SAE./No.61/September 2016

Studies in Applied Economics

THE CAYMAN ISLANDS CURRENCY BOARD AND THE CAYMAN ISLANDS MONETARY AUTHORITY

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Johns Hopkins Institute for Applied Economics,
Global Health, and Study of Business Enterprise

The Cayman Islands Currency Board and the Cayman Islands Monetary Authority

By Edward Li

About the Series

The Studies in Applied Economics series is under the direction of Prof. Steve H. Hanke, co-director of the Johns Hopkins Institute for Applied Economics, Global Health, and the Study of Business Enterprise (hanke@jhu.edu). This working paper is one in a series on currency boards. The currency board working papers will fill gaps in the history, statistics, and scholarship of the subject. The authors are mainly students at The Johns Hopkins University in Baltimore. Some performed their work as research assistants at the Institute.

About the Author

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Abstract

The Cayman Islands has operated under a currency board since 1971. The currency board expanded into a financial regulatory authority in 1996. We compile annual balance sheet and income statements for the Cayman Islands Currency Board and subsequently, the Cayman Islands Monetary Authority. The digitized data allow us to run statistical tests to measure the orthodoxy of the currency board. We also examine the Cayman Island Monetary Authority's responsibilities as a financial regulator and how they compare to the responsibilities of the original currency board.

Acknowledgements

I thank Dr. Kurt Schuler and Prof. Steve H. Hanke for the insights and resources.

Keywords: Cayman Islands, currency board, monetary authority.
JEL numbers: E58, N16.

Introduction

The Cayman Islands used Jamaican currency before Jamaica became independent of the United Kingdom in 1962, and continued doing so afterwards (*Report of the Cayman Islands Currency Board*, 1972:n.p.). In 1972, the Cayman Islands Currency Board was formed, leading to the creation of the Cayman Islands dollar. The Cayman Islands Currency Board issued Cayman Islands currency from its formation until January 1, 1997, when it was replaced by the Cayman Islands Monetary Authority (CIMA). Since its creation, the Cayman Islands dollar has undergone various changes ("Currency," n.d.). This paper briefly summarizes the history of the currency board, apparently for the first time, and presents statistics of its balance sheet and currency issue.

Origins

Before the establishment of the currency board, the Cayman Islands traditionally used the Jamaican pound (equal to the British pound), which remained the only legal tender after Jamaica's independence in 1962. (The Cayman Islands remained, as they still are, an overseas territory of the United Kingdom.) In 1969, the Jamaican Government replaced the Jamaican pound with the Jamaican dollar. The Jamaican dollar was a decimal currency equal to half a Jamaican pound or half a pound sterling. This marked the first time that the Cayman Islands relied solely on Jamaica for currency issuance, given that previously, some British currency had circulated.

Eventually, Caymanians realized that it would be necessary to introduce their own currency separate from Jamaica's. Also, the sterling devaluation of 1967 directly affected the local economy due to the Jamaican dollar being fixed to the British sterling. These issues were brought to the attention of the Chamber of Commerce, which recommended that the introduction of a separate Cayman dollar should be considered.

Consequently, the Executive Council of the Cayman Islands agreed to establish a Currency Committee, which was given the task of deliberating over the issue of introducing a new local currency. The Committee decided that having a local currency would benefit the Cayman Islands both economically and politically (*Report of the Cayman Islands Currency Board*, 1972:n.p.). Although I have not found documents describing in any detail what these benefits were expected to be, it seems likely that the potential for conflict among British, Jamaican, and Caymanian goals for monetary policy was part of the rationale for establishing a separate currency. Before Jamaica's independence no such conflict could have occurred because of the policy of maintaining colonial pounds equivalent to the pound sterling and fully convertible into the pound sterling.

Currency Law of 1971

In September 1970, the United Kingdom gave the Cayman Islands formal permission for the issue of a new, independent currency. The Currency Law of 1971, which was formally approved in October of that year, led to the formation of the Cayman Islands Currency Board.

The law tasked the Board with the issuance of a new Cayman dollar. The law also allowed the Currency Board to expand its functions over time to establish a financial system in the country.

The Currency Board, as defined by the law, was to function with minimal staff to reduce administrative costs. However, also taken into account was the future potential need for banking functions, so the Board was given certain powers regarding banking, which were reserved for later use (*Report of the Cayman Islands Currency Board*, 1972: n.p.).

Governance

The Currency Law established a Board of Commissioners of Currency, otherwise known as the Currency Board. The Board consisted of the Financial Secretary and two other people appointed by the Administrator in Council (the British-appointed chief executive acting on the advice of his cabinet, selected from the legislature) and the British Secretary of State having supervisory responsibility for the colonies. At least one of the two other people could not hold an office of profit in the United Kingdom. Any duty or power of the Board could be exercised when at least two Commissioners agreed on doing so. The Financial Secretary acted as the Chairman of the Board. The Board met at least once every six months and whenever the Chairman decided was necessary (*Cayman Islands – Laws & Regulations Rules/Orders,* 1971:n.p.*)*.

Provisions of the Currency Law

A provision of the Currency Law established a Currency Fund, which was responsible for supporting the Currency Board's demand liabilities (currency in circulation and accounts in local banks). The Fund was required to hold assets worth at least 20 percent of the demand liabilities in liquid form. This meant that the Fund's assets were required to consist of deposits in London in the form of United Kingdom Treasury Bills or short term investments as determined by the Secretary of State. The remaining assets, as stated in the law, were required to be invested in securities guaranteed by the United Kingdom and maturing within five years. However, the provision also allowed for the Fund to hold claims on local banks and Cayman Islands government-issued or -guaranteed securities worth no more that 30 percent of demand liabilities. For the first year after the law came into effect, the Fund could hold Jamaican currency.

Another provision of the Currency Law required the net profits of the Board to be allocated to a General Reserve of the Currency Fund, up to a maximum value of 15 percent of the Board's demand liabilities. Any extra profit was to be transferred to the general revenue of the Cayman Islands government unless there was a deficiency in the Board's balance sheet or the

Administrator in Council, with the approval of the British Secretary of State having supervisory responsibility for the colonies, decided to allocate more to the General Reserve.

The Currency Law defined the Cayman dollar as a decimal currency, divided into 100 cents.

The original Currency Law of 1971 envisioned that the Cayman dollar was to be fixed to the U.S. dollar at par, but severe disturbances in the foreign exchange markets happened towards the end of 1971, which caused the U.S. dollar to depreciate relative to the pound sterling and many other currencies. This made it clear that pairing the Cayman dollar to the U.S. dollar at par would not be appropriate. Therefore, the Currency Law was amended in April 1972 to allow the Governor to declare a fixed exchange rate with sterling. (On May 1, 1972, the Governor declared a parity of Cayman Islands (CI) \$2 to £1 sterling.)

According to one provision, all prices listed in Jamaican currency were to be listed as the same amount of Cayman dollars. At the time, the Jamaican dollar was still pegged to the pound sterling at Jamaican \$2 to £1 sterling.

To maintain confidence in the new currency, a provision required the Currency Board to convert Cayman dollars into sterling on demand.

The Currency Law gave the Currency Board the powers to open accounts for local banks; to open accounts with local banks and with the Treasury of the Islands; to open accounts with London banks if the Administrator in Council approved; and to buy and sell securities guaranteed by the governments of the United Kingdom or Cayman Islands. The provisions allowing the Currency Board to buy, sell, and hold Cayman Islands securities were a departure from orthodox currency board practice. On the other hand, the Currency Law restricted the Board from granting advances, opening accounts for persons other than local banks, or buying and selling securities not denominated in British sterling or Cayman dollars.

Another provision required the Board to release its balance sheet biannually and its income statement annually (*Cayman Islands – Laws & Regulations Rules/Orders,* 1971:n.p.).

First Issue

The British firm Thomas De La Rue & Co. received the contract for printing currency notes, and the Royal Mint of the United Kingdom began minting coins in 1971. In 1970, the Cayman Islands government gave Barclays Bank D.C.O. the responsibility of providing currency storage facilities and handling the physical issue and redemption of the currency, which it started to do so the next year. The Government Information Service organized a publicity campaign to acquaint the population with the new currency.

The Cayman Islands Currency Board began issuing notes of the Cayman Islands dollar on May 1, 1972. The Bank of Jamaica agreed to redeem Jamaican currency for Cayman Islands currency at par, that is, at 1:1 with no additional charges. To avoid a shortage of currency during the transitional period, Jamaican currency remained legal tender in the Cayman Islands until August 31, 1972 (*Report of the Cayman Islands Currency Board*, 1972:n.p.).

Transition to the U.S. Dollar as the Anchor Currency

On January 25, 1974, the Cayman Islands government announced that the Cayman Islands dollar would be fixed to the U.S. dollar at CI\$1 = US\$1.20 – a revaluation of 10.1 percent, aimed at curbing inflation. This change came into effect on January 28, 1974.

On April 1, 1974, the Currency Law of 1974 replaced the Currency Law of 1971. The new law officially fixed the Cayman Islands dollar to the U.S. dollar at a rate of CI\$1 = US\$1.20, confirming the earlier administrative order. The revised Currency Law also enabled the Currency Board to buy and sell U.S. dollars on demand and to hold assets in U.S. dollars as well as in sterling. Consequently, the Currency Fund, which only held British government securities at the end of March 1974 (despite the Cayman dollar being fixed to the U.S. dollar), transitioned to holding all U.S. government securities by the end of May 1974 (*Cayman Islands Currency Board Report*, 1974:n.p.).

Amendments to the Currency Law of 1974

In 1975, the Currency Law was amended “to encourage the circulation and use of the Cayman currency” (*Cayman Islands Currency Board Report,* 1982:8).

In 1976, an amendment was made to the Currency Law that allowed the Board to invest in Canadian government securities. It also allowed the Board to accept time deposits from local banks and the Government of the Cayman Islands and to invest in securities with maturities of up to seven years (*Cayman Islands Currency Board Report*, 1976). In 1986, the maximum maturity of securities was extended to ten years (CICB annual report 1986:7 cited in Krus & Schuler, 2014:67).

The Currency Amendment Bill of 1981 was passed in November 1981 to correctly account for numismatic coinage. This was the same year that the Board authorized the issue of commemorative coinage (*Cayman Islands Currency Board Report*, 1981:n.p.).

In 1983, the Currency Law of 1974 was replaced by the Currency Law (Revised), which “embodies the Currency Law 1974 and the subsequent amendments” (*Cayman Islands Currency Board Report*, 1983:6).

Cayman Islands Monetary Authority

In 1997, the Monetary Authority Law of 1996 replaced the Cayman Islands Currency Board with the Cayman Islands Monetary Authority. The Cayman Islands Monetary Authority took over the responsibilities of the Currency Board in addition to the responsibilities of the Financial Services Supervision Department. The Monetary Authority has six divisions: administration, banking and trust supervision, currency operations, insurance supervision, investment services, and policy and research (*Cayman Islands Monetary Authority Annual Report*, 1997:2).

According to section 6 of the Cayman Islands Monetary Authority Law (in its most recent, 2013 version), the Authority's principal functions are monetary, regulatory, co-operative, and advisory. The monetary functions involve issuing and redeeming currency and managing the Currency Reserve. The regulatory functions involve regulating and supervising financial services business, monitoring money laundering compliance, and performing any regulatory functions imposed by other laws. The co-operative functions involve assisting overseas regulatory authorities. The advisory functions involve advising the government on monetary and co-operative matters, mainly on whether they are consistent with regulatory laws outside of the Cayman Islands.

According to section 11 of the law, the Monetary Authority is governed by a board of directors, which consists of a managing director, a chairman, a deputy chairman, and at the most seven other directors. Section 12 states that the Governor of the Cayman Islands can appoint directors (including the chairman and deputy chairman but excluding the managing director) to three-year terms provided that they do not have any conflicts of interest. Section 13 states that the Governor can appoint the managing director.

According to section 22, the value of the Cayman dollar in terms of the U.S. dollar is determined by the Governor. In principle, this provision offers the Governor the ability to alter the exchange rate, similarly to what happened in the early years of the currency board, although in practice the exchange rate of CI$1 = US$1.20 established in 1974 has persisted to the present.

According to section 32, external assets should not fall below 90 percent of the demand liabilities (monetary base) of the Authority, and the local assets should not exceed 10 percent of the demand liabilities. This means that net foreign assets and domestic deposits as a percentage of the currency in circulation should always be 90 percent or above and 10 percent or below, respectively. This represents a stricter limit than had existed under the currency laws of the 1970s. Additionally, the section restricts the Authority from having more than 25 percent of its assets in non-guaranteed investments.

In 2002, the Monetary Authority Law was revised to make the Monetary Authority independent from the government. The Law granted full operational independence for the Cayman Islands Monetary Authority, allowing it "to execute directly the key functions of licensing, on-going supervision, enforcement and regulatory cooperation." It also gave the Authority the duty of issuing licenses relating to the financial industry (*Cayman Islands Monetary Authority Annual Report*, 2002:33).

Offshore Financial Center

The Cayman Islands is one of the world's most important financial centers. Its largest areas of business are banking (mutual funds, hedge funds, etc.) and insurance (captive insurers), for which the United States and the United Kingdom are the biggest customers.

The Cayman Islands has become a great offshore financial center mainly due to its tax regime. It does not impose direct taxes on residents or businesses, instead relying on indirect taxes. Additionally, the laws and regulations of the Cayman Islands comply with international codes, giving confidence to overseas investors. Compared to the United States' regulations on financial services, the Cayman Islands' are much simpler while still showing compliance.

The Cayman Islands developed into a major financial center during the period of the Cayman Islands Currency Board. For example, the May 1992 issue of *Euromoney Magazine* lists the Cayman Islands in its "Guide to Offshore Financial Centres," citing its political and economic stability, strict confidentiality, extensive infrastructure, well-established legislative framework, excellent global communications, and – most importantly – absence of all forms of direct taxation.

Since its creation, the Cayman Islands Monetary Authority has been dealing with threats of sanctions from the Organisation for Economic Co-operation and Development, whose members are concerned with the potential for tax evasion in offshore financial centers. Another problem is international pressure to curb money laundering, which originates mainly from the United States. To deal with the OECD's demands, the Authority brought in more overseas directors and strengthened its compliance with international codes. To reduce money laundering, the Authority made an effort to identify all account owners and succeeded. The Authority's separation from the government in 2002 allowed it to further strengthen overseas relations (personal communication from Warren Coats, former member of the Authority's board of directors, August 13, 2015).

As the monetary authority of a major financial center, the Cayman Islands Monetary Authority devotes the majority of its staff to financial regulation. Its monetary functions are handled solely by its Currency Operations Division, which, as of 30 June 2014, comprises seven employees. On the other hand, the Authority's regulatory functions are handled by its Banking Supervision, Fiduciary Services, Insurance, and Investments division and its and Securities division, which together, as of 30 June 2014, have 93 employees (*Cayman Islands Monetary Authority Annual Report*, 2014:46).

The financial services industry is very strong in the Cayman Islands, competing with tourism as the country's main source of revenue. Globally, the Cayman Islands plays a role in allowing better cash flow and more capital for investors (Warren Coats, personal communication, August 13, 2015).

Financial Services Industry

On October 17, 1997, the Executive Council of the Cayman Islands revoked the licenses of First Cayman Bank and Gulf Union Bank due to irregularities. There seem to have been no losses for depositors.

In May 1999, the Monetary Authority investigated several institutions, including EuroBank. In June 1999, the Authority placed EuroBank into voluntary liquidation to protect and pay back depositors and creditors. Again there seem to have been no losses for depositors.

During the financial crisis of 2008, the Cayman Islands did not have a single bank failure and "none of the financial recklessness that has brought about much of the current global crisis occurred in or involved the Cayman Islands" (Travers 2009, para. 5). Although activity among foreign branches in the Cayman Island shrank, the shrinkage was nothing compared to what the foreign banks experienced overseas. Domestic economic activities continued unaffected by the crisis (Warren Coats, personal communication, August 13, 2015).

Currency Board Data

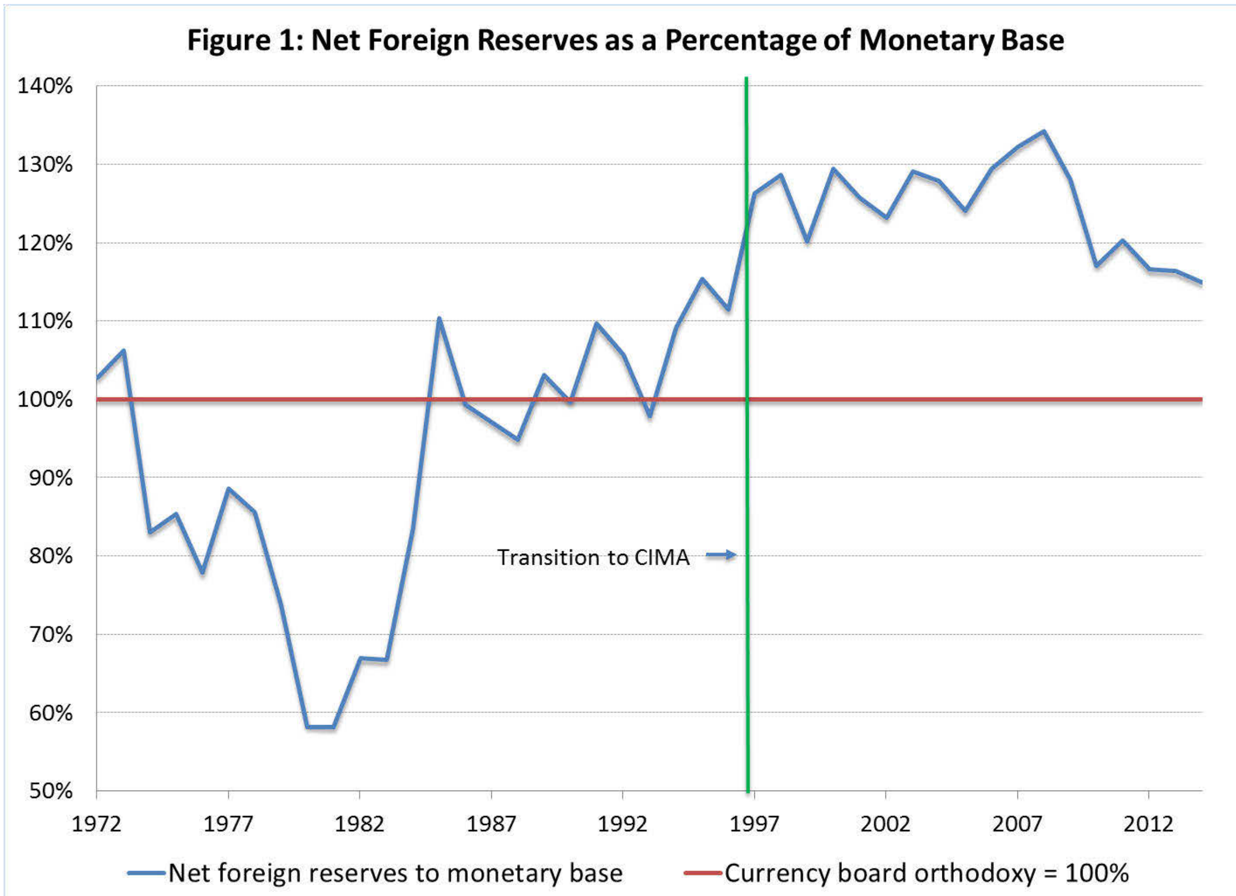
Building on earlier work by Nicholas Krus, Joohyun Shin, and Nikolaos Kotoulas (in Krus and Schuler 2014), we digitized annual balance sheet and income sheet data from annual reports released by the Cayman Islands Currency Board from its creation in 1972 to its replacement after 1996. From 1997 to 2014, we digitized annual balance sheet and income sheet data from annual reports released by the Cayman Islands Monetary Authority after it replaced the currency board.

Although there were some changes to the format of the financial statements after the transition to the Cayman Islands Monetary Authority, annual data were available since the Cayman Islands dollar was first issued in 1972, without any holes. Accounting and formatting changes occurred over the years, but nothing significant to affect our ability to compare and analyze the data longitudinally.

In our calculations, deposits in local banks are classified as domestic assets. This is done in spite of the possibility that these banks may actually be branches of foreign banks, and that the deposits may be denominated in foreign currency. These possibilities exist because the Cayman Islands are a major international financial center.

Test #1: Net Foreign Reserves and the Monetary Base

First, we compare foreign reserves to the monetary base by taking the ratio of net foreign reserves to currency in circulation. Figure 1 shows net foreign reserves as a percentage of the monetary base from 1972 to 2014. The green line marks the end of the Cayman Islands Currency Board and its replacement by the Cayman Islands Monetary Authority in 1997.

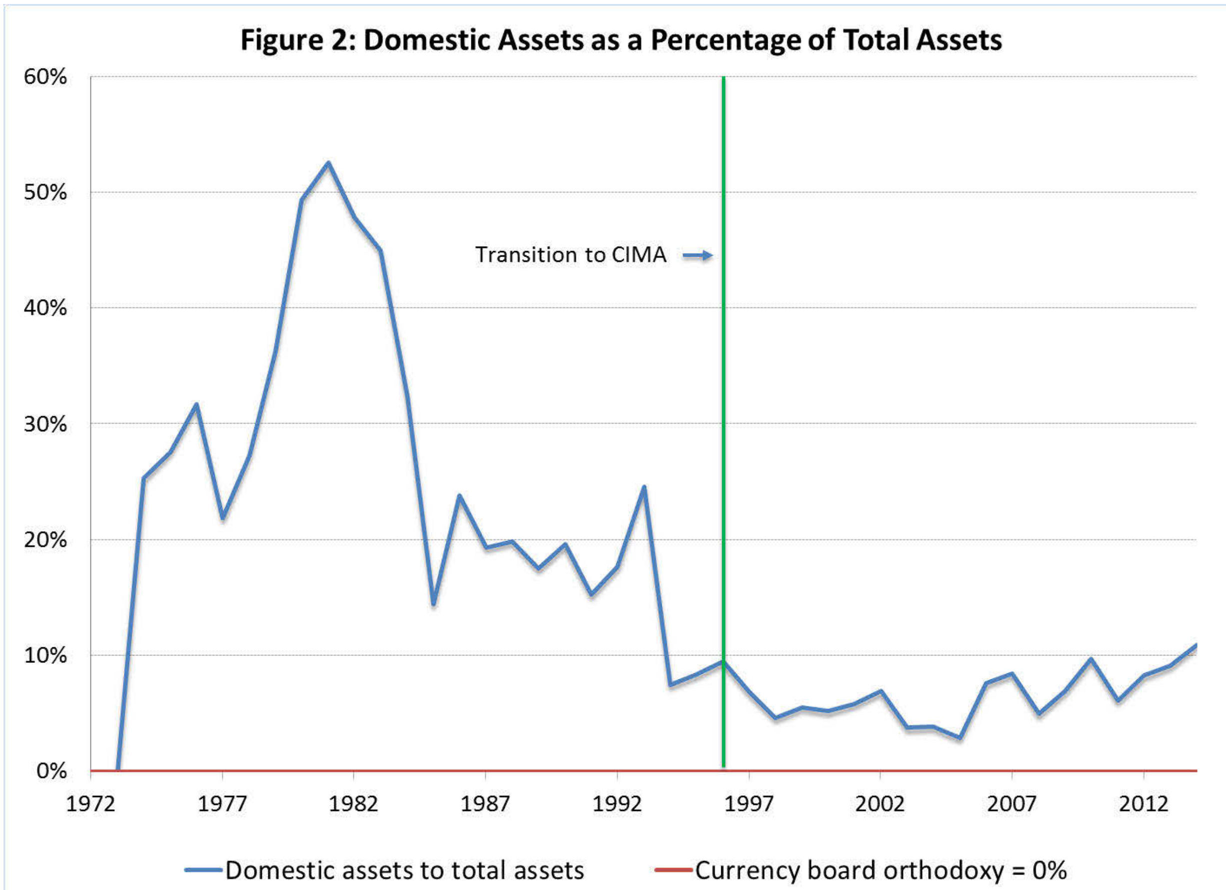


Orthodox currency boards have net foreign reserves of 100 percent or a little more of their monetary base. The red line marks the 100 percent ratio for reference.

Two years after its creation, the Cayman Islands Currency Board's net foreign reserves dropped below 100 percent, and they stayed there until 1985, when they jumped to 110 percent of the monetary base. During this period, the ratio went as low as 58 percent, in 1981. From 1985 to the currency board's replacement in 1996, the ratio wavered around 100 percent. During CIMA's period of money issuance, the ratio went up as high as 134 percent, in 2008, and never went below 100 percent. We will discuss these results further in the next section.

Test #2: Domestic Assets

In Figure 2, we show domestic assets as a percentage of total assets. In an orthodox currency boards, domestic assets are or are close to zero percent of total assets, as represented by the red line.



Note that the ratio of domestic assets to total assets jumped during the same time that the ratio of net foreign assets to monetary base fell. Taking a closer look at the balance sheet in the accompanying spreadsheet workbook, we can see that the board greatly increased its holdings of fixed deposits at local banks. To repeat, these deposits may have been held with the Cayman branches of foreign banks and may have been denominated in foreign currency, but because the annual reports do not say they were, we classify them as domestic assets.

Note also that the ratio of net foreign assets to monetary base jumped the same year the ratio of domestic assets to total assets fell, in 1985. That year, the reversal of the previously appreciating trend in the U.S. dollar and the cutting of global interest rates "facilitated bull market conditions in almost all the major international long term securities markets" (*Cayman Islands Currency Board Report*, 1985:24). The Cayman Islands Currency Board rode the bull market and switched many of its fixed deposits, both locally and abroad, into (foreign) bonds.

Since CIMA's takeover of money issuance, domestic assets have not risen above 10 percent of total assets through 2014, the latest data point we have. This, along with CIMA's maintenance of net foreign reserves as around 120 percent of monetary base, point toward the Cayman Islands' transition toward a more orthodox currency board with the instatement of CIMA.

Test #3: Reserve Pass-Through

Reserve pass-through indicates the monetary base's tendency to mirror changes in net foreign reserves. We measure it by taking the change in monetary base as a percentage of the change in net foreign assets. Orthodox currency boards have ratios close to 100 percent, which indicates that the monetary base closely mirrors net foreign reserves and that the monetary authority is not engaging in sterilization.

Figure 3 shows the Cayman Islands' year-over-year changes in monetary base as a percentage of year-over-year changes in net foreign reserves from 1973 to 2014. We can see that the Cayman Islands' reserve pass-through has always been very volatile, ranging from 900 percent in 1992 to -643 percent in 2003. Additionally, all of the big spikes in the graph are positive with the exception of one, showing the Cayman Islands' tendency to always increase monetary base despite slow growth of foreign reserves.

Since CIMA's instatement, reserve pass-through has gotten slightly less volatile and close to 100 percent, which indicates growing orthodoxy.

Test #4: Changes in Monetary Base and Net Foreign Reserves

Figure 4 shows the absolute changes in the monetary base and net foreign reserves. Using these calculations, we can see that the two measures follow very similar trends. This shows that the previous reserve pass-through calculations were misleading, possibly producing large ratios because of small underlying numbers (change in monetary base, change in net foreign reserves).

The two measurements started following the same trends much more closely after CIMA's instatement in 1997. We can see that both changes in net foreign reserves and changes in monetary base nearly always spike in the same direction and in similar magnitudes since 1998. This is a further indication of CIMA's transitioning toward a more orthodox currency board.

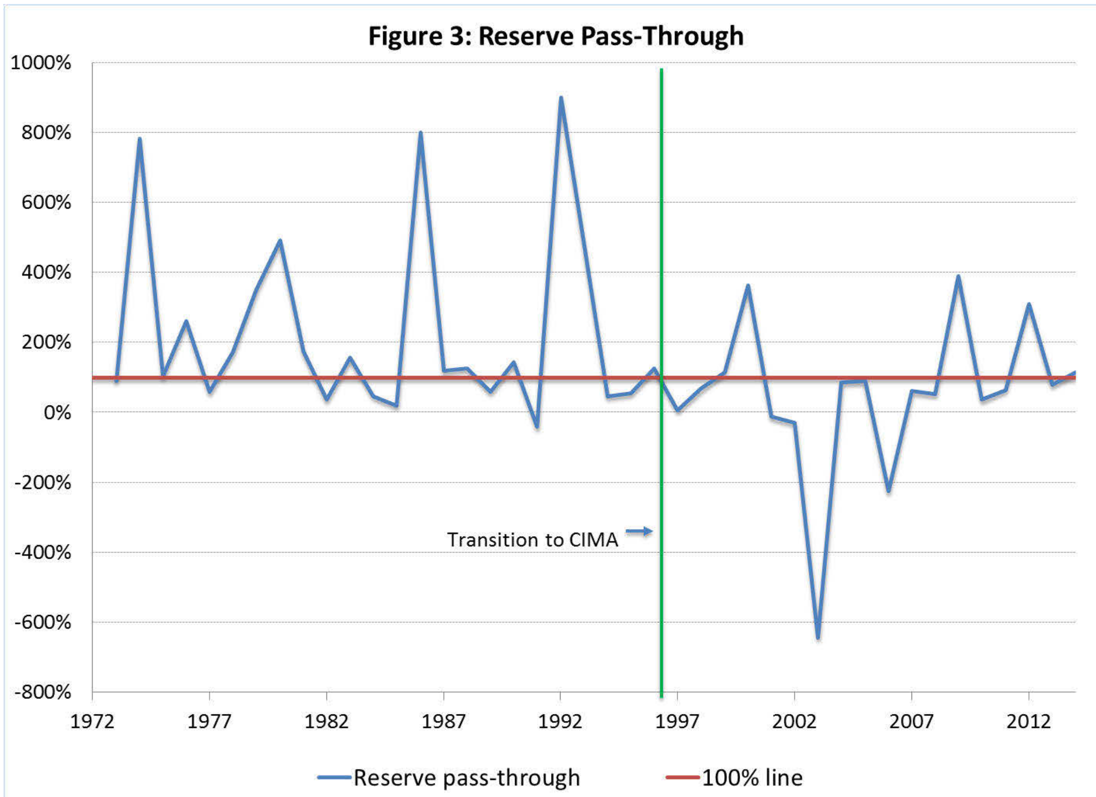


Figure 3: Reserve Pass-Through
1000%
800%
600%
400%
200%
0%
-200%
-400%
-600%
-800%
1972
1977
1982
1987
1992
1997
2002
2007
2012
Transition to CIMA
Reserve pass-through
100% line

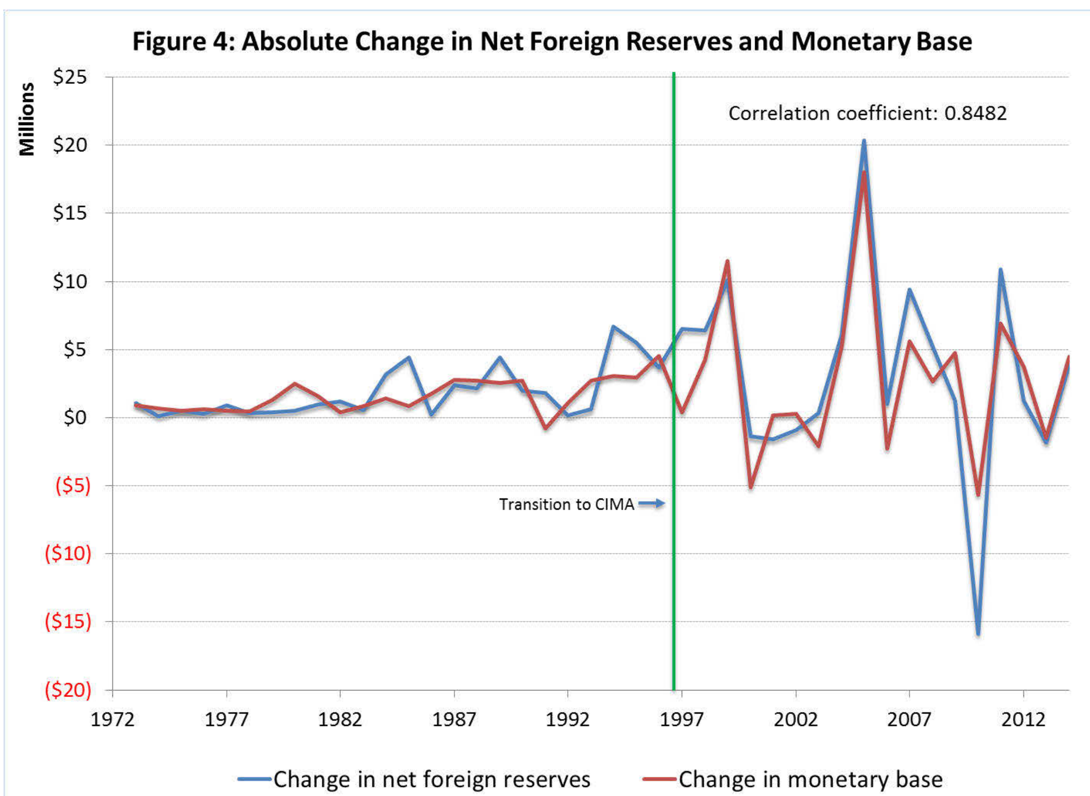
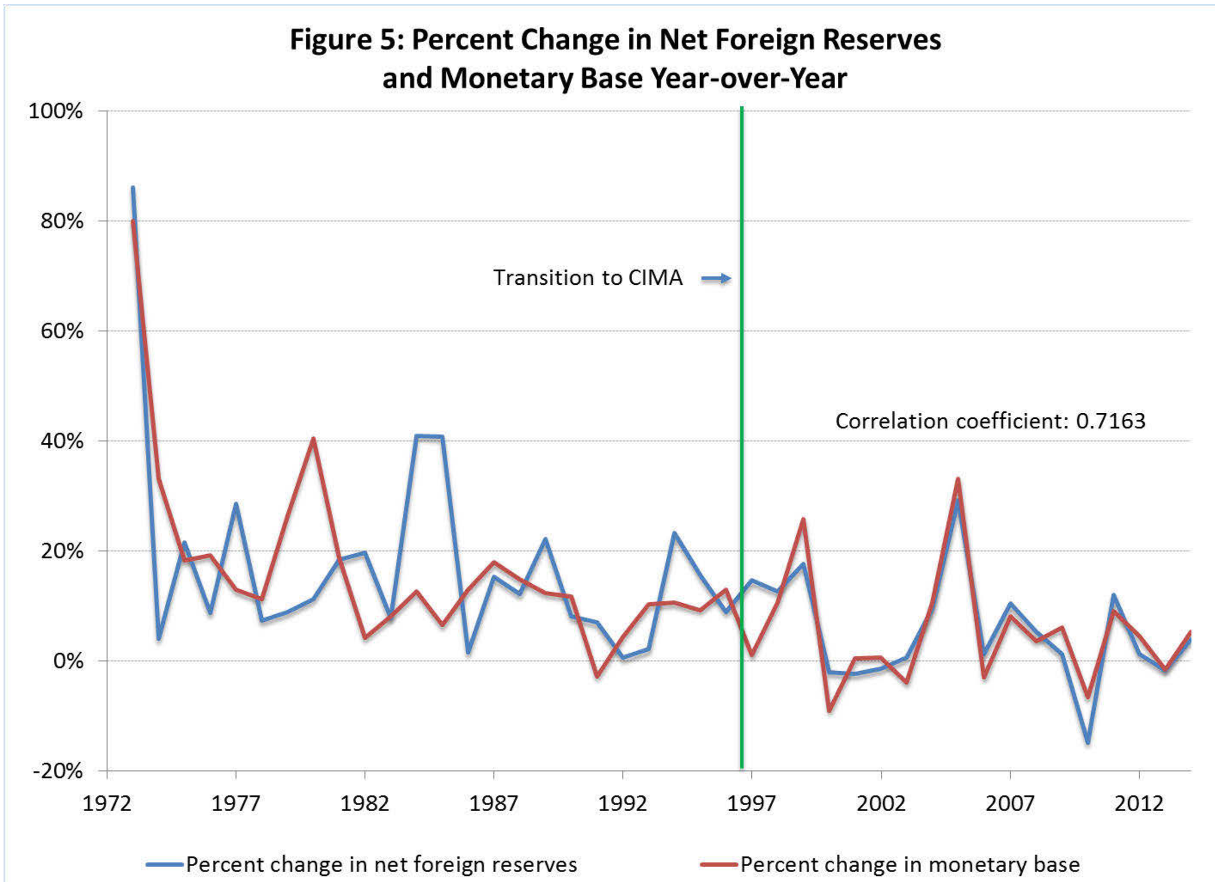


Figure 4: Absolute Change in Net Foreign Reserves and Monetary Base
Millions
$25
$20
$15
$10
$5
$0
($5)
($10)
($15)
($20)
1972
1977
1982
1987
1992
1997
2002
2007
2012
Correlation coefficient: 0.8482
Transition to CIMA
Change in net foreign reserves
Change in monetary base

When we take the changes as percentages of the figure from the year before, evidence of the trend is even more apparent. In Figure 5, we see that there is nearly no correlation during the Cayman Islands Currency Board's existence. However, after CIMA came to be in 1997, the correlation is quite strong.



Income and Expenditure

The Cayman Islands is one of the few currency board cases where data on income and expenditures are readily available for every year over the whole of the board's now long existence. A number of points are worth noting.

For its entire existence, the Cayman Islands Currency Board/Monetary Authority has brought in more than it expended, with the exception of 1976 and 2013. There appears to be no significant difference in profitability between the Currency Board and Monetary Authority years.

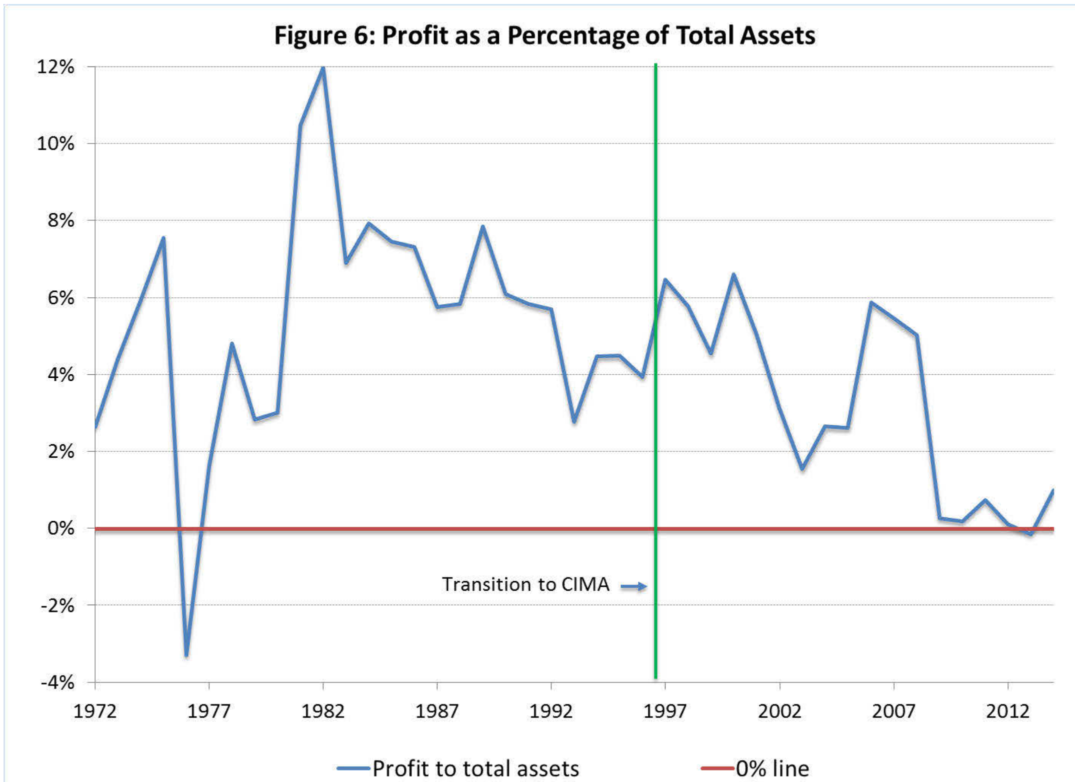


Figure 6: Profit as a Percentage of Total Assets
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
1972
1977
1982
1987
1992
1997
2002
2007
2012
Transition to CIMA
Profit to total assets
0% line

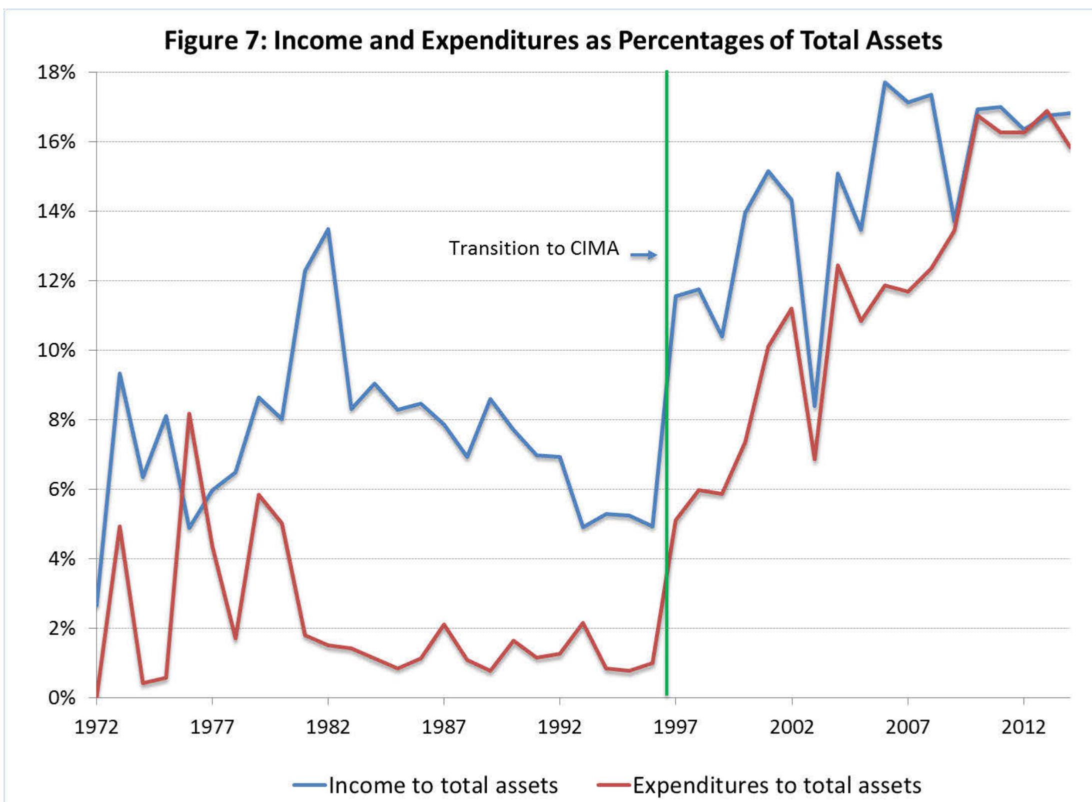
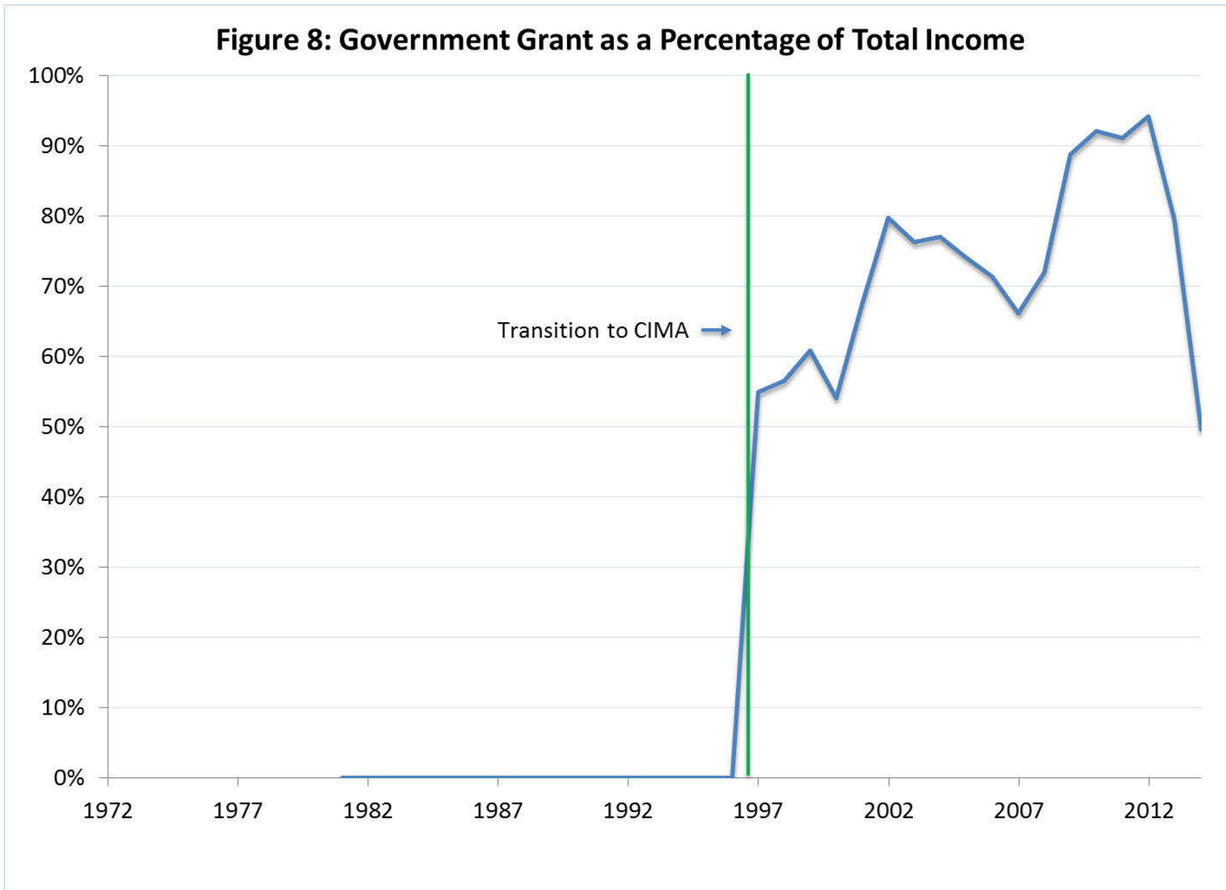


Figure 7: Income and Expenditures as Percentages of Total Assets
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
1972
1977
1982
1987
1992
1997
2002
2007
2012
Transition to CIMA
Income to total assets
Expenditures to total assets

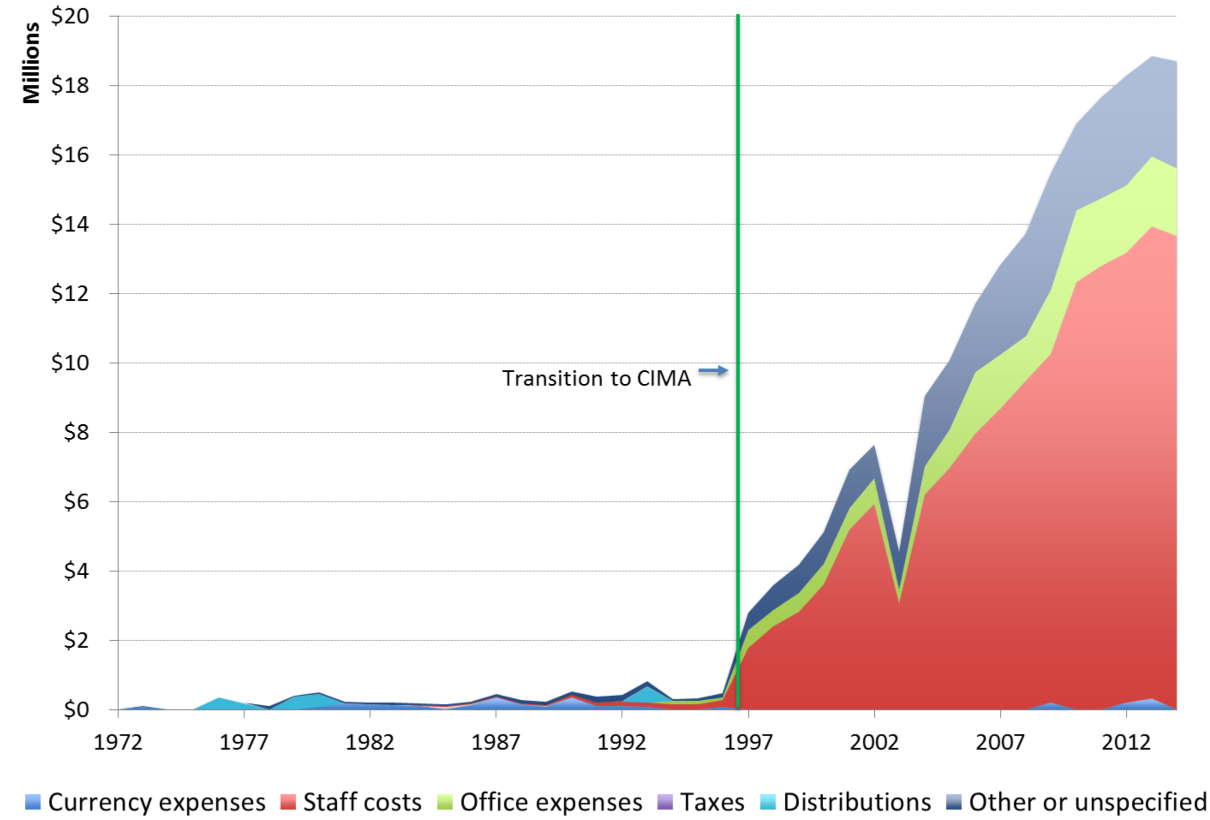
It is important to note that both income and spending increased significantly when the Currency Board transitioned into the Monetary Authority. The additional income comes in the form of government grants, while the additional expenses reflect the costs of the Monetary Authority's expanded operations and responsibilities as a supervisor of financial institutions.



Since the transition, government grants have constituted the majority of the Monetary Authority's total income. However, CIMA appears to be reducing its reliance on these grants recently, as indicated by the decrease in value of the grants and the additional income from transactional fees and directors' registration and licensing fees.

In 2013, government funding to CIMA was reduced, but transaction fees, which totaled CI$3.012 million that year, were redirected to go straight to CIMA (*Cayman Islands Monetary Authority Annual Report*, 2013:51). In June 2014, the new Directors Registration and Licensing Law came into effect, providing CIMA with an addition CI$4.449 million. Coupled with transactional fees income (CI$4.740 million in 2014), these two new sources of revenue together rival the 2014 government grant of CI$9.865 million (*Cayman Islands Monetary Authority Annual Report*, 2014:51).

Figure 9: Expenditures Breakdown



Before the transition to CIMA, the Cayman Islands Currency Board's expenditures were primarily for currency issuance. However, taking a look at the breakdown of CIMA's expenditures, we can see that currency expenses account for very little of its total expenditures. The majority come from staff costs, which is to be expected given its additional operations and responsibilities.

Conclusion

There seems to be a clear increase in currency board orthodoxy since the Cayman Islands Monetary Authority replaced the Cayman Islands Currency Board, despite the Monetary Authority's expanded role. Both the legislative history of the Cayman Islands and our numerical analyses point toward this conclusion. It is one of the few cases of a currency board reducing rather than increasing the role for discretionary monetary policy over time. The typical pattern has been for currency boards to become less orthodox as governments have prepared to convert them into central banks.

The Monetary Authority Law placed strict limits on the Currency Reserve. The Currency Fund of the Currency Board did not have a minimum requirement for foreign reserves except for the minimum required liquid assets worth 20 percent of the Board's demand liabilities. The

Monetary Authority Law specifies that the Currency Reserve must be worth at least 90 percent of the Authority's demand liabilities and that domestic assets cannot be worth more than 10 percent of demand liabilities – both of these provisions foster currency board orthodoxy.

In our numerical analyses, we can see that, after the transition to the Monetary Authority, net foreign reserves as percentages of monetary base became much less volatile and closer to the orthodox level of slightly above 100 percent and domestic assets as percentages of total assets became much smaller and closer to the orthodox level of zero percent. We also saw that even though the reserve pass-through only became slightly less volatile, the year-over-year absolute and percentage changes in net foreign assets and monetary base match up almost perfectly during the Monetary Authority's period, indicating the monetary base's desire to mirror net foreign reserves – a strong sign of currency board orthodoxy.

Postscript: Companion Spreadsheet Workbook

The companion spreadsheet workbook to this paper contains the underlying data, calculations, and original graphs. The workbook may be updated as new annual data are released by the Cayman Islands Monetary Authority.

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