



Statement by the Minister of Financial Services, Wayne Panton On the HMT's Response to the FCA 'High Risk Country' List

Monday, 15 September 2014 | Cayman Islands Legislative Assembly

Madam Speaker, and Honourable Members of the Legislative Assembly, I rise to provide an update regarding recent, and important, correspondence from Her Majesty's Treasury regarding the inclusion of the Cayman Islands on the Financial Conduct Authority's 'High Risk Country' list.

Madam Speaker, as outlined by the Premier in his statement last week Wednesday, our Government has been engaged not just with the FCA, but with UK officials including those in the HMT. To reiterate, our clear objective from the beginning was to ensure that the unwarranted inclusion of Cayman on the FCA list was corrected. As the public is aware, as a result of this engagement FCA officials removed the list from their website, and committed to a full review of their methodology.

Madam Speaker, further to these significant steps I was heartened to receive a letter last week Friday from Ms Andrea Leadsom MP, Economic Secretary to the Treasury, and the Minister with responsibility for the FCA.

This letter confirms what we had long maintained – that the FCA list was out of date and inaccurate, and it was not a current reflection of ‘high risk’ to the UK. Importantly, the letter confirms that the list is no longer in use. As such, the FCA’s review of their methodology is indeed appropriate. I am confident that the FCA’s interaction with our Monetary Authority will provide them with further assurances of our very high standards, particularly as it follows the HMT team’s trip to Cayman in June, which the UK Minister herself acknowledges was positive.

Madam Speaker, we are continuing the dialogue with the FCA, on a regulator-to-regulator level, because we must ensure that our system is understood. We must provide information, and allow room for discussion based on the merits of what we present.

Frankly, we realise the FCA's list could have become a significant incident, with the potential loss of business and damage to our reputation. Through the series of diplomatic exchanges between Government, the FCA and other UK officials, it instead has been given proper perspective as a misunderstanding that has been resolved, for which I believe all parties are grateful.

Nevertheless, it underscores that as a key jurisdiction globally in the provision of financial services, Cayman must guard its reputation carefully and diligently.

Our financial services industry readily understands this fact, and somewhat surprisingly, so does our public. Madam Speaker, based on feedback via radio shows, comments and face-to-face conversations, there is broader understanding among Cayman's general public than what one may have thought regarding the importance of our financial services industry's reputation upon our country's economic stability, and our standard of life.

Bolstered by this support, and the FCA outcomes, Government is even more assured that our approach of increased international engagement, in particular over the last year, is the correct strategy for the challenges and opportunities found in today's financial services environment. In particular, we will continue to build upon our strong relationships with key stakeholders, including supranational bodies such as the Global Forum on Transparency and Exchange of Information for Tax Purposes, and the Financial Action Task Force; and with Her Majesty's Government.

This is critical, as the rapidly evolving standards for financial services require both a sharp focus, and an alignment of perspectives, on a scale unlike anything that has come before. For this reason Cayman, along with many other countries and territories, has expressed its support for the Prime Minister's agenda on tax and transparency, as an initiative intended to help root out financial crimes globally, and to bring justice to the public, in both developed and developing countries worldwide, who are most affected by those crimes.

The mindset behind these initiatives, Madam Speaker, is taking root globally as recognition and acceptance grows that financial crime, by the very cross-border nature of its activity, can never be considered a jurisdictional plague. It is a global one.

In doing our part, Cayman is well positioned to support these initiatives because we have been at the forefront of actions to combat money laundering and other tax crimes for more than a decade. Our systems, standards, and regulations have been recognised and ranked highly globally.

This has not gone unnoticed, and aside from certain international NGOs that are pursuing biased agendas, the technical experts in key international organisations as well as in Her Majesty's Government, including no less than the Prime Minister himself, are aware of what we have accomplished.

Madam Speaker, our Government is focused on long term success. As a jurisdiction, we cannot lose site of the bigger

picture, and the work that lies ahead of us. The FCA list will not, by no means, be the last challenge we face in relation to our financial services industry.

We cannot afford to lose focus. My Ministry is very much aware of what is, and what will be, expected of all onshore and offshore jurisdictions when it comes to anti money-laundering standards and the fight against tax evasion.

I therefore take this opportunity to inform the Members of this Honourable House that the analysis of my Ministry's public consultation on beneficial ownership has been completed, and the key step that we are currently working on is an action plan for the next two years. I mention this work as it is part of our commitment to the Prime Minister's agenda, as referred to in Ms Leadsom's letter.

But again, it is only one small piece of a much larger picture. The next test of our jurisdiction will come as part of several

assessments by international agencies that will occur in the next two to three years.

Madam Speaker, what the FCA incident, as well as the reality of ongoing assessment, proves is that Cayman cannot - absolutely cannot - lose sight of the bigger picture, or take our shoulders off the work that lies ahead of us. In this, a strong partnership with the UK will be mutually beneficial and as such, I publicly express my thanks to the Her Majesty's Treasury for the recognition that is expressed in this letter.

In conclusion, Madam Speaker, I again am grateful for the support from elected members, industry, and the people of the Cayman Islands regarding the FCA's list. With your permission I would like to table the letter from Ms Andrea Leadsom MP, the Economic Secretary to the Treasury, in this Honourable House.

Thank you, Madam Speaker.

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