Cayman Finance chair takes PR fight to Washington

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(CNS): Appearing at a special conference on Barack Obama's door step, Anthony Travers was debunking the still pervasive myths regarding offshore financial service centres last week to promote Cayman's own financial sector. Speaking at the CATO Institute during a seminar focusing on the benefits of tax competition, the chair of Cayman Finance illustrated why the US President, Gordon Brown and Senator Carl Levin are wrong about Cayman. Travers pointed out the fact that the IRS has had legal access to accounts in Cayman for a decade but has only ever conducted 20 investigations to no avail.

Talking about the wide mischaracterizations about Cayman, he explained why the jurisdiction is far from ideal for would-be tax evaders.

"To describe the Cayman Islands as a jurisdiction where tax evasion could be conducted is wrong," he said. "Whilst Cayman law maintains a legitimate right to privacy, its confidentiality statue provides a clear gateway to enable tax transparency and specifically with effect from 2001, when it entered into the least reported on tax treaty with the United States."

Travers added that in both medical and legal terms people would be insane to use Cayman as a place to evade taxes. "The IRS has full authority to access all accounts," he observed. "A power of which it should be reminded since as it has exercised that power (in over decade) in relation to the now famous $1.83 trillion of bank deposits and interbank bookings on fewer than twenty occasions times with no discerning or reported benefit to the US treasury as a result."

He went on to explain that Cayman also signed up to the European Union Savings directive in 2003 which created a proactive reporting obligation on any European residents bank account which was revealed to be a mere $35million on account fiscally insignificant in the grand scheme of financial things.

Travers detailed the unilateral mechanism which followed enabling twenty countries to have legal access for tax purposes, but it was effectively disregarded by the OECD. He said Cayman then had to sign several more treaties which amounted to the same thing in order to satisfy the OECD's interpretation of what it perceived as the right document.

The Cayman Finance chair, who has made it his mission over the last six months to change global perceptions of Cayman's Financial sector, got down to what he has argued is the fundamental problem with the OECD and the onshore jurisdictions. He explained that the comments made by Obama about Ugland House, Gordon Brown's position that the world would be safer if tax havens didn't exist and the Levin Bill were all part of a wider issue which was a growing objective by OECD countries for a global flat high rate tax.

Travers noted that a major misconception by the US and European nations was that the money which centralized in places like the Cayman Islands was somehow theirs, which he said was not true as it came from international global markets. More importantly, he explained that the money that came to Cayman in the shape of hedge funds, for example, found its way back to the onshore sector's economies.

"At the height of the hedge fund market at the end of 2008, assets under management amounted to about $3.6 trillion of which 65% was invested back into the United States by and through US fund managers," he explained. "The misperception that drives Senator Levin's proposed legislation is that somehow this originally is US money ... that is not the case."

Explaining why people used Cayman, he said it was not to evade taxes but because the jurisdiction was economically efficient, it was a centre for expertise and had a reputation as an incubator for sophisticated financial products. He said Cayman had a superior corporate law which enabled firms to access international capital markets which explained things like Ugland House (Travers' own former office). Taking Obama to task, not for the first time, Travers said, "It is superficial in the extreme to criticise that structuring because it does not resemble a car factory in Michigan," he said.

The mischaracterisation of Cayman was driven by the desire for a global one size fits all tax – he said the offshore jurisdictions were not harbouring "weapons of tax destruction", so what he called the tax competition argument to stop the movement of money from one jurisdiction to another was all that the onshore jurisdictions had left against places like the Cayman Islands.

He said no one could say what this top rate of tax might be. Travers recalled the UK high level of tax in 1970s when he left (to make his fortune) it had reached 97%.

Travers warned that not understating what offshore financial centres do created erroneous tax policies which in the end would harm the US. Travers explained that on shore jurisdictions needed to address their own tax polices as their perceived missing taxes could not be found in jurisdictions such as Cayman. "There is not pot of gold in the Cayman Islands to assist the US treasury," Travers added.