



# 2020 Year in Review

December 2020

## Looking Back on 2020

It is safe to say 2020 has been an unprecedented year but as we reflect on the past 12 months, we are pleased that the Cayman Islands Financial Services Industry (CIFSI) has demonstrated tremendous resilience and has continued to deliver unparalleled value as the heart of the Cayman Islands economy. This was accomplished, in part, by Cayman Finance working closely with our member firms/organisations and other key stakeholders, particularly the Cayman Islands Government (CIG) and the regulator - the Cayman Islands Monetary Authority (CIMA).

That partnership was on full display in January, as we hosted the 7th Annual Cayman Finance New York Breakfast Briefing. For the second successive year, both the Premier and Governor attended and delivered remarks, along with the Minister of Financial Services and the Head of CIMA's Investments and

Securities Supervision Divisions. The Attorney General, Chief Officer in the Ministry of International Trade, Aviation, and Maritime Affairs (MITIAMA), the CIMA Managing Director and other members of the CIMA Management Team, as well as other government officials were also on hand. In attendance were approximately 200 specially invited guests, including senior New York business partners and clients, who were able to hear about important legislative and regulatory developments designed to ensure Cayman's continued success as the premier global tax neutral hub. While there, we hosted our 2nd Cayman Finance New York Reinsurance Roundtable designed to attract more business in that rapidly evolving CIFSI sector. Cayman Finance, collaborating with the Cayman Islands Bankers Association, coordinated important meetings with senior international correspondent banking officials, who were able to dialogue directly with the Premier, Minister of Financial Services, and other senior government and industry





representatives and were reassured about the robustness of the jurisdiction to support international financial services business. To coincide with those events, our latest booklet, “The Cayman Islands: An Extender of Value to the USA” was released, accompanied by a two-page summary. A two-page flyer promoting the jurisdiction as an extender of value for Reinsurance business was also released at the Reinsurance Roundtable.

## Cayman Islands Financial Services Industry Resilience

The emergence of the global COVID-19 pandemic afforded us the opportunity to ensure that while the Government focused on managing the national public health response, the CIFSI was in a position to demonstrate its resilience and thereby continue delivering value to the local economy by seamlessly servicing clients around the world. The Cayman Finance office team was able to lead by example,

having invested in and implemented the necessary infrastructure to permit a seamless transition to remote working due to shelter-in-place restriction in a bid to keep COVID-19 at bay in our community. Cayman Finance worked together with CIG, CIMA, and the industry to ensure the necessary government and regulatory services that needed to continue uninterrupted did so, allowing firms to continue delivering seamless value to their clients, and in turn keeping their personnel gainfully employed at a time when the majority of other activity in the local economy ground to a halt. Cayman Finance was able to be a hub, soliciting information from the industry that helped inform and guide important decisions being made by Government and the regulator. We are indeed proud that most of our firms have weathered the storm without the delivery of their services to clients being interrupted and maintained their staffing complement. Importantly, as a result, thousands of Caymanians and residents have been able to continue supporting their families and local businesses during these challenging times.

As we continued to navigate challenges brought on by the global pandemic, Cayman Finance provided critical support to CIG, CIMA and the industry, namely through surveying members on their remote working capabilities to better inform how national measures to thwart the spread of COVID could potentially impact the industry. We were also able to provide survey feedback to CIMA in June about the use of its Regulatory



Enhanced Electronic Forms Submission (REEFS) Private Funds Online Registration Portal by firms registering private funds to (i) find out what significant issues, if any, were being experienced; (ii) gather any recommendations that could help improve the process; and (iii) provide an indication of the volume of registrations that we expected to be uploaded. We are pleased that, to date, in excess of 12,000 private funds have been registered with CIMA, bringing the total number of investment funds registered with CIMA to over 24,000.

Cayman Finance acted as a bridge to facilitate discussions between industry and CIG regarding enhancements being made to Government's Beneficial Ownership regime to ensure changes being made were pragmatic and not ultimately detrimental to the industry. As a result of outreach coordinated by Cayman Finance, CIG undertook to conduct an independent security assessment of its Beneficial Ownership Online Filing System to seek to address concerns from industry representatives.

## A Focus on Community Recovery

Our "Cayman Finance Cares" initiative was born out of the desire to provide much-needed support for those members of our local community who felt the economic

pressures as a result of the shutdown. The first programme to be rolled out under this banner was "Feeding the Frontline" in which more than 450 meals were provided to Health Services Authority staffers who worked over the Easter Weekend. This was done in recognition of the yeoman's service they provided as essential workers on the frontlines of the local fight against COVID. Financial support for that initiative was provided by a family connected to Cayman Finance.



In May, more than C\$124,000 was raised through donations from Cayman Finance Member Firms to support Cayman Food Bank, a core hunger-relief organisation working to alleviate hunger and malnutrition in the local community at a time when the usual demands on their services were exacerbated by the pandemic. An immediate need identified by Cayman Food Bank was a fit-for-purpose van to be used for collections and deliveries. Some of the funds raised went toward purchasing a new vehicle to help improve their ability to support our community. Later in





the year, the R3 Foundation agreed to provide matching funding for the remaining US\$113,000 to support Cayman Food Bank's food, utility and rent relief programmes.

## Cayman Finance International Stakeholder Engagement

A major role played by Cayman Finance in 2020 was the continued monitoring of international threats to the jurisdiction with an eye to protecting decades of hard work to build one of the most successful and impactful International Financial Centres (IFCs). This has included daily monitoring of international media, political and public affairs developments that have the potential to impact the CIFSI.

Following the unfortunate placement of the jurisdiction on the European Union (EU) List of Non-Cooperative Jurisdictions for Tax Purposes, Cayman Finance fully supported Government's efforts to have the decision reversed. Ultimately, Cayman was removed

from the list in October after months of sustained proactive engagement with EU governments and officials, EU industry associations, and the media. Cayman Finance is grateful for the work done by CIG to have the situation rectified at the earliest possible opportunity and was pleased to have worked closely with Government to achieve that goal.

Significant effort was required, as we provided a deep analysis of the flawed Tax Justice Network Financial Secrecy Index 2020 that erroneously named the Cayman Islands as the number one secrecy jurisdiction. Cayman Finance worked closely with CIG to ensure a coordinated response plan. This was also the case when another TJN report, the State of Tax Justice 2020, was released in October. It is important that we do not sit back and allow misguided interests elsewhere to harm the good work that has been done over the years to make the Cayman Islands the financial services leader that it is today. We continue to work collaboratively toward that goal.

## International Consultations

After making a submission to an OECD Public Consultation Paper: Global Anti-Base Erosion proposal ("GloBE") – Pillar Two last December, expert consultants were once again retained to provide support for a Cayman Finance response to the 2020 Public Consultation on Reports on the Pillar One and Pillar Two Blueprints. This was submitted on 13 December and, as was the case with the



previous submission, the aim is to protect Cayman’s tax neutral status for financial services transactions. This is a challenge that Cayman Finance willingly embraces as part of our remit to protect, promote, develop and grow the CIFS.

## Domestic Consultations

Cayman Finance’s role in representing the CIFS, while balancing priorities, facilitating discussions on complex and sensitive matters, while acting as a key advisor to Government working to achieve the best outcomes for the jurisdiction is a role we take seriously and have great pride in. In 2020, Cayman Finance coordinated responses to numerous domestic consultations on legislative or regulatory proposals put forward by CIG and CIMA.

Throughout the year, Cayman Finance had discussions with the Ministry of International Trade, Investment, Aviation, and Maritime Affairs (MITIAMA) regarding the development of an international trade and investment strategy for the Cayman Islands. We have also provided insights to the MITIAMA team working on a “Brand Cayman” project.

The consultative input from Cayman Finance Member Firms, who share their technical, local and international expertise to assist us with providing the best possible advice and recommendations to the

Government and the regulator in the best interests of the jurisdiction is invaluable.

## Local Engagement

It feels like a lifetime ago when we attended conferences in person but looking back, we are pleased to have supported the Cayman Alternative Investment Summit (CAIS), the STEP Cayman Conference, and the Chamber of Commerce Student Careers Expo.



More than 100 students participated in a quiz at the CF booth designed to improve awareness about the CIFS. Those who scored perfectly were entered into a draw to win a laptop. The winner was Marcus Smith of Lighthouse School.



The Cayman Finance eLearning platform continued to be utilised to support work being done by the AML Steering Group and the CFATF National Coordinating team. Through the CF eLearning Platform, industry practitioners have been able to have access to material from seven (7) courses prepared by the CFATF National Coordinating team. Our Chairman also lent his expertise to the work being done by the CFATF National Coordinating team, sitting as a member of their Stakeholders Forum.

## Increasing Awareness of Cayman's Global Role

With changes taking place globally as a result of the realities of 2020, there were fewer opportunities to participate in industry trade publications. Nonetheless, the timing was ideal to deliver the message of how tax neutral hubs provide unparalleled value in times of crisis. This message was reflected in editorials placed in Cayman Funds Magazine and Hedgeweek Cayman Report during the second quarter of the year. Other international publications where paid editorial content was placed include IFC Economic Report and Global Fund Media's special report on the Cayman Islands. Other media buys included wire distribution for Cayman Finance statements/press releases on Mutual Funds and Private Funds Laws (February) and supporting CIG's press releases following the

EU tax blacklisting (February) and the removal from the list (October).

Our tax neutrality messaging continues to be refined to demonstrate how the Cayman Islands is a tax neutral hub that efficiently supports global economic growth and recovery. A one-page "Cayman Islands Tax Neutrality Explained" factsheet was published in October that provides an overview of how tax neutral jurisdictions like the Cayman Islands operate and explains how Cayman's tax neutral regime benefits from fundamental competitive strengths. This document, which has received positive feedback from stakeholders in Europe, is available on the Cayman Finance website and links to other tax neutrality-related collateral we have developed.

**Cayman Islands Tax Neutrality EXPLAINED**  
October 2020

**A TAX NEUTRAL JURISDICTION:**

- Does not add an extra layer of taxes to transactions.
- Raises revenue through consumption taxes to fund government services and programmes.
- Combats tax evasion with legislation, regulation, and automatic tax information sharing arrangements that uphold the highest international standards for transparency and cross-border cooperation.
- Pposes no risk for aggressive tax avoidance as it does not have tax treaties that provide benefits and its stated and effective tax rates are the same.
- Alleviates double taxation on cross-border transactions by automatically allocating its taxing rights to the other country which is free to fully apply its domestic tax policy on the cross-border transactions.
- Alleviates double taxation on retained profits in a subsidiary by automatically allocating its taxing rights to the parent entity jurisdiction which is free to apply its domestic tax policy, including controlled foreign corporation rules, on the parent entity relating to the subsidiary's retained profits.
- Meets OECD economic substance requirements and therefore poses no risk of unfair tax competition.

**“The Cayman Islands is a tax neutral hub that efficiently supports global economic growth and recovery.”**

**ADDRESSING THE OBSTACLE DOUBLE TAXATION POSES TO GLOBAL CROSS-BORDER TRANSACTIONS**

Tax conflict arises when the two countries involved in the cross-border activities both have domestic tax laws and rules that would result in the same income or profit being taxed twice, once in each country. This tax conflict is generally referred to as "Double Taxation" and is considered by the United Nations, the Organisation for Economic Cooperation and Development (OECD) and others as a significant barrier to beneficial cross-border economic activity. Cayman's Tax Neutral policy automatically alleviates double taxation by allocating all of the taxing rights to the other country which is free to impose its domestic tax policy on the cross-border transactions with Cayman as it sees fit, without the need for a tax treaty.

**CAYMAN IS NOT A TAX HAVEN OR SECRECY JURISDICTION**

The Cayman Islands does not pose harm for tax evasion, aggressive tax avoidance, unfair base-shifting, or unfair tax competition as it has in place legislative, regulatory, and automatic tax information sharing arrangements that uphold the highest international standards for transparency, cross-border cooperation, and economic substance.

The OECD reviewed Cayman's domestic legal framework that includes economic substance legislation and found that Cayman's tax neutral regime is not harmful and meets all economic substance requirements.

Tax Neutral jurisdictions like Cayman support a level of transparency that arguably make them better at combating tax evasion and aggressive tax avoidance than those jurisdictions that rely on the often-opaque system of Double Taxation Treaties. Double Taxation Treaties are by their nature complex and less transparent, and therefore sometimes pose a risk of abuse for tax evasion or aggressive tax avoidance.

Cayman's globally responsible Tax Neutral regime distinguishes it from the many other International Financial Centres (IFCs) which are tax treaty investment hubs that rely on extensive double tax treaty networks.

**CAYMAN'S TAX NEUTRAL REGIME BENEFITS FROM FUNDAMENTAL COMPETITIVE STRENGTHS**

Legitimate reasons for using an intermediate jurisdiction may include, but are not limited to, parties to a joint venture or partnership may be from different jurisdictions and want neutrality in selecting the jurisdiction for their venture (including equal legal and tax treatments). (World Bank Group)

Global investors are increasingly engaged in a flight to quality, relocating their resources based on extensive assessments of which financial centres offer the best combination of the following qualifications:

- efficiency and neutrality;
- a global network and diverse industry;
- an experienced legal infrastructure and neutral tax environment;
- high regulatory standards and respect for appropriate privacy;
- world class professionals and credibility; and
- stability.

Very few IFCs meet these qualifications of providing benefits globally without causing harm to other countries, and now do it as well as the Cayman Islands.

**READ MORE HERE** on Cayman's Tax Neutral regime  
[www.caymanfinance.ly](http://www.caymanfinance.ly)



During 2020, Cayman Finance’s social media presence was the most prominent it has ever been. We worked with an outsource marketing firm to roll out the “Not a Tax Haven” campaign that featured daily imagery and messaging about how the Cayman Islands is a tax neutral jurisdiction and does not pose harm to other countries tax bases. A variety of content was disseminated, including infographics and blogs. Subsequently, a “Did You Know” campaign organised by the in-house Communication and PR team kept the momentum going with messages to support CIG-led efforts to have the jurisdiction removed from the EU Tax Blacklist. This consistent presence with market-tested messaging has seen remarkable growth in engagement and followers across LinkedIn, Twitter and Facebook. Our message delivery can be more impactful with the support of Member Firms. Our challenge to you is that each of your staff should follow Cayman Finance on their preferred social media platform and encourage at least one other person each to do the same. Working together, we can more effectively protect, promote, develop and grow the CIFS.

As we continue to enhance our online presence as an organisation, we have turned our attention to a redesigned website to replace the current site that is nearly a decade old. Our ongoing goal is to have a high-quality website to engage with audiences to underpin our key message that the Cayman Islands is a premier global financial hub efficiently connecting law abiding users and providers of investment capital and financing around the world. A redesigned and modernised website is an important component of our toolkit. The new site will be visually appealing, utilising a user-centric and mobile responsive design with increased search engine optimisation. This project is expected to be completed by the end of Q1 2021.

As part of Cayman Finance’s ongoing work to support thought leadership development to assist with a greater understanding of the Cayman Islands’ role as a tax neutral global financial hub, Julian Morris (Member of the Academic Advisory Council, Institute of Economic Affairs, and Senior Scholar at the International Centre for Law and Economics) was contracted to develop a paper on Collective Investment Vehicles (CIVs) and multi-national enterprises that use the Cayman Islands. This body of work that combines data-driven, evidence-based empirical analysis on the one hand with clarity of thought to persuasively express these complex matters to a sophisticated lay-reader. This thought leadership paper, supported by a more concise executive summary and other supporting collateral are scheduled to be publicly released in the coming weeks.



## A Special Thanks

Much of what we have been able to accomplish is a testimony to the evolving relationship the organisation has forged with Government, especially with the Ministry of Financial Services and the Ministry of International Trade, Investment, Aviation, and Maritime Affairs as well as the Cayman Islands Monetary Authority. Our relationship with the Ministry of Financial Services has been underpinned by a new CIG Purchase Agreement that has seen greater collaboration between us. This includes a recently arranged weekly call in which the Ministry of Financial Services, the Head of the CIG UK Office and the Ministry's new soon-to-be posted in London Financial Services Attaché both participate. This is the type of partnership between Cayman Finance, as the association representing the entire industry, and Government that augers well for the advancement of the CIFSI. Special thanks are extended to the Premier, Minister Tara Rivers and her team at the Ministry led by Chief Officer Dax Basdeo.

The work we have been able to accomplish in 2020 would not have been possible without the steadfast support of our Chairman, Conor O'Dea, the Cayman Finance Board of Directors, our Member Firms and the Member Firm volunteers who so readily serve on our various committees and working groups. Finally, I want to recognise the staff at the Cayman Finance office, who have worked with dedication to support the success of the organisation.

We do not know what 2021 holds but our membership and other stakeholders can be confident that Cayman Finance continues to play its important leading role of protecting, promoting, developing, and growing the Industry to ensure that the CIFSI remains the heart of the Cayman Islands economy, while at the same time efficiently supporting global economic growth and recovery.



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