

## Four more years for Obama

November 8<sup>th</sup>, 2012

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Supporters of United States President Barack Obama celebrated the president's re-election Tuesday night by a convincing electoral vote margin.

However, in the Cayman Islands, particularly within the financial services industry, the mood was decidedly more sombre following the vote, which will make Mr. Obama the leader of the free world for another four years.

"His Keynesian stimulus was a flop; Obamacare made a bad healthcare system even worse; he keeps pushing for class-warfare tax policy; and he wants to increase the burden of government spending," said Dan Mitchell of the conservative think-tank the CATO Institute. "I fully expect him to pursue the same misguided policies in a second term."

"Unless the president can do something different this term and actually improve the economy, then investment into Cayman may continue to be limited from the United States, which will slow our property market recovery," said local realtor Kim Lund.

"My heart is still supporting President Obama, but my head was telling me this time around that the world, and in particular, the Cayman Islands, would benefit more from a financial standpoint from a Mitt Romney presidency," said George Town Member of the Legislative Assembly Alden McLaughlin.

"For Cayman, the election has both good news and bad news," said Andy Morriss, chairman of the Cayman Financial Review editorial board. "The good news: The coming tax hikes and fiscal stresses in the US mean that Americans and American companies

will be more interested than ever in offshore strategies to save money and reduce tax bills.

“The bad news: An administration and senate leadership firmly committed to crushing offshore financial centres will continue their unrelenting assault on Americans and American companies’ ability to use offshore strategies. The really bad news? Cayman’s best friend internationally is now [UK Prime Minister] David Cameron. With friends like those, who needs enemies?”

US voters remained deeply divided on Election Day. The same voters who gave Mr. Obama another four years also elected a split Congress, giving the Democratic Party an advantage in the US Senate and the Republican Party advantage in the US House.

Mr. Obama claimed a commanding electoral mandate — at least 303 electoral votes to 206 for Romney — and had a near-sweep of the nine most hotly contested “battleground” states. By press time, the official results from the state of Florida had not been decided.

However, the much closer breakdown in the popular vote showed Americans’ differences. With more than 90 per cent of the voting precincts reporting, the popular vote went 50 per cent for Obama to 48.4 per cent for Romney.

Obama’s re-election assured that his signature healthcare overhaul will endure, along with the Wall Street reforms enacted after the 2008-2009 economic meltdown. The draw down of troops in Afghanistan will continue apace and with an aging Supreme Court, the president is likely to have at least one more nomination to the high court.

During the campaign, Mr. Romney’s investments in private equity funds in the Cayman Islands and Bermuda drew offshore financial centres into the presidential debate, presenting them largely in a negative light.

Richard Coles, chairman of Cayman Finance, who in the past countered much of the unfavourable US media coverage, took the US election results as another opportunity to set the record straight.

“I would like to congratulate President Obama on his re-election, and express my hopes for a successful second term for him,” Mr. Coles said. “Here at Cayman Finance, we work

to move international capital to the US, and from the US abroad, in the most efficient manner. We provide safe and sound banks, and a fair legal system to enforce the rule of law. Together, we can help the US, Cayman, and other economies grow during the next four years.”

Mr. Coles said he hopes in President Obama’s second term, the US will examine its own international tax laws and banking and corporation statutes to strengthen compliance.

“Our know-your-customer and corporate transparency statutes are stronger than their US counterparts and we work with the Cayman Islands government to prevent tax evasion and money laundering by cooperating with US government investigations. We look forward to expanding international cooperation with the Obama administration,” Mr. Coles said.

David Conen, tax director with KPMG in the Cayman Islands, noted the election outcome was as predicted and with a split Democratic president, Democratic Senate and Republican House of Representatives there remains the possibility of a gridlock when dealing with difficult issues such as the looming “fiscal cliff”.

Despite this concern for the US economy, he noted, many analysts are optimistic that “common sense will ultimately prevail and the competing parties will work together to extend many of the tax cuts that are set to expire at the end of 2012 to prevent the US economy from retracting”.

US financial reforms and regulations and their impact on the financial services industry in the Cayman Islands are unlikely to change, according to Mr. Conen.

“In terms of impact to Cayman, my personal thoughts are Foreign Accounts Tax Compliance Act would not have been changed even if Romney had won,” Mr. Conen said. “However, under a Romney presidency many of the regulatory changes including Dodd-Frank and Volcker rule would have at least been softened, if not fully repealed. Considering Dodd-Frank legislation, which is very comprehensive and challenging for industry, was passed during Obama’s first term in office I personally think that significant changes to it are not likely.”