



Annual Report

2021

Cayman Islands Monetary Authority

The Cayman Islands Monetary Authority Annual Report was prepared by the
Cayman Islands Monetary Authority

*Unless otherwise stated, the currency noted in this publication is expressed in Cayman Islands dollars
(CI\$1=US\$1.20)*

Where referenced in this publication:

\$1 trillion = \$1,000,000,000,000

\$1 billion = \$1,000,000,000

Cayman Islands Monetary Authority

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CIMA's Mission

"As the primary financial services regulator our mission is to enhance the economic wealth and reputation of the Cayman Islands by fostering a thriving and growing, competitive, and internationally recognised financial services industry through appropriate, responsive, cost-effective and efficient supervision and a stable currency."

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MANAGING DIRECTOR'S STATEMENT



During Financial Year 2013-14, efforts continued to strengthen and enhance the regulatory framework governing the financial services industry of the Cayman Islands, particularly in relation to the banking sector and to the licensing of directors.

Regulatory policies for licensing banks and money services businesses were revised. These revisions were designed to better align the licensing process with the latest in regulatory standards and best practices.

A Directors Registration and Licensing Law was enacted. This legislation was introduced to close a regulatory gap which existed previously, where there were no licensing or registration requirements imposed on individual persons who acted as directors of entities registered with the Cayman Islands Monetary Authority ("the Authority") ("CIMA"). In contrast, companies that provided directorship services had to be licensed, while directors of licensees had to be approved by CIMA.

Internally, substantial progress was made on drafting a new Strategic Plan to guide the operations of the Authority for the period 2014-16.

INDUSTRY ACTIVITY

Banking Supervision

Twenty-six regulatory memoranda of understanding were established with other banking regulators since June 2013, and five are currently being negotiated. This reflects the efforts being made to communicate effectively with other regulators, and the Authority's commitment to greater transparency and cooperation.

Despite the cancellation of some banking licences during the year, the Cayman Islands remains second behind Switzerland on the list of jurisdictional competitors for the number of banks regulated. Most of the cancellations were due to group restructuring, eliminating the need for a presence in the Islands, or the bank's purpose becoming redundant.

The Authority has been active in probing licensees on their status with FATCA preparations, which has become a priority across much of the banking industry and beyond, as deadlines approach.

Fiduciary Services

The Cayman Islands has been a top international location for the provision of trust services and remains so, with 387 companies providing services in and from the jurisdiction as at 30 June 2014.

The jurisdiction also holds its own among locations from which corporate/company management services are provided, and the sector has seen steady growth over the last several years, with 113 such companies active at the end of the financial year. This represents an increase of 4.63% over June 2013.

Insurance

With regard to international insurance, 28 new entities were added to the Cayman market, bringing the total number of licensees to 764.

The premiums generated totalled US\$12.3 billion at 30 June 2014, and the assets held amounted to US\$54.9 billion for the same reporting period.

With these figures, the segment also claims a major share of the global insurance market. Worldwide, the Cayman Islands is the second largest domicile for captive insurance companies. Moreover, with 34% of Cayman's captives covering healthcare risks, the jurisdiction is the number one domicile for healthcare captives.

Investments and Securities

The number of Cayman-authorized funds remains consistently in excess of those of other jurisdictions, with 11,296 funds as of 30 June 2014. These comprised 8,116 registered funds, 2,676 master funds, 395 administered funds and 109 licensed funds.

There was only modest growth in the securities investment business, with only two new licence applications approved in the fiscal year. As of 30 June 2014, there were 37 licensed Securities Investment Business holders and 2,109 SIBL Excluded Persons.

INTERNATIONAL STANDARDS

In order to remain at the forefront of international best practice, the Authority continued its participation in international standard-setting forums.

In 2013-2014, the Authority was a member of the Group of International Financial Centre Supervisors (GIFCS) working group, tasked with developing standards for trusts and corporate services providers. The expectation is that they will become new international standards. A draft report was presented to the GIFCS membership in April 2014, and is expected to be completed by year-end 2014.

In June 2014, the Authority was elected as deputy chair of the Group of International Insurance Centre Supervisors (GIICS). The Authority is also the Chair of the GIICS Education Committee. In that role, in 2014, the Authority drafted a report on development needs of GIICS members and developed a strategy to enhance the training and development of supervisors of GIICS members.

In October 2013, the Cayman Islands was re-elected to the Executive Committee of the International Association of Insurance Supervisors (IAIS) for a two-year term, representing the Caribbean and Offshore region.

ORGANISATIONAL EFFECTIVENESS

The Authority collected \$106.832 million in coercive fees from regulated entities on behalf of the Cayman Islands Government for financial year 2013-14, compared to \$101.659 million the prior year.

At 30 June 2014, currency in circulation (excluding numismatic coins) stood at \$81.5 million in notes and \$10.2 million in coins, totalling \$91.7 million. This represents a 5.2% increase from the 30 June 2013 figure of \$87.2 million.

Network security continues to be a primary focus for the Authority, with several enhancements made to existing systems for threat management and the inclusion of additional tiers of firewall protection. Additional layers of email, network and web security have been added, with work continuing in this area.

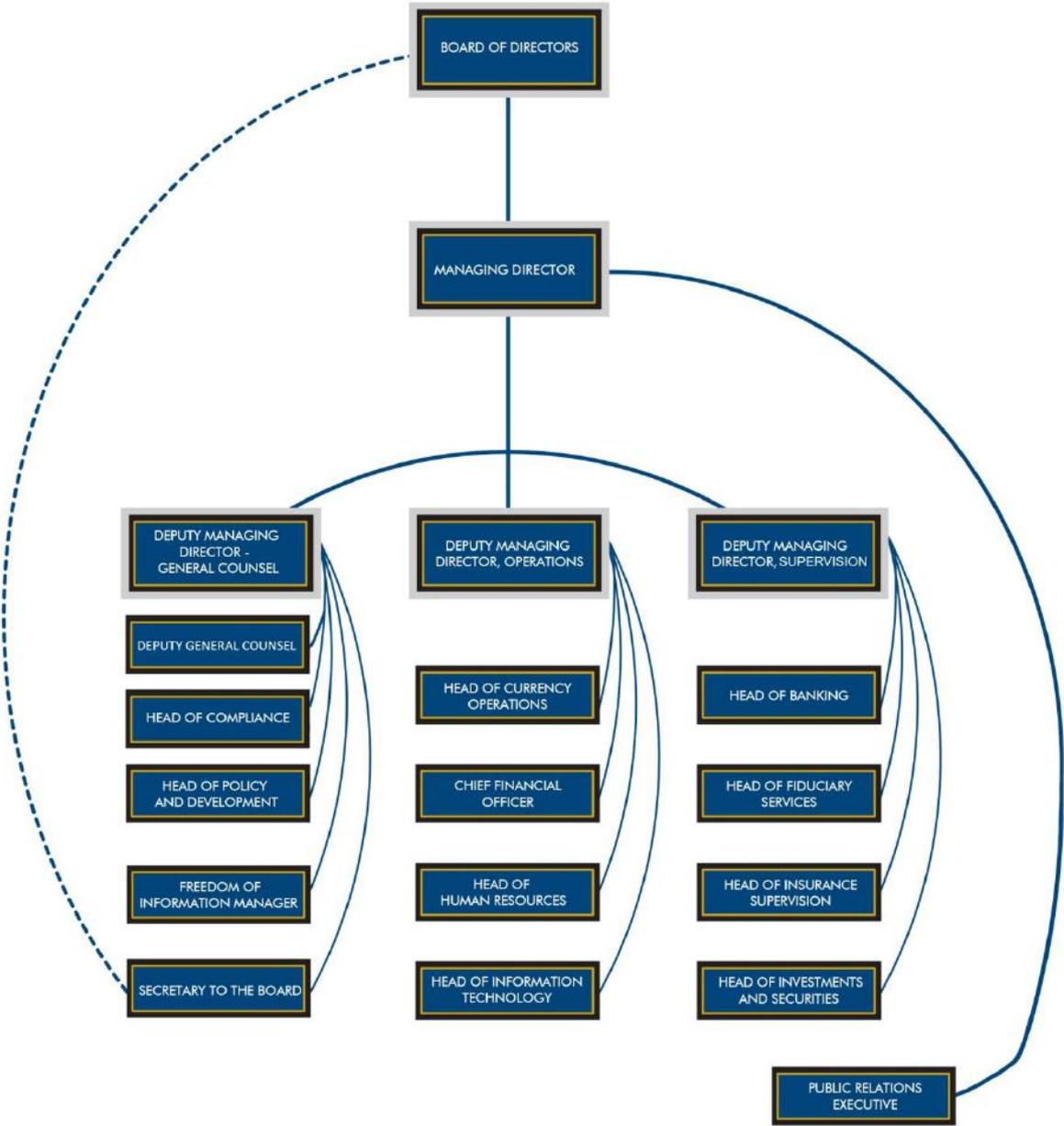
In relation to the Directors Registration and Licensing Law, CIMA's in-house working group designed a new online web application to facilitate the registration and licensing process and acceptance of credit card payments.

Our staff is key to the achievement of our objectives, and human resources initiatives undertaken during the year were aimed at enhancing the work environment. The implementation of development plans and a shared responsibility for performance with accountability between managers/supervisors and individual staff members, have led to the recognition of performance through a total of 12 promotions for the fiscal year.

Cindy Scotland

ORGANISATIONAL CHART

AS AT 30 JUNE 2014



BOARD OF DIRECTORS

As at 30 June 2014

At 30 June 2014, the Board of Directors of the Cayman Islands Monetary Authority comprised six members:

Mr. George McCarthy, OBE, JP, Chairman
Mr. Linburgh Martin, Deputy Chairman
Mrs. Cindy Scotland, Managing Director
Mr. Harry Chisholm, Director
Professor William Gilmore, Overseas Director
Mr. Raul Nicholson-Coe, Director



*Seated L-R: Deputy Chairman, Linburgh Martin; Managing Director, Cindy Scotland; Chairman, George McCarthy, OBE, JP
Standing L-R: Director, Raul Nicholson-Coe; Director, Sara Collins (resigned effective March 31 2014); Director, Harry Chisholm;
Overseas Director, Professor William Gilmore.*

SENIOR OFFICERS

As at 30 June 2014



Managing Director
Cindy Scotland



Deputy
Managing Director
General Counsel
Langston Sibbles, QC



Deputy
Managing Director
Operations
Patrick Bodden

SUPERVISORY DIVISIONS

Banking Supervision



Head
Reina Ebanks



Deputy Head
Sharon Braithwaite



Deputy Head
Gloria Glidden

Fiduciary Services



Head
Rohan Bromfield



Deputy Head
Leticia Frederick

Insurance Supervision



Acting Head
Morag Nicol



Deputy Head
Pedro Reis

Investments & Securities



Head
Heather Smith

NON-SUPERVISORY DIVISIONS

Compliance



Head
Robert J. Berry

Deputy Head
Audrey Roe

Policy & Development



Head
Justine Plenkiewicz

Legal



Deputy General Counsel
Andre Mon Désir

Legal Counsel
Gail Goring Johnson

Legal Counsel
Angelina Partridge

OPERATIONS

Currency Operations



Head
Deborah Ebanks

Deputy Head
Shan Whittaker

Finance



Chief Financial Officer
Gilda Moxam-Murray

Human Resources



Head
Deborah Musson

Deputy Head
Tara Abdul-Jabbar

Information Systems



Head
Chuck Thompson

Deputy Head
Scott MacLaren

MANAGING DIRECTOR'S OFFICE



Special Assistant to
the Managing Director
Mitchell Scott



Public Relations Executive
Sharon Marshall, Ph.D.

INDUSTRY OVERVIEW

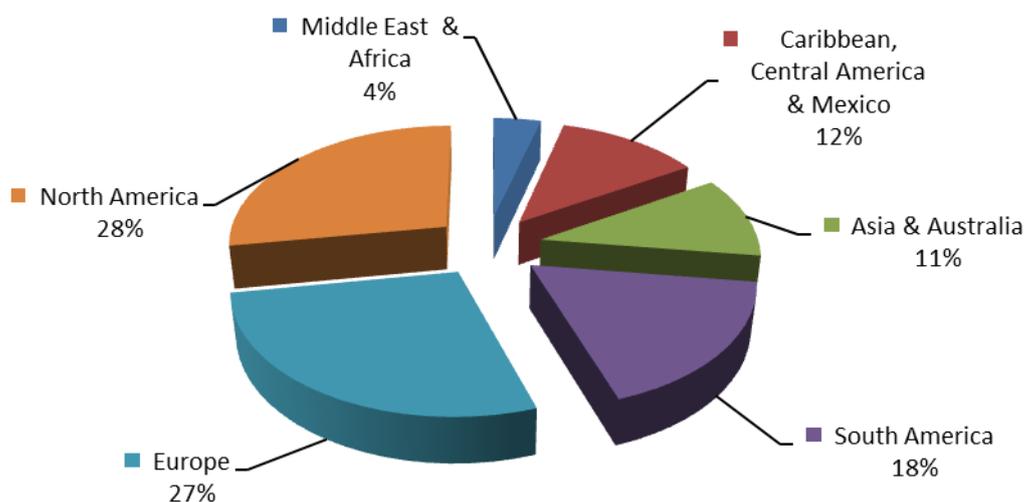
BANKING AND RELATED SERVICES

BANKING

The Sector

The majority of Cayman Islands-licensed banks are branches or subsidiaries of established international financial institutions conducting business in international markets. The largest concentrations of banks are from North America, Europe, and South America, as shown in Figure 1. The jurisdiction remains among the top ten banking centres globally, based on the value of assets and liabilities booked through banks licensed in the jurisdiction.

Figure 1: Region of Origin of Cayman-licensed Banks, June 2014



There were 210 banking licensees in the jurisdiction at 30 June 2014 (June 2013:221). These comprised seven retail category A banks, eight non-retail category A banks and 195 category B banks (June 2013:206). Of the 210 licensees, 136 were branches, primarily from the US and Brazil; 55 were subsidiaries, and 19 were banks privately owned or affiliated to another bank or a financial institution in their Group.

The Banks and Trust Companies Law (2013 revision) allows for two categories of banking licences: category A and B. CIMA, through its Banking Supervision Division, regulates and supervises all banking entities operating in and from within the Cayman Islands, along with those trust entities that have a banking licence¹.

Category A banks are allowed to operate both in the domestic and international markets and provide both retail and non-retail services to residents and non-residents. Traditional commercial retail banking services are provided by seven of the category A banks, with the others offering principal office/authorised agent services to category B banks that do not have a physical presence in the Cayman Islands and conduct investment banking services.

The category B licence permits international banking business and limited domestic activity, and are primarily used as financial intermediaries to raise funds in the international market to provide capital for their parent banks and for the financing of external/cross-border business on their own account in the international market.

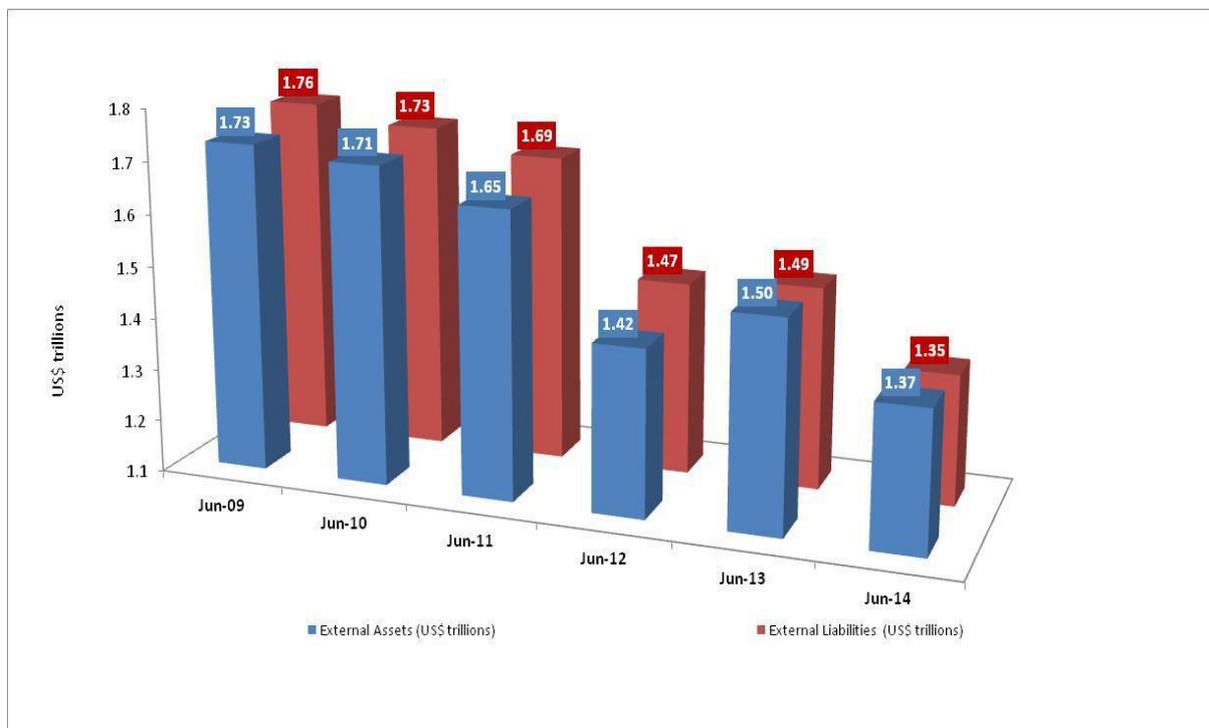
¹ See "Fiduciary Services", beginning on page 16, for further information on trust services.

Banking Activity – Cayman Islands-licensed banks

Total international assets as at June 2014 stood at \$1.399 trillion, and liabilities at \$1.441 trillion. Domestic assets were \$34 billion and liabilities were \$60 billion.

As at June 2014, the jurisdiction ranked sixth internationally in terms of external/cross-border assets of \$1.365 trillion (June 2013: \$1.503 trillion)² and fifth by external/cross-border liabilities of \$1.347 trillion³ (June 2013: \$1.487 trillion⁴) booked from the Cayman Islands.

Figure 2: External/cross-border Assets and Liabilities of Cayman Islands-licensed banks, 2009-2014



The Cayman Islands-licensed banks' external/cross-border assets and liabilities have been declining steadily since June 2009 through June 2012. Despite posting a moderate increase in June 2013 the downward trend continued as at June 2014 (see Figure 2). These gradual decreases were most likely influenced by the lingering effects of the financial crisis on international credit markets, contraction of global economic growth, and legislative reforms to provide incentives for onshore banking.

The decline in international external/cross-border banking activity is noted by the Bank for International Settlements (BIS) as primarily due to a slowdown in the Euro Area, in particular emerging European markets, which traditionally conduct transactions through the UK and US, who in turn account for the majority of international banking business of the Cayman Islands. In addition, there has been a marked shift from the banking sector to the debt securities and investment funds market due to the high performance of stocks and bonds.

2 Source: Bank for International Settlements (BIS): <http://www.bis.org/statistics/bankstats.htm>. Report titled 2A External positions of banks in all currencies vis-à-vis all sectors.

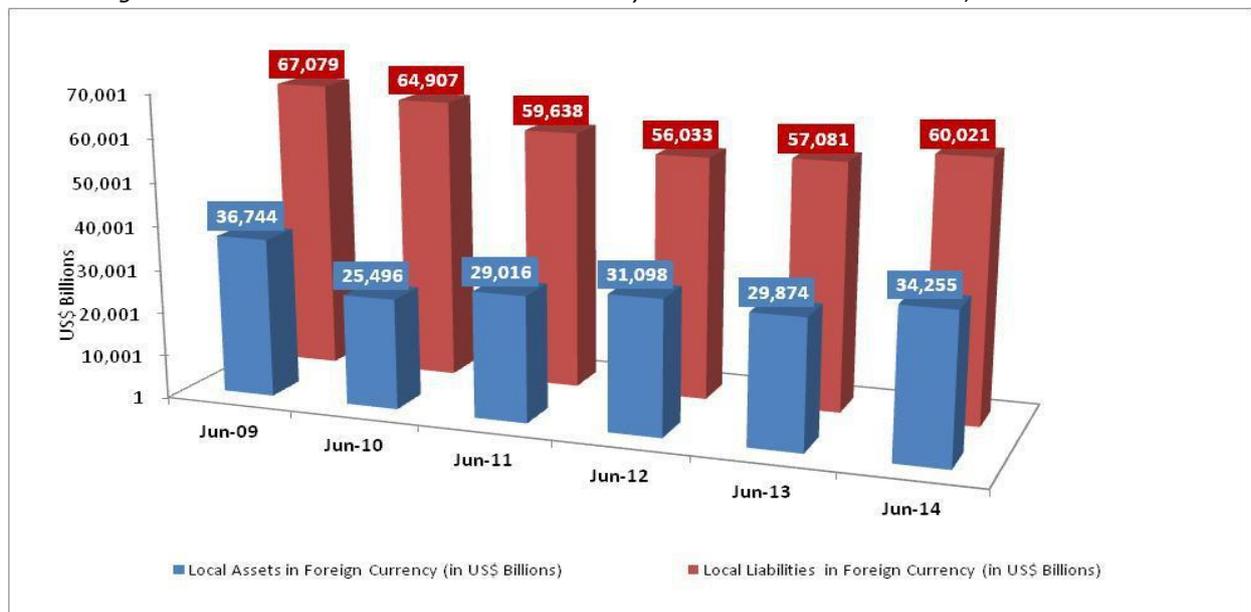
3 Source: Bank for International Settlements (BIS): <http://www.bis.org/statistics/bankstats.htm>. Report titled 2A External positions of banks in all currencies vis-à-vis all sectors, which excludes US\$34 billion in own issues of debt securities which are reported without counterparty country breakdown and is not considered to be cross-border as per recent changes to the reporting methodology by BIS.

4 Source: Bank for International Settlements (BIS): <http://www.bis.org/statistics/bankstats.htm>. Report titled 2A External positions of banks in all currencies vis-à-vis all sectors, which excludes US\$36 billion in own issues of debt securities which are reported without counterparty country breakdown and is not considered to be cross-border as per recent changes to the reporting methodology by BIS.

Domestic⁵ Assets and Liabilities in Foreign Currency 2009 - 2014

In addition to the \$1.365 trillion and \$1.347 trillion in external/cross-border assets and liabilities booked by Cayman-licensed banks as at June 2014, \$34 billion and \$60 billion in foreign currency assets and liabilities were booked in the domestic economy (see Figure 3). This increase in activity in the domestic economy is largely as a result of intra-bank bookings among Cayman-licensed banks for group bank and group non-bank transactions.

Figure 3: Domestic Assets and Liabilities of Cayman Islands-licensed Banks, 2009-2014



Domestic Sector – Category A Retail Banks

The domestic market continued to be serviced by seven retail banks: Butterfield Bank (Cayman) Limited, Cayman National Bank Ltd., Fidelity Bank (Cayman) Limited, FirstCaribbean International Bank (Cayman) Limited, HSBC Bank (Cayman) Limited, RBC Royal Bank (Cayman) Limited and Scotiabank & Trust (Cayman) Ltd. Six are subsidiaries of international banking groups and the seventh is owned by a financial group headquartered in the Cayman Islands.

Of the \$34 and \$60 billion in assets and liabilities booked by category A and B banks in the domestic economy, the domestic retail banks held total assets and deposit liabilities of \$14.6 billion and \$12.8 billion from residents and non-residents.

Table 1 shows total assets, loans and deposits for the seven retail banks on a consolidated⁶ basis which includes their operations with their group entities operating under the Cayman-licensed bank outside of the Cayman Islands, and resident loans and deposits to the domestic market from their Cayman Islands banking operations.

⁵ Domestic refers to positions booked by Category 'A' and 'B' banks against entities licensed in the Cayman Islands (and considered legally resident by license) and resident households.

⁶ Figures are being reported on a consolidated basis to reflect the total legal entity's position.

Table 1: Retail Bank figures 2009-2014 (in \$US)

Year	Total Assets	Total Loans	of which:	Total Deposits	of which:
			Resident Loans		Resident Deposits
Jun-09	\$13.3 billion	\$6.6 billion	\$3.60 billion	\$11.5 billion	\$6.78 billion
Jun-10	\$13.0 billion	\$6.5 billion	\$3.48 billion	\$11.4 billion	\$7.28 billion
Jun-11	\$17.5 billion	\$7.5 billion	\$3.57 billion	\$15.9 billion	\$6.42 billion
Jun-12	\$13.6 billion	\$7.6 billion	\$3.69 billion	\$11.8 billion	\$6.25 billion
Jun-13	\$14.8 billion	\$8.4 billion	\$3.58 billion	\$13.1 billion	\$6.26 billion
Jun-14	\$14.6 billion	\$8.3 billion	\$3.59 billion	\$12.8 billion	\$6.32 billion

Domestic Credit

Credit from the retail banks to the domestic market (i.e. resident loans) increased slightly by \$17 million to \$3.593 billion as at June 2014, as compared to \$3.576 billion as at June 2013. This slight increase in credit was dominated by an expansion in lending to commercial private sector businesses of \$124 million, from \$0.946 billion as at June 2013 to \$1.070 billion as at June 2014; while the public sector, households and other financial corporations all recorded a reduction in credit of approximately -\$29 million, -\$73 million and -\$4 million, respectively, as shown in Table 2.

This activity is in line with the real economy which is experiencing an increase in Gross Domestic Product (GDP) fuelling loans to businesses, a reduction in public sector debt and a tightening of credit to households, as a result of an increase in non-performing loans driven mainly by the current level of unemployment.

Table 2: Sectoral Distribution of Credit to the Domestic Market 2009-2014 (in \$US)

Sector	Jun-11	Jun-12	Jun-13	Jun-14
Total Resident Loans	\$3.576 billion	\$3.687 billion	\$3.576 billion	\$3.593 billion
Public Sector of which:	\$0.475 billion	\$0.450 billion	\$0.426 billion	\$0.393 billion
Central Government	\$0.367	\$0.343	\$0.340	\$0.317
Public Sector Entities	\$0.108	\$0.107	\$0.086	\$0.076
Private Sector of which:	\$3.095 billion	\$3.237 billion	\$3.154 billion	\$3.200 billion
Commercial Private Sector	\$1.095 billion	\$0.946 billion	\$0.946 billion	\$1.070 billion
Households	\$1.980 billion	\$2.240 billion	\$2.170 billion	\$2.097 billion
Other Financial Corporations	\$0.020 billion	\$0.051 billion	\$0.037 billion	\$0.033 billion

Table 3: Financial Soundness of the Domestic Retail Banks

Indicator	2009 Year End	2010 Year End	2011 Year End	2012 Year End	2013 Year End	June 2014
Capital adequacy						
Regulatory Capital to Risk-Weighted Assets	20.6	22.9	21.5	20.6	18.3%	17.7%
Capital to Assets	9.0	10.1	10.9	11.4	11.3%	11.5%
Asset quality						
Nonperforming Loans (net of provisions) to Capital	9.8	10.4	11.7	12.3	10.5%	10.5%
Nonperforming Loans to Total Gross Loans	2.3	2.4	2.7	3.5	3.5%	3.4%
Earnings and profitability						
Return on Equity (net income to average capital)	7.4	4.9	5.7	6.8	8.9%	8.7%
Return on Assets (net income to average total assets)	0.7	0.5	0.5	0.7	1.0%	1.0%
Interest Margin to Gross Income	41.8	48.2	66.7	76.4	84.0%	76.5%
Non-interest Expenses to Gross Income	42.2	51.3	50.2	57.0	58.0%	62.1%
Liquidity						
Liquid Assets to Total Assets (Liquid Asset Ratio)	38.8	36.2	48.1	32.2	33.6%	31.1%

Table 3 provides a picture of the retail banks' financial soundness as at the end of their financial years 2009 through 2013, and at the end of their second quarter 2014⁷.

When averaging the data, the financial position of the domestic retail banks is moderately healthy with signs of ongoing difficulties in the asset portfolio as at 30 June 2014. While the ratios do not indicate a return to the years prior to the global financial crisis, signs of improvements can be found within some key indicators.

The declines that retail banks have experienced have been marginal, considering the high level of exposure to the residential real estate sector and increase in unemployment. The impact of the economic downturn in the domestic economy is notable in the increase in banks' non-performing loans (NPLs).

The profitability of Cayman's retail banks has been returning slowly since 2009. Higher net interest margins clearly reflect improving profitability indicators. High capitalisation and ample liquidity underline the stability of the domestic banking system.

Capital Adequacy - The capital adequacy ratio for the seven locally incorporated retail banks averaged 17.7% as at June 2014, and has remained comfortably above the minimum CAR of 15%. This is well in excess of the 8% minimum requirement set by the Basel Committee on Banking Supervision and the 10% set by the Banks and Trust Companies Law (2013 Revision). This is a revelation of the significant capital cushion the domestic retail banks hold in relation to international expectations.

Asset Quality - The ratio of nonperforming loans (net of provisions) to capital has remained at over 10% since 2010. Asset deterioration is driven by loan delinquency in four main sectors, mainly, *residential mortgages – households, commercial mortgages, retail lending/consumer loans – households, and non-financial corporations – industrial and commercial private sector*. This is due to general weakness in the overall economy with a high level of unemployment and slowdown in economic activity.

Non-performing loans ("NPLs") – NPLs have been averaging in the range of 3.4% to 3.5% for the retail banking sector over the past three years. This is well above the pre-crisis range of 1% to 2%. This is nonetheless a better result when compared to other jurisdictions in the Caribbean where some are seeing their NPLs hit the high teens.

Earnings and Profitability - Cayman retail banks' profitability contracted significantly in 2010, reflecting lower interest income and higher operating costs. Since 2010, banks are showing signs of fairly stable profits balanced by a significantly improving interest margin to gross income measure, but offset by increasing non-interest expenses. In the last two years, non-interest expenses have jumped

⁷ As CIMA's financial/fiscal year-end is June and banks have different year-ends, figures as at the end of June are captured along with figures from the banks' individual year-ends.

to around 62% after being stable at 50%. Return on Assets (ROA) and Return on Equity (ROE) have risen to 1% and 8.7%, respectively.

Liquidity - Liquidity has declined for Cayman's retail banks in aggregate - from 48.1% at end-2011 to 31.1% at June 2014.

Authorisation Activity

Banks continue to consolidate and restructure in search of cost efficiencies, and improvements in operational risk management and governance. This is reflected in a decline in the number of bank licences issued over the last five years (see Figure 4). The 210 licences held as at June 2014 represent a 4.98% decline from the 221 held as at June 2013. Table 4 shows bank licensing and termination activity for the fiscal years 2009 to 2014.

Figure 4: Number of Bank Licences, by Category, Fiscal Year-end 2009-2014

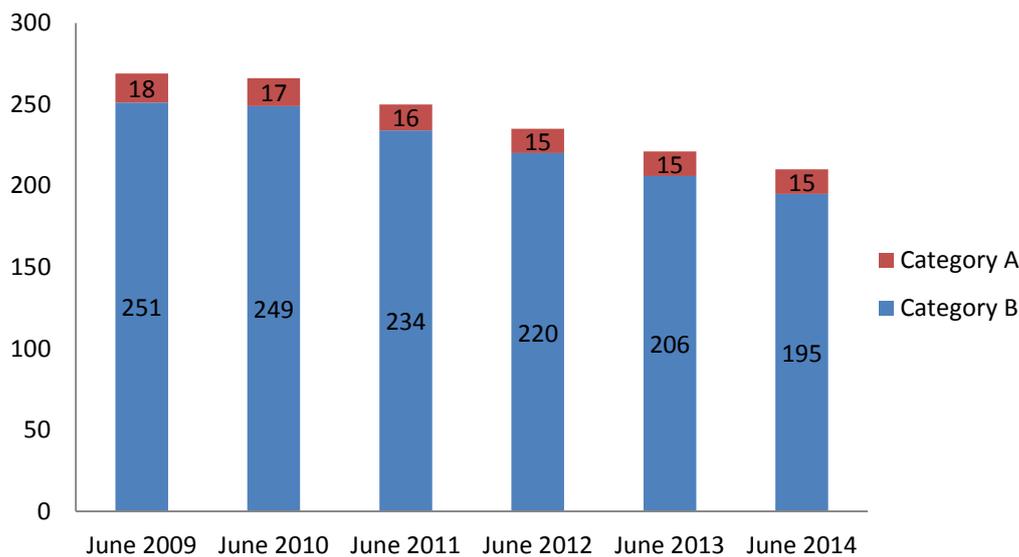


Table 4: Category A and B Bank activity 2013-2014

Type of Licence	Active as at 30 June 2013	Terminated 1 July 2013 - 30 June 2014	Issued 1 July 2013 - 30 June 2014	Active as at 30 June 2014
Category A	15	0	0	15
Category B	206	13	2	195
Total	221	13	2	210

Jurisdictional Comparisons

As illustrated in Table 5, changes in the number of banks licensed in the listed jurisdictions were relatively static. Cayman and Singapore had the sole declines of 0.94% and 1.24%, respectively, while Panama posted a modest increase. All other jurisdictions remain unmoved since the end of 2013.

Table 5: Bank Licence Numbers - Selected Jurisdictions, 2010-2014 Fiscal Year-end
(Positive change percentages are increases in nominal values)

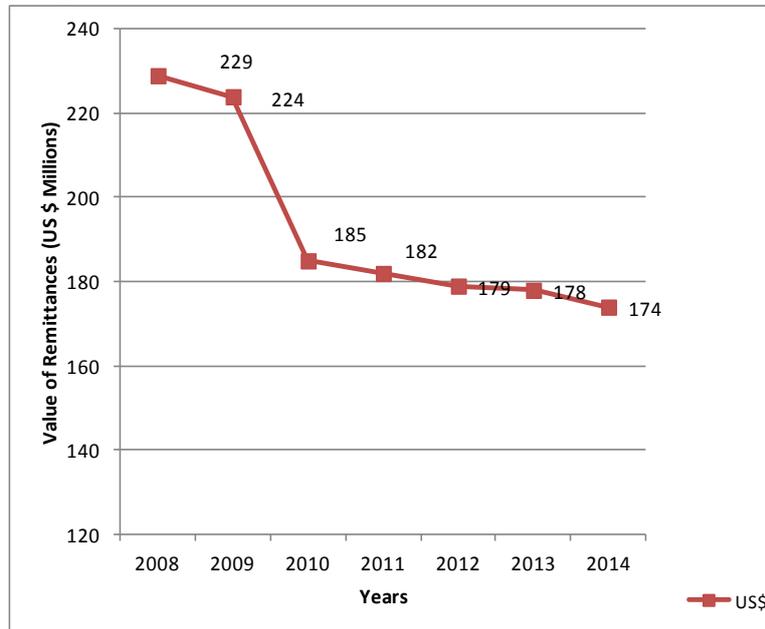
Jurisdiction	2010	% change ('11v10')	2011	% change ('12v11')	2012	% change ('13v12')	December 2013	% change ('14v13')	Mid-Year 2014
Cayman	250	-5.60%	236	-5.93%	222	-4.05%	213	-0.94%	211
Bahamas	115	-18.26%	94	6.38%	102	-0.98%	101	0.00%	101
Panama	93	-2.15%	91	-14.26%	78	1.28%	79	3.80%	82
Jersey	45	-11.11%	40	5.00%	42	0.00%	42	0.00%	42
Luxembourg	159	-3.14%	154	-1.30%	152	-5.92%	143	0.00%	143
Switzerland	260	-1.56%	256	5.86%	271	9.96%	298	0.00%	298
Hong Kong	193	2.59%	198	1.00%	200	0.50%	201	0.00%	201
Singapore	162	1.20%	163	-1.79%	165	-2.42%	161	-1.24%	159

MONEY SERVICES, COOPERATIVES AND BUILDING SOCIETIES

Money services businesses cater primarily to the resident domestic market and must be licensed by CIMA. As at June 2014 there were six licences in effect, of which four were actively involved in the remittance business.

Remittances sent from the Cayman Islands to other jurisdictions through these entities for fiscal year June 2014 fell marginally to \$174 million from \$178⁸ million in 2013. The remittance outflows have been trending downwards since 2008, which can most likely be attributed to the economic slowdown following the 2007-8 financial crisis.

Figure 5: Total Remittance Outflows, June 2008 to June 2014



Jamaica remained the largest recipient of remittances from the Cayman Islands in fiscal year June 2014, with 62.3% (June 2013: 64.4⁹%) of the US\$174 million going to that country (see Figure 6). Remittances inflows through the money service providers totalled \$6.9 million (June 2013: \$4.9 million¹⁰), with 43.2% of this amount coming from the United States (see Figure 7).

⁸ June 2013 figures were revised due to changes in the reporting methodology.

⁹ June 2013 figures were revised due to change in the reporting methodology

¹⁰ June 2013 figures were revised due to change in the reporting methodology

Figure 6: Proportion of Total Remittance Outflows, Fiscal Year June 2014

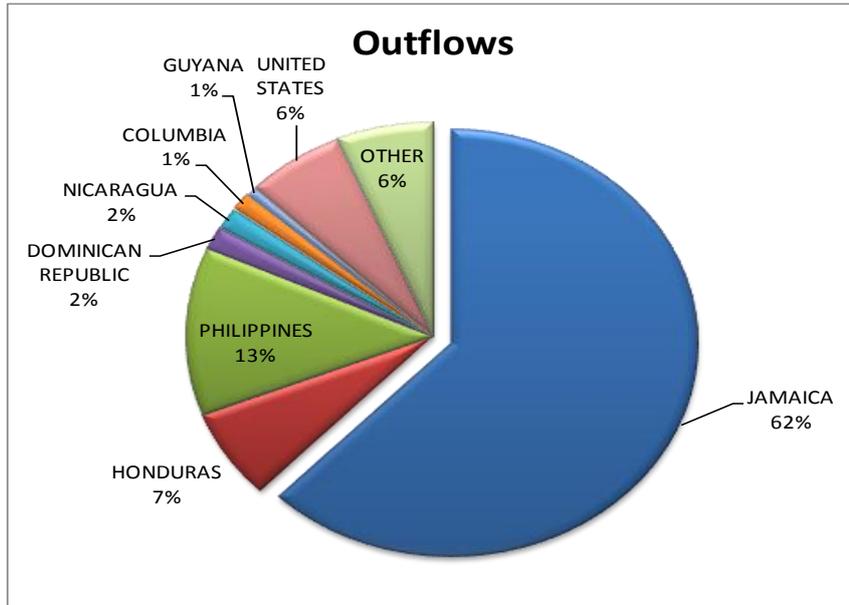
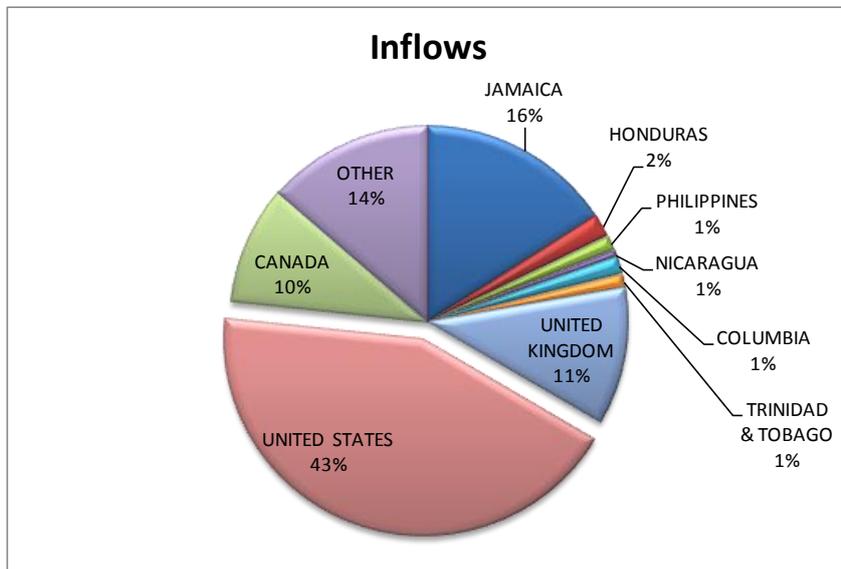


Figure 7: Proportion of Total Remittance Inflows, Fiscal Year June 2014



Cooperative societies carrying on credit union business, building societies and development banks are not required to be licensed but must be registered by CIMA. The number of cooperative credit unions (2), building societies (1) and development banks (1) supervised by the Banking Division as at June 2014 remained at four.

FIDUCIARY SERVICES

TRUSTS

The Sector

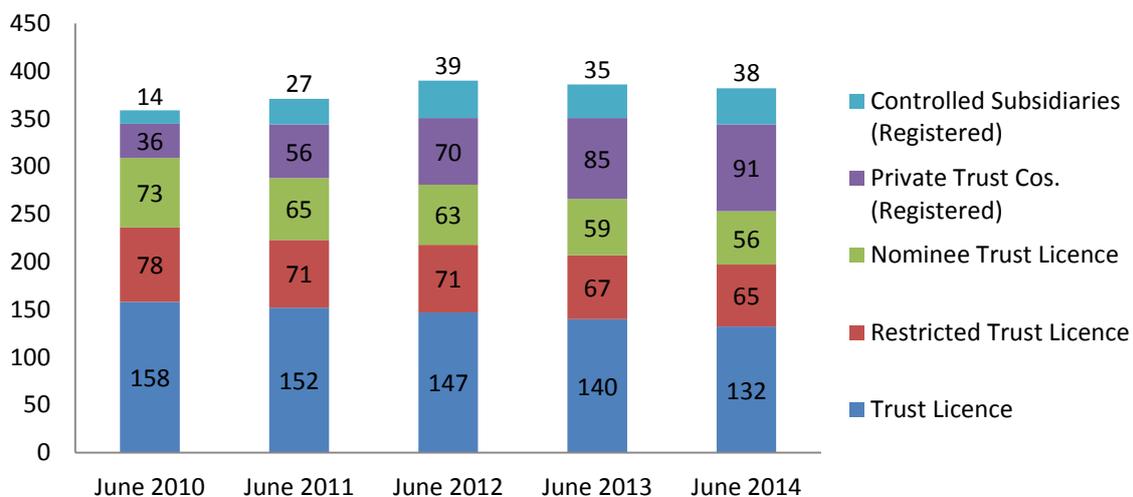
Corporate trust business carried out in and from the Cayman Islands is regulated pursuant to the Banks and Trust Companies Law (2013 Revision) (BTCL), and the Private Trust Companies Regulations (2013 Revision) (PTCR). The BTCL defines trust business as “the business of acting as trustee, executor or administrator”, and no company is allowed to carry on such business unless it is licensed or registered by CIMA. CIMA’s Fiduciary Services Division has regulatory and supervisory responsibility for trust companies that do not have a banking licence. Those that have a banking licence are regulated and supervised by the Banking Division.

There are three licence categories and two registration categories for trust business. These are:

- Trust – the licensee is authorised to carry on the business of acting as trustee, executor or administrator;
- Restricted Trust – the licensee is authorised to undertake trust business only for persons listed in any undertaking accompanying the application for the licence;
- Nominee (Trust) – the licensee is authorised to act solely as the nominee of a trust licensee, being the wholly-owned subsidiary of that licensee;
- Controlled Subsidiary - the registrant is authorised to provide trust services including the issuing of debt instruments or any other trust business connected with the trust business of its parent that holds a trust licence, and
- Private Trust Company - the registrant is authorised to provide trust services to “connected persons” as defined in section 2(2) of the PTCR.

The Cayman Islands has been a top international location for the provision of trust services and remains so, with 382 companies providing these services in and from the jurisdiction as at 30 June 2014. Figure 8 shows the breakdown of trust companies by authorisation type at fiscal year-end, 2010 to 2014.

Figure 8: Number of Trust Licences by Category, 2010-2014



Licensed trust companies in Cayman provide trust services. These services include traditional discretionary family trusts, wherein families use the trust structure to manage and structure their wealth and effect succession and estate planning. Some trusts are set up to allow professionals to efficiently manage significant wealth to benefit families, charities, and other persons or causes for several generations.

Assets settled in trust are usually held in an underlying company and the trust (through the trustee) holds the shares in that company. These structures are established to be compliant with the laws, regulations and rules of all applicable jurisdictions, whilst affording the client the comfort and the peace of mind that the settled assets are safe and will be managed in accordance with the agreed terms of the trust deed.

Private trust companies are those companies established for the sole purpose of engaging in trust business for assets settled by connected persons meeting very specific criteria (mainly familial relationship). This type of arrangement is often used in planning and managing the wealth of high net worth families.

Trusts and trust companies are also used in capital markets and structured finance arrangements, usually by large institutional clients such as institutional asset managers, large investment banks and wealth management etc. These institutions see the benefit of structuring in Cayman because the jurisdiction is creditor friendly, has innovative legislation that is beneficial to the efficiency of transactions and Cayman vehicles are well reputed, recognised and respected worldwide.

Authorisation Activity

Table 6 shows trust company authorisation activity for the fiscal year. Overall, the sector remained fairly stable in 2013-14.

Table 6: Trust Authorisation Activity, 2013-2014

Authorisation Type	Active as at 30 June 2013	Terminated 1 July 2013–30 June 2014	Issued 1 July 2013 –30 June 2014	Active as at 30 June 2014
Trust Company (Licensed)	138	7	1	132
Trust Company – Restricted (Licensed)	*67	3	1	65
Nominee Trust (Licensed)	58	2	0	56
Controlled Subsidiaries (Registered)	40	3	6	43
Private Trust Companies (Registered)	85	7	13	91
Total	*388	22	21	387

Prior to the enactment of legislation in 2008 for the registration of private trust companies, the restricted trust category had been largely used to establish private trust companies. The net decline in restricted trust companies since 2008 (see Figure 8) is mainly attributable to licence holders choosing to surrender their licences in order to register as private trust companies. There were a total of 91 private trust companies as at June 2014, with 6 being registered during the fiscal year. It is anticipated that this upward movement in registration will continue.

Jurisdictional Comparisons

Table 7 shows the number of licensed trust entities for calendar years 2009 to 2013 in the Cayman Islands and in other international financial centres for which figures are available.

As illustrated, with respect to the number of licensees, the Cayman Islands has maintained its position relative to the other listed international trust services locations. The decline in Cayman's trust licences since 2008 partially reflect the movement of licensees to the new registration categories.

Table 7: Number of Licensed Trust Companies - Selected Jurisdictions, 2009-2013 Calendar Year-end

Jurisdiction	2009	change	2010	change	2011	change	2012	change	2013
Cayman*	315	↓7%	293	↓14.3%	251	↓6.8%	234	↓3.85%	225
BVI	217	↑1.84%	221	↓14.9%	188	↑0.53%	189	0%	189
Bahamas	220	↑4.55%	230	↑18.67%	273	↓4.8%	260	↓5.77%	245
Bermuda	32	↓3.12%	31	↑3.2%	32	↓6.3%	30	0%	30
Gibraltar**	67	↑10.4	74	↓2.7%	72	↓6.9%	67	↑1.49%	68
Guernsey**	197	↑1.01%	199	↓8.04%	183	↓17.49%	151	↓0.66%	150
Isle of Man	131	↓0.76%	130	↓2.3%	127	↑0.8%	128	↓1.56%	126
Jersey**	184	↓1.63%	181	↓2.21%	177	↑4.52%	185	↑2.16%	189
Panama	60	↑3.33%	64	7.8%	69	↑2.9%	71	↑4.23%	74
Turks & Caicos	19	↓5.26%	18	↓22.2%	14	↓14.3%	12	0%	12
Singapore	37	↑29.73	48	↑4.2	50	↑2.0%	51	0%	51

Note: Figures for other jurisdictions have been collected from the relevant websites and overseas contacts.

* Cayman's figures do not include registered private trust companies and registered controlled subsidiaries that are wholly owned subsidiaries of licensed trust companies. These were introduced as authorisation categories in 2008. (Note that the figures for 2008 and 2009 that were published in the CIMA Annual Report 2009-10 inadvertently included registered private trust companies and registered controlled subsidiaries.)

** Figures for Gibraltar, Guernsey and Jersey include both trust and company businesses licensed, inclusive of affiliation members.

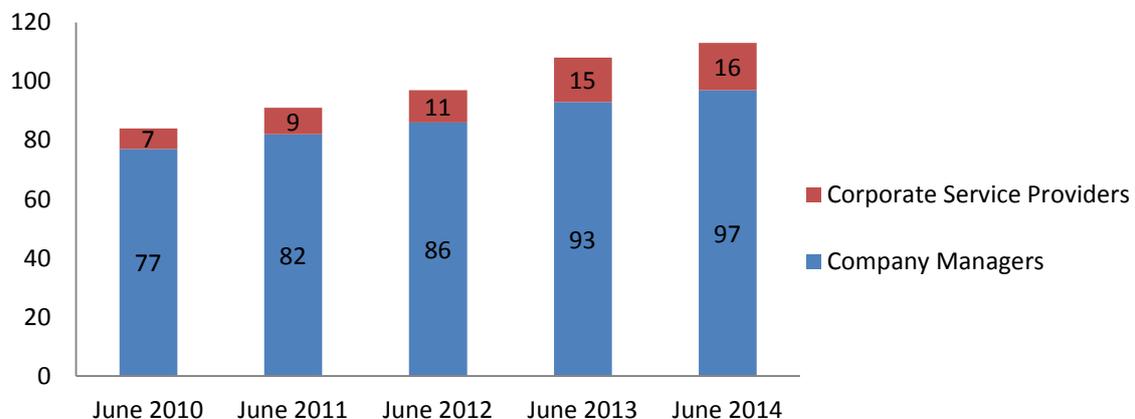
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CORPORATE SERVICES

The Sector

The Cayman Islands holds its own among locations from which corporate/company management services are provided (see Table 8 for jurisdictional comparisons) and the sector has seen steady growth over the last several years (see Figure 9), with 113 such companies active at 30 June 2014.

Figure 9: Number of Company Manager and Corporate Service Provider Licences, 2010-2014



The services, provided mainly to institutions, include: company incorporation – forming a company and having it duly constituted; registered office – providing a statutory address and a place where process can be served; directorship – providing qualified directors to sit on the board of a Cayman company; and nominee shareholder – acting as shareholder on a client's behalf. Corporate services are used in conjunction with the majority of the trust structures established in the jurisdiction.

All providers of corporate services are required to be licensed by CIMA, and the Authority's Fiduciary Services Division has regulatory/supervisory responsibility for these licensees.

Two licence categories are provided: a companies management licence allows the holder to provide company management services as listed in section 3(1) of the Companies Management Law (2003 Revision) or any other corporate services as may be prescribed under that section. A corporate services licence allows the holder to provide only the corporate services specified in section 3(1)(a) through (e) of the Companies Management Law (2003 Revision). Licensed trust companies are also authorised to provide corporate services.

Authorisation Activity

Table 8 shows authorisation activity for company managers and corporate service providers for 2013-2014. The 113 licences in effect at 30 June 2014 represent an increase of 4.63% over June 2013.

Table 8: Companies Management Authorisation Activity, 2013-2014

Authorisation Type	Active as at 30 June 2013	Terminated 1 July 2013 –30 June 2014	Issued 1 July 2013 –30 June 2014	Active as at 30 June 2014
Company Manager (Licensed)	93	5	9	97
Corporate Service Provider (Licensed)	15	2	3	16
Total	108	7	12	113

Jurisdictional Comparisons

Table 9 shows the number of active corporate services licences for calendar years 2009 to 2013 in the Cayman Islands and in other international financial centres for which figures are available.

Table 9: Corporate Services Licence Numbers - Selected Jurisdictions, 2009-2013 Calendar Year-end

Jurisdiction	2009	change	2010	change	2011	change	2012	change	2013
Cayman	84	0%	84	↑9.5%	92	↑6.52%	98	↑12.24%	110
BVI	20	↑5%	21	↓14.3%	18	↑16.67%	21	↓4.76%	20
Gibraltar	67	↑10.4	74	↓2.7%	72	↓6.9%	67	↑1.49%	68
Guernsey	197	↓3.55%	199	↓8.04%	183	↓17.49%	151	↓0.66%	150
Isle of Man	209	↓3.82%	201	↓10.9%	179	↑7.26%	192	↓9.38%	174
Jersey	184	↓1.63%	181	↓2.21%	177	↑4.52%	185	↑2.16%	189
Turks & Caicos	43	↓27.90%	31	↓3.2%	30	↓26.7%	22	↑77.27%	39

Note: Figures provided have been collected from the relevant websites and overseas contacts.

N/A: Figures not available

* Jersey, Gibraltar and Guernsey's figures include both trust and company businesses licensed, inclusive of affiliation members.

INSURANCE

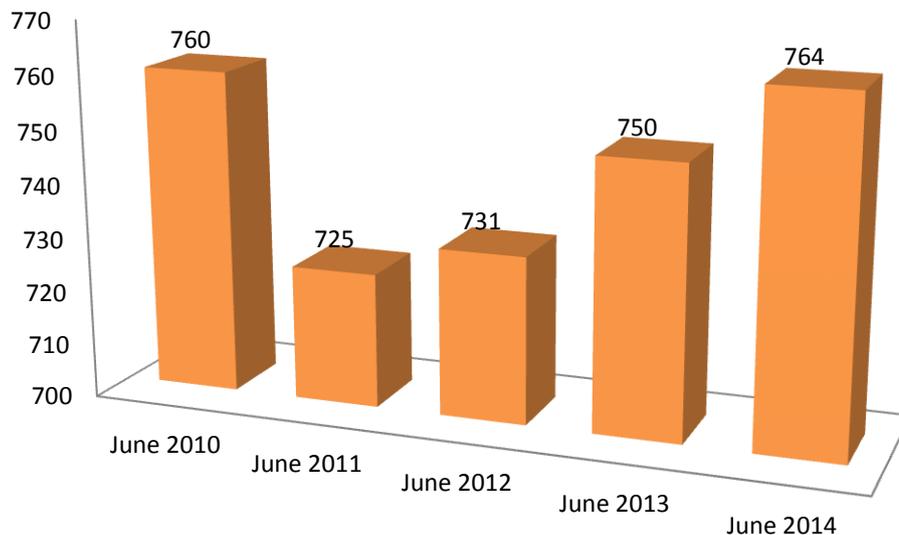
The Sector

The insurance industry in the Cayman Islands has two distinct sectors: the domestic market, which provides insurance of local risks by locally incorporated companies or those operating as branch operations in Cayman, and the international market, which provides insurance of foreign risks by insurers from within the Cayman Islands. CIMA, through its Insurance Supervision Division, regulates and supervises all insurance entities operating in and from the Cayman Islands. The Authority provides four classes of licence for insurance companies: Class A for domestic insurers, Class B for international insurers, Class C for fully funded vehicles, e.g. insurance linked securities and Class D for commercial reinsurers. Class C and D were included during the previous fiscal year with the enactment of the Insurance Law, 2010. CIMA also regulates insurance managers, brokers and agents¹¹.

The International (Captive) Segment

The industry is dominated by the international segment, comprised primarily of captive insurance companies¹² and their service providers (hence the popular reference to this segment as the 'captive' market). The size of this market is evidenced by the number of insurance companies: 764 at 30 June 2014 (see Figure 10); the premiums generated: US\$12.3 billion total at 30 June 2014, and the assets held: US\$54.9 billion total at 30 June 2014 (Figure 11).

Figure 10: Number of Cayman Islands International (Class B, C, D) Insurance Licences, 2010-2014



With these figures, the segment also claims a major share of the global insurance market. Worldwide, the Cayman Islands is the second largest domicile for captive insurance companies. Moreover, with 34% of Cayman's captives covering healthcare risks (see Figure 12), the jurisdiction is the number one domicile for healthcare captives.

¹¹ Insurance Manager – "a company operating in and from within the [Cayman] Islands which provides insurance expertise to and for insurers and which has in its bona fide employment a person who fits the criteria outlined in section 2"; Insurance Agent - "a person (not being an insurer) who solicits directly, or through representatives, advertising or other means, domestic business on behalf of not more than one insurer"; Insurance Broker - "a person (not being an insurer) who negotiates directly or through representatives or other means, contracts of insurance or of reinsurance on behalf of more than one insurer, or for placement with insurers or reinsurers" (Insurance Law (2008 Revision) s.2).

¹² The International Association of Insurance Supervisors has defined a captive insurer as "an insurance or reinsurance entity created and owned, directly or indirectly, by one or more industrial, commercial or financial entities, other than an insurance or reinsurance group entity, the purpose of which is to provide insurance or reinsurance cover for risks of the entity or entities to which it belongs, or for entities connected to those entities and only a small part if any of its risk exposure is related to providing insurance or reinsurance to other parties."

<http://www.iaisweb.org/index.cfm?pageID=47&vSearchLetter=c##>

Other types of coverage provided by Cayman captives include: general and professional liability, workers' compensation, property, auto and product liability, and life and annuity.

Figure 11: Total Premiums & Assets of Cayman Islands Class B Insurance Licensees, Fiscal Year-end 2006-2014

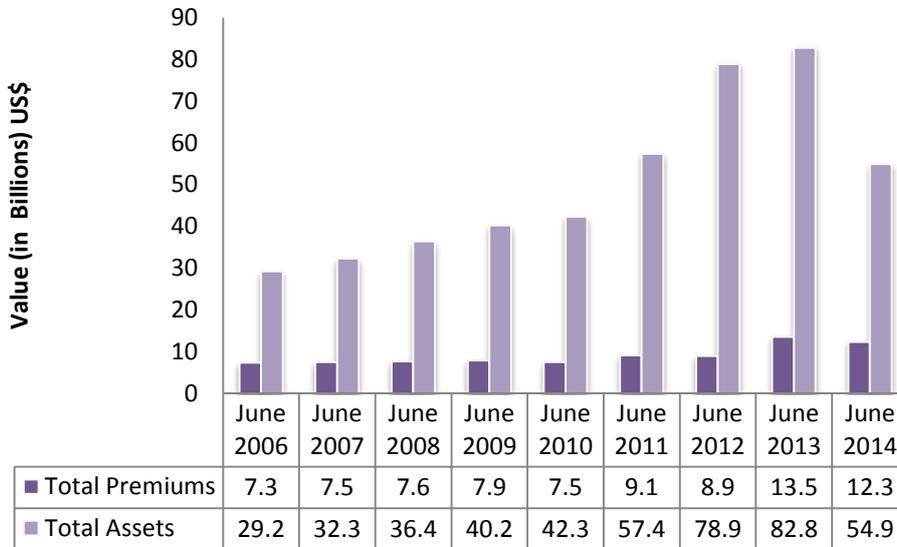
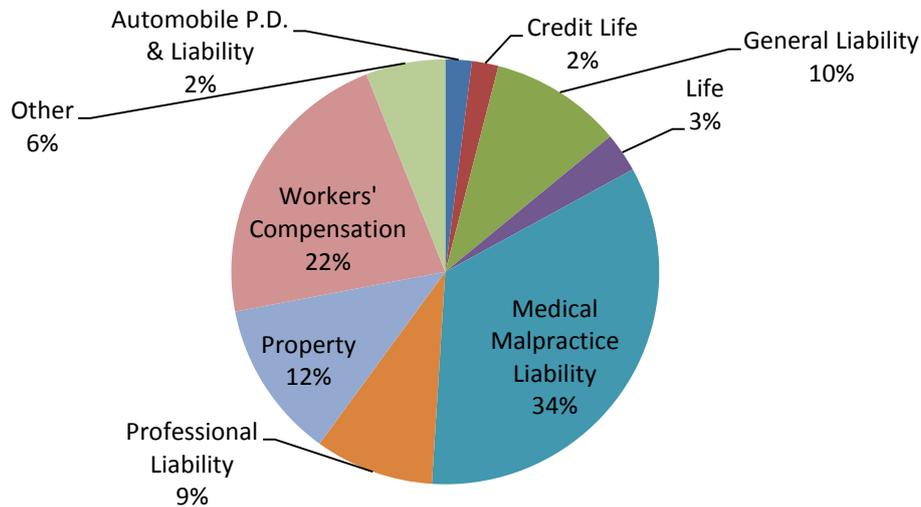


Figure 12: Cayman-Domiciled International Insurance Companies by Type of Coverage, 30 June 2014

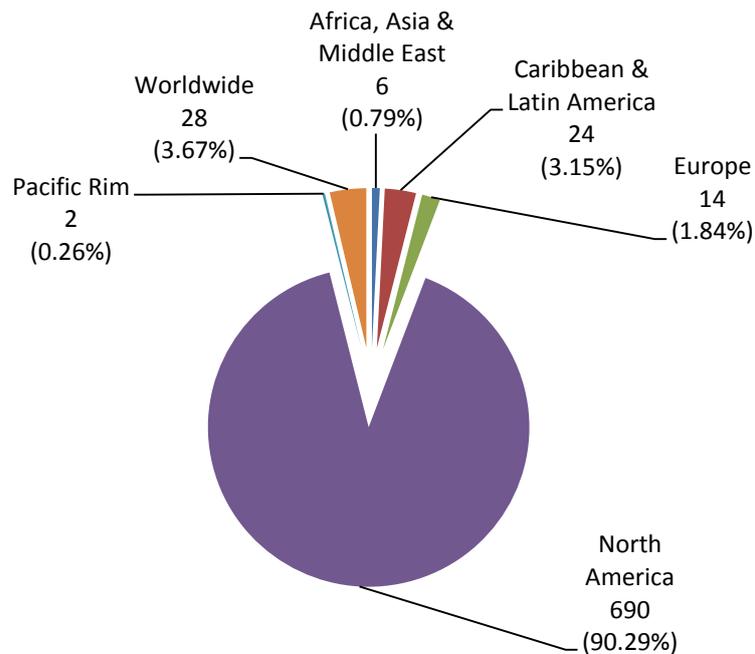


While the vast majority of companies in the international segment of Cayman's insurance industry are self-insured captives of one type or another, a small number are engaged in commercial operations, providing insurance or reinsurance coverage to non-related entities. Along with insurance companies, the international segment comprises insurance managers. The international insurers originate mainly from North America, with the next largest geographical source being the Caribbean and Latin America, collectively (see Figure 13).

The captive industry in Cayman began in the mid-1970s with the medical malpractice insurance crisis in the United States, and was formalized with the introduction of the Insurance Law in 1979. Unable to obtain commercial insurance, healthcare organisations began to form captives in Cayman to provide for their risk management needs. As a result, Cayman has developed particular expertise in this area.

Figure 13: Cayman-Domiciled International Insurance Companies by Location of Risks Covered,

30 June 2014



Over the years, corporations have made increasingly extensive use of captives as part of their overall risk management function, reducing the premium they pay for commercial coverage by insuring a portion of their risk through a captive insurance programme. In addition to expanded coverage availability and flexibility, and better risk management, reasons for the formation of captives include cost reduction and stabilisation, improved cash-flow, and access to the reinsurance market, which otherwise is unavailable if self-funding retained risk. (The reinsurance market generally provides better rates and conditions than the direct market.)

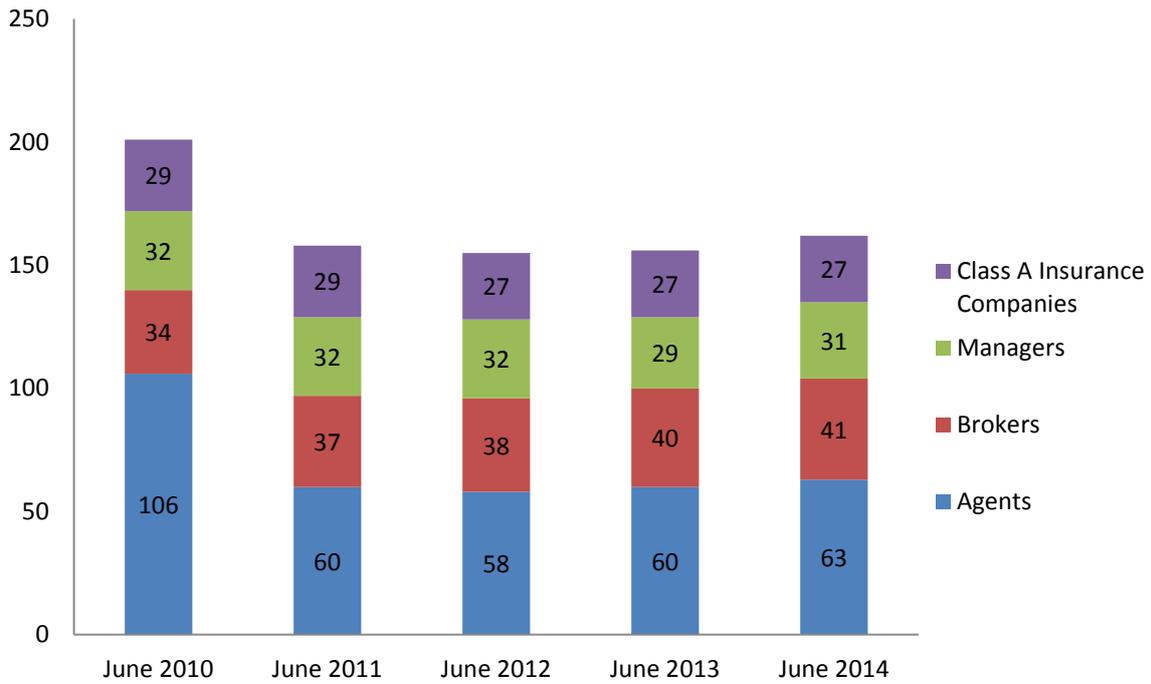
More recently, Alternative Financing Vehicles (e.g. insurance-linked securitization contracts) have been formed to allow reinsurers access to capital markets for catastrophe cover. Segregated Portfolio Companies (SPCs) – also called Protected Cell Companies – that typically provide captive products for smaller organisations, are also a significant part of the market.

During the 2012-13 fiscal year, significant revisions to the Insurance Law were introduced, affecting the solvency and reporting requirements for Class B, C and D insurance licences. These changes to the Insurance Law came into effect on 1 November 2012. Due to the transitional arrangements introduced by law, which were extended during the 2013-14 fiscal year by a further period of eighteen months from 1 May 2014, licensees have until 31 October 2015 to do what is necessary to bring themselves into full compliance with the Law.

The Domestic Segment

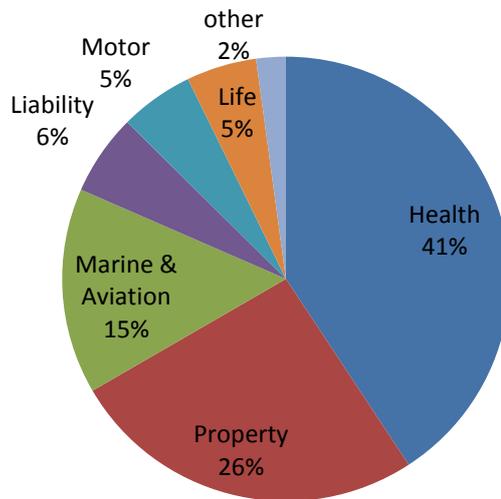
The domestic market comprises insurance companies (both locally incorporated and branches of foreign companies) and intermediaries (brokers and agents). Business is written directly, or through the brokers and agents.

Figure 14: Number of Cayman Islands Domestic Insurance Licences, by Category, Fiscal Year-end 2010-2014



Domestic insurers provide a range of coverage to local policyholders, with health; marine and property being the top three categories, accounting for approximately 82% of premiums written by the sector for calendar year 2013 (see Figure 15).

Figure 15: Coverage Provided by Class A Insurers, Measured by Gross Written Premiums, 2013 Calendar Year



Industry Activity

At 30 June 2014, there were 926 insurance licensees regulated by the Authority (June 2013: 906). Of these, 723 were class B, 39 were class C, 2 were class D, 27 were class A, 31 were insurance managers, 41 were brokers and 63 were agents.

Table 10: Insurance Licensing Activity 2013-2014

Licence Type	Active as at 30 June 2013	Terminated 1 July 2013 - 30 June 2014	Issued 1 July 2013 - 30 June 2014	Active as at 30 June 2014
Class A	27	0	0	27*
Class B, C, D	750	14	28	764
Insurance Managers	29	0	2	31
Brokers	40	1	2	41
Agents	60	1	4	63
TOTAL	906	16	36	926

* The number of Class A insurance companies writing business at 30 June 2014 was 23 as Class A insurer Motor and General Insurance Company Limited was under controllership, Dyoll Insurance Company Limited has liquidators appointed, and Reliastar Life Insurance Company of New York and Occidental Life Insurance Company of North Carolina were in run-off.

Captives

Twenty-eight new entities were added to the Cayman Islands' international insurance market during the fiscal year, to bring the total number of licensees to 764. This was achieved amid not so favourable conditions for growth in the global captive industry, mainly due to a prolonged soft market for the medical liability industry, consolidation of healthcare systems in the United States and independent physicians becoming employees of hospital/health systems, partly as a result of healthcare reforms.

The degree of uncertainty still surrounding healthcare reforms in the USA could result in hospital systems and other healthcare organisations in the United States taking a wait-and-see approach to determine if their risk management strategies should include captives. This, coupled with the prolonged soft market for the medical liability industry could result in a drop in new healthcare captive formations. However, there is an increased popularity of hedge funds establishing reinsurance captives in offshore jurisdictions, with asset managers realizing that by setting up their own reinsurance operations they could not only achieve substantial returns, but could also attract larger investments from institutional investors such as pension funds. With the Cayman Islands being a leading jurisdiction for hedge funds and the second largest jurisdiction for offshore (re)insurance operations, it is well positioned to build on its expertise to be the domicile of choice for the emerging hedge fund-backed reinsurers. Cayman is already home to hedge fund-backed reinsurance operations and has seen an increased interest from hedge fund administrators/investment managers to set up (re)insurance operations in the Cayman Islands, especially to provide long-term/long-tail, low-severity reinsurance cover.

There was a decrease in the number of licences cancelled during 2013-14 (14) compared to 2012-13 (37) and 2011-12 (30). The higher number of cancellations in previous years was mostly reflective of CIMA's review and 'cleaning out' of a number of licences that had been surrendered in prior years, but not removed from the system. In addition, the cancellations included Special Purpose Vehicles (SPVs) that completed their one-year policy duration.

Despite the general soft global insurance marketplace, there was continued demand in 2013-14 for the use of captives, primarily in the areas of medical malpractice liability (the primary class of business for 34% of class B licences at 30 June 2014), workers compensation (22% of licences) and property coverage (12%).

The most popular region of origin of Cayman captives continues to be North America, which accounted for 90% of captives at fiscal year-end (see Figure 13). This was followed by Latin America and the Caribbean: 3.2%. With 1.9% of companies covering risk in Europe, that region became the third

largest risk location, overtaking Africa, Asia and the Middle East which accounted for 1%, Pacific Rim: 0.3%, and the rest of the world accounted for a combined 3.6%.

Table 11: International Insurance Company Statistics by Company Category and Licence Class, 30 June 2014

Category	Total Licences To date	%	Total Premiums	Net Income	Net Worth	Total Assets
Commercial Insurer	39	5.14%	1,164,729,898	54,834,478	1,480,606,726	7,700,543,388
Group Captive	130	17.00%	1,999,415,329	359,475,382	2,992,193,968	5,946,470,913
Pure Captive	415	54.28%	7,322,352,099	969,531,684	6,995,463,840	26,880,222,431
Reinsurance Companies	2	0.26%	918,711,606	280,795,141	292,142,122	6,068,952,647
Segregated Portfolio Company	139	18.18%	686,477,374	28,164,767	710,923,001	4,559,658,223
Special Purpose Vehicle	39	5.14%	241,932,670	-5,232,505	-25,019,521	3,770,648,257
Totals:	764	100.00%	12,333,618,976	1,687,568,974	12,446,310,136	54,926,495,859

Among the 764 international insurance companies were 139 segregated portfolio companies under the Companies Law, with a total of 598 segregated portfolios operating within them. Open market insurers accounted for 5% of total international insurance companies active at 30 June 2014.

Jurisdictional Comparisons - Captives

As shown in Table 12, between 2009 and 2013, most of the jurisdictions for which figures are available experienced very small variations/declines in the number of licences, evidence of the extremely soft commercial insurance markets. Nevertheless, the Cayman Islands' continued prominence as a captive domicile is evidenced by the total number of captive insurance licenses (760) recorded at the end of 2013. This figure represented a 3% growth from the 2012 figure. While other domiciles experienced declines in captive insurance licenses, the Cayman Islands moved towards its 2009 record high of 780 captive insurance licenses.

Table 12: Captive Insurance Licence Numbers - Selected Jurisdictions, 2009-2013-Calendar Year-end

Jurisdiction	2009	Change	2010 ⁸⁶	Change	2011 ^{86a}	Change	2012	Change	2013
Cayman	780	↓5%	738	-	739	-	741	↑3%	760
Barbados	N/A	-	242	-	N/A	↑8%	261	-	N/A
Bermuda	885	↓5%	845	↑2%	862	↓1%	855	↓3%	831
BVI	285	↓23%	219	↓21%	174	-	N/A	-	N/A
Guernsey	355	↓6%	333	↑3%	343	-	N/A	-	344
Hawaii	N/A	-	168	↑2%	172	-	N/A	-	N/A
S. Carolina	147	↑9%	160	↓4%	153	-	N/A	-	N/A
Vermont	560	↑3%	576	↑2%	590	-	593	↓1%	588

⁸⁶ 2010 – Source: *Captive Review* March 2011: 2011 Survey – Top Leading Captive Domiciles.

^{86a} 2011 – Source: *Captive Review* May 2012: 2012 Survey – Top Leading Captive Domiciles.

N/A Data not available

Domestic Activity

In 2013, there were 27 insurance companies operating in the Cayman Islands' domestic insurance industry. As depicted in Table 13, total gross written premium (GWP) generated by the insurance companies amounted to CI\$445.0 million, compared to previous year GWP of CI\$402.5 million.

INVESTMENTS AND SECURITIES

FUNDS AND FUND ADMINISTRATORS

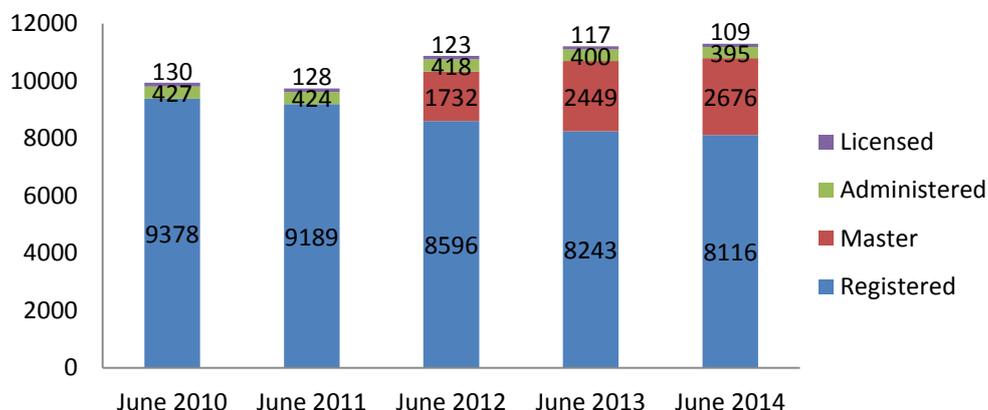
The Sector

The regulatory framework that governs the alternative investment industry in the Cayman Islands was enacted in 1993, some twenty years ago. Today, the Cayman Islands is the premier domiciliation of choice for funds. The jurisdiction also continues to surpass other fund domiciles (Table 13). Despite the decline in new fund authorisations since the credit crisis in 2008, the funds industry remains healthy, with 11,296 total funds as of 30 June 2014, compared to 11,209 as at 30 June 2013; 9,990 at 30 June 2012; 9,409 at 30 June 2011 and 10,037 in mid-2008. The total funds as at June 2014 includes 2,676 master funds that registered as a direct result of The Mutual Funds (Amendment) Law, 2012, gazetted on 10 January 2013. (See Figure 16)

The MFL makes provision for three categories of regulated funds: licensed, administered and registered, and charges the Authority with responsibility for their regulation and ongoing supervision. Licensed funds, commonly known as retail or public funds, are governed by a more prescriptive regime than registered funds because they are open to the public. All operators and promoters are vetted, offering documents must outline certain required information, calculation of net assets must be clearly defined and transparent, and assets must be segregated in accordance with governing rules.

Although Cayman Islands legislation refers to 'mutual funds', the vast majority of the funds regulated in the jurisdiction fall within the loose definition of a 'hedge fund' and are regulated as registered funds. A registered fund must either have a CI\$80,000 minimum subscription, or have its equity interest listed on a recognised (CIMA-approved) stock exchange. The majority of investors are professional investors and/or institutions. Most of these funds have a US\$1,000,000 minimum subscription level, and they are usually distributed as a private placement, all of which further reinforce their non-public status. According to the Authority's 2011 Investment Statistical Digest, of the 6,917 regulated funds that filed a 2011 FAR with CIMA, 44% required a minimum initial investment of US\$1,000,000 or greater (see Figure 18).

Figure 16: Number of Cayman Regulated Funds, by Category, Fiscal Year-end 2010-2014



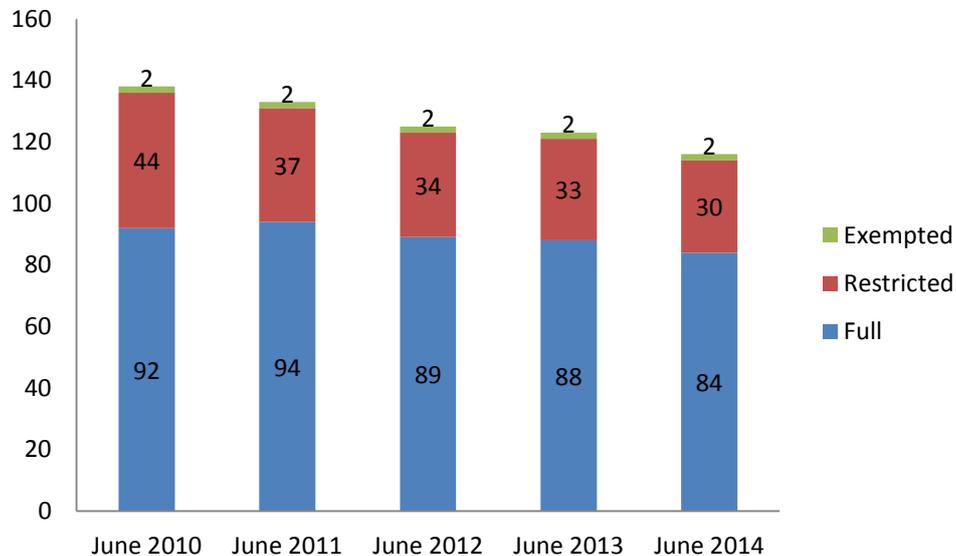
To be authorised as such, an administered fund must have a licensed mutual fund administrator in Cayman providing its principal office. The Mutual Funds Law imposes several duties on the mutual fund administrator, including the responsibility to satisfy itself about the proper business conduct of the fund, and to report to CIMA if it knows or suspects that the fund is unable to meet its obligations as they fall due, or if the fund is carrying on business in contravention of a law or in a manner prejudicial to investors or creditors.

Mutual fund administrators must themselves be authorised by CIMA to carry out mutual fund administration. This is defined as the provision of any of the following services for a fund: management (including control of the fund's assets), fund administration (including the calculation of net asset value

and/or registrar and transfer agency services), providing a principal office in the Cayman Islands, or providing an operator (i.e., the director, trustee or general partner) to the fund.

Two categories of mutual fund administrator licence¹³ exist: full, which allows the holder to provide administration to an unlimited number of funds, and restricted, which allows administration of no more than 10 funds. See Figure 17, Mutual Fund Administrators by Category, 2010-2014.

Figure 17: Number of Mutual Fund Administrators, by Category, 2010-2014



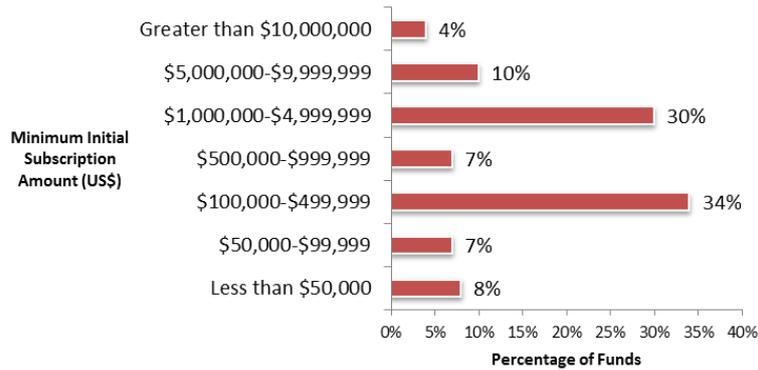
CIMA reports aggregate financial and other statistical information on regulated funds, enabling information to be gathered on the size and profile of the industry. CIMA collated information from 8,383 regulated funds that had a financial year end in 2012 and that submitted the required Fund Annual Return form via CIMA's electronic reporting system.¹⁴ These 8,383 funds had total assets of US\$2.5 trillion combined and net assets of US\$1.9 trillion. The 2012 Investment Statistical Digest captured for the first time information specific to master funds and indicated that the Ending Net Assets of the master funds was US\$853 billion, which increased from the Opening Net Assets of US\$744 billion. This increase was due to subscriptions of US\$243 billion, redemptions of US\$220 billion, Dividends of US\$2 billion and Net Income of US\$88 billion. The data indicate that funds overall had a profitable year, with returns on both gross and net assets increasing from 0.6% and 0.8% in 2011, to 5.3% and 7.4% in 2012, respectively. There were no changes in the top five investment manager locations, as measured by net assets held by managers in these locations, with the five locations remaining as New York, United Kingdom, Connecticut, California and Massachusetts. Cayman remained the primary location from which fund administration services (registrar and transfer service) was provided for these funds.

In addition to the factors that facilitate financial services generally from the Cayman Islands, investors and their fund promoters/sponsors primarily form hedge funds in the Cayman Islands in order to benefit from its tax neutral platform, which allows investors from multiple jurisdictions to avoid excessive layers of foreign taxation in addition to their home country tax. This tax neutrality provides a level playing field for all investors, natural persons or institutional, within the complex parameters of existing tax and securities laws that apply to the investors, the management team and the business or investment activities in their multiple home jurisdictions. It does not mean that investors avoid paying taxes. The fact that the MFL does not impose restrictions on investment strategies, limits on leveraging, mandate resident directors or the physical presence of funds service providers in the Cayman Islands, as well as the fact that there is a distinction between the regulation of public funds and that of non-public funds, are other reasons for the growth of the Cayman Islands as a funds domicile.

¹³ A third authorisation category, exempted, which previously existed, has been discontinued. However, administrators already authorised in this category remain.

¹⁴ See [CIMA's Investments Statistical Digest 2012](http://www.cimoney.com.ky) available on the Authority's website at www.cimoney.com.ky

Figure 18: Minimum Initial Investment Required by Cayman-Regulated Funds Filing a Fund Annual Return for 2012



Authorisation Activity

Funds - Fiscal year to date, 1,653 regulated entities were authorized and 1,674 regulated entities were terminated, compared to 1,635 and 1,209 respectively during the same period in 2013. The total number of regulated funds as at 30 June 2014 was 11,296 (comprising of 8,116 registered funds, 2,676 master funds, 395 administered funds and 109 licensed funds), compared to 11,209 for the same period in 2013 (comprising of 8,243 registered funds, 2,449 master funds, 400 administered funds and 117 licensed funds).

Administrators - The number of licensed mutual fund administrators decreased during the fiscal year from 123 to 116. There were four new mutual fund administrators' licence applications approved and ten licences cancelled during the fiscal year. The trend to downsize through mergers and acquisitions continues. As of 30 June 2014, there were 116 licensed mutual fund administrators (2 Exempted, 84 Full and 30 Restricted), compared to 123 for the same period in 2013.

Jurisdictional Comparisons - Funds

Table 14 shows the number of active funds for calendar years 2009 to 2013 in Cayman and other financial jurisdictions for which figures are available. As the figures demonstrate, the number of Cayman-authorized funds remains consistently in excess of the other jurisdictions. To date, Cayman remains the leader in fund domiciliation. The decline in fund numbers across jurisdictions between 2008 and 2012 largely reflects the impact of the US recession and the continued instability in the global financial markets.

Table 14: Regulated Fund Numbers - Selected Jurisdictions, 2009-2013 Calendar Year-end

Jurisdiction	% change ('09 v '08)	2009	% change ('10 v '09)	2010	% change ('11 v '10)	2011	% change ('12 v '11)	2012	% change ('13 v '12)	2013
Bahamas	↓9.1%	788	↓4.4%	753	↓5.3%	713	↓8.6%	652	↑15.0%	750
Bermuda	↑15.5%	1,309	↓9.8%	1,181	↓34.6%	772	↓1.3%	762	↓8.4%	698
BVI	↓0.6%	2,923	↑1.0%	2,951	↓11.0%	2,627	↓11.8%	2,318	↓3.5%	2,238
Dublin	↓1.4%	961	↑6.3%	1,022	↑9.7%	1,121	↑3.3%	1,158	↑3.2%	1,195
Jersey	↓12.1%	1,294	↑2.3%	1,324	↑5.1%	1,392	↓0.3%	1,388	↓3.9%	1,334
Cayman	↓3.5%	9,524	↓0.9%	9,438	↓1.9%	9,258	↑17.1%	10,841	↑5.0%	11,379

* Restatement of number due to enhancements made by Regulator.

SECURITIES INVESTMENT BUSINESS

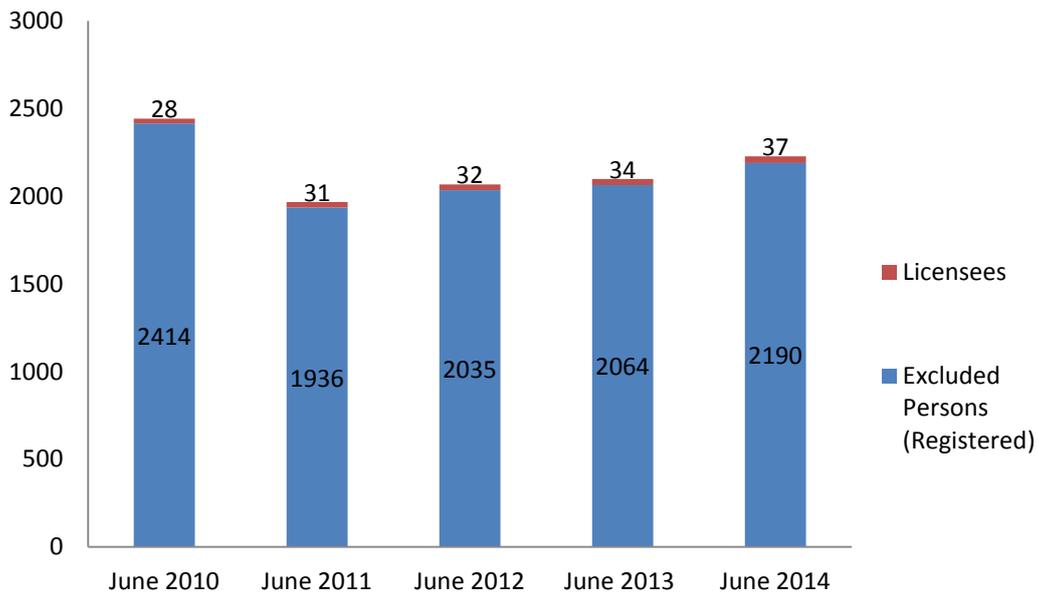
The Sector

Securities investment business activities carried out in and from the Cayman Islands include: dealing in securities, arranging deals, investment management and provision of investment advice. The Securities

Investment Business Law (SIBL) provides for the regulation of persons engaged in these activities in or from the Cayman Islands, including market makers, broker-dealers, securities arrangers, securities advisors and securities managers. Such persons must be licensed by CIMA, unless they meet the criteria to be excluded from the licensing requirement, in which case they must be registered as 'excluded persons'.

Since 2003, when the SIBL regime commenced, the excluded persons category has accounted for the vast majority of SIBL authorisations (see Figure 19). Most of the entities in this category conduct securities investment business exclusively for institutions or sophisticated investors. The majority of the licensees are Category A Banks, or affiliates thereof, that maintain securities investment business licences in order to provide securities investment services to their customers.

Figure 19: Number of Regulated Securities Investment Business Entities, 2010-2014



Authorisation Activity

The securities investment business continues to show steady growth. Two new licence applications were approved in the fiscal year. As of 30 June 2014, there were 37 licensed Securities Investment Business holders and 2,190 SIBL Excluded Persons, compared to 34 and 2,064 respectively during the same period in 2013.

ORGANISATIONAL DEVELOPMENTS

NATURE AND SCOPE OF ACTIVITIES

FUNCTIONS

CIMA has four principal functions.

1. **Monetary** - the issue and redemption of the Cayman currency and notes and the management of currency reserves.
2. **Regulatory** - the regulation and supervision of financial services, the monitoring of compliance with money laundering regulations, the issuance of a regulatory handbook on policies and procedures and the issuance of rules, and statements of principle and guidance.
3. **Cooperative** - the provision of assistance to overseas regulatory authorities, including the execution of memoranda of understanding to assist with consolidated supervision.
4. **Advisory** - the provision of advice to the Government on monetary, regulatory and cooperative matters, and, in particular, to advise Government whether the Authority's regulatory functions and cooperative functions are consistent with functions discharged by an overseas regulatory authority, and whether the regulatory laws are consistent with the laws and regulations of foreign jurisdictions. The scope of CIMA's advisory role also extends to representing the interests of the Cayman Islands at international forums and advising Government on the recommendations of those organisations.

OBLIGATIONS

The primary obligations of the Monetary Authority in carrying out the above functions are to:

- act in the best economic interests of the Cayman Islands;
- promote and maintain a sound financial system in the Cayman Islands;
- use its resources in the most efficient and economic way;
- have regard to generally accepted principles of good corporate governance;
- endeavour to promote and enhance market confidence, consumer protection and the reputation of the Cayman Islands as a financial centre;
- reduce the possibility for the use of financial services business for money laundering or other crime;
- recognise the international character of financial services/markets and the need to be competitive for consumers and suppliers while complying with appropriate and relevant international standards;
- recognise the principle that a burden or restriction that is imposed should be proportionate to its expected benefits;
- recognise the desirability of facilitating innovation in financial services business, and
- be transparent and fair.

STRATEGIC GOALS

CIMA completed a three-year strategic plan approved by the Authority's Board of Directors. In summary, the strategic priorities were:

1. to further **modernise regulation and enhance supervision** in order to ensure that Cayman keeps on par with the evolving international regulatory standards and best practices that are relevant to our business;
2. to **intensify CIMA's international cooperation and involvement** so as to: ensure that the Authority does its part in maintaining the safety and sound regulation of the international financial system; enable Cayman to continue to contribute to the development of international rules and standards that affect this jurisdiction, and to enhance the jurisdiction's reputation;
3. to facilitate the Government and private sector's efforts to **further develop the Cayman Islands as an international financial centre**, and
4. to **increase CIMA's effectiveness and cost-efficiency**.

EXECUTION OF MONETARY FUNCTIONS

CURRENCY MANAGEMENT

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

Currency Reserve Management

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

The currency in circulation is backed by the currency reserve assets in accordance with section 32 of the Monetary Authority Law. As at 30 June 2014, the value of the currency reserve assets was CI\$102.624 million (2013: \$97.930 million) representing 111.88 per cent (2013: 112.26 per cent) of total demand liabilities (i.e., currency in circulation).

Full details on the currency reserve assets, including specifics on the performance of the investments and cash and cash equivalent deposits that comprise the currency reserve assets, can be found at note 4 of the Notes to the Annual Financial Statements (page 57 and following).

Issue and Redemption of Currency

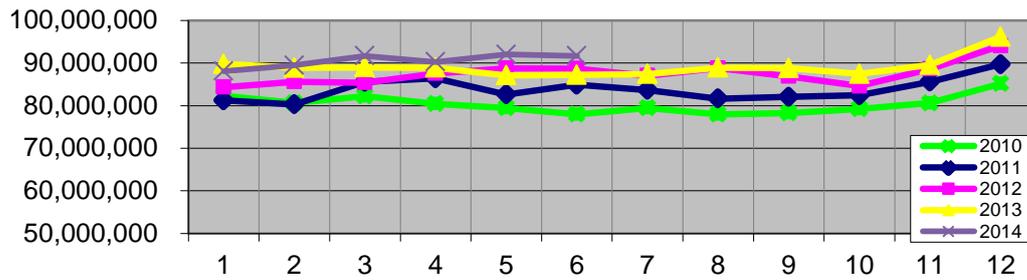
Currency in Circulation - At 30 June 2014, currency in circulation (excluding numismatic coins) stood at \$81.5 million in notes and \$10.2 million in coins, totalling \$91.7 million. This represents a 5.2% increase from the 30 June 2013 figure of \$87.2 million. Table 15 shows currency in circulation at fiscal and calendar year-end from 2010 to 2014. Figure 20 shows currency in circulation by month from 2010 to 2014.

Table 15: Currency in Circulation at Fiscal and Calendar Year-end, 2010-2014 (in CI\$m)

DATE	2010	2011	2012	2013	2014
30 June	78	84.9	88.7	87.2	91.7
31 December	85.2	89.7	94.0	96.2	

2010 New Family of Banknotes—The \$100 banknote is the only denomination of the D Series which remains to be put into circulation.

Figure 20: Cayman Islands Currency in Circulation by Month: 2010-2014



Counterfeit Detection

A total of 11 forged banknotes was detected and withdrawn from circulation in 2013-14, compared to 24 detected and withdrawn in the prior fiscal year.

Table 16 shows the number of forged banknotes, by denomination, which were withdrawn from circulation in each of the six-month periods between 1 July 2010 and 30 June 2014.

Table 16: Counterfeit Cayman Islands Currency Notes Recovered, July 2010-June 2014

	Jul - Dec 2010	Jan - Jun 2011	Jul - Dec 2011	Jan - Jun 2012	Jul - Dec 2012	Jan - Jun 2013	Jul - Dec 2013	Jan - Jun 2014
\$100	5	8	7	0	0	4	3	1
\$50	0	10	5	1	1	2	1	0
\$25	0	19	23	1	4	7	0	0
\$10	0	72	7	2	2	4	4	2
\$5	0	0	0	0	0	0	0	0
\$1	0	0	0	0	0	0	0	0
Total No. of Notes	5	109	42	4	7	17	8	3
Total Dollar Value	\$500	\$2,495	\$1,595	\$95	\$170	\$715	\$390	\$120

EXECUTION OF REGULATORY FUNCTIONS

THE REGULATORY REGIME

Framework

The framework for the Monetary Authority's regulation and supervision of financial services is made up of a number of elements. These include the applicable laws and regulations passed by the Government of the Cayman Islands; rules and statements of principle and of guidance issued by the Authority; and policies and procedures detailed in the *Regulatory Handbook* and other manuals.

Regulation and supervision are carried out in accordance with internationally accepted standards where these exist and are appropriate for the jurisdiction. The domestic laws and international standards under which the Cayman Islands Monetary Authority and regulated sectors operated as at 30 June 2014 are shown in Table 17.

Copies of all rules, statements of guidance and policies and procedures issued by the Authority are available on the CIMA website. The regulatory measures issued during the 2013-14 fiscal year are listed in Table 18.

Table 17: The Cayman Islands Monetary Authority Regulatory Framework (as at 30 June 2014)

Sector/ Entity type	CI Law	International Standards / Memberships
All	<ul style="list-style-type: none"> Monetary Authority Law (2013 Revision), and amendment Proceeds of Crime Law (2008) Money Laundering Regulations (2013 Revision), and amendment Terrorism Law (2011 Revision) Public Management and Finance Law (2013 Revision), amendment and regulations Companies Law (2013 Revision), and amendments 	<p>Standards:</p> <ul style="list-style-type: none"> Financial Action Task Force Forty Recommendations on Money Laundering and Financing of Terrorism & Proliferation <p>Memberships:</p> <ul style="list-style-type: none"> Caribbean Financial Action Task Force (CFATF) Regional Consultative Group for the Americas (Financial Stability Board)
Banks, trusts, money services businesses, credit unions, building societies, corporate services providers, company managers	<ul style="list-style-type: none"> Banks and Trust Companies Law (2013 Revision), and amendments Private Trust Companies Regulations (2013 Revision), and 	<p>Standards:</p> <ul style="list-style-type: none"> Basel Core Principles for Effective Banking Supervision¹⁵ Trust and Company Service Providers Working Group Statement of Best Practice produced by the Offshore

¹⁵ As promulgated by the Basel Committee on Banking Supervision

	<p>amendment</p> <ul style="list-style-type: none"> • Money Services Law (2010 Revision), and regulations • Cooperative Societies Law (2001 Revision), and regulations • Building Societies Law (2010 Revision) • Development Bank Law (2004 Revision) • Companies Management Law (2003 Revision), and regulations 	<p>Group of Banking Supervisors¹⁶</p> <p>Memberships:</p> <ul style="list-style-type: none"> • Group of International Financial Centre Supervisors (formerly Offshore Group of Banking Supervisors) • Caribbean Group of Banking Supervisors • Association of Supervisors of Banks of the Americas
Insurance companies, managers, brokers, agents	<ul style="list-style-type: none"> • Insurance Law, 2010, amendments and regulations 	<p>Standards:</p> <ul style="list-style-type: none"> • International Association of Insurance Supervisors (IAIS) Core Principles of Insurance Regulation¹⁷ <p>Memberships:</p> <ul style="list-style-type: none"> • IAIS • Group of International Insurance Centre Supervisors (GIICS) • Caribbean Association of Insurance Regulators (CAIR)
Mutual funds, fund administrators, securities investment businesses (market makers, broker-dealers, securities arrangers, securities advisors and securities managers)	<ul style="list-style-type: none"> • Mutual Funds Law (2013 Revision), amendment and regulations • Securities Investment Business Law (SIBL) (2011 Revision), amendment and regulations • Directors Registration and Licensing Law, 2014 • Directors Registration 	<p>Standards:</p> <ul style="list-style-type: none"> • International Organization of Securities Commissions (IOSCO) • Offshore Group of Collective Investment Schemes Supervisors (OGCISS) <p>Memberships:</p> <ul style="list-style-type: none"> • Offshore Group of Collective Investment Schemes Supervisors • Caribbean Group of

¹⁶ The working group comprised representatives of various offshore financial centres, the FATF, IMF and OECD as well as representatives of four G7 countries. The Statement was disseminated to the fiduciary sector via the Society of Trust and Estate Practitioners (STEP) and the Company Managers Association, and was accepted locally.

¹⁷ Issued by the International Association of Insurance Supervisors (www.iaisweb.org). The Cayman Islands is a charter member of this association.

	and Licensing (Registration and Licensing) Regulations, 2014	Securities Regulators • IOSCO
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Regulation and Supervision

The Banking Supervision, Fiduciary Services, Insurance, and Investments and Securities divisions (collectively referred to as the supervisory divisions) are responsible for processing, and making recommendations on applications for licences and other relevant authorisations for the provision of those financial services falling within their sectors. They are also responsible for the on-going supervision of licensees/registrants, and make recommendations for enhancements to the supervisory regime where appropriate.

Supervision of licensees is carried out off-site and on-site. Off-site supervision is continuous, involving the analysis of quarterly prudential returns and annual audited statements, supplemented with prudential meetings. On-site supervision involves limited scope and full-scope inspections both in the Cayman Islands and overseas. The objectives of the inspection process are to understand the licensee's business activities and operating environment, to detect problems of compliance with the relevant laws and/or regulations, and to gather information on matters identified as requiring policy consideration.

REGULATORY DEVELOPMENTS

Rules, Guidelines and Policies

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

The division's development and advisory role entails research of international developments and initiatives; analysis of the impact on the local financial services industry; formulation of appropriate options for consideration by the Authority and providing policy advice to the Authority, including during the industry consultation process. In addition, the division assists in the provision of responses, of both a statistical and non-statistical nature, on the financial sector to various international and domestic organisations.

During the year under review, the Authority issued a sector-specific Statement of Guidance (SOG) on corporate governance for regulated mutual funds to better align with standard setters' enhanced requirements. The Authority also issued a new Regulatory Procedure on approval and notification of changes with respect to Class, B, C and D Insurers and Portfolio Insurance Companies. Class A insurers are currently excluded from the ambit of the procedure. The measures and their descriptions are listed in Table 18.

Table 18: List of Regulatory Measures Issued in 2013-2014

When Issued	Type of Standard	Title	Description
December 2013	Guidance	Statement of Guidance for Regulated Mutual Funds	The purpose of the SOG is to provide the governing body of a regulated mutual fund and its operators (as defined in the Mutual Funds Law (2013 revision)) with guidance on the minimum expectations for the sound and prudent governance of the regulated mutual fund. The SOG sets out the key corporate governance principles pertaining to the Governing Body and Operators of a regulated mutual fund. The SOG was gazetted in December 2013.
January	Procedure	Regulatory Procedure:	This Regulatory Procedure was amended in January 2014 to

2014		Approval and Notification of Changes-Class B, C and D Insurers and Portfolio Insurance Companies	provide clearer guidance to licensees on what changes to a licensee's business plan require the Authority's prior written approval versus those that require prior notification. Additionally, a new Insurance Law, 2010 and the Insurance (Amendment) Law, 2013 were passed to create two additional types of licences and a new class of registrants. Given the significant changes made in the Insurance Law from the old law, the existing regulatory procedure was outdated and needed to be updated to include information for Classes C and D insurers and Portfolio Insurance Companies.
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Other Regulatory Developments

Directors Registration and Licensing Law, 2014, and Directors Registration and Licensing (Registration and Licensing) Regulations, 2014

The Directors Registration and Licensing Law, 2014 and its Regulations entered into force in June 2014. The Law confers certain duties and powers on the Authority for the registration and/or licensing of persons acting as directors. This Law only applies to directors of companies that are:

- registered under the Mutual Funds Law as a regulated mutual fund (2013 Revision); or
- companies falling under section 5(4) AND paragraphs 1 and 4 of the Fourth Schedule of the Securities Investment Business Law (2011 Revision).

CIMA facilitates the registration and licensing of directors via an online portal. The "Director Gateway" as it is called, is in line with the Authority's objectives to gradually phase out manual filings by licensees and registrants. Electronic filing of Directors' information is an essential element to improving data quality and of significant importance to the Authority effectively carrying out its mandate under the Monetary Authority Law.

Alternative Investment Fund Managers Directive (AIFMD)

The AIFMD, which introduced a unified regulatory regime for alternative investment fund managers and funds within in the European Union and the wider European Economic Area (EEA), came into force in July 2013.

Following discussions with the European Securities and Markets Authority regarding the signing of a cooperation arrangement with securities regulators in the EEA, the Authority signed twenty-seven memoranda of understanding which all entered into force on 22 July 2013. The Authority is continuing to examine ways in which its regulatory framework can be enhanced to better support those Cayman-domiciled funds and fund managers that wish to market in the EEA for the purpose of the AIFMD.

Basel II Implementation

CIMA completed the first part of its implementation of the Basel II framework in the Cayman Islands on 1 January 2011, when Pillar 1 became effective. The Basel II framework applies to both categories "A" and "B" banks that are locally incorporated in the Cayman Islands. On 1 April 2013, the filing of ICAAP documents became effective for banks with a financial year-end of 31 December. All other banks filed within four months of their respective fiscal year end. The filing of ICAAP documents with the Authority is now in full effect and CIMA is incorporating the filed documents into its assessment of banks in order to further enhance its supervision.

Bank Holding Companies

In 2011, the Authority had recommended to the Cayman Islands Government that changes be made to the Banks and Trust Companies Law that would allow the Authority to exercise greater oversight of bank holding companies and to supervise Cayman-based banking groups. These proposed changes were aimed at aligning the Authority's supervisory regime with the Basel II capital requirements. Having worked with Government's Legislative Drafting Department during 2012-2013 to finalise draft revisions proposed for the Banks and Trust Companies Law, the revisions were sent to Cabinet for approval.

Anti-Money Laundering

The Cayman Islands anticipates an assessment by the Caribbean Financial Action Task Force as part of the Fourth Round of Mutual Evaluations. The jurisdiction was last assessed in the 2007. In anticipation of the assessment, the Authority will be working in conjunction with the Cayman Islands Government to ensure the country is in compliance with the new 40 Recommendations on Combating Money Laundering and the Financing of Terrorism and Proliferation, as issued by the Financial Action Task Force (FATF) in February 2012. In particular, the Authority will play an integral role once the Government commences research for the National Risk Assessment (NRA) in line with the new Recommendation 1 of the FATF Standards. The NRA calls on countries to “identify, assess and understand” the money laundering and terrorists financing risks they face. This exercise will commence in late 2014.

COMPLIANCE AND ENFORCEMENT

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

Due Diligence

In carrying out due diligence, the Authority follows its *Regulatory Policy – Assessing Fitness and Propriety*¹⁸. The Compliance Division, which is tasked with conducting due diligence on applicants that the regulatory divisions refer to it, received 196 such applications during the 2013-2014 fiscal year. This compares to 226 during 2012-13. The breakdown of the applications for 2013-14 and 2012-13, by division, is shown in Table 19.

Table 19: Due Diligence Applications Referred to the Compliance Division,
2013-14 with 2012-13 Comparison

	Banking	Fiduciary	Insurance	Investments	Total
Applications as at 30 June 2013:	77	97	10	42	226
Applications as at 30 June 2014:	71	86	1	38	196

Enforcement

CIMA's *Enforcement Manual*¹⁹ describes the policies, procedures and tools for the exercise of its enforcement powers in the event of non-compliance with the regulatory laws. The manual includes a ladder of compliance detailing the steps the Authority will follow in the event of non-compliance. Where appropriate, CIMA will work with the licensee or registrant in an attempt to resolve regulatory issues prior to taking formal enforcement action. The Compliance Division and the Legal Division are responsible for the exercise of enforcement action, under the authorisation of CIMA's Board of Directors.

The Authority initiated 12 formal enforcement actions during 2013-14 (compared to 44 during 2012-13). Table 20: lists the formal enforcement actions initiated²⁰.

¹⁸ Regulatory Policy – Assessing Fitness and Propriety: Appendix E3 (page 66) of the [Regulatory Handbook Appendices](#). Address: <http://www.cimoney.com.ky/WorkArea/DownloadAsset.aspx?id=3825>. Also see information on Fitness and Propriety at page 28 of the [Regulatory Handbook - Volume 1 March 2011](#). Address: <http://www.cimoney.com.ky/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=3714>

¹⁹ The [Enforcement Manual](#): Address: <http://www.cimoney.com.ky/WorkArea/linkit.aspx?LinkIdentifier=id&ItemID=672>

²⁰ See the Regulatory and Enforcement Notices section of CIMA's website. Address: <http://www.cimoney.com.ky/enforcement/notices.aspx?id=164>

Table 20: Formal Enforcement Actions, 2013-2014

Name of Entity	Type of Authorisation Held	Enforcement Action	Effective Date
Dynamic Systems Allocation Fund Limited	Registered Fund	Registration Cancelled	Oct 30, 2013
Primasia Korea Growth Fund	Registered Fund	Registration Cancelled	Oct 30, 2013
Select Capital Limited	Administered Fund	Registration Cancelled	Oct 30, 2013
The Osprey Group of Funds Limited	Registered Fund	Registration Cancelled	Oct 30, 2013
Saadgroup Financial Services Company Limited	Class 'B' Bank	Controllers Appointed	Nov 28, 2013
Saad International Bank Limited	Class 'B' Bank	Controllers Appointed	Nov 28, 2013
Shimoda Emerging Europe Fund	Registered Fund	Registration Cancelled	Jan 21, 2014
The Shimoda Russia Renaissance Fund LDC	Registered Fund	Registration Cancelled	Jan 21, 2014
Offshore Risk Management (CI) Ltd.	Insurance Broker	Licence Revoked	Mar 14, 2014
AR Asia Private Ventures Limited	Administered Fund	Registration Cancelled	Mar 25, 2014
Azure Energy Fund (C.I.), Ltd.	Registered Fund	Registration Cancelled	Apr 29, 2014
HTS Derivative Investment Fund	Registered Fund	Registration Cancelled	Apr 29, 2014

Litigation:

There was no litigation with regards to enforcement actions during the 2013-14 fiscal period.

Other Compliance-related Matters

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

In addition, in keeping with its mandate to protect the jurisdiction from individuals or entities seeking to reap illegal benefit by false association with the Cayman Islands, the Compliance Division continued updating a list of websites which give Cayman addresses for various businesses which are not registered or licensed in the Cayman Islands.²¹

²¹ The complete list can be viewed in the Enforcement/ Information and Alerts section of the website: Address: http://www.cimoney.com.ky/enforcement/info_alerts.aspx?id=168.

EXECUTION OF COOPERATIVE AND ADVISORY FUNCTIONS

CROSS-BORDER COOPERATION

The Monetary Authority Law (MAL) lists the provision of assistance to overseas regulatory authorities as one of the principal functions of the Authority. Such international cooperation takes place through the exchange of information, as provided for in the MAL and facilitated through memoranda of understanding (MOUs) and other agreements, as well as through the Authority's active participation in international forums.

Memoranda of Understanding

While not a prerequisite for the provision of assistance, MOUs and similar agreements establish a framework for mutual assistance and cooperation by CIMA and the regulatory body with which the MOU is signed. The agreements specify when consultation should take place and the type of supervisory and enforcement information that may be exchanged. In this way, they enhance the existing working relationships between the authorities. Copies of the Authority's current MOUs and cooperation agreements are available on the CIMA website.²²

During this period, CIMA signed twenty-eight bi-lateral MOUs. These are listed in Table 21.

Table 21: International Information Exchange and Cooperation Agreements Concluded, 2012-2013

Agreement	Effective Date
▪ Finanzdienstleistungsaufsicht of Germany (BaFin) - Memorandum of Understanding	22 Nov 2013
▪ Financial Superintendence of Colombia - Memorandum of Understanding	26 Aug 2013
▪ Financial Market Authority of Austria - Memorandum of Understanding	26 Aug 2013
▪ Hungary Financial Supervisory Authority - Memorandum of Understanding	22 Jul 2013
▪ Bulgaria Financial Supervision Commission - Memorandum of Understanding	12 Jul 2013
▪ Czech National Bank - Memorandum of Understanding	12 Jul 2013
▪ Denmark Financial Supervisory Authority - Memorandum of Understanding	12 Jul 2013
▪ Estonia Financial Supervision Authority - Memorandum of Understanding	12 Jul 2013
▪ Finland Financial Supervisory Authority - Memorandum of Understanding	12 Jul 2013

²² International agreements:

http://www.cimoney.com.ky/ext_coop_assess/international_cooperation_agreements.aspx?id=184&ekmensenl=e2f22c9a_18_108_184_1. Local agreements:

http://www.cimoney.com.ky/ext_coop_assess/domestic_cooperations_agreements.aspx?id=178&ekmensenl=e2f22c9a_18_110_178_1

▪ France Financial Markets Authority - Memorandum of Understanding	12 Jul 2013
▪ Greece Hellenic Capital Bank - Memorandum of Understanding	12 Jul 2013
▪ Bank of Lithuania - Memorandum of Understanding	12 Jul 2013
▪ Iceland Financial Supervisory Authority - Memorandum of Understanding	12 Jul 2013
▪ Central Bank of Ireland - Memorandum of Understanding	12 Jul 2013
▪ Latvia Financial and Capital Market Commission - Memorandum of Understanding	12 Jul 2013
▪ Liechtenstein Financial Market Authority - Memorandum of Understanding	12 Jul 2013
▪ Luxembourg Financial Sector Supervisory Committee - Memorandum of Understanding	12 Jul 2013
▪ Malta Financial Services Authority - Memorandum of Understanding(2)	12 Jul 2013
▪ The Netherlands Authority of the Financial Markets - Memorandum of Understanding	12 Jul 2013
▪ Norway Financial Supervisory Authority - Memorandum of Understanding	12 Jul 2013
▪ Poland Financial Supervision Authority - Memorandum of Understanding	12 Jul 2013
▪ Portugal Securities Market Commission - Memorandum of Understanding	12 Jul 2013
▪ Romania Financial Supervisory Authority - Memorandum of Understanding	12 Jul 2013
▪ Slovak Republic National Bank of Slovakia - Memorandum of Understanding	12 Jul 2013
▪ Sweden Financial Supervisory Authority - Memorandum of Understanding	12 Jul 2013
▪ Cyprus Securities and Exchange Commission - Memorandum of Understanding	12 Jul 2013
▪ United Kingdom Financial Conduct Authority - Memorandum of Understanding	12 Jul 2013
▪ Belgium Financial Services and Markets Authority - Memorandum of Understanding	12 Jul 2013

Assistance to Overseas Regulatory Authorities

An ongoing activity for the Legal Division is advising on, and coordinating responses to, requests for assistance from overseas regulatory authorities (ORAs). The division works closely with other CIMA divisions, particularly Compliance, to ensure that requests are handled in a timely and efficient manner, and that they conform to the requirements of the MAL. The *Procedure - Dealing with Requests for Assistance from an Overseas Regulatory Authority (ORA)*²³ - sets out the Authority's approach in dealing with these requests. The process includes reviewing and assessing the requests and drafting directions to persons who have information that will assist the ORA in performing its functions.

The Compliance Division assists primarily on those requests on which the Authority will be required to issue a directive to obtain the information sought. The division is currently responsible for assessing the request, preparing the directive and serving it on the relevant party, as well as reviewing the information provided by the party to assess whether the party complied with the requirements of the directive, and providing the information to the requesting ORA.

The Authority handled a total of 154 requests for assistance from ORAs during the 2013-14 financial year, compared to 175 requests during 2012-13, and 119 during 2011-12.

International Initiatives Involving CIMA

Group of International Financial Centre Supervisors (GIFCS)

In 2013-2014, the Authority was a member of the GIFCS working group tasked with developing a new international standard for trusts and corporate services providers. The draft report was presented to the GIFCS membership in April 2014, and is expected to be completed by year-end 2014.

Financial Stability Board Regional Consultative Group for the Americas (RCGA)

Since 2013, the Authority has participated in the RCGA initiative on shadow banking. Following a similar initiative in FSB member countries, the working group is attempting to determine the size and nature of the shadow banking sector in the Americas. The working group has been asked to continue the shadow banking monitoring exercise through to 2015.

International Association of Insurance Supervisors (IAIS)

In October 2013, the Cayman Islands was re-elected to the IAIS Executive Committee for a two-year term, representing the Caribbean and Offshore region. The Authority participated in various IAIS initiatives during the year, including the validation of applications to join the IAIS Multilateral Memorandum of Understanding and contributing to a report on international development needs for insurance supervisors. The Authority continues to contribute to the work of the IAIS by its active participation in the IAIS Implementation Committee, Market Conduct Subcommittee, Education Subcommittee and Signatories Working Group.

a. IAIS Solvency and Actuarial Subcommittee (SSC)

In 2012, at the special request of the National Association of Insurance Commissioners (NAIC), which chairs the IAIS Solvency and Actuarial Subcommittee, the IAIS requested permission from CIMA to create an additional seat on the subcommittee to allow the Chief Actuary to join as a special member, due to his extensive actuarial knowledge in the field of regulation. As a member of the SSC, in 2014, the Chief Actuary provided presentations on longevity risk, stress testing, and alternative risk transfer and has been actively involved in assessing and developing capital requirements for alternative risk transfer and catastrophe risk. The Chief Actuary was appointed as a member of the SSC Drafting Working Group. In addition, the Chief Actuary was asked to participate in the proceedings of the NAIC

²³ Procedure- Dealing with Requests for Assistance from an Overseas Regulatory Authority: Appendix D1 (page 32) of the [Regulatory Handbook Appendices](http://www.cimoney.com.ky/WorkArea/DownloadAsset.aspx?id=3825). Address: <http://www.cimoney.com.ky/WorkArea/DownloadAsset.aspx?id=3825>.

Working Group on Catastrophe Risk, which is charged with the responsibility of developing the catastrophe risk load for the NAIC's revised Risk Based Capital Regime.

Group of International Insurance Centre Supervisors (GIICS)

In June 2014, the Authority was elected as deputy chair of the Group of International Insurance Centre Supervisors. The Authority is also the Chair of the GIICS Education Committee. In that role, in 2014, the Authority drafted a report on development needs of GIICS members and developed a strategy to enhance the training and development of supervisors of GIICS members.

International Banking Regulatory Groups

CIMA is an active member of the Caribbean Group of Bank Supervisors (CGBS) and a member of the CGBS' Basel II Implementation Working Group. Coming out of the CGBS' 32nd annual conference held in June 2014, the Cayman Islands Monetary Authority was asked, and has since provided, feedback on the assessment methodology for Globally Systemically Important Banks. CIMA representatives also shared, via a presentation at the annual conference, its experience on the implementation of the revised Basel core principles for effective banking supervision.

LOCAL COOPERATION

Money Laundering Reporting

The Head of Compliance is the Authority's Money Laundering Reporting Officer (MLRO) under the Proceeds of Crime Law, 2008. Any suspicion of money laundering identified by CIMA's staff in conducting their supervisory activities is reported to the MLRO, who has the responsibility to report to the Financial Reporting Authority (FRA) in conformance with the Money Laundering Regulations (2013 Revision).

The MLRO filed 5 suspicious activity reports (SARs) with the FRA during 2013-14, compared to 5 filed during 2012-13. The FRA made 46 onward disclosures during 2013-14 to the Authority, pursuant to the MOU between the FRA and CIMA. This compares to 28 made by the FRA during 2012-13. CIMA assesses all onward disclosures to determine if further investigation and regulatory action are required.

ADVISORY ACTIVITY

The Monetary Authority Law requires CIMA to advise the Government on monetary, regulatory and cooperative matters. This includes providing advice as to whether CIMA's regulatory and cooperative functions are consistent with those discharged by overseas regulators; whether the regulatory laws are consistent with the legislation of other countries and territories; and advising on the recommendations of international organisations.

This law also requires CIMA to consult with the local private sector on the proposed issuance or amendment of rules or statements of principle or guidance concerning the conduct of licensees and their officers and employees; statements of guidance concerning the requirements of the money laundering regulations; and rules or statements of principle or guidance to reduce the risk of financial services business being used for money laundering or other criminal purposes.

Through its involvement with overseas regulatory authorities, participation in local and international forums, and interaction and consultation with local and overseas market participants, CIMA is able to stay abreast of developments relevant to the local financial services sector, and the concerns of the industry, and to advise the Government based on the information gathered. CIMA also carries out its own research and assessment, including cost-benefit analyses of all new regulatory measures it proposes, and makes recommendations to the Government accordingly. Advice to the Government is provided through meetings, participation in various Government groups and through written reports and submissions, including financial sector legislative proposals (draft bills and regulations) and Cabinet papers.

The measures implemented or in development during 2013-14 are covered in the Regulatory Developments section of this report, beginning on page 36.

Assistance on TIEA and OECD Matters

As part of its advisory and cooperative mandate, CIMA representatives on the Tax Information Exchange Agreements (TIEA) also participate, along with their Government counterparts, on the Organisation for Economic Cooperation and Development's (OECD) Global Forum on Transparency and Exchange of Information Steering Group and Peer Review Group. Cayman is a member of both groups.

OPERATIONAL SUPPORT AND ADMINISTRATION

HUMAN RESOURCE MANAGEMENT & DEVELOPMENT

Human Resources Division – Recruitment, Staffing, Service

The Human Resources Division continues to build on the platform that supports our employees (Executive Management, Divisional Managers, Supervisors and all other Staff). The importance of strengthening the existing staff complement such that our team members identify with CIMA as the work environment with which to build a career in financial services regulation is at the forefront of the strategy of Human Resources. As the organisation continues to enhance its supervisory regime, the importance of recruiting the “right” staff remains a strong component of this formula. A number of factors are taken into consideration and these include but are by no means limited to: requisite qualifications/certifications, a proven track record and relevant, current work experience, maturity, the right attitude and approach to responsibilities. Ideally, for the regulatory divisions, it is highly advantageous to already have experience from within an environment of financial services supervision.

As one of the strategic partners to the organisation, the Human Resources Division carries out five main functions: 1) Employee Services (which includes employee relations, compensation & contract administration, benefit plan administration, attendance, and liaison with the Government’s Immigration Department and the National Workforce Development Agency); 2) Recruitment; 3) Learning and Development (performance management & reward and management development); 4) Mail, Courier and Reception, and 5) Facilities/Security (covering all facility-related issues, parking, security, conferences and special event planning). By taking a systems approach to strategy, the HR Division establishes its operational plans and actions by seeking the best ways in which to fulfil the expectations of the Board and Executive Management through CIMA’s strategic plan; and further, keeping abreast of the known needs of the Management of the Authority, balanced with a proactive approach to employee relations.

Recruitment and Staffing

The composition of the total staff complement remained a steady 88% Caymanian, complemented by international employees from Barbados, Canada, India, Jamaica, Kenya, Portugal, South Africa, Sri Lanka, St. Vincent and the Grenadines, Trinidad and Tobago, the United Kingdom, the United States of America and Zimbabwe. The breakdown of the organisation’s populace by division is depicted in the table below.

Table 22: Staff Numbers by Division as at 30 June 2014, with June 2013 Comparisons

Division	Actual staff numbers at 30 June 2013	Actual staff numbers at 30 June 2014
Banking	24	24
Compliance	13	12
Currency Operations	7	7
Fiduciary Services	9	12
Insurance	19	15
Investments and Securities	39	42
Legal	9	9
Managing Director’s Office	8	8
Finance, Information Systems and Human Resources (Operations)	28	30
Policy & Development	12	13
TOTAL	168	172

Employee Services

2012–2013 brought revisions to the performance review process to facilitate a shared approach, with appraiser and appraisee, establishing goals and objectives that are in line with the overall strategy of the organisation. This past year, the process has been enhanced for our managers (HOD & DHODs) by outlining specific competencies at the managerial and supervisory levels – this, to underpin the technical skills with required managerial capabilities.

It is the belief of the HR Division that feedback is paramount to strengthening performance, bringing about desired change in behaviour and improved practices. Following the training that took place last year with Middle Management at the senior and chief levels, valuable feedback relevant to all levels of management was received that led to the establishment of Focused Support Group sessions. These are small groups of CIMA managers and supervisors (Seniors, Chiefs, Deputies and Heads) that convene informally to receive and share feedback and approaches to the people management aspects of their teams. The main areas identified that are often challenging have been communication, performance feedback, succession planning, ensuring the development of team members, recognising good performers and managing disciplinary concerns. The vision for these group sessions is that they will facilitate feedback being filtered horizontally as well as vertically on the main issues raised and brought forward within the right forums to strengthen working relationships.

Financial Assistance in the Field of IT: To assist with the attraction of young Caymanians in the field of Information Technology and specifically programming – an area that tends not to be studied by IT students in Cayman schools, a Junior Programmer Analyst role in the Information Systems Division was established in December 2013, the purpose of which is to attract and to hire a young Caymanian to eventually become a programmer as well as to establish a career and to grow with CIMA. Criteria for the incumbent are: (i) an Associate’s Degree in the field of computer science/studies; (ii) the right skillset to undertake additional studies; (iii) the aptitude, based on college transcript and any previous work experience, to assume the required certifications for a programming qualification. The incumbent would be hired as a full-time employee by CIMA with a contract detailing the role, its expected responsibilities (job duties and certificates to be undertaken), the mutual obligation to CIMA with the Authority fully financially supporting the identified certifications.

Learning and Development

In support of our recruitment philosophy, that in an ideal world, CIMA seeks candidates who may have ‘experience from within an environment of financial services supervision’, our learning and development approach is underpinned with the application of development plans, an approach that was established approximately five years ago and one that is continuously enhanced and referenced in support of promotions.

The implementation of development plans and a shared responsibility for performance with accountability between managers/supervisors and individuals, has led to the recognition of performance through a total of 12 promotions for the fiscal year. We believe in having succession from within to build regulatory experience and to recognise the career paths of our employees who are seeking to establish or to enhance their career path with CIMA. Unfortunately, however, CIMA is challenged, as are other regulatory bodies, in having an attractive calibre of trained and experienced staff who are approached by the Industry. By the same token, this is not always a negative effect because we are able to benefit from persons who left CIMA with good experience, who gain additional exposure to industry and who we like to see return to contribute that growth and additional experience from industry.

This is the third year since formulating and implementing the CIMA Internal Regulatory Training Programme (the “Programme”). It encompasses a series of risk-based regulatory workshops facilitated by various CIMA regulatory employees of all levels. The Human Resources Division will be seeking to source external experts for various technical areas that would be relevant to CIMA and incorporate their approach to training into the Programme with a view to partnering with these same members of the financial industry and CIMA presenters in an ongoing training/learning relationship.

There was a doubling of the number of internally led courses for this year. On the regulatory side, all levels of staff reviewed the approach to supervision incorporating an enhanced risk assessment methodology. With the intended enhancements to the Programme, there will be more technical modules being facilitated.

Table 23: Learning and Development Programme Statistics, 2013-2014

Course Type	Total Held	Total Attendance
Internal Courses – External Presenters	8	163
Internal Courses – Leader Led	34	458
Internal Web Seminar Courses	29	161
External Local Events	31	117

Regional and International Regulatory Conferences - The Managing Director attended the 38th conference of the International Organisation of Securities Commissions, whilst that for the International Association of Insurance Supervisors was attended by the Deputy Head of Policy & Development; with a Chief Analyst from the Insurance Supervision Division attending the American Society for Healthcare Risk Management forum. The Head of the Banking Division accompanied by a Chief Analyst in the Division, ably represented CIMA at the 32nd Caribbean Group of Banking Supervisors. The Chief Human Resources Officer attended the Caribbean & Latin America Conference on Talent Management. A part of the identification for attendance at conferences (locally or overseas) involves identifying the method of knowledge/information transfer whether by a written summary report, inter-division presentation, small panel discussion or Management Committee Update.

Summer Internships – For the Summer of 2013, CIMA was pleased to have been able to offer 12 students real work experience beyond what is usually considered mundane summer tasks for interns. Our internship experiences (from a few weeks to the entire Summer), were afforded to individuals attending the last year in high school right through to those already enrolled in university. One intern shared her experience and said: “I have learned to...be precisely accurate with numbers...be responsible to arrive to work on time, and...to get the work done within a deadline. The experience has changed the way I see things, and allowed me to develop new skills and to work maturely and responsibly on my own.” An intern at university level shared that having a BA in Accounting and Finance he...“wasn’t sure which direction I wanted to go with my career...” The internship allowed him to...“set clear goals and objectives that helped me develop from a student into a working young man.” Through these opportunities and relationships, CIMA feels that the internships serve as an invaluable avenue to educate and to expose young persons to career options that they may not otherwise have had an opportunity to explore and to consider towards a longer term career.

2010 Scholarship Recipient - Miss Shanaz Whittaker, the first recipient of the Thomas Jefferson Memorial Scholarship afforded through CIMA, successfully graduated with her Bachelor of Science Degree in Management and has been placed in the Investments & Securities Division as an Analyst. Miss Whittaker was also a recipient of many CIMA internship opportunities during her studies. Candidates will be interviewed for consideration for the 2014 Thomas Jefferson Scholarship Award.

Staff Community Involvement

The **CIMA Green Team** was reinstated in April 2014 and set two immediate goals: to encourage environmental responsibility at CIMA, and to contribute to creating a more environmentally-sustainable Cayman. With these two goals in mind, on 2 May, the Green Team launched a newspaper recycling programme, collecting old newspapers for donation to the Humane Society. The second initiative - the recycling of aluminium cans, is presently on hold as CIMA is on the waiting list to receive recycle bins from the Department of Environmental Health. The Green Team is led by CIMA’s Public Relations Assistant.

High School Career Fair – In February, CIMA participated in the first Career Fair hosted by the Clifton Hunter High School. The main purpose of the event was to have companies representing industries in Cayman meet with the years 9, 10 and 11 students. The overall goal of the event was to assist the students in determining their possible career interests, and to answer any questions they may have had. CIMA’s booth shared information about the history and structure of the Authority, as well as vacancies along with necessary pre-employment requirements. Information about the Thomas Jefferson Memorial Scholarship was also shared. CIMA representatives took this as another opportunity to plant that seed of awareness amongst the students to inform them on regulation of financial services as a possible field of study.

INFORMATION SYSTEMS

The goal of the Information Systems (IS) Division is to facilitate CIMA's business practices in a secure and resilient manner, utilising information and communications technology.

System uptime and service goals for the 2013-2014 year again exceeded the Industry Standards and were above the 99.8% realm. The division continued to provide high availability, security, and reliability of information technology systems and services during 2013-2014. Our system availability for the first half of 2014 continues to be exceptional, with an average availability of 99.996% during business hours and the almost unattainable "5-nine" uptime when measured on a 24-hour basis. (These numbers are derived from unplanned/unexpected outages). This is comfortably ahead of the industry benchmark for small to medium businesses.

Major Initiatives During 2013-2014

Disaster Recovery – Our tests for business continuity were completed prior to the annual hurricane season and proved very successful. Slight improvements from last year's test have been implemented and all systems were proven to be well balanced and performing satisfactorily.

CIMAConnect – Enhancements are continually being made to this product, as we strive to automate more requests from Industry in order to improve turnaround time on licensee applications and communication between CIMA and Industry.

Network Security – Security continues to be a primary focus of the Division, with several enhancements made to existing systems for threat management and the inclusion of additional tiers of firewall protection. Additional layers of email, network and web security have been added, with work continuing in this area.

New REEFS System – Industry will soon have additional online communications with CIMA via some new Internet web applications. Development of a new system called REEFS which stands for Regulatory Enhanced Electronic Forms Submission is underway, and is being coordinated with the successful tender bid of a third party vendor namely the SQL Power Group. Industry will be able to submit various new applications and change requests of existing licences along with mandatory financial filings via a new online web portal. Notifications will be centralized in the portal for each entity showing the progress and workflow of submissions that have been accepted, until they ultimately receive an approval or refusal.

Directors Registration Portal – In order to facilitate the new Directors Registration law, CIMA's in-house working group has designed a new online web application to facilitate the registration process and acceptance of credit card payments. This system is expected to register many thousands of directors and provide improved governance attributes.

COMMUNICATION AND PUBLIC RELATIONS

The Public Relations (PR) Unit, a part of the Managing Director's Office, provides communications support to, and on behalf of, CIMA in order to help the Authority execute its functions and enhance relationships with stakeholders and other members of the public. These efforts are augmented by the activities of CIMA's management, the Human Resources Division and other divisions, as well as through staff-led initiatives.

Events

The Authority mounted a booth at the 2014 Cayman Captive Forum, an annual event where industry experts converge to discuss the most pressing issues relating to the insurance industry. A newly-acquired trade show floor display helped to enhance CIMA's image at the conference.

CIMA also participated in the Campbell's Fund Focus, another annual conference which focuses on topical issues in the funds industry.

Outreach efforts to schools were in the form of participation in the Clifton Hunter High School's careers fair, where students got the opportunity to interact with the Authority's staff representatives and learn about

career options at CIMA. In addition, CIMA was one of the host organisations for the school's Take Your Child to Work programme, during which two students were assigned to the Banking Supervision Division and the PR Unit. Again during this reporting period, summer interns were accommodated in various divisions.

We received visits from high-level delegations, including Nigeria's Finance Minister and the Chair of Transparency International, which held meetings with CIMA Senior Management.

External Publications and Media Liaison

Among the publications for which the Authority provided editorial copy were: Cayman Funds, Global Regulatory Outlook, Cayman Finance magazine, and Global Banking & Financial Policy Review 2014/15.

In addition, senior members of staff were interviewed by publications such as Captive Review and Nikkei Inc., and responded to several media enquiries, e.g. Asian Investor, Private Banker International magazine.

CIMA Publications

The Investments and Securities Division and the PR Unit collaborated on the production of the *Investments Statistical Digest 2012*. The PR Unit continued to produce and disseminate news releases and notices; the quarterly issues of CIMA's external newsletter, *The Navigator*, and the Authority's Annual Report. The CIMA Fact Sheet and the Insurance Sector Insight were given vibrant redesigns.

Direct Public Information and Assistance

The PR Unit provided information and other assistance on a regular basis to interested members of the public, Cayman government agencies, and persons in industry who contact the Authority from time to time. The unit also maintained CIMA's website, which remains a primary source of public information on the Authority. CIMA ventured into the social media arena, with approval being given for a LinkedIn company page. Regular updates to the page were made by the PR Unit.

Staff Community Involvement

CIMA's staff lend their time to a variety of charitable initiatives, and contribute to community assistance projects through the use of proceeds from dress-down days. At Christmas, donations were made to a number of charities and deserving causes.

Internal Support

PR staff monitored, collected, and disseminated internally, relevant external information on market, regulatory and political developments taking place locally and internationally. A monthly newsletter, *CIMA Insider*, was introduced in July 2013 to share information about staff achievements and developments at the Authority.

FREEDOM OF INFORMATION INITIATIVE

The Freedom of Information (FOI) Law, came into effect across the Cayman Islands Public Service in January 2009, giving members of the public a general right of access to government records, with some exemptions and exclusions that are specified in the law. Because of the nature of CIMA's work, the FOI Law (in section 3(1)(c)) specifically excludes the release of records and information protected by section 50 of the Monetary Authority Law (2010 Revision).

Between July 2013 and June 2014, eight FOI requests were received and processed. Full access was granted to three of the requests. Partial access was granted to one of the requests because part of that request was publically available. Three requests were denied under section 3(1)(c) of the FOI Law, and one request was deferred in full after an Internal Review by the Authority's Managing Director.

FINANCIAL CONTROL

Finance Division

The Finance Division has responsibility for all financial matters relating to budget, fee collection, payroll, and accounts payable, and is responsible for preparation of CIMA's financial statements and the Purchase &

Ownership Agreements between the Cabinet and the Authority. The division's objectives are essentially created by the financial requirements of CIMA and its stakeholders and the resources available to it.

Coercive Revenue Collection

The Authority collected \$106.832 million in fees from regulated entities on behalf of the Cayman Islands Government for the 2013-14 financial year, compared to \$101.659 million for the prior year. This increase in collections was mainly attributed to the new revenue measures implemented by the Government in 2012-13.

The Authority's Income

The Authority depends on the sale of its outputs to the Cabinet of the Government of the Cayman Islands, as its main source of income to meet its obligations. The outputs delivered in 2013-14, for a total of \$9.865 million were:

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

In June 2014 the new Directors Registration and Licensing Law came into effect; this provided CIMA with \$4.499 million of income. The other sources of income are from the CIMA Transactional Fees \$4.740 million, Investments \$0.398 million and commission and the sale of numismatic items \$0.396 million.

Net Income

The Authority's net income for the 2013-14 financial year was \$0.684 million (2012-13 restated: net loss (\$0.188 million)), which was allocated to CIMA's Capital Expenditures Reserves and General Reserves.

Details of CIMA's financial position for the year ending 30 June 2014 can be seen in the Audited Financial Statements that follow.

ANNUAL FINANCIAL STATEMENTS

**For Year Ending
30 June 2014**



CAYMAN ISLANDS MONETARY AUTHORITY

Statement of Responsibility For Financial Statements 30 June 2014

These financial statements have been prepared by the Cayman Islands Monetary Authority in accordance with the provisions of the *Public Management and Finance Law* (2013 Revision).

We accept responsibility for the accuracy and integrity of the financial information in these financial statements and their compliance with the *Public Management and Finance Law* (2013 Revision).

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

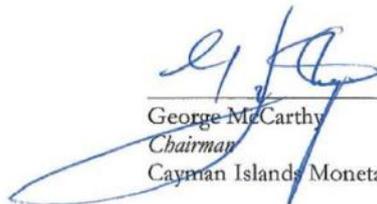
As Chairman and Managing Director we are responsible for the preparation of the Cayman Islands Monetary Authority financial statements and for the judgements made in them.

The financial statements fairly present the financial position, financial performance and cash flows of the Cayman Islands Monetary Authority for the financial year ended 30 June 2014.

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

- (a) Completely and reliably reflect the financial transactions of Cayman Islands Monetary Authority for the year ended 30 June 2014;
- (b) fairly reflect the financial position as at 30th June 2014 and performance for the Year ended 30th June 2014;
- (c) comply with International Financial Reporting Standards under the responsibility of the International Accounting Standards Board.

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


 George McCarthy
 Chairman
 Cayman Islands Monetary Authority

Date: 31 October 2014


 Cindy Scotland
 Managing Director
 Cayman Islands Monetary Authority

Date: 31 October 2014



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AUDITOR GENERAL'S REPORT

To the Board of Directors of the Cayman Islands Monetary Authority

I have audited the accompanying financial statements of the Cayman Islands Monetary Authority which comprise the statement of financial position as of 30 June 2014 and the related statements of comprehensive income, statement of changes in reserves and contributed capital and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 8 to 23 in accordance with the provisions of Section 60 (1) (a) of the *Public Management and Finance Law* (2013 Revision).

Management's Responsibilities for the Financial Statements

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

Auditor General's Responsibility and Basis of Opinion

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit 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 30 June 2014 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in blue ink, appearing to read 'A Swarbrick', with a stylized flourish at the end.

Alastair Swarbrick MA. (Hon), CPFA
Auditor General

31 October 2014

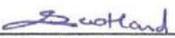
**CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF FINANCIAL POSITION**

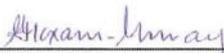
At 30 June 2014

(in Cayman Islands Dollars)

	Note	2014 \$000	2013 \$000
ASSETS			
			Restated
Currency Reserve Assets			
<i>Current Assets</i>			
Call Deposits	4b	5,045	4,618
Short-Term Investments	4a	75,004	51,252
Fixed Deposits	4b	1,545	1,541
Interest Receivable, Deposits		129	87
Stocks	7	2,320	2,253
<i>Non-Current Assets</i>			
Long-Term Investments	4a	18,581	38,179
Total Currency Reserve Assets		<u>102,624</u>	<u>97,930</u>
Operating Assets			
<i>Current Assets</i>			
Current and Call Deposits	4b	6,819	7,914
Accounts Receivable	5	6,002	4,116
Other Receivables and Prepayments		846	142
<i>Non-Current Assets</i>			
Intangible Asstes	6	1,547	1,096
Fixed Assets	6	390	406
Total Operating Assets		<u>15,604</u>	<u>13,674</u>
TOTAL ASSETS		<u><u>118,228</u></u>	<u><u>111,604</u></u>
LIABILITIES, RESERVES and CONTRIBUTED CAPITAL			
Liabilities			
Demand Liabilities, Currency in Circulation	8a	91,720	87,229
Defined Benefit Pension Liability	9	1,694	934
Other Liabilities and Payables	8b	1,542	853
Total Liabilities		<u>94,956</u>	<u>89,016</u>
Reserves			
General Reserve		18,525	17,263
Currency Issue Reserve		375	375
Capital Expenditures Reserve		1,780	2,319
Operational Expenditures Reserve		264	303
Total Reserves		<u>20,944</u>	<u>20,260</u>
Contributed Capital		<u>2,328</u>	<u>2,328</u>
TOTAL LIABILITIES, RESERVES and CONTRIBUTED CAPITAL		<u><u>118,228</u></u>	<u><u>111,604</u></u>

Approved on 31 October 2014


Cindy Scotland
Managing Director


Gilda Moxam-Murray
Chief Financial Officer

The accompanying notes form an integral part of these financial statements

**CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2014

(in Cayman Islands Dollars)

	Note	2014 \$000	2013 \$000 Restated
INCOME			
Services Provided to The Cayman Islands Government	11a	9,865	14,865
CIMA Transactional Fees		4,740	3,012
Directors Registration and Licensing Fees		4,499	-
Investment Income		398	445
Commission Income		328	375
Numismatic Income		68	-
TOTAL INCOME		19,898	18,697
EXPENSES			
Salaries and Benefits		12,394	11,828
Other Operational Expenses	11d, 12	2,485	2,237
Pension Expenses	9	1,115	1,629
Accommodation		953	891
Depreciation	6	600	648
Utilities		471	472
Official Travel		269	307
Professional Fees		257	354
Training and Conferences		173	188
Loss on Numismatic Items		-	301
TOTAL EXPENSES		18,717	18,855
INCOME /(LOSS) FOR THE YEAR before:-		1,181	(158)
OTHER COMPREHENSIVE (LOSS)			
Remeasurement of Employee Benefit Obligation		(497)	(30)
COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		684	(188)

The accompanying notes form an integral part of these financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CHANGES IN RESERVES AND CONTRIBUTED CAPITAL
For the year ended 30 June 2014
(in Cayman Islands Dollars)

	2014				2013 - Restated				
	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Operational Expenditures Reserve \$000	General Reserve \$000	Currency Issue Reserve \$000	Capital Expenditures Reserve \$000	Operational Expenditures Reserve \$000	Contributed Capital \$000
BALANCE AT 01 JULY 2013	17,263	375	2,319	303	17,218	375	2,509	346	2,328
Transfers in :									
From Net Income	188				(188)				
From Capital Expenditures Reserve	1,035		496		190				
From Operational Expenditures Reserve	39				43				
Transfers out :									
Contribution Payable to CI GOVT									
To Capital Expenditures Reserve							(190)		
Currency Inventory Issued									
Fixed Assets Purchased									
Operational Expenses				(39)				(43)	
BALANCE AT 30 JUNE 2014	18,525	375	1,780	264	17,263	375	2,319	303	2,328

The accompanying notes form an integral part of these financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 30 June 2014
(in Cayman Islands Dollars)

	2014 \$000	2013 \$000
		Restated
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss) for the year	684	(188)
Adjustments for:		
Depreciation	600	648
Loss on Defined Benefits Assets	760	838
(Increase) / Decrease in Investments	(4,154)	1,768
(Increase) in Interest Receivable - Currency Reserve Assets	(42)	(31)
(Increase) in Accounts Receivable	(1,885)	(1,189)
(Increase) / Decrease in Other Receivables and Prepayments	(704)	1
Unearned Income - Directors Registration and Licensing Fees	359	-
Unearned Income - CIMA Transactional Fees	129	-
Increase / (Decrease) in Other Liabilities and Payables	201	(164)
(Increase) / Decrease in Stocks	(68)	636
Increase / (Decrease) in Demand Liabilities	4,491	(1,467)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>371</u>	<u>852</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Fixed Assets	(1,035)	(190)
NET CASH USED BY INVESTING ACTIVITIES	<u>(1,035)</u>	<u>(190)</u>
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS	(664)	662
CASH AND CASH EQUIVALENTS, BEGINNING OF THE YEAR	<u>14,073</u>	<u>13,411</u>
CASH AND CASH EQUIVALENTS, END OF THE YEAR	<u>13,409</u>	<u>14,073</u>

The accompanying notes form an integral part of these financial statements

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

1. Organisation and Objectives

The Cayman Islands Monetary Authority (the "Authority") was established under the *Monetary Authority Law, 1996* on 1 January 1997. Under the *Monetary Authority Law (2013 Revision) (the "Law (2013 revision)")*, the primary functions of the Authority are: -

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

As at 30 June 2014 the Authority has 172 employees (2013: 168). The Authority is located in Elizabethan Square, George Town, Grand Cayman, Cayman Islands.

2. Significant Accounting Policies

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

a) Basis of preparation. The financial statements of the Authority are prepared in accordance with International Financial Reporting Standards ("IFRS"), on the accrual basis under historical cost convention except for past service liability (note 9).

b) Foreign currency. The reporting currency is Cayman Islands Dollars. Foreign currency transactions are recorded at the exchange rates prevailing on the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Assets and liabilities are translated at the exchange rate in effect at the date of these financial statements

c) Use of Estimates. The preparation of financial statements, in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

d) Financial Instruments.

Classification

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset, exchange financial instruments under conditions that are potentially favourable or an equity instrument of another enterprise. Financial assets comprise cash and cash equivalents, long and short-term investments, accounts and interest receivable, and other receivables and prepayments.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable. Financial liabilities comprise accounts payable and accrued expenses.

Recognition.

The Authority recognises financial instruments on its Statement of Financial Position on the date it becomes a party to the contractual provisions of the instrument.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

Significant Accounting Policies (continued)

Financial Instruments (continued)

Measurement

Financial instruments are measured initially at cost, which is the fair value of the consideration given or received.

The financial assets classified as cash and cash equivalents, accounts and interest receivable, and other receivables and prepayments are carried at historical cost, which is considered to approximate to fair value due to the short-term or immediate nature of these instruments.

Short-term investments are valued, on a monthly basis at their amortised cost. Long term investments are valued at quoted market value. Unrealised gains or losses are recorded in the Statement of Comprehensive Income.

The Authority's financial liabilities are carried at historical cost, which is the fair value of the consideration expected to be paid in the future for goods and services received whether or not billed to the Authority, due to their short-term maturities.

e) Cash and Cash Equivalents. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of current and call deposits and fixed deposits maturing within three months from the date of acquisition.

f) Stock of Notes and Coins for Circulation. The stock of unissued currency notes is stated at cost. Only the cost of notes issued into circulation is expensed, on a "first in first out" basis. All associated cost such as shipping, handling and insurance are expensed immediately.

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

h) Numismatic Coins in Circulation. The total nominal value of numismatic coins outstanding as at 30 June 2014 is \$14,501k (2013: \$14,501k). No liability for redeeming numismatic coins is recognised in the financial statements, since the amount of redemption cannot be reasonably estimated and the probability of material redemption is remote. Redemption costs and sales proceeds are recorded in the Statement of Comprehensive Income as incurred.

i) Fixed Assets. Fixed Assets are stated at historical cost less accumulated depreciation. Additions or improvements to assets during the year, which significantly add to the value of, or extend the useful life of such assets, are capitalised as part of the cost. Depreciation is calculated on the straight-line method of 20% per annum for Furniture & Fixtures, Leasehold Improvements, Motor Vehicle and Office Equipment (with the exception of the DRC Equipment calculated at 33.33%); and 25% to 33.33% per annum for Computer Hardware and Software.

j) Employee Benefits

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

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

Significant Accounting Policies (continued)
Employee Benefits (continued)

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

A defined benefit plan is one that defines an amount of benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation. The asset or liability in respect of defined benefit plans is the difference between the present value of the defined benefit obligation at the Statement of Financial Position date and the fair value of plan assets, adjusted for unrecognised actuarial gains/losses and past service cost. The pension costs are assessed using the Projected Unit Credit Method. Under this method the cost of providing pensions is charged in the Statement of Comprehensive Income so as to spread the regular cost over the service lives of employees in accordance with advice of the actuary, (who is due to carry out a full valuation of the plans every year). The pension obligation is measured at the present value of the estimated future cash outflows using discount estimated rates based on market yields on high quality corporate bonds at the time of the accounting date which have terms to maturity approximating the terms of the related liability.

Obligations for contributions to defined contribution and defined benefits pension plans are recognized as pension expense in the Statement of Comprehensive Income as incurred.

Other Benefits. Other employee benefits include maternity leave, sick leave, vacation days and performance awards. Vacation days accumulate and vest and therefore a liability is accrued each year. The accrued vacation liability as at 30 June 2014 is \$168k (2013: \$135k) and is included in the other liabilities and payables.

k) Allocation of profits. Under Section 9 and 10 of the *Law (2013 revision)*, the net profits of the Authority, after provision for all expenditure and reserves, shall be allocated such that the Currency Reserve Assets represent at least 100% of Demand Liabilities and the General Reserve represents at least 15% of Demand Liabilities. Any surplus not allocated in accordance with the above shall be transferred to the General Revenue of the Cayman Islands Government.

l) General Reserve. The Authority maintains a General Reserve in accordance with Section 8 of the *Law (2013 revision)*, to provide additional funding if necessary for Demand Liabilities and obligations arising from other business of the Authority. In accordance with section 8 of the *Law (2013 revision)* the General Reserve shall represent at least 15% of Demand Liabilities. As at 30 June 2014, the General Reserve was \$18,525k (2013: \$17,263k) equating to 20.19% (2013: 19.79%) of Demand Liabilities.

m) Currency Issue Reserve. The Currency Issue Reserve was adjusted as the stock of notes printed prior to 2003 was all issued into circulation. The Currency Issue Reserve will then remain at \$375k.

n) Capital and Operational Expenditures Reserves. Under Section 9 of the *Law (2013 revision)*, the net profits of the Authority for any financial year shall include, but shall not be limited to, the income from the investments of the Authority, and the profit from the sales of investments belonging to the Authority, and shall be determined by the Authority after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as it may consider desirable. The Capital Expenditures Reserve has been established for the implementation and acquisition of key capital projects such as E-Reporting, Document Management and various other IT Projects. The Operational Expenditures Reserve will fund the operating costs associated with these key projects.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

Significant Accounting Policies (continued)

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

In December 2009, Section 7 (5) of the Monetary Authority Law (2008 Revision) was amended by the Monetary Authority (Amendment Law, 2009), to allow Cabinet to vary the amount of paid-up capital held by the Authority, and where the capital is reduced any excess shall be transferred by the Authority to the Government. In June 2010 the Cayman Islands Government withdrew \$8.25 million. Contributed Capital as at 30 June 2014 was \$2.328 million (2013: \$2.328 million).

p) Revenue recognition. The Authority's main source of income is derived from the services it provides to the Government of the Cayman Islands. Commencing in 2012-13, Output funding to CIMA was reduced; this reduction was supplemented by reclassifying as Entity revenue, CIMA Transactional Fees charged for administrative services provided by the Authority to the Financial Services Industry. In 2013-14 the Output Funding was further reduced in anticipation of the new revenue stream for CIMA, the Directors Registration and Licensing Fees, for which the Law and Regulations came into effect in June 2014. In addition, the Authority's other sources of income are generated from its investments, bank balances, and other currency transactions. The Authority recognises revenue in the period in which it is earned.

q) Leases. Those in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

2.1 Changes in Accounting Standards/IFRS

Standards issued but not yet effective up to the date of issuance of the Authority's financial statements are listed below. This listing of standards and interpretations issued are those that the Authority reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Authority intends to adopt these standards when they become effective.

a. IAS 34 Interim financial reporting and segment information for total assets and liabilities (Amendment)

The amendment clarifies the requirements in IAS 34 relating to segment information for total assets and liabilities for each reportable segment to enhance consistency with the requirements in IFRS 8 Operating Segments. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the entity's previous annual consolidated financial statements for that reportable segment. This standard does not have an impact on the Cayman Islands Monetary Authority.

b. IAS 19 Employee Benefits (Revised 2011) (IAS 19R)

IAS 19R includes a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as, quantitative sensitivity disclosures.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

*Significant Accounting Policies (continued)
Changes in Accounting Standards/IFRS (continued)*

c. IFRS 7 Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32. As the Cayman Islands Monetary Authority is not setting off financial instruments in accordance with IAS 32 and does not have relevant offsetting arrangements, the amendment does not have an impact on the financial statement.

d. IFRS 10 Consolidated Financial Statements and IAS 27 Separate Financial Statements

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. IFRS 10 replaces the parts of previously existing IAS 27 Consolidated and Separate Financial Statements that dealt with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. To meet the definition of control in IFRS 10, all three criteria must be met, including: (a) an investor has power over an investee; (b) the investor has exposure, or rights, to variable returns from its involvement with the investee; and (c) the investor has the ability to use its power over the investee to affect the amount of the investor's returns. IFRS 10 had no impact on the financial statements of the Cayman Islands Monetary Authority.

3. Financial Risk Management

a) Interest Rate Risk. The Cayman Islands Monetary Authority is subject to interest rate risk on the cash placed with local and international institutions which attracts interest. No interest payments are charged to customers on late payments on accounts receivable. The Authority is not exposed to significant interest rate risk as the cash and cash equivalents are placed on call and available on demand.

b) Credit risk. Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to pay for its obligation (IFRS 7). The Authority manages credit risk by adhering to the Authority's investment guidelines for its Currency Reserves Assets which establishes counterparty concentration limits and minimum standards that each counter party must attain. The Authority's current, call, and fixed deposits are placed with high credit quality institutions. Credit risk with respect to long and

short-term investments, accounts and interest receivable, and other receivables and prepayments is limited as the Authority only transacts business with counterparties it believes to be reputable and capable of performing their contractual obligations.

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

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

Financial Risk Management (continued)

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

4. Currency Reserve Assets

Sections 32(8) of the *Law (2013 revision)* mandates the preservation of Currency Reserve Assets, separately from all other assets of the Authority. These assets are to be used to fund the Authority's currency redemption obligations. (See Note 8.) They shall not be used to satisfy liabilities arising from any other business of the Authority. After all Demand Liabilities are extinguished, any surplus Currency Reserve Assets would form, in part, the assets of the General Reserve. (See Note 2 *l*.)

Under the *Law (2013 revision)*, sections 32(2) and 32(6) respectively, the Currency Reserve Assets consist of external assets (not less in value than an amount equivalent to ninety percent of Demand Liabilities) and local assets (not to exceed ten percent of Demand Liabilities).

As at 30 June 2014, the value of Currency Reserve Assets was \$102,624k (2013:\$97,930k) representing 111.88% (2013: 112.26%) of total Demand Liabilities. The value of external assets equated to 105.88% (2013: 105.66%) while the value of local assets as at 30 June 2014 equated to 6.01% (2013: 6.61%) of Demand Liabilities.

Currency Reserve Assets comprise the following:

a) *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 of the Cayman Islands Monetary Authority, in accordance with the *Law (2013 Revision)*. Management fees are calculated based on the market value of the portfolio and are payable quarterly in arrears. Either party may terminate the agreement with thirty days notice.

Long-term Investments. US Treasury Notes, AAA Corporate Bond and U.S. Government Sponsored Enterprise ("GSE") stated at market value, with interest rates ranging from 0.085% to 5.500% and maturity dates between 26 January 2016 and 20 October 2042.

Included in long-investments are six securities totalling \$9,570k (2013 eight totalling \$14,603k) with maturity dates over ten years. These securities are of the class for which the average life shall be used in place of maturity, under the investment guidelines. These securities are not intended to be held until maturity, and as such would be classified under IFRS 7 as 'available-for-sale'.

	<u>2014</u>	<u>2013</u>
Range of maturities	\$000	\$000
1-5 years	6,336	23,576
6-10 Years	2,675	-
Over 10 Years	9,570	14,603
	<u>18,581</u>	<u>38,179</u>

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

Currency Reserve Assets (continued)
Investments (continued)

Short-term Investments. US Treasury Bills, AAA Corporate Bonds and US Treasury Notes with maturity dates ranging between 31 July 2014 and 31 January 2015, and the Federal Reserve Repurchase Agreement with a maturity date 01 July 2014.

	<u>2014</u>	<u>2013</u>
	\$000	\$000
US Treasury Bills	17,500	16,248
Federal Reserve Repurchase Agreement at 0.07 %	29,083	24,333
US Treasury Notes	24,913	8,615
AAA Corporate Bonds	3,508	2,056
Total Short-term Investments	<u>75,004</u>	<u>51,252</u>

The US Treasury Bills are measured at amortised cost. All other investments are measured at fair value; designated as such upon initial recognition.

b) *Cash and Cash Equivalents.* The Authority maintains current, call and fixed term deposits with domestic and foreign banks; the fixed deposit account has a maturity date of three months. Under the *Law (2013 revision)*, domestic deposits (as part of the Currency Reserve Assets) cannot exceed 10% of Demand Liabilities. As at 30 June 2014, domestic deposits represent 4.44% (2013: 5.02%) of Demand Liabilities.

	Holding	<u>2014</u>	<u>2013</u>
	Currency	\$000	\$000
i) Operating Assets			
Current	KYD	(33)	(255)
Savings	KYD	5,795	7,422
Savings	USD	904	742
CI Cash on Hand	KYD	154	5
Current and Call Deposits		<u>6,819</u>	<u>7,914</u>
	Holding	<u>2013</u>	<u>2013</u>
ii) Currency Reserve Assets	Currency	\$000	\$000
Domestic Deposits			
Savings	GBP	8	8
Savings	KYD	1,496	1,483
Savings	USD	1,028	1,350
Foreign Deposits			
Federal Reserve Bank	USD	272	256
Investment Portfolio	USD	2,241	1,521
Total Call Deposits - Currency Reserve		<u>5,045</u>	<u>4,618</u>
Domestic - Fixed Deposits	USD	1,545	1,541
Total Cash and Cash Equivalent		<u>13,409</u>	<u>14,073</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

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

Interest was earned on domestic call accounts at a rate of 0.01% during the year ended 30 June 2014 (2013: 0.01%). The domestic fixed deposit earned interest at rates ranging between 0.2228% to 0.2638% during the year ended 30 June 2014 (2013: 0.2755% to 0.4520%).

The Federal Reserve call account balance is non-interest bearing; however, the excess balances are invested daily in a repurchase agreement.

Interest is calculated on the average daily balance of the foreign investment call account. During the year ended 30 June 2014 no interest was earned (2013: \$0).

5. Accounts Receivable

	<u>2014</u>	<u>2013</u>
	\$000	\$000
Trade Receivables, C.I. Government	1,946	4,116
Directors Registration and Licensing Fees	4,047	-
Other Receivables	18	25
Provision for doubtful accounts	(9)	(25)
Accounts Receivable, net	<u>6,002</u>	<u>4,116</u>

Aged profile of Trade Receivables

	<u>2014</u>	<u>2013</u>
	\$000	\$000
Period Outstanding Days		
1-30	5,180	1,613
31-60	822	1,454
61-90	-	-
91-120	-	220
>120	-	829
	<u>6,002</u>	<u>4,116</u>

There was no bad debt expense included in the statement of comprehensive income. \$16k was recovered during the year in relation to 2 individuals; full provision had been made.

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

6. Fixed Assets and Intangibles

	Furniture & Fixtures	Leasehold Improvement	Computer Equipment Hardware	Office Equipment	Motor Vehicle	Intangible	Total
Original Cost	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Balance as at 30/06/13	723	871	1,078	691	23	2,917	6,303
Reclassification/Adjustment	-	-	5	(93)	-	88	-
Additions	18	-	183	29	-	805	1,035
Disposals	-	-	-	(19)	-	(11)	(30)
Balance as at 30/06/14	741	871	1,266	608	23	3,799	7,308
Accumulated Depreciation							
Balance as at 30/06/13	702	871	890	494	23	1,821	4,801
Reclassification/Adjustment	-	-	-	(25)	-	25	-
Depreciation for the year	6	-	130	47	-	417	600
Relieved on disposals	-	-	-	(19)	-	(11)	(30)
Balance as at 30/06/14	708	871	1,020	497	23	2,252	5,371
Net Book Value as at 30/06/14	33	-	246	111	-	1,547	1,937
Net Book Value as at 30/06/13	21	-	188	197	-	1,096	1,502

Included in the intangible assets is \$817k (2013: \$103k) representing work in progress for the development of software for the Regulatory Electronic Enhancement Filing System (REEFS) and the Great Plains fees collection system.

7. Stocks

	2014 \$000	2013 \$000
<i>External</i>		
Bullion from the melt-down of coins	588	550
Coins awaiting melt-down	-	49
Coins for resale	219	204
Museum items	75	70
	<u>882</u>	<u>873</u>
<i>Local</i>		
Inventory of unissued currency notes and coins	<u>1,438</u>	<u>1,380</u>
Total Stocks	<u>2,320</u>	<u>2,253</u>

The inventory of unissued currency notes and coins are stated at cost of production. All associated cost such as shipping, handling and insurance are expensed immediately. The Bullion stocks are stated at year-end market values for gold and silver bullion.

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

8. Liabilities

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

Total Demand Liabilities comprise:

	<u>2014</u>	<u>2013</u>
	\$000	\$000
Currency notes in circulation	81,495	77,250
Currency coins in circulation	<u>10,225</u>	<u>9,979</u>
Total Demand Liabilities	<u><u>91,720</u></u>	<u><u>87,229</u></u>

b) *Other Liabilities.*

	<u>2014</u>	<u>2013</u>
	\$000	\$000
Unearned Income - Directors Registration and Licensing Fees	359	-
Unearned Income - CIMA Transactional Fees	129	-
Annual Leave accrual	168	136
Other accruals	685	679
Accounts Payable	<u>201</u>	<u>38</u>
	<u><u>1,542</u></u>	<u><u>853</u></u>

As at 30 June 2013, Other Liabilities included unsettled investment management and custody fees of \$19k (2013:\$19k).

9. Public Service Pension Plan

IAS 19R became effective January 1, 2013. For CIMA adoption of IAS 19R is effective for fiscal year ending June 30, 2014. Upon transitioning to IAS 19R, there is an adjustment to the statement of financial position of \$775,000. All unamortized gains and losses and past service costs under IAS 19 will be immediately recognized as a one-off transition adjustment to equity. Administration costs that are not investment related will be recognized in profit or loss as an operating charge under IAS 19R. This differs from the current approach under IAS 19, where all administration costs are allowed for within the expected rate of return of assets. Under IAS 19R, the expected return on assets is no longer used in the determination of the defined benefit cost, but it continues to be used in the determination of the asset limit under IFRIC 14. The expected return on assets assumption continues to be management best estimate

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

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Public Service Pension Plan (continued)

Using the projected Unit Credit method of measuring costs and obligations, the actuarial assessment for the Authority assessed the minimum normal annual contribution to be 13 % in his 'Actuarial Valuation as of January 1, 2005 for the purposes of establishing required contribution rates towards the Public Service Pensions Fund'. This rate included a 1% for the cost of all of the benefits that are provided over and above those related to the participant's total account balance. The Authority pays this 1% for all employees. In addition, for some employees in the defined benefit plan, the Authority pays both the employer and employee contributions.

The Plans are funded at rates of: -

	<u>2014</u>	<u>2013</u>
	%	%
Defined Contribution Plans		
Employee	6	6
Employer	7	7
Defined Benefit Plans		
Employee	6	6
Employer	7	7

The Actuary to the Pensions Board has valued the Fund as at 30 June 2014. The defined contribution part of the Fund is not subject to actuarial valuation due to the nature of the benefits provided therein.

The total amount recognised as a pension expense for the year ended 30 June 2014 was \$1,611k (2013: \$1,659k). The actual amount of pension expense relating to the defined benefits for staff should also include the effect of any changes in the actuarial determined liability. Pension expense is the expense under IAS 19, inclusive of Company Service Cost, amortisations and net Interest. Company Service represents the pension cost to the Authority associated with the financial year benefit accruals and is net of participant contributions.

	<u>2014</u>	<u>2013</u>
	\$000	\$000
Public Service Pension Board Defined Benefit	195	195
Public Service Pension Board Defined Contribution	504	489
Private Pension Plans	152	137
Defined Liability	760	838
Total Pension Expense All Plans	<u>1,611</u>	<u>1,659</u>

The actuarial position is as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
	\$000	\$000	\$000	\$000	\$000
Net Present Value of Funded Obligation	(9,560)	(7,401)	(6,250)	(5,283)	(4,902)
Fair Value of Plan Assets	7,866	6,467	5,548	5,054	3,919
Funded Status	(1,694)	(934)	(702)	(229)	(983)
Unrecognised Actuarial Loss	-	-	672	283	1,306
Net (Liability)/Asset	<u>(1,694)</u>	<u>(934)</u>	<u>(30)</u>	<u>54</u>	<u>323</u>

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Public Service Pension Plan (continued)

Components of Defined Benefit Cost	<u>30 June 2014</u>	<u>30 June 2013</u>
	\$000	\$000
Current service cost	339	275
Interest expense on DBO	385	327
Interest (income) on plan assets	(344)	(294)
Administrative expenses and taxes	-	13
Defined benefit cost included in P&L	<u>380</u>	<u>321</u>
Remeasurements (recognised in other comprehensive income)		
a. Effect of changes in demographic assumptions	-	526
b. Effect of changes in financial assumptions	1,489	90
c. Effect of experience assumptions	(155)	(168)
d. (Return) on plan assets (excluding interest income)	(837)	(418)
e. (Return) on reimbursement rights (excluding interest income)	-	-
f. Changes in asset ceiling/onerous liability (excluding interest income)	-	-
g. Total remeasurements included in OCI	<u>497</u>	<u>30</u>
Total defined benefit cost recognised in P&L and OCI	<u><u>877</u></u>	<u><u>351</u></u>
Reconciliation of Defined Benefit Liability	<u>30 June 2014</u>	<u>30 June 2013</u>
	\$000	\$000
Previous Year Defined Benefit Liability	934	702
Defined Benefit cost included in P&L	380	321
Total remeasurement included in the OCI	497	30
Employer Contributions	(117)	(119)
Net Defined Benefit Liability	<u><u>1,694</u></u>	<u><u>934</u></u>
Change in Defined Benefit Obligation over year ending	<u>30 June 2014</u>	<u>30 June 2013</u>
	\$000	\$000
Defined Benefit Obligation at end of Prior Year	7,401	6,250
Current Service Cost	339	275
Interest Expense	385	327
Plan Participant Contributions	101	101
Remeasurements:-		
a. Effect of changes of demographic assumptions	-	526
b. Effect of changes of financial assumptions	1,489	90
c. Effect of experience adjustments	(155)	(168)
Defined Benefit Obligation at End of Year	<u><u>9,560</u></u>	<u><u>7,401</u></u>

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

Public Service Pension Plan (continued)

Change in Plan Assets over year ending	<u>30 June 2014</u>	<u>30 June 2013</u>
	\$000	\$000
Fair Value of Plan Assets as at End of Prior Year	6,467	5,548
Interest Income	344	294
Employer Contributions	117	119
Plan Participant Contributions	101	101
Administrative expenses paid from plan assets	-	(13)
Return on Assets (excluding income)	837	418
Fair Value of Plan Assets as at End of Year	<u>7,866</u>	<u>6,467</u>

Allocation of Assets

The Distribution of the Plan Assets, as at 30 June 2014 and 2013, based on the share of the total Fund allocated to the Authority was as follows: -

	<u>30 June 2014</u>	<u>30 June 2013</u>
	%	%
Global Equity Securities	79	66
Debt Securities	20	27
Real Estate/Infrastructure	-	3
Cash	1	4
Total	<u>100</u>	<u>100</u>

Actuarial Assumptions

The principal Actuarial Assumptions used to Determine Benefit Obligations at 30 June 2014 and 2013 are as follows:

	<u>30 June 2014</u>	<u>30 June 2013</u>
	%	%
Discount Rate	4.50	5.20
Expected Long-Term Return on Plan Assets	7.00	7.00
Rate of Salary Increase	3.50	3.50
Rate of Indexation	2.50	2.50
Rate of Pension Increases	2.50	2.50

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Public Service Pension Plan (continued)
Actuarial Assumptions (continued)

The economic assumptions used to determine Net Periodic Benefit Cost for the year ending 30 June 2014 and 2013 are as follows:

	<u>30 June 2014</u>	<u>30 June 2013</u>
	%	%
Discount Rate	5.20	5.25
Rate of Salary Increase	3.50	3.50
Rate of Price Inflation	2.50	2.50
Rate of Pension Increases	2.50	2.50

Other Assumptions:

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

	<u>30 June 2014</u>	<u>30 June 2013</u>
	%	%
Sensitivity analysis on defined benefit obligation		
Discount rate		
a. Discount rate - 25 basis points	10,160	-
b. Discount rate + 25 basis points	9,007	-
Inflation rate		
a. Inflation rate - 25 basis points	9,067	-
b. Inflation rate + 25 basis points	10,091	-
Mortality rates		
a. Mortality - 10% of current rates	9,726	-
b. Mortality + 10% of current rates	9,407	-
Expected cash flows for following year		
Expected employer contributions	121	-
Defined benefit obligation by participant status		
a. activities	8,103	-
b. Vested deferreds	1,457	-
Total	<u>9,560</u>	-

**CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014**

10. Commitments

a) Capital Commitments. This relates the contract for the Regulatory Electronic Enhancement Filing System (REEFS) project, awarded to SQL Power in May 2014 for US\$1,998k.

b) Operating Commitments.

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

- i. An agreement with the Disaster Recovery Centre (Cayman Islands) Limited effective 1 September 2013 for a period of five years at a monthly cost of US\$3.3k to US\$6.3k.
- ii. An agreement with the Brac Informatics Centre effective 1 April 2014 at a monthly cost of CI\$4.9k for a five year period.
- iii. An agreement with the Brac Informatics Centre effective 1 April 2014 at a monthly cost of CI\$2.640k to 31 August 2016.

Other Operating Commitments. This relates to annual software support maintenance fee for the REEFS system and the Thomas Jefferson Memorial scholarship.

	2014	2013
	\$000	\$000
Capital Commitments	995	-
Business Continuity Leases	610	560
Other Operating Commitments	946	-
	2,551	560

11. Related Party Transactions

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

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

b) Directors. The Board of Directors of the Authority is appointed by the Governor in Cabinet, and consisted of the Managing Director ("MD") and five directors as of 30 June 2014. The fees of \$140k (2012-13: \$144k) relates to payments made to the directors only.

c) Key Management Personnel. For the purposes of IAS 24 disclosure the MD is included in the number and cost of the Senior Management Team. The total number of personnel of the Senior Management Team was 16 in 2013-14 (2012-13: 15) and salaries & other short term benefits expensed in 2013-14 was \$2,112k (2012-13: \$2,133k).

d) Services Provided by Government Entities. The Authority obtained various goods and services from other Government departments/entities of the Cayman Islands Government, at prevailing market prices on an arm's length basis, during 2013-14 in the amount of \$573k (2012-13: \$505k).

CAYMAN ISLANDS MONETARY AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

12. Other Operating Expenses

	<u>2014</u>	<u>2013</u>
	\$000	\$000
Maintenance and software licences	725	632
Currency Stock issues	402	328
Business Continuity	383	340
eMerchant Discounts	101	-
Directors Fees	139	144
Management and Custody Fees	50	48
Realised loss on investments	170	184
Other expenses	515	561
Total	<u>2,485</u>	<u>2,237</u>

13. Prior Period Adjustment

For the prior year ended 30 June 2013

The following illustrates the adjustments for each item affected by the retrospective application of the change in accounting policy arising from the adoption of IAS 19R that is described in Note 9:

	<u>As of and for the year ended 30 June 2013</u>		
	As previously reported	Adjustment required	As Restated
Statement of Financial Position:			
Accumulated income	587	(745)	(158)
Accumulated other comprehensive loss	-	(30)	(30)
Total capital and reserves	23,363	(775)	22,588
Statement of Comprehensive Income:			
Pension expense	884	745	1,629
Total expenses	18,110	745	18,855
Net Income	587	(745)	(158)
Other comprehensive loss:			
Re-measurement of defined benefit pension	-	(30)	(30)
Total Comprehensive Loss for the Year	587	(775)	(188)
Statement of Cash Flows:			
Net Income	587	(745)	(158)
Increase in past service liability or defined benefit pension cost charged to surplus	63	775	838

As of 1 July 2012

There are no related effects on the items reported in the Statement of Financial Position as of 1 July 2012 presented as corresponding figures in the 30 June 2013 audited financial statements, and therefore the balances as of 1 July 2012 are not presented in these financial statements.



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