 1,330 | 2,383 |
| Recr, Community & Personal | 2,300 | 1,960 | 2,570 | 3,025 | 3,265 | 1,248 |
| Notes | | | | | | |
| 1. Average monthly earnings for all employees including part-time workers. Earnings include second incomes. | | | | | | |
| SOURCE :Economics & Statistics Office, Cayman Islands Government | | | | | | |

| LOANS AND ADVANCES | | | | | | | | | | |
|--|--------------------|-------------------|--------|----------------|-----------|-------------------|----------------|----------|---------|--------------------|
| CATEGORY 'A' BANKS & TRUST COMPANIES LENDING TO CAYMAN ISLANDS RESIDENTS | | | | | | | | | | |
| ANALYSIS, BY SECTOR, OF LOANS AND ADVANCES IN ALL CURRENCIES TO C.I. RESIDENTS (C1\$100) | | | | | | | | | | |
| | TRADE AND COMMERCE | | | | | | | | | TOTAL |
| PERIOD END | AGRIC & FISHING | HOTELS & REST. | RETAIL | WHOLE- SALE | UTILITIES | CONSTRUC- TION | REAL ESTATE | PERSONAL | OTHER | RESIDENTS LOANS |
| 1985 DEC | 490 | 17,349 | 21,972 | 9,517 | 1,265 | 49,517 | 50,767 | 55,923 | 27,738 | 234,538 |
| 1990 DEC | 770 | 52,402 | 41,060 | 2,218 | 6,205 | 49,647 | 44,530 | 210,223 | 104,153 | 511,228 |
| 1991 DEC | 957 | 66,003 | 40,942 | 1,498 | 7,400 | 20,947 | 95,622 | 221,935 | 135,749 | 591,053 |
| 1992 DEC | 709 | 73,870 | 47,067 | 1,469 | 15,356 | 20,411 | 105,446 | 269,486 | 124,662 | 658,477 |
| 1993 DEC | 646 | 79,164 | 36,426 | 8,971 | 20,379 | 26,329 | 130,482 | 326,590 | 140,277 | 767,263 |
| 1994 MAR | 614 | 77,839 | 34,818 | 4,898 | 18,711 | 24,664 | 122,617 | 333,786 | 106,407 | 724,355 |
| JUN | 510 | 76,884 | 31,577 | 8,740 | 18,498 | 26,120 | 123,433 | 347,668 | 100,326 | 733,757 |
| SEP | 632 | 76,414 | 33,135 | 5,639 | 14,884 | 21,916 | 134,567 | 363,224 | 104,800 | 755,211 |
| DEC | 416 | 79,192 | 31,449 | 8,726 | 14,400 | 22,956 | 135,207 | 361,545 | 130,951 | 784,842 |
| 1995 MAR | 493 | 64,354 | 31,378 | 11,800 | 21,021 | 21,284 | 127,998 | 362,670 | 145,500 | 786,498 |
| JUN | 485 | 68,665 | 33,556 | 17,084 | 20,053 | 21,148 | 125,303 | 359,353 | 109,691 | 755,337 |
| SEP | 385 | 73,797 | 52,366 | 13,894 | 21,774 | 23,456 | 114,083 | 380,473 | 134,456 | 814,684 |
| DEC | 512 | 74,040 | 36,122 | 15,857 | 19,973 | 21,382 | 130,672 | 377,809 | 133,610 | 809,978 |
| 1996 MAR | 474 | 75,190 | 35,418 | 12,866 | 22,169 | 39,529 | 134,488 | 384,247 | 147,068 | 851,447 |
| JUN | 498 | 74,292 | 32,407 | 7,814 | 23,381 | 22,628 | 134,022 | 393,554 | 148,559 | 837,155 |
| SEP | 605 | 75,059 | 34,603 | 9,408 | 23,167 | 23,533 | 135,758 | 412,858 | 150,151 | 865,142 |
| DEC | 573 | 74,057 | 35,702 | 15,361 | 25,792 | 31,952 | 141,059 | 421,933 | 163,918 | 910,346 |
| 1997 MAR | 562 | 69,657 | 40,674 | 8,547 | 22,946 | 38,627 | 138,642 | 429,402 | 183,248 | 932,303 |
| JUN | 713 | 66,278 | 50,569 | 15,591 | 35,204 | 37,932 | 139,216 | 435,426 | 166,522 | 947,451 |
| SEP | 525 | 48,254 | 52,302 | 19,283 | 40,319 | 31,967 | 149,185 | 435,529 | 203,748 | 981,112 |
| DEC | 285 | 49,575 | 41,033 | 15,812 | 72,657 | 25,142 | 162,446 | 472,101 | 243,395 | 1,082,446 |

Summary of Revenue of the C.I. Government

| | CI\$ Thousands | | | | |
|------------------------|----------------|---------|---------|---------|---------|
| | 1992 | 1993 | 1994 | 1995 | 1996 |
| Non-Tax Revenue | 13,843 | 18,437 | 22,224 | 29,275 | 24,659 |
| Tax Revenue | | | | | |
| Import Taxes | 52,743 | 55,288 | 60,892 | 67,220 | 77,490 |
| Business Licences | 26,162 | 29,651 | 31,085 | 33,063 | 36,808 |
| Tourist Taxes | 6,359 | 6,982 | 7,885 | 10,414 | 13,363 |
| Stamp Duty | 11,612 | 14,006 | 16,252 | 18,253 | 23,667 |
| Work Permit Taxes | 6,369 | 6,825 | 9,309 | 11,445 | 12,933 |
| Motor Vehicle Taxes | 2,913 | 2,990 | 3,143 | 3,444 | 3,580 |
| Other Taxes | 1,019 | 1,122 | 1,317 | 1,373 | 1,662 |
| Subtotal | 107,176 | 116,863 | 129,883 | 145,213 | 169,503 |
| TOTAL | 121,019 | 135,301 | 152,108 | 174,488 | 194,162 |

SOURCE :Accounts of the Cayman Islands Government

Revenue and Expenditure of the C.I. Government

| | CI\$ Thousands | | | | | |
|------|-------------------|-------------|-----------------------|-----------------------|---------------------|---------------------|
| Year | Recurrent Revenue | Loan Income | Recurrent Expenditure | Statutory Expenditure | Capital Expenditure | Surplus / (Deficit) |
| 1992 | 121,019 | 6,828 | 116,752 | 7,891 | 18,114 | (14,910) |
| 1993 | 135,301 | 17,493 | 130,639 | 10,151 | 9,608 | 2,395 |
| 1994 | 152,108 | 4,719 | 126,163 | 12,001 | 18,157 | 507 |
| 1995 | 174,488 | 1,772 | 137,961 | 19,727 | 23,531 | (4,958) |
| 1996 | 194,162 | 22,381 | 156,723 | 14,827 | 33,706 | 11,287 |

Notes

¹ Statutory expenditure stood at CI\$7.9 million in 1992

SOURCE :Accounts of the Cayman Islands Government

Summary of Cayman Islands National Income

| | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|---------|-------|-------|-------|-------|
| GROSS DOMESTIC PRODUCT | | | | | |
| At current prices (CI\$M) | 653.0 | 701.5 | 761.6 | 799.7 | 843.7 |
| Percent change over previous year | 17.0 | 7.4 | 8.6 | 5.0 | 5.5 |
| Per capita income (CI\$'000) ¹ | 22.8(R) | 22.9 | 24.3 | 24.4 | 24.5 |
| At 1986 prices (CI\$M) | 465.9 | 488.2 | 514.1 | | |
| Percent change over previous year | 13.7 | 4.8 | 5.3 | | |

Notes

¹ Based on mid-year population.

SOURCE :Economics & Statistics Office, Cayman Islands Government

| Currency in Circulation and Money Supply | | | | | | | | | |
|--|---|---|--|---------------|---------------|--------------------|---------------|---------------|--|
| | | | | 1992 | 1993 | 1994 | 1995 | 1996 | |
| Currency in Circulation¹ | | | | | | | | | |
| | \$100 | | | 10,884 | 7,987 | 12,150 | 10,848 | 13,564 | |
| | \$40/\$50 | | | 1,303 | 5,056 | 3,085 | 6,290 | 6,186 | |
| | \$25 | | | 4,359 | 5,386 | 5,290 | 5,457 | 6,414 | |
| | \$10 | | | 1,818 | 1,960 | 2,291 | 2,512 | 2,770 | |
| | \$5 | | | 1,147 | 1,309 | 1,380 | 1,540 | 1,656 | |
| | \$1 | | | 1,946 | 2,193 | 2,432 | 2,632 | 2,900 | |
| | 25 cents | | | 1,487 | 1,646 | 1,845 | 2,040 | 2,222 | |
| | 10 cents | | | 791 | 856 | 946 | 1,025 | 1,109 | |
| | 5 cents | | | 289 | 316 | 349 | 384 | 419 | |
| | 1 cents | | | 207 | 233 | 257 | 278 | 303 | |
| | Total | | | 24,231 | 26,942 | 30,025 | 33,005 | 37,543 | |
| | + Demand Deposits | | | 41,637 | 47,053 | 54,163 | 58,321 | 76,004 | |
| | Money Supply (M ₁) ² | | | 65,868 | 73,995 | 84,188 | 91,326 | 113,547 | |
| | Percent Increase | | | 7.8 | 12.3 | 13.8 | 8.5 | 24.3 | |
| Notes | | | | | | | | | |
| | ¹ | \$100 and \$40 notes were introduced in 1981, \$50 notes in 1987. | | | | | | | |
| | ² | Currency in circulation plus demand deposits with commercial banks. | | | | | | | |
| SOURCE : Currency Board and Economics & Statistics Office, Cayman Islands Government | | | | | | | | | |
| External Assets and Liabilities of All Banks | | | | | | | | | |
| | | | | US\$ Millions | | | | | |
| | | | | Year | Assets | Liabilities | | | |
| | | | | 1976 | 21,997 | 22,064 | | | |
| | | | | 1981 | 109,572 | 107,919 | | | |
| | | | | 1986 | 202,188 | 193,300 | | | |
| | | | | 1991 | 427,105 | 423,504 | | | |
| | | | | 1992 | 411,491 | 408,157 | | | |
| | | | | 1993 | 407,259 | 403,472 | | | |
| | | | | 1994 | 460,671 | 455,437 | | | |
| | | | | 1995 | 499,702 | 495,000 | | | |
| | | | | 1996 | 497,624 | 492,998 | | | |
| SOURCE :Cayman Islands Monetary Authority | | | | | | | | | |

| ASSETS | | | | | | | | | | |
|---|------------------|--------------------------------------|--|------|--------|-----------------|-----------------|-----------------|----------------------|-----------------|
| CATEGORY 'A' BANKS & TRUST COMPANIES WITH LOCAL CURRENCY ASSETS | | | | | | | | | | |
| POSITION IN CAYMAN ISLANDS CURRENCY (CI\$000) | | | | | | | | | | |
| PERIOD END | NOTES & COINS | BALANCE W/ LOANS & AD TO BANKS | LOANS AND ADVANCES RES. NON-RES TOTAL | | | INVEST MENTS | FIXED ASSETS | OTHER ASSETS | CI\$ NET POSITION | TOTAL ASSETS |
| 1985 DEC | 3196 | 1554 | 82664 | 151 | 82815 | 413 | 5857 | 15209 | 3559 | 112603 |
| 1990 DEC | 7867 | 5046 | 227043 | 281 | 227324 | 1287 | 16428 | 11122 | 32139 | 301209 |
| 1991 DEC | 7461 | 8466 | 260279 | 219 | 260497 | 1010 | 26489 | 12275 | -9808 | 316198 |
| 1992 DEC | 6609 | 10328 | 297472 | 173 | 297645 | 1877 | 30786 | 5335 | 55181 | 352580 |
| 1993 DEC | 6810 | 8813 | 317168 | 9218 | 326386 | 8660 | 31146 | 8526 | 55947 | 390341 |
| 1994 MAR | 4759 | 9487 | 329904 | 1641 | 331545 | 11552 | 31265 | 20515 | 48738 | 409123 |
| JUN | 6274 | 11756 | 333076 | 1353 | 334429 | 9513 | 31577 | 20509 | 43537 | 414058 |
| SEP | 5239 | 12313 | 344843 | 6639 | 351482 | 11034 | 32164 | 19130 | 48119 | 431362 |
| DEC | 8265 | 8689 | 356727 | 2040 | 358767 | 11488 | 23829 | 8768 | 50267 | 419806 |
| 1995 MAR | 5266 | 6565 | 360317 | 1446 | 361763 | 11863 | 21557 | 9237 | 24896 | 416251 |
| JUN | 5451 | 8846 | 348854 | 407 | 349261 | 11426 | 21414 | 26986 | 21219 | 423384 |
| SEP | 6286 | 8719 | 366214 | 1895 | 368109 | 11424 | 22644 | 17695 | 18138 | 434878 |
| DEC | 4487 | 13518 | 185783 | 325 | 186108 | 102 | 4870 | 6559 | 8742 | 215643 |
| 1996 MAR | 5515 | 12366 | 377801 | 1007 | 378808 | 9571 | 26534 | 12379 | -6346 | 445173 |
| JUN | 6787 | 15995 | 390367 | 1320 | 391687 | 12071 | 29993 | 5972 | -46282 | 462505 |
| SEP | 7229 | 14675 | 401338 | 1349 | 402687 | 13070 | 32330 | 29999 | 689 | 499990 |
| DEC | 12323 | 10793 | 421750 | 1340 | 423090 | 13126 | 24785 | 23660 | -9983 | 507776 |
| 1997 MAR | 6712 | 22850 | 425829 | 1325 | 427154 | 1295 | 25705 | 36649 | -25455 | 520366 |
| JUN | 6783 | 25013 | 443855 | 1324 | 445179 | 624 | 22502 | 6762 | -46612 | 506862 |
| SEP | 7771 | 9068 | 463479 | 1300 | 464779 | 14624 | 22197 | 13063 | -16455 | 531502 |
| DEC | 12397 | 12152 | 478655 | 308 | 478963 | 624 | 22591 | 8515 | -26174 | 535242 |

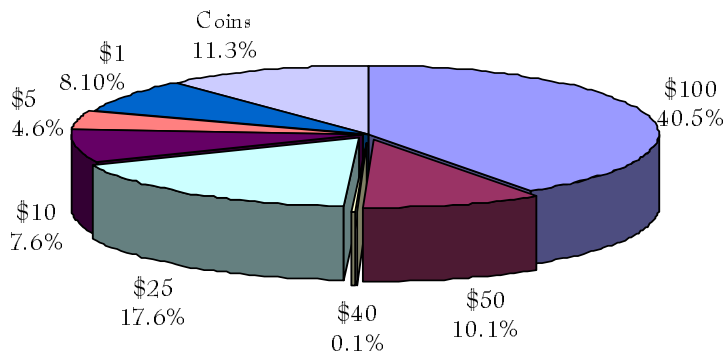
| LIABILITIES | | | | | | | |
|---|--------|---------------------|---------|-------------------|------------------------|----------------------|----------------------|
| CATEGORY 'A' BANKS & TRUST COMPANIES WITH LOCAL CURRENCY ASSETS POSITION IN | | | | | | | |
| CAYMAN ISLANDS CURRENCY (CI\$000) | | | | | | | |
| PERIOD END | DEMAND | DEPOSITS SAVINGS | FIXED | TOTAL DEPOSITS | SHAREHOLDERS EQUITY | OTHER LIABILITIES | TOTAL LIABILITIES |
| 1985 DEC | 13,781 | 17,922 | 43,378 | 75,081 | 21,098 | 16,424 | 112,603 |
| 1990 DEC | 34,345 | 41,236 | 117,227 | 192,808 | 87,798 | 20,603 | 301,209 |
| 1991 DEC | 37,989 | 44,018 | 138,613 | 220,620 | 84,791 | 20,595 | 326,006 |
| 1992 DEC | 41,637 | 48,453 | 142,076 | 232,166 | 55,162 | 10,069 | 297,397 |
| 1993 DEC | 47,053 | 52,886 | 144,551 | 244,490 | 61,135 | 31,783 | 337,408 |
| 1994 MAR | 46,935 | 56,295 | 159,667 | 262,897 | 62,789 | 37,833 | 363,519 |
| JUN | 48,878 | 58,592 | 163,037 | 270,507 | 66,224 | 37,110 | 373,841 |
| SEP | 48,572 | 59,347 | 170,583 | 278,502 | 68,316 | 36,425 | 383,243 |
| DEC | 54,163 | 59,676 | 165,144 | 278,983 | 81,569 | 8,987 | 369,539 |
| 1995 MAR | 56,775 | 59,975 | 170,615 | 287,365 | 80,530 | 23,459 | 391,354 |
| JUN | 54,693 | 62,279 | 172,405 | 289,377 | 91,135 | 21,653 | 402,165 |
| SEP | 55,621 | 61,165 | 182,237 | 299,023 | 90,139 | 21,653 | 402,165 |
| DEC | 21,804 | 29,432 | 119,693 | 170,929 | 17,554 | 14,083 | 439,391 |
| 1996 MAR | 60,318 | 64,266 | 203,253 | 327,837 | 100,413 | 21,553 | 449,803 |
| JUN | 87,161 | 77,565 | 206,009 | 370,732 | 94,500 | 43,667 | 508,899 |
| SEP | 67,098 | 68,365 | 222,586 | 358,049 | 112,056 | 29,295 | 499,400 |
| DEC | 76,004 | 70,740 | 220,258 | 367,003 | 116,531 | 34,285 | 517,819 |
| 1997 MAR | 73,563 | 77,666 | 235,288 | 386,517 | 121,676 | 37,539 | 545,732 |
| JUN | 80,120 | 78,924 | 243,607 | 402,651 | 127,076 | 23,642 | 553,368 |
| SEP | 79,990 | 78,811 | 221,607 | 380,408 | 131,351 | 36,104 | 547,863 |
| DEC | 75,716 | 79,250 | 229,234 | 384,200 | 138,925 | 38,234 | 561,258 |

LOANS AND ADVANCES

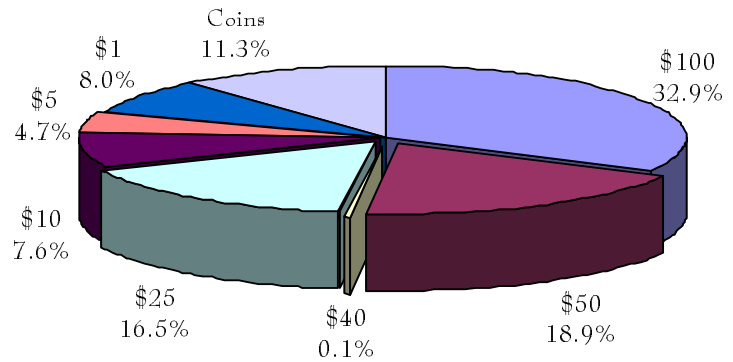
| | 1993 | | 1994 | | 1995 | | 1996 | | 1997 | |
|--------------------------|---------|---------|---------|---------|---------|-----------|---------|---------|---------|-----------|
| | CI\$ | Other | CI\$ | Other | CI\$ | Other | CI\$ | Other | CI\$ | Other |
| CAYMAN ISLANDS GOV. | 957 | 27,453 | 3,822 | 34,822 | 4,766 | 31,647 | 4,793 | 51,366 | 5,733 | 68,954 |
| STATUTORY BODIES | 3,124 | 0 | 0 | 83 | 14 | 83 | 18 | 0 | 688 | 4,068 |
| AGRICULTURE & FISHING | 263 | 383 | 126 | 276 | 302 | 211 | 566 | 7 | 280 | 5 |
| HOTELS & REST. | 3,988 | 7,515 | 3,166 | 74,630 | 2,229 | 71,810 | 4,865 | 69,191 | 1,640 | 48,469 |
| TRADE & COMMERCE | | | | | | | | | | |
| (i) - Retail | 13,646 | 6,497 | 18,834 | 12,084 | 16,592 | 19,530 | 16,571 | 19,131 | 16,169 | 41,413 |
| (ii) - Wholesale | 12,003 | 9,251 | 3,848 | 4,675 | 2,806 | 13,051 | 2,059 | 13,302 | 2,791 | 13,020 |
| UTILITIES | 3,677 | 16,391 | 181 | 14,057 | 1,406 | 18,567 | 2,152 | 23,640 | 1,693 | 70,964 |
| CONSTRUCTION REAL ESTATE | 10,053 | 16,587 | 8,925 | 13,284 | 7,915 | 13,466 | 7,832 | 24,120 | 16,782 | 8,360 |
| REAL ESTATE | 29,515 | 100,967 | 29,629 | 103,443 | 28,850 | 101,823 | 28,765 | 112,294 | 37,536 | 125,030 |
| INSURANCE ENTERPRISES | 762 | 0 | 562 | 0 | 368 | 0 | 58 | 0 | 6 | 0 |
| PERSONAL LOANS | | | | | | | | | | |
| (i) - Dwelling | 138,891 | 5,877 | 170,316 | 63,156 | 183,793 | 62,898 | 210,484 | 71,129 | 265,883 | 80,808 |
| (ii) - Other | 78,425 | 50,496 | 81,568 | 142,950 | 88,129 | 51,734 | 96,936 | 45,712 | 93,563 | 45,285 |
| OTHER | 21,854 | 86,128 | 28,361 | 57,494 | 42,378 | 54,355 | 46,623 | 58,732 | 49,058 | 162,120 |
| TOTAL RESIDENTS | 317,157 | 448,104 | 349,338 | 520,954 | 379,547 | 439,173 | 421,722 | 488,624 | 491,862 | 668,496 |
| TOTAL NON-RESIDENTS | 2,742 | 232,524 | 2,040 | 288,763 | 1,875 | 643,200 | 70,911 | 460,790 | 1,558 | 614,497 |
| TOTAL LOANS & ADVANCES | 319,899 | 680,628 | 351,378 | 809,717 | 381,422 | 1,082,374 | 492,633 | 949,414 | 493,420 | 1,282,993 |

CURRENCY IN CIRCULATION

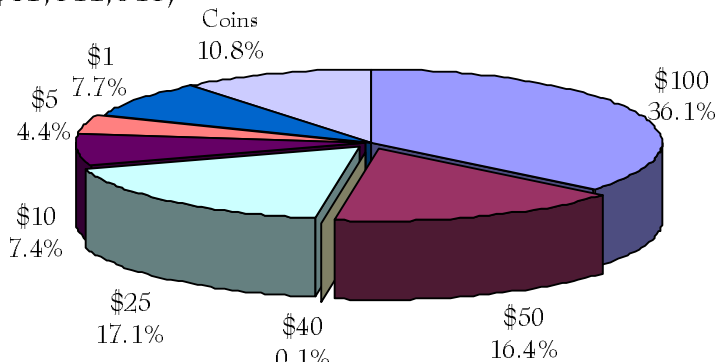
1994 TOTAL
(\$30,024,828)



1995 TOTAL
(\$33,005,401)



1996 TOTAL
(\$37,541,048)



1997 TOTAL
(\$40,548,518)

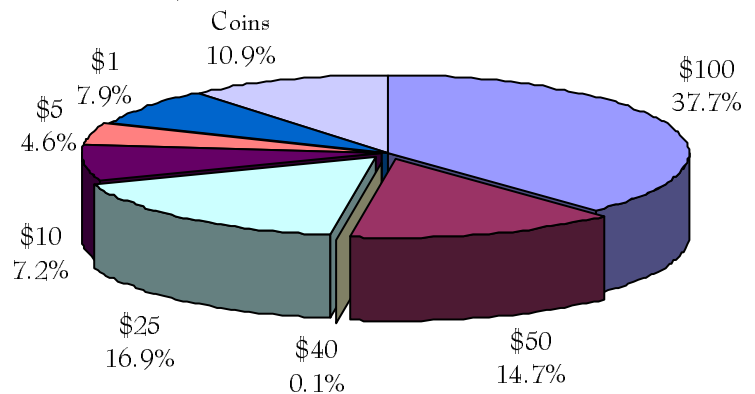
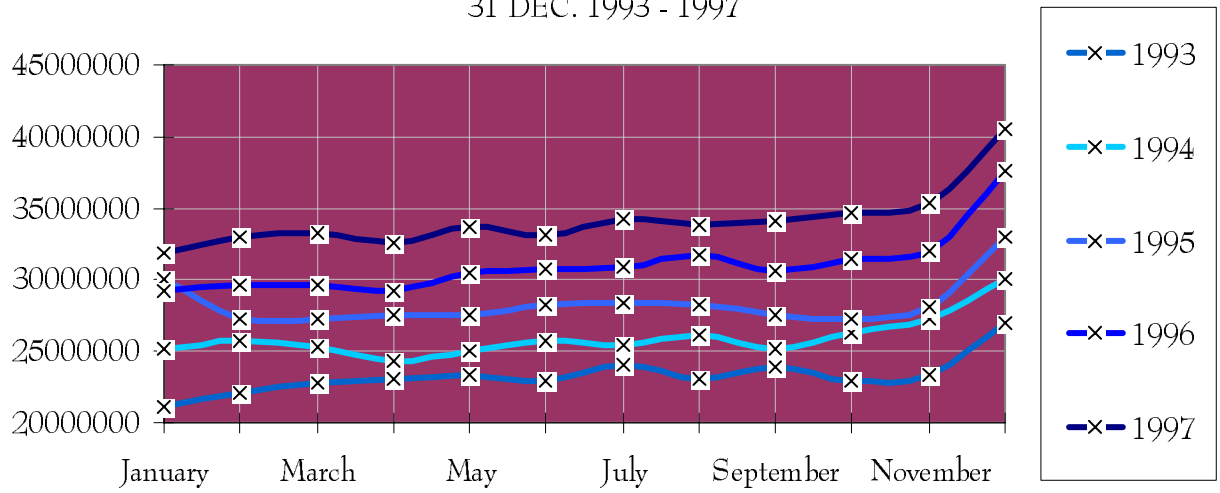


CHART 1 - CURRENCY * IN CIRCULATION BY MONTH
31 DEC. 1993 - 1997





*To the Shareholders and Directors of the Cayman Islands
Monetary Authority*

In accordance with the provisions of Section 35 (2) of the Monetary Authority Law (1998 Revision), and Section 45 (1) of the Public Finance and Audit Law (1997 Revision), I have audited the financial statements of the Cayman Islands Monetary Authority for the year ended 31 December 1997, as set out on pages 38 to 46. These financial statements are the responsibility of the Authority's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with International Standards on Auditing. Those Standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Opinion

In my opinion these financial statements present fairly, in all material respects, the financial position of the Cayman Islands Monetary Authority as at 31 December 1997, and the results of its operations and its cash flows for the year then ended, in accordance with International Accounting Standards and comply with the Monetary Authority Law (1998 Revision).

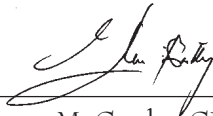
A handwritten signature in black ink, appearing to read 'N.K. Esdaile'.

N.K. Esdaile Auditor General
26 August 1998

CAYMAN ISLANDS MONETARY AUTHORITY
BALANCE SHEET
31 December 1997
In Cayman Islands Dollars

| ASSETS | Note | 1997 |
|--|--------|-------------------------|
| <i>Currency Reserve Assets</i> | | |
| Short-Term Investments | 3 | \$46,948,772 |
| Current and Call deposits | 4 | 4,771,174 |
| Fixed Deposits | 4 | 2,017,333 |
| <i>Total currency reserve assets</i> | | <u>53,737,279</u> |
| <i>Other Assets</i> | | |
| Accounts Receivable | 11 | 9,734 |
| Other Receivables and Prepayments | 11 | 73,871 |
| Interest Receivable, local deposits | 11 | 7,376 |
| Stocks | 5 | 233,341 |
| Fixed Assets | 6 | 802,807 |
| <i>Total other assets</i> | | <u>1,127,129</u> |
| TOTAL ASSETS | | \$54,864,408 |
| LIABILITIES | | |
| Demand Liabilities, Currency in Circulation | 7 | \$40,488,518 |
| Payable to the CI Government | 9b | 2,500,000 |
| Other Liabilities and Payables | 7 | 636,779 |
| Lease obligation | 8 | 218,797 |
| TOTAL LIABILITIES | | \$43,844,094 |
| RESERVES and CAPITAL | | |
| General Reserve | 9a | 6,073,278 |
| Currency Issue Reserve | 9c | 697,036 |
| <i>Total reserves</i> | | 6,770,314 |
| Paid Up Capital | 9d | 4,250,000 |
| <i>Total reserves and capital</i> | | <u>11,020,314</u> |
| TOTAL LIABILITIES, RESERVES and CAPITAL | | \$54,864,408 |

Signed on behalf of the Board, 26 August 1998



George McCarthy, CPA, OBE, JP
Chairman



Neville Grant, M.A., MBA
Managing Director

Cayman Islands Monetary Authority

Cayman Islands Monetary Authority

The notes on pages 41 to 40 are an integral part of the financial statements.

CAYMAN ISLANDS MONETARY AUTHORITY
 INCOME STATEMENT
 For the year ended 31 December 1997
 In Cayman Islands Dollars

| INCOME | Note | 1997 |
|---------------------------------|------|--------------------|
| Government Grant | 2 | \$3,482,124 |
| Investment Income | 2 | 2,554,966 |
| Commission Income | | 238,928 |
| Numismatic Income | | 54,950 |
| Other income | | 12,376 |
| Foreign Currency Loss | 2 | (478) |
| <i>Total income</i> | | <u>6,342,866</u> |
| EXPENSES | | |
| Salaries and Bonuses | | 1,640,459 |
| General and Administrative | | 294,280 |
| Lease rental | 8 | 233,975 |
| Depreciation | 6 | 172,563 |
| Official travel | | 113,624 |
| Pension contributions | 10 | 99,364 |
| Management and Custody fees | 3 | 85,270 |
| Audit and Professional fees | | 62,680 |
| Staff training and Recruitment | | 54,800 |
| Interest expense | 8 | 30,339 |
| Directors fees | | 8,000 |
| <i>Total operating expenses</i> | | <u>2,795,354</u> |
| <i>Net income</i> | | <u>\$3,547,512</u> |

The notes on pages 41 to 46 are an integral part of the financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 31 December 1997
In Cayman Islands Dollars

1997

Cash flows from operating activities

| | |
|---------------------------------------|-------------|
| CI Government grant received | \$3,482,124 |
| Net proceeds from currency operations | 3,721,333 |
| Payments to CI Government | (1,527,269) |
| Payments to employees | (1,781,795) |
| Payments to suppliers | (931,878) |

| | |
|--|-------------|
| <i>Net cash used by operating activities</i> | (2,962,515) |
|--|-------------|

Investing Activities

| | |
|------------------------------|-------------|
| Investment income received | 2,460,441 |
| Net purchases of investments | (2,294,155) |
| Acquisition of fixed assets | (709,571) |

| | |
|--|-----------|
| <i>Net cash provided by investing activities</i> | (543,285) |
|--|-----------|

Financing Activities

| | |
|---------------|----------|
| Interest paid | (30,339) |
|---------------|----------|

| | |
|--|----------|
| <i>Net cash used in financing activities</i> | (30,339) |
|--|----------|

Increase in cash and cash equivalents

2,388,891

Movement in cash and cash equivalents

| | |
|---------------------------|-----------|
| Balance at 1 January 1997 | 4,399,616 |
| Increase | 2,388,891 |

| | |
|------------------------------------|--------------------|
| Balance at 31 December 1997 | \$6,788,507 |
|------------------------------------|--------------------|

The notes on pages 41 to 40 are an integral part of the financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
31 December 1997
In Cayman Islands Dollars

1. Organisation

The Cayman Islands Monetary Authority (the "Authority") was established under The Monetary Authority Law, 1996 (the "Law") on 1 January 1997. Under the Law, the primary objectives of the Authority are (a) to issue and redeem currency notes and coins; (b) to promote and maintain monetary stability; (c) to promote and maintain a sound financial system; and (d) to advise the Cayman Islands Government on banking and monetary matters. Prior to 1 January 1997, The Cayman Islands Currency Board (the "Board") was responsible for currency management and the Financial Services Supervision Department ("FSSD") was responsible for financial services' regulation in the Cayman Islands. Under the law, the Board and FSSD were terminated and their assets, liabilities, reserves and responsibilities transferred and vested in the Authority on 1 January 1997.

2. Significant Accounting Policies

- a) Basis of preparation. The financial statements of the Authority are prepared in accordance with International Accounting Standards and under the historical cost convention. The reporting currency is Cayman Islands Dollars.
- b) Investments. Short-term investments are valued at amortized cost, and long term investments are valued at quoted market value, on a monthly basis. Unrealised gains or losses are recorded in the income statement.
- c) Foreign Currency. 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 income statement.
- d) Government Grants. Income grants are deferred and recognised in the income statement over the grant period.
- e) Fixed Assets. Fixed Assets are stated at historical cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets. Rental payments under operating leases are charged to the income statement in equal installments over the period of the lease. Interest costs on borrowings to finance leasehold improvements are expensed. Leases where the Authority assumes substantially all the economic benefits and risks of ownership are classified as finance leases. Finance leases are recognised as an asset and liability in the balance sheet at amounts equal to the fair value at the inception of the lease of the leased property or, if lower, the present value of the minimum lease payments. Repairs and maintenance expenses are charged to the income statement when the expenditure occurs.
- f) Stocks. Stocks consist of silver bullion arising from the melt-down of numismatic coins and, the gold and silver bullion content of the following categories of numismatic coins: coins for resale, museum items and coins awaiting melt-down. Stocks are stated at year-end market values for gold and silver bullion.
- g) Numismatic Coins. The total nominal value of numismatic coins outstanding at 31 December 1997 is \$15,071,504. 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 income statement as incurred.
- h) Cash and cash equivalents. For the purposes of the cash flow statement, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within 90 days from the date of acquisition.

Cayman Islands Monetary Authority
Notes to the Financial Statements
31 December 1997

3. Short-Term Investments

The principal investment objectives of the Authority are security, liquidity and income. The investment portfolio is managed by independent fund managers in accordance with investment guidelines established by the Board of Directors. 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.

| Summary of short-term investments | <u>31 December 1997</u> |
|--|-------------------------|
| Certificates of Deposits and Bankers Acceptances Interest rates ranged from 5.63% to 6.13% Maturing from 5/1/98 to 30/6/98 | \$29,865,439 |
| Repurchase Agreement Federal Reserve 6.37% maturing 2/1/98 | 17,083,333 |
| Total short-term investments, at amortized cost | \$46,948,772 |
| Market value of short-term investments | \$46,946,342 |

4. Bank Deposits

The Authority maintains current, call and fixed deposits with domestic and foreign banks. Under the Law, domestic deposits cannot exceed 10% of demand liabilities. At 31 December 1997, domestic deposits represent 7.0% of demand liabilities.

| <i>Domestic deposits</i> | <i>Currency</i> | <i>CI\$</i> |
|--------------------------|-----------------|-------------|
| Call deposits | KYD | \$203,194 |
| Call deposits | USD | 643,477 |
| Call deposits | GBP | 4,271 |
| Current deposits | KYD | (16,153) |
| Fixed deposits | KYD | 2,017,333 |
| Cash on hand | KYD | 205 |
| | | \$2,852,327 |

Interest is paid on local call and fixed deposits at rates ranging from 2.5% to 5.75% per annum.

| <i>Foreign Deposits</i> | <i>Currency</i> | <i>CI\$</i> |
|------------------------------------|-----------------|-------------|
| Investment portfolio, call account | USD | \$3,851,837 |
| Federal Reserve | USD | 84,343 |
| | | \$3,936,180 |

Interest of 5% p.a. is paid on foreign call deposits. Deposits with the Federal Reserve are non-interest bearing; however, excess deposit balances are invested daily in repurchase agreements.

5. Stocks

Stocks consist of silver bullion arising from the meltdown of numismatic coins and the gold and silver bullion content of numismatic coins held by the Authority.

| | |
|-------------------------------------|-------------------------|
| Bullion from the melt-down of coins | \$180,573 |
| Coins awaiting melt-down | 11,959 |
| Coins for resale | 19,535 |
| Museum items | 21,274 |
| | <hr/> |
| Total stocks | <u><u>\$233,341</u></u> |

6. Fixed Assets

| | Furniture & Fixtures | Leasehold Improv | Office Equipment | Motor Vehicle | Total |
|--|-------------------------|---------------------|---------------------|------------------|-------------------|
| Original Cost | | | | | |
| Balance at 1 January 1997: | \$ 2,007 | \$ – | \$ 118,924 | \$ – | \$ 120,931 |
| Additions: | 181,357 | 422,915 | 281,675 | 24,600 | 910,547 |
| Disposals: | – | – | – | – | – |
| Balance at 31 December 1997: | <u>183,364</u> | <u>422,915</u> | <u>400,599</u> | <u>24,600</u> | <u>1,031,478</u> |
| Depreciation | | | | | |
| Balance at 1 January 1997: | 100 | – | 56,008 | – | 56,108 |
| Depreciation expense: | 30,156 | 49,421 | 90,115 | 2,871 | 172,563 |
| Balance at 31 December 1997: | <u>30,256</u> | <u>49,421</u> | <u>146,123</u> | <u>2,871</u> | <u>228,671</u> |
| Net Book Value | | | | | |
| Cost at 31 December 1997: | 183,364 | 422,915 | 400,599 | 24,600 | 1,031,478 |
| Accumulated depreciation: | (30,256) | (49,421) | (146,123) | (2,871) | (228,671) |
| Net Book Value at 31 December 1997: | <u>\$ 153,108</u> | <u>\$ 373,494</u> | <u>\$ 254,476</u> | <u>\$ 21,729</u> | <u>\$ 802,807</u> |

Cayman Islands Monetary Authority
Notes to the Financial Statements
31 December 1997

7. Liabilities

Demand Liabilities. Represents the value of circulating currency notes and coins. These liabilities are fully funded by the Currency Reserve assets. Under the Law, the Currency Reserve assets represent external and local assets that: shall only be used to satisfy demand liabilities; shall be segregated from all other assets of the Authority; and shall not be chargeable with any liability arising from any other business of the Authority.

At 31 December 1997, total demand liabilities comprise:

| | |
|---|---------------------|
| i) Currency notes in circulation | \$36,065,017 |
| ii) Currency coins in circulation | 4,423,501 |
| | <hr/> |
| Demand liabilities, Currency in circulation | <u>\$40,488,518</u> |

At 31 December 1997, the value of Currency Reserve assets was \$53,737,279 representing 133% of total demand liabilities. After all demand liabilities are extinguished, any surplus Currency Reserve assets would form, in part, the assets of the General Reserve – see note 9.

Other liabilities. At 31 December 1997, other liabilities include unsettled currency redemption payments of \$556,250 due to two local banks. Unsettled redemption payments are normal, temporary liabilities arising from currency operations due to mismatched trade instructions. Both liabilities liquidated on 5 January 1998.

8. Lease Obligations

The Cayman Islands Government leases the premises used by the Authority under a lease agreement dated 15 December 1996. The lease is for an initial period of three years at \$25.00 per sq. foot, with an option for an additional two years at \$26.00 per sq. ft, payable monthly in advance.

The Authority reimburses all costs under this agreement, including the modification costs incurred by the lessor to design the building to the Authority's specifications. These modification costs are being repaid over three years at an interest rate of 11.25% per annum. At 31 December 1997, the unpaid principal balance of modification costs is \$218,797 of which \$103,286 is payable within a year.

9. Reserves and Capital

- a) **General Reserve.** The Authority maintains a General Reserve in accordance with Section 6(1) of the Law. Under the Law, the General Reserve must be maintained at 15% of demand liabilities to provide additional funding, if necessary, for demand liabilities and obligations arising from other business of the Authority. On 16 March 1998, the Legislative Assembly passed the Monetary Authority (Amendment) (Reserves) Law, 1998 to reduce total reserve requirements from 130% to 115% of demand liabilities.
- b) **Reserve Allocation.** Under the Law, the net income of the Authority, after provision for all expenditure and reserves, must be allocated such that the Currency Reserve represents at least 100% of demand liabilities and the General Reserve equals 15% of demand liabilities. Any surplus, after complying with these requirements, must be transferred to the General Revenue of the Cayman Islands Government. On 23 July 1998, the Board of Directors resolved to transfer \$2,500,000 to the General Revenue of the Cayman Islands Government. The Executive Council of the Cayman Islands Government has committed to increasing the Paid-Up capital of the Authority to a minimum of \$10 million by the year 2008, by yearly transfers from surplus, after complying with reserve requirements.
- c) **Currency Issue Reserve.** A three-year supply of bank notes will be reprinted in 1999 at an approximate cost of \$500,000. The total cost of the reprint will be charged to the Currency Issue Reserve.
- d) **Capital.** The authorised share capital of the Authority is \$100,000,000. The Cayman Islands Government is the sole shareholder and has contributed Paid Up capital of \$4,250,000 as at 31 December 1997.

| Reserves and Capital: | Note | General Reserve | Currency Issue Reserve | Paid-Up Capital |
|------------------------------|------|---------------------|------------------------|---------------------|
| Balance at 1 January 1997: | 1 | \$ 6,965,693 | \$ 218,838 | \$ 2,788,271 |
| Transfers in: | 9 | 3,547,512 | 478,198 | 1,461,729 |
| Transfers out: | 9 | (4,439,927) | – | – |
| Balance at 31 December 1997: | | <u>\$ 6,073,278</u> | <u>\$ 697,036</u> | <u>\$ 4,250,000</u> |

10. Pensions

The Authority participates in the Public Service Pensions Fund, a defined benefit pension scheme administered by the Cayman Islands Government. Under this scheme, the employer contributes 6%, and the employee contributes 4%, of the employee's salary on a monthly basis. All employees, except employees employed on overseas or local contracts, are eligible for this scheme. Ineligible employees receive contracted officers' cash supplements of 10% of salary in lieu of pension contributions. The Authority paid \$52,009 in contracted officers' supplements during the year.

Cayman Islands Monetary Authority
Notes to the Financial Statements
31 December 1997

11. Financial Instruments

Credit risk. Financial assets that potentially subject the Authority to credit risk consist principally of current, call and fixed deposits, short-term investments, accounts and interest receivable, and other receivables and prepayments. The Authority's current, call, and fixed deposits are placed with high credit quality institutions. Credit risk with respect to short-term investments, accounts and interest receivable, and other receivables and prepayments is limited because the Authority only transacts business with counterparts it believes to be reputable and capable of performing their contractual obligations. Accordingly, the Authority has no significant concentrations of credit risk.

Interest rate risk. The Authority's short-term investments and deposits are at fixed interest rates and mature within one year. The ranges of interest rates and maturity dates are presented in note 3.

Fair values. The carrying amount of current, call, and fixed deposits, accounts and interest receivable, other receivables and prepayments, demand liabilities, lease obligation, and other liabilities and payables approximated their fair value due to the short-term maturities of these assets and liabilities. The market value of short-term investments is presented in Note 3. The fair values of other assets and liabilities are not materially different from the carrying amounts.

C·A·Y·M·A·N I·S·L·A·N·D·S



MONETARY AUTHORITY

ANNUAL REPORT 1997

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