



CAYMAN ISLANDS GOVERNMENT

**Statement by
Honourable Tara Rivers, JP, MLA
Minister of Financial Services and Home Affairs**

Financial Services: Additional Funding 2018

Second Meeting of the 2018/2019 Session of the Cayman Islands Legislative Assembly
November 2018

Members of this honourable House may recall that I made a statement in June during the fourth meeting of the 2017/18 session regarding additional funding approved by Cabinet for activities relating to financial services. The approved increase of Output Group FSC21 by CI\$740,000 and Output Group FSC22 by CI\$100,000 was made due to exceptional circumstances, and while this increase will have an impact on Government's forecasted operating surplus, there was no anticipated impact on the principles of financial management as specified in the Public Management and Finance Law.

The approved increase was made due to several reasons that meet the definition of exceptional circumstances. First, as the year began, the extent of internationally-driven challenges to Cayman's financial services industry became more acute. Meetings and discussions relating to the EU's list of non-cooperative jurisdictions (the EU 'blacklist') that occurred early in the year revealed the extent to which external pressure would be placed on changes to Cayman's regulatory regime. Then there was the UK's Sanctions and Anti Money Laundering Bill and the legislated mandate to impose public beneficial ownership registers on all Overseas Territories.

Second, these changing conditions were viewed as potentially having a negative impact on the financial services industry. This industry accounts for over 50% of GDP and over 15% of total employment, and the negative impact of a decline in business due to external factors has the potential for both a direct and ripple effect through our economy.

Finally, the immediate threat to the economy made it clear that quick action was needed given that the response plan was dependent on an increase in staff capacity and an engagement strategy with international stakeholders.

While I did outline the response plan back in June, I will highlight the key action steps that are being taken.

Continuing and Increased Engagement

The need for greater engagement with the European Union regarding its list of non-cooperative jurisdictions was clearly identified as a priority. Direct engagement has proven to be most effective thus far, and an increase in the number of visits to the EU to engage with stakeholders is occurring. I have personally engaged with a number of Ambassadors and Permanent Representatives from EU Member States on two occasions this year and there have been a number of other visits at a technical level. At least one more visit to the EU is planned for this year.

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 was needed. Two additional staff has joined the department and recruitment is continuing for at least two more posts. Recruitment for the Department for International Tax Cooperation, which also has operated with minimal staff, is also underway.

Recruitment of a full-time member of staff to cover the UK and Europe, based out of the London Office is also being actively pursued. This will 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).

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.

A targeted public awareness campaign is in development, which will focus primarily on the UK in the first instance, but expanding to other jurisdictions over time. The initial work has been completed to identify key stakeholders and several focus groups have been conducted. Further work is planned to assess UK public perception as a basis upon which to develop and refine key messages.

Members should appreciate the complexity of the challenges we face as an international financial centre. With a dynamic and uncertain international context, I am thankful that the

Ministry has a dedicated team of experienced professionals who work closely with the regulatory agencies and our local industry. As a jurisdiction, we continue to rise to these international challenges. We continue to adjust our strategies, tactics, policies and practices as conditions change globally with the goal of staying a competitive and relevant jurisdiction in the global financial services ecosystem.