



## **Mixed reactions to Cayman Islands participation in transparency initiative**

Michael Klein

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The Cayman Islands' commitment to join an initiative for the development of a global standard to exchange beneficial ownership information has been met with a mixture of understanding and concern about the long-term stability of the financial services industry in Cayman.

Economist Dan Mitchell, a senior fellow at the American think tank the Cato Institute and editorial board member of the Cayman Financial Review, considers the initiative to be just another regulatory hurdle in a series of campaigns leveled against offshore financial centers.

"This is the latest effort by high-tax nations to move the goal posts in their never-ending campaign to change the rules of international commerce and comity in an effort to prop up uncompetitive welfare states," Mr. Mitchell said.

The effect it will have for Cayman's financial services industry is not clear.

Initially it may address some of the criticism of offshore centers, said Paul Byles, president of First Regents Bank.

"The immediate impact of this high-level commitment in the short term may be to relieve international pressures, address international political pressure and stabilize things, but over the longer term, it's hard to assess the ramifications without details of the technical procedures, which are far from finalized."

The government was expected to sign a declaration committing to the development of a global standard at the Anti-Corruption Summit in London on Thursday. The procedures and legal basis for the information exchange, the public availability of the information on the true owners of companies, and other technical issues will have to be decided after the conference.

If clients can be given some comfort that they will maintain a legitimate right to financial privacy under the new regime, it would ease some of their fears, Mr. Byles said.

"But if the procedures that accompany automatic exchange of information are not robust or remain vague, we need to be having another discussion about the longer term sustainability of the industry."

Mr. Byles expressed understanding for the actions of government in joining the global beneficial ownership transparency initiative, but he is concerned that the long-term strategy for the financial services industry may be neglected.

“I am sure that the government is doing its best to protect the industry. But while we are all busy plugging holes in the boat as we address each initiative, no one has had time to look up to see where the boat is actually headed,” he said.

“The future careers of young Caymanians in the financial industry require that we now take a hard look at how the industry can continue to thrive over the longer term under very different circumstances to those that existed four decades ago. We need to be more proactive.”

Tim Ridley, former chairman of the Cayman Islands Monetary Authority, also supports government’s efforts, but he feels it is treading a thin line in its support of law enforcement and the desire to protect privacy rights.

“The Cayman government is correct in its commitment to combat corruption and criminal tax evasion. It is also correct that there must be an equal commitment to protect and preserve privacy in all its forms. It will always be a challenge to get the right balance, such that criminals are promptly punished and the legitimate interests of all citizens are adequately protected,” Mr. Ridley said.

He acknowledged that the Cayman government, under considerable international pressure, is attempting to get that balance right.

Relevant information needs to be available in a timely manner to law enforcement, regulators and tax collectors, subject to appropriate safeguards for all interested parties, he said, but also demanded that public availability of beneficial ownership information should be rejected.

“Wholesale transparency and publishing of all information as sought by so many irresponsible interests is highly inappropriate and must be strongly resisted. And, in reality, would not much serve the purpose of deterring or tracking down criminals, and would certainly put at risk many legitimate businesses, families and individuals,” Mr. Ridley said.

Proponents of public registers, meanwhile, are also less than enthusiastic about the government’s announcement that Cayman will join the global initiative.

John Christensen, director of the Tax Justice Network, said “Coming just ahead of the summit in London, this reads like yet another exercise in kicking the can down the road.”

Addressing the argument that Cayman’s beneficial ownership regime is more robust than the U.K.’s public beneficial ownership register because the information is verified and updated by corporate service providers, Mr. Christensen said the best system would do both. In addition, beneficial ownership information should include all shareholders and not just those who own more than 25 percent of a company or 25 percent of its voting rights, as is the standard under the British system, he said.

“The appropriate standard for sharing information about ultimate beneficial ownership is to put that information on a publicly searchable registry and to make company secretaries responsible for ensuring that the information is kept up to date on a daily basis, providing details of every shareholder regardless of how large or small their shareholding is,” Mr. Christensen said.