

Cayman Islands - Centre of Choice





Introduction

The last 40 years have seen the Cayman Islands mature into one of the world's largest international financial centres, providing institutionally-focused services to a global client base. The Cayman Islands' competitive strength in financial services lies in its ability to provide an effective, cost-efficient and tax-neutral platform for international capital flows in an environment of legal, political and economic stability.

Overview

Client-centred & innovative

- Flexibility and certainty of structures
- Quality of professional services
- Healthy government/private sector relations
- Legal, political and economic stability

Transparent and well-regulated

- A single independent regulatory body for financial institutions
- Compliance with international regulatory standards
- Well-regarded corporate governance regime
- A well-regarded stock exchange formally recognised by the UK government

Location and status

- Tax-neutral and transparent
- Location and time zone
- Access to markets



In Focus

Respected legal system and political stability

1. A British overseas territory, the Cayman Islands enjoys the security and stability traditionally associated with the British flag while remaining responsible for their own internal affairs and government.
2. The Cayman Islands has an independent legal and judicial system based on a combination of English common law and local legislation, with final appeal to the Privy Council in London. It offers predictability and stability for international investors and leverage providers alike.
3. Up-to-date company and partnership laws shape the traditional common law, meeting the demands of the financial industry; vehicles established within this system are well-recognised and accepted internationally.
4. The English common law basis for corporate governance in the Cayman Islands - for example directors' fiduciary duties, corporate personality, limited liability and corporate benefit - give fund sponsors and investors the comfort of reliance upon well-developed and commercially sensible rules and practices that are widely known and understood.
5. The Government and the private sector work closely to ensure the continued development of the jurisdiction as a major international financial centre in which business can be conducted efficiently and effectively.

Client-centred structures, institutions and advice

1. The flexibility and certainty of Cayman structures enable the efficient raising of capital. The well-understood corporate and limited partnership structures allow the management of entities with numerous investors, and multiple layers of debt and equity, in an international environment.
2. There are no specific statutory or regulatory constraints on the policies, strategies and management of investment funds.
3. Entities can be formed/incorporated within 24 hours.
4. There are no exchange control restrictions, allowing funds to be transferred in and out of the jurisdiction.
5. The Cayman Islands Monetary Authority ("CIMA") adopts a streamlined, efficient approach to regulating funds.
6. An international financial centre, the Cayman Islands competes with major onshore centres in providing high quality banking and professional services from internationally-respected firms and institutions.

Transparency and the regulatory regime

Regulation in the Cayman Islands is focused on the management of systemic risk, the prevention of money-laundering and the promotion of regulatory and financial transparency.

1. The Cayman Islands has implemented FATCA reporting requirements and was an early adopter jurisdiction to the CRS regime. It also has multiple bilateral agreements and arrangements in place, including with almost all EU member states in relation to the AIFM directive, enhancing its relationships internationally.
2. The Cayman Islands has an extremely robust system of anti-money laundering rules and regulations. It adheres to the US Financial Action Task Force (FATF) 40 Recommendations on Combating Money Laundering and the Financing of Terrorism and Proliferation. More importantly, it is the culture of actual compliance with those rules and regulations in the Cayman Islands that has been lauded following intense scrutiny by both the OECD and the US Senate.
3. Cayman Islands Law requires Cayman Islands companies, limited liability companies and limited liability partnerships to establish and maintain beneficial ownership registers unless they are exempt. This information is stored on a non-public platform maintained by the Cayman Islands Registrar of Companies, and can be searched by the Cayman Islands Government only upon a lawful request by specified Cayman Islands or UK law enforcement authorities. The information will not be open to public inspection. The Cayman Islands Government has been clear that it will not consider the introduction of a public register of beneficial ownership unless and until that becomes an accepted and implemented international standard.
4. The Cayman Islands Data Protection Act (as amended) ("DPA") came into effect on 30 September 2019. The DPA requires any Cayman Islands data controller to comply with eight data protection principles when processing personal data and to ensure that those principles are complied with in relation to personal data processed on the data controller's behalf. The DPA deals also with data security, data breaches and the rights of individual data subjects. The DPA applies regardless of the location of the data subject or any data processor. International financial sector businesses will find many similarities between the data protection law of the Cayman Islands and of other jurisdictions where they are active.



- The Cayman Islands is a member of the OECD Inclusive Framework on Base Erosion and Profit Shifting and enacted legislation in response to requirements for geographically mobile activities to have economic substance developed under BEPS Action 5, consistent with the European Union timeframe to have such requirements in place on 1 January 2019. This legislation applies to companies, and more recently also to exempted limited partnerships (among other entities). Similar legislation has been or is being enacted in all OECD-compliant jurisdictions with no or nominal tax, including Bermuda, the British Virgin Islands, Guernsey and Jersey. The Cayman legislation and accompanying guidance were published following consultation with the OECD, the EU and Cayman Islands stakeholders. International standards are continuing to develop and it is anticipated that the Cayman legislation and guidance will evolve and be subject to further clarification.
- The jurisdiction benefits from CIMA, the independent regulator and sole authority for the registration and regulation of financial institutions, ensuring a consistent application of regulatory requirements.
- Established in 1997, the Cayman Islands Stock Exchange now has a wealth of experience in listing a variety of both debt and equity structures. It was formally designated as a "recognised stock exchange" by the UK's HM Revenue & Customs in 2004.

Tax neutrality and transparency

- There are no local corporation, capital gains, income, profits, withholding or inheritance taxes attaching to vehicles established in the Cayman Islands, nor to investors in such vehicles. For investors, this means resources can be pooled to invest without returns on that investment being subject to an additional layer of taxation beyond that imposed by the investor's home jurisdiction and the jurisdictions where trading profits are made.
- A Government undertaking assures entities with exempted status will remain tax-free for a period of between twenty and fifty years (depending on type of entity).
- The tax transparency of Cayman Islands exempted companies and partnerships can be achieved for US fund managers and US non-taxable investors by means of the "check the box" procedure, the broad effect of which will be that the company or partnership will be treated as a partnership for US tax purposes.

Location and Time Zone

Less than an hour from Miami and with direct flights to many US airports, the Cayman Islands are easily accessible. Its central time zone creates overlapping links with Asia, Europe and the US, making communication with overseas investors and markets straightforward.

Key Contacts

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