



MINISTRY OF  
FINANCIAL SERVICES  
& HOME AFFAIRS  
CAYMAN ISLANDS GOVERNMENT

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**Legislative Assembly Statement**  
**Minister of Financial Services, the Hon. Tara Rivers, JP, MLA**  
**Update on Financial Services - Additional Funding**

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Fourth Meeting of the Legislative Assembly 2017/2018, 28 June 2018

Members of this honourable House and the public are aware that Members of the Government and Ministry of Financial Services have been engaging with international politicians and officials about financial services developments that could impact our financial services industry and subsequently, the economic stability and prosperity of the Cayman Islands and our people. For example, as a result of strategic and sustained engagements during the course of 2017, the Government was successful in ensuring that the Cayman Islands was not included on the EU list of Non-Cooperative Jurisdictions for Tax Purposes issued in December 2017.

Since January of this year, we have continued (and have indeed intensified) our efforts to meet with key international stakeholders and audiences, starting with participating in the annual Cayman Finance Breakfast Briefing session held in New York city where I delivered a policy and legislative update; and participating in a number of industry meetings in the city during the course of the week thereafter.

In March, in addition to speaking on a key financial services panel at the GREAT Festival of Innovation in Hong Kong, the Ministry hosted a very well attended reception for clients and service providers in the region (where the actual attendees exceeded the expected and confirmed number). In addition, meetings were convened with a number of Hong Kong based service providers as well as a large group of leading private equity and venture capital firms

collectively representing over USD \$70 billion in assets under management, who are all familiar with and utilise Cayman vehicles for many of their international financial transactions.

In April I travelled to Washington, D.C. to meet with officials in the US House of Representatives and Senate; and with senior officials at the State and Treasury Departments.

In May, I travelled back to Brussels, where I was invited to speak at a seminar at the Centre for European Policy Studies (CEPS) alongside Mr. Pascal Saint-Amans, Director, OECD Centre for Tax Policy and Administration and Mr. Jeppe Kofod, a Member of the European Parliament; and I took part in a roundtable discussion at the European Business Summit entitled *'EU Taxation Policy: Which impact on the EU's attractiveness and competitiveness?'.* The European Business Summit is an annual summit of political decision-makers, business leaders, members of academia and civil society. The summit represents the largest such annual gathering in Brussels. It is important to note that this is the first time that the Cayman Islands was represented at such a Summit. While in Brussels, I took the opportunity to meet with representatives from the EU's Code of Conduct Group, the EU Commission and Council of Ministers - the entities responsible for EU policies on taxation; and for carrying forward the listing process and monitoring activities on behalf of the Ministers of Finance of the various EU Member States.

And of course, Mister Speaker, I have met extensively with local financial services industry and business representatives, every step of the way, keeping them updated on our progress and activities.

The reason for this activity is based upon the need (which has existed for many years) for increased political and other industry engagement. 2013, for example, was a pivotal year, when the UK chaired the G8 and sharpened international attention on taxation and the sharing of tax information – referred to as 'tax transparency' – among countries, to thwart cross-border tax-related crimes.

More recently, in 2017 major global regulatory bodies assessed Cayman's financial services legislation, regulation, and operational effectiveness for compliance with internationally accepted standards. These were the OECD Global Forum peer review of tax transparency and the Caribbean Financial Action Task Force's review of anti-money-laundering / countering of terrorism standards. In addition, the EU Code of Conduct Group's review of non-cooperative practices for tax purposes took place during that same year as discussed previously.

Following these assessments, 2018 is proving to be a greater challenge, given the need for follow-up actions. In fact, despite retaining our OECD Global Forum rating of being "largely compliant" for tax exchange purposes – the same rating given to Germany, Belgium, Australia and Canada - assessed under more stringent criteria, as evidenced by the actions taken in the UK Parliament most recently in relation to the Sanctions and Anti-Money Laundering Law, much work remains to be done in order to dispel the misperceptions and misunderstandings about Cayman, and our legal and regulatory framework, that still exist in the UK and elsewhere.

Mister Speaker, to respond to these challenges, the Cabinet has agreed to allocate additional funding to the Ministry for Financial Services in order to bolster the Ministry's ability to address the challenges, as well as to better take advantage of the opportunities, that lie ahead. These include continuing and increased engagement; increased staffing; and promotional activities.

### **Continuing and Increased Engagement**

Cayman needs to continue engaging with the European Union regarding its list of non-cooperative jurisdictions. There is a continued lack of clarity particularly on the issue of economic substance, which the EU is trying to impose on targeted jurisdictions such as the Cayman Islands. As direct engagement has proven to be most effective thus far, an increase in the number of visits to the EU to engage with stakeholders is necessary prior to the end of 2018. As discussed previously, a programme of increased engagement in the EU and elsewhere is already underway and will continue throughout the year.

Furthermore, in the UK, the recent amendment adopted to the Sanctions and Money Laundering Law seeks to impose a public register of beneficial owners on Overseas Territories by end of 2020, even though it was recognised not to be the global standard. It is instructive to note that the Government spokesperson in the House of Commons, in accepting the amendment without debate, indicated that the decision was taken by the UK Government to do so based on what they understood to be the prevailing ***perception of the majority in Parliament*** (not based on facts). This is a stark example of the need to help educate MPs, as well as the wider British public, about the Cayman Islands. Increased direct engagement and a sustained public awareness campaign is needed; and is being developed accordingly.

### **Staffing**

The Department of Financial Services has operated with a sparse staff complement of four (4) policy officers for the past several years. Given the ongoing challenges presented by global developments, the need for greater research and analysis and a more proactive approach to tackling domestic and international issues, a significant increase in the department's resources is needed. Whereas the Government had already recognised this (and the 2018 Budget includes provision for two (2) new staff members), additional posts have been agreed for this year and is being recruited for as we speak. These additional posts would allow the department to become more proactive in tackling the increasing range of challenges, creating greater capacity to carry out the critical functions of the Department.

In addition, funds have been approved by Cabinet and provisions are being made to recruit a full-time member of staff to cover the UK and Europe, based out of the London Office. This would not only increase capacity but also financial services expertise on the ground to enhance the efforts already being made in the UK, Brussels and elsewhere in Europe, but in a more sustained and regular manner (rather than relying primarily on cross Atlantic visits). Additional staffing has also been agreed for the Department for International Tax Cooperation which also has operated with minimal staff, particularly in the area of international cooperation officers, for the past few years.

### **Promotional Activities**

Unfortunately, the persistent misperception regarding the role of the Cayman Islands in facilitating tax crimes and money laundering has contributed to the poor receptivity of facts regarding Cayman's transparency and compliance with international standards. Direct engagement with key stakeholders has had success; however, the country has not adequately addressed the role of the media and public in influencing political decisions abroad. Current consideration is for the development and execution of a targeted public awareness campaign, focused primarily on the UK in the first instance, but expanding to other jurisdictions over time. It is anticipated that the campaign will start during the course of this year. Getting the key messages out in simple and relatable methods is key. The Ministry continues to consult with relevant stakeholders, including CIMA and industry representatives, in developing and deploying appropriate messages; and with respect to the ongoing international engagement efforts.

Mister Speaker, given the importance of the work undertaken by the Ministry of Financial Services, in consultation with our regulators and financial services industry, I wanted to take the opportunity now to apprise this honourable House of the increased proactive steps that the Government is taking in order to better equip the Ministry and relevant departments to carry out the work needed in order to effectively meet the challenges; and to create and take advantage of the opportunities that exist in key markets (such as the US and Asia). I will, however, be making a further statement in accordance with section 11(5) of the Public Management and Finance Law upon the presentation of the Supplementary Budget by the Government to this honourable House. Thank you.

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