



October, 2017

## Cayman on the International Stage – an overview of Cayman Islands Regulatory Landscape

Article published by [Hedgeweek](#) online

We often hear the Cayman Islands are criticized in the press or in political debate over perceived financial secrecy. A flagging election campaign in the US or Europe can easily benefit from the rejuvenating spark provided by an airing of the offshore holdings of the candidates and their families. The slow release of private financial records from the Cook Islands or Panama can make headline news for weeks. The results of disclosing private financial information can be so potent that the effects on the economies of these small jurisdictions is largely ignored and each offshore financial centre needs to be keenly aware of the global interest in its activities and the need to maintain international standards of regulation. This requires the careful balancing of data protection and cyber security on the one hand and effective international co-operation and disclosure to appropriate authorities on the other. This blog takes a look at how the Cayman Islands has been responding to international pressures to be more transparent and to shake off its stereotypes.

Jurisdictions that are larger and more politically powerful than the Cayman Islands are key players in the financial services industry of which the Cayman Islands have become an integral part. The relationship between these jurisdictions and the Cayman Islands is to an extent reliant on the integrity of the regulatory regime in the Cayman Islands. The Cayman Islands are an important part of the

[www.dilloneustace.ie](http://www.dilloneustace.ie)

/7697822v1

For further information  
on any of the issues  
discussed in this article  
please contact:



**Matt Mulry**  
DD:+1 345 814 4054  
[matt.mulry@dilloneustace.ie](mailto:matt.mulry@dilloneustace.ie)



**Jonathan Law**  
DD:+1 345 814 4057  
[jonathan.law@dilloneustace.ie](mailto:jonathan.law@dilloneustace.ie)



**Christine Holland**  
Tel:+1 345 814 4051  
[christine.holland@dilloneustace.ie](mailto:christine.holland@dilloneustace.ie)

structuring and operation of investment fund and structured debt transactions which are managed and marketed and invariably originate in larger financial services jurisdictions. It makes sense then for Cayman to implement equivalent regulatory standards to those adopted in the most highly regulated jurisdictions with which it interacts.

Historically the Cayman Islands has implemented anti-money laundering regulation which has been more effective in preventing financial crime than the regimes adopted in the largest jurisdictions with which it routinely conduct business. The extent and complexity of Cayman's regulation requires a careful balance between the legitimate concerns which underpin international initiatives and the efficient conduct of financial services business with the Cayman Islands. Cayman is keenly aware that if the development of its regulatory environment disrupts the ease with which Cayman legal entities can be used, then the flow of capital through Cayman structures to and from entities established in larger financial services jurisdictions may well stop.

Recent developments in the Cayman Islands have seen greater international co-operation in terms of the exchange of information on those who invest in Cayman structures to the tax authorities where they are tax resident. These developments were initiated by the United States, were quickly taken up by the United Kingdom and have recently been implemented through the adoption of the OECD's Common Reporting Standard by a network of nearly 100 other jurisdictions. The Cayman Islands government ensured that the Cayman Islands were an early adopter of these initiatives and took steps through local legislation to make certain that the impact which the users of Cayman structures suffered were minimal. As a result the existing framework of Cayman anti-money laundering procedures was used as the basis for the collation of information on investors in Cayman funds for international tax compliance purposes.

The United Kingdom recently promoted an initiative requiring the disclosure of the beneficial ownership of its own companies and those of its offshore territories. The Cayman Islands government engaged in early discussions with the United Kingdom to identify where it was already addressing the key concerns driving this initiative and how the remaining requirements might most easily be addressed. Through the implementation of sensible legislation the Cayman Islands were able to comply with the United Kingdom's requirements with the minimum impact on those who use Cayman structures. These developments have established a central, government maintained, database onto which existing information held by licensed corporate service providers can be uploaded. The arrangement ensures a digitally secure housing of information in the Cayman Islands and allows for the swift provision of beneficial ownership information upon a lawful request from authorised law enforcement officers in the United Kingdom.

The Cayman Islands Confidential Relationships (Preservation) Law, often touted as Cayman's secrecy law was recently repealed and replaced with the Confidential Information Disclosure Law. The original law provided that a disclosure of financial information would be a criminal offence if not made in accordance with that law, either with the consent of the person to which it related or through appropriate regulatory or law enforcement avenues. The Confidential Information Disclosure Law which replaces the Confidential Relationships (Preservation) Law was drafted as a move away from legislation which might be seen as a secrecy law. It is also a pre-cursor to a Cayman data protection law which, in its current draft form, follows the European approach to data

protection by requiring compliance with a number of data protection principles.

It may seem from a distant perspective that over recent years the Cayman Islands has been busily adopting legislation to bring itself up to date with the larger financial services markets. However the changes have generally only marginally adjusted the Cayman Islands' existing robust regimes for the prevention of financial crime, transparency and international co-operation. The Cayman Islands has for decades been a reliable counterparty to the larger market players in the US, Europe and Asia and it is a familiar and trusted jurisdiction for corporate structures in the investment and debt markets. The Cayman Islands government and regulator take an active approach in responding to, meeting and in many cases exceeding international standards allowing the Cayman Islands to maintain its market leading position among offshore financial centres.

**Dillon Eustace**  
**October 2017**

DILLON  EUSTACE

**Dublin**

33 Sir John Rogerson's Quay, Dublin 2, Ireland. Tel: +353 1 667 0022 Fax: +353 1 667 0042.

**Cayman Islands**

Landmark Square, West Bay Road, PO Box 775, Grand Cayman KY1-9006, Cayman Islands. Tel: +1 345 949 0022 Fax: +1 345 945 0042.

**New York**

245 Park Avenue, 39th Floor, New York, NY 10167, U.S.A. Tel: +1 212 792 4166 Fax: +1 212 792 4167.

**Tokyo**

12th Floor, Yurakucho Itocia Building, 2-7-1 Yurakucho, Chiyoda-ku, Tokyo 100-0006, Japan. Tel: +813 6860 4885 Fax: +813 6860 4501.

**DISCLAIMER:**

This document is for information purposes only and does not purport to represent legal advice. If you have any queries or would like further information relating to any of the above matters, please refer to the contacts above or your usual contact in Dillon Eustace.

**Copyright Notice:**

© 2017 Dillon Eustace. All rights reserved.