

By combining good governance, a legal system derived from English law, global expertise, true tax neutrality and world class infrastructure, Cayman has become a core node in the system of international finance. It enables investors from many countries to pool their capital and deploy it cost-effectively towards companies and projects. By facilitating the supply of capital at lower cost and by enabling lower-cost financial intermediation by collective investment vehicles (CIVs), it enables higher rates of innovation which help drive global economic progress.

A CENTRE OF GOOD GOVERNANCE

Cayman ranks in the top quartile of all countries on every World Bank metric of governance except “voice and accountability,” where it ranks just outside the top third. These governance metrics are drawn from “over 30 existing data sources that report the views and experiences of citizens, entrepreneurs, and experts in the public, private and NGO sectors from around the world, on the quality of various aspects of governance.”

- Over the past two decades, Cayman has implemented **globally agreed standards to address tax fraud, money laundering, terrorist financing and proliferation financing** —and has worked with other likeminded jurisdictions to assist in the development of those standards.
 - In 1996, it passed the Proceeds of Criminal Conduct Law, which along with associated regulations was **one of the first comprehensive anti-money laundering laws in the region.**
- Cayman also implemented the OECD's Base Erosion and Profit Sharing (BEPS) minimum standards.
- Cayman has implemented **40 out of 40 Financial Action Task Force (FATF) Recommendations** and is **rated compliant or largely compliant** on 39 out of 40. Cayman participates in the Caribbean FATF (CFATF), the aim of which is to **combat money laundering and terrorist financing.**
 - In its most recent Mutual Evaluation Report, the CFATF concluded that **“The Cayman Islands has a high level of commitment to ensuring their AML/CFT framework is robust and capable of safeguarding the integrity of the jurisdiction’s financial sector.** The jurisdiction’s AML/CFT regime is complemented by a well-developed legal and institutional framework.”
- All banks in Cayman are licensed and regulated by the Cayman Islands Monetary Authority (CIMA), which applies **standards that are consistent with the international supervisory standards articulated by the Basel Committee on Banking Supervision** and other international bodies.
 - The CFATF has noted that “CIMA has sound controls in place to prevent criminals and their associates from entering the market as owners or holders of a significant management function of licensed FIs[financial intermediaries] and TPCSs [trust and company service providers], via the application of a fit and proper test on persons performing a controlled function.”
 - The verification requirements for opening a bank account in Cayman are **far more rigorous than in most other jurisdictions.**
- In 2017, Cayman established **a world class verified beneficial ownership registry**, meaning the ultimate beneficial owners of all pertinent companies registered in Cayman are available to the authorities in the jurisdiction.

A STRONG, SPECIALISED LEGAL SYSTEM

Another major advantage for Cayman is its legal system, which is based on English common law. Important legal concepts such as directors' fiduciary duties, a company's powers and capacity, limited liability of shareholders, and creditors' rights and remedies are very similar to those under English common law and Cayman courts frequently refer to decisions of English courts.

- Cayman's final court of appeal is the Judicial Committee of the Privy Council, which offers international investors both the comfort of a legal system with which they are generally familiar and the **legal security of an established body of law**.
- In addition, Cayman has developed specialised legislation relating to financial services, reflecting an innovative, pragmatic approach. Some specific examples illustrate this point:
 - The Mutual Funds law, first enacted in 1993, created a new framework for the establishment in Cayman of CIVs.
 - Since 2002 it has been possible for any exempted company to apply to the Registrar of Companies to operate as a segregated portfolio company (SPC), enabling it to establish multiple, segregated, portfolios of assets and liabilities.
 - In 2009, Cayman added a provision to the Companies Law (Section 238) that enabled minority shareholders to challenge the agreed price of a merger on the premise that the price was below the "fair value".
 - In 2013, Cayman became one of the first jurisdictions outside the UK to permit Mareva injunctions, whereby the assets of a defendant are frozen prior to proceedings—and often without the knowledge of the defendant—in order to prevent such defendants from moving those assets to a jurisdiction beyond the reach of the court or the plaintiff
- In 2009, Cayman established a **specialised Financial Services Division of its courts** dedicated to the resolution of disputes arising in the realm of financial services in a similar manner to the Commercial Court in the UK.

GLOBAL EXPERTISE

Cayman's solid legal foundations and industry leadership have attracted top professional talent from around the world.

- Many law firms have since established themselves in Cayman, resulting in a **highly competitive market for legal services** with deep, global expertise in many areas of law.
- A range of companies also now offer everything from director services and AML compliance to serviced offices, thereby **enabling international clients to meet their legal and governance obligations**.
- As the demand for financial services in Cayman grew, it also attracted **major accounting practices and boutique accounting firms** as well as other kinds of advisory services.
- Banking in Cayman also grew to meet to meet the demands of international investors, with **118 non-retail banks and 6 retail banks in the jurisdiction**.

TRUE TAX NEUTRALITY

Tax neutrality is the concept that taxes should be structured in such a way that they do not distort investment decisions. Cayman has never imposed taxes on the income of individuals, companies, or capital. The absence of any direct taxes enables Cayman to be tax neutral in a straightforward, simple and transparent way. It does not distort investment decisions because it cannot.

- **Double taxation reduces capital available for investment**, either directly (by reducing the proportion of profits available for reinvestment) or indirectly (by causing ownership to be artificially more dispersed, reducing the effectiveness of corporate control and hence lowering profitability). This has an adverse effect on innovation and, hence, on economic growth. '
 - The OECD has **strongly opposed and sought to facilitate the elimination of double taxation**, adopting its first recommendation concerning the matter as far back as 1955.
 - Double taxation is also **clearly detrimental to the freedom of movement of capital**—one of the EU's four fundamental freedoms
- **Cayman-domiciled entities simply have no double taxation concern**, which is clearly more efficient than paying tax accountants and lawyers to identify the most efficacious way to achieve tax neutrality for an investment entity.

WORLD CLASS INFRASTRUCTURE, RESILIENT FINANCES

The Cayman Islands Government has invested heavily in infrastructure and has developed a system for financing government operations that is broadly consistent with best practices advocated by economists, including those at the OECD.

- Cayman has build a **state-of-the-art airport, a high-quality road network**, a seaport with container shipping facilities, and a water and wastewater system. It also operates a modern hospital, several schools, a university, a strong police department, and an effective mosquito control program.
- Since Cayman imposes no direct taxes, the government **must fund these activities from other sources like customs duties, work permit fees, and fees related to the establishment and maintenance of companies**, limited partnerships and other business entities.
- Cayman's system of financing government revenue is **inherently more resilient because it tends to be less subject to business cycle variation** than systems that are heavily reliant on corporate and personal income taxation.