



CAYMAN ISLANDS
GOVERNMENT

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ADDRESS BY THE FINANCIAL SECRETARY, THE HON. KENNETH JEFFERSON, JP AT THE SECOND ANNUAL CAYMAN ISLANDS MARHEDGE/INSTITUTIONAL INVESTOR CONFERENCE RITZ CARLTON

Thank you, Mr Zebrowski for that kind introduction.

Good morning ladies and gentlemen. It is my pleasure today to address the 2nd annual Cayman Islands MARHedge/Institutional Investor conference. The first order of business is to welcome you all to the Cayman Islands and to what appears from the agenda to be a challenging and enjoyable three days. A vote of thanks is very much due to the conference sponsors and to the team at MARHedge/Institutional Investor for developing the programme and pulling the event together in this splendid venue of the Ritz Carlton.

The theme for the conference, "Hedge Fund Best Practices," is a particularly timely one and 'best practices' is certainly a term that resonates comfortably with those in Cayman's strong fund industry. "Best practice for opening remarks" would dictate that I don't give you a long speech, but there are a few points that I would like to offer before giving way to the subject experts on the conference programme.

The Cayman Islands' overall approach to the funds sector is the same as we apply to the financial services sector as a whole, namely –

- The promotion of a collaborative and consultative relationship with the private sector, and
- Responsiveness to both necessary regulatory standards and commercial needs, both of which, of course, evolve.

As Winston Churchill said, "however beautiful the strategy, you should occasionally look at the results"! Our results reveal sustained growth of our funds sector: according to figures provided by the Cayman Islands Monetary Authority (CIMA), the total number of active funds as at 30 September 2007



was 9,384, an increase of 14% over 2006 for the same period, continuing the 5-plus year trend of double-digit growth. During this year, CIMA also approved 8 new audit firms to conduct local audit sign-off, bringing the total to 31, and implemented the system of electronic reporting for funds in March, allowing the electronic submission of regulated funds' audited financials along with funds' annual returns, through a custom-designed, XBRL-based enterprise technology platform.

Our leadership position as a fund domicile was not achieved overnight, and it has taken the confidence and commitment of many people, from both the private and public sectors, here in the Cayman Islands and elsewhere. For that, I would like to take this opportunity to express appreciation to those here today who have played a role. We understand that we must continue to offer the hedge fund industry a high level of service, and we are fully committed to that.

In terms of hedge fund best practices, and following on from the recognition of the vital input and insight from industry practitioners, as you no doubt know, a UK-based industry group appropriately called 'The Hedge Funds Working Group' issued a consultation paper in October on best practices which addresses topical issues centred around disclosure and transparency as well as fund governance and risk management, within a principles vs. rules-based framework. This paper has been welcomed by other industry bodies, including AIMA, and appears to be a thoughtful intervention into the debate on standards. As those of you familiar with our regime will know, we similarly put a premium on disclosure and principles-based regulation, and so our natural instincts are that pursuing that line is sensible.



The best practices focus is occurring in a context of a few hedge fund implosions connected with the sub-prime crisis. Informed commentators caution against over-reaction to this and against connecting dots in the wrong way, which could lead to the unhelpful result of inhibiting hedge funds—estimated to have assets under management of \$1500 billion globally—from performing the valuable economic functions of absorbing risk and creating liquidity. The sub-prime crisis was a crisis for those funds that got it wrong: there was a Dow Jones report earlier this week of a single hedge fund making a gain of more than US\$3 billion on the crisis! I wish that kind of trouble on all of us.

Before I close, I'd like to give you a quick update on a couple of new developments. Firstly, we have recently updated our insolvency regime by –

- Establishing a new Grand Court Rules committee dedicated to the insolvency area;
- Codifying cross-border co-operation in respect of insolvency matters, adopting aspects of the model law of the United Nations Commission on International Trade Law (UNCITRAL), and
- Introducing a framework for rules specifying the qualifications which must be held by persons seeking to be appointed official liquidators – a form of licensing of insolvency practitioners – which will also include rules for disqualifying persons from holding such appointments.

Secondly, which may be of particular interest to managers and administrators looking to establish, relocate or expand their reach, the government is implementing a process for certain categories of full work permit application, whereby they are to be dealt with administratively rather than by the Work Permit Board or the Business Staffing Plan Board. This is designed to expedite processing and enable board consideration to be reserved for those applications, typically a minority, which are non-standard.

In closing, I would like to recognise the successful partnership we have with the international hedge fund community, represented here today. Your continued support is valued and appreciated; and for our part, we will continue to provide quality, integrity and stability as your leading domicile for funds, and we expect increasingly for managers and administrators as well.

Thank you and have a great conference.