



CAYMAN ISLANDS
GOVERNMENT

Ministry of Financial Services Public Relations Unit

News Release

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Statement on the Status of Tax Information Exchange Agreements and Associated Matters

George Town, Grand Cayman – *The following is the text of a statement delivered by the Honourable McKeeva Bush, Leader of Government Business/Premier Designate and Minister for Financial Services, Tourism and Development to the Cayman Islands Legislative Assembly regarding the status of tax information exchange agreements.*

(check against delivery)

The purpose of this statement is to update the Honourable Legislative Assembly and the wider public on the recent trip by the Cayman Islands delegation to Europe in relation to Tax Information Exchange agreements (TIEAs). The status of tax information exchange agreements as of 2 June 2009 is as follows:

- Negotiations with the UK were complete.
- There were four countries with which it was reported that the negotiations were at an advanced stage. These four countries were Canada, New Zealand, Australia and the Netherlands. Each country has several outstanding items to be further discussed and agreed by both countries.
- TIEAs were signed in April of this year with the Nordic group of countries resulting in seven agreements. Cayman had reached a total of eight TIEAs signed including the United States agreement which was signed in 2001.
- The Cayman Islands had introduced a unilateral mechanism which listed additional countries, but this mechanism has not had any positive effect on the country's position on the grey list and in fact it had become uncertain whether the Organisation for Economic Cooperation and Development (OECD) would recognise this mechanism. To date there is still no acceptance of this mechanism by the OECD.



The challenge facing the newly elected government

At the time of taking up office, the new government was faced with the following situation:

- The Cayman Islands had been placed on the grey list indicating that the OECD felt the jurisdiction was not sufficiently cooperating on tax matters.
- The OECD had indicated that financial centres which did not have a minimum of twelve TIEAs in place would not be elevated to the white list. This white list represents countries which the OECD feel are fully compliant and cooperative on tax matters.
- The government had received feedback from numerous representatives from the financial services industry since the country was grey listed. This feedback indicated that being on the grey list, particularly when some of our competitors were not, was causing damage to the reputation of the financial services industry.
- It was also understood that not only did being on the grey list damage our international reputation as a financial services centre but that it also had some direct negative commercial effects as some clients were considering conducting business elsewhere because of the attention the jurisdiction was getting due to being on the grey list.
- The Cayman Islands had given an advanced commitment to the OECD in 2000 and had shown very little progress to date in terms of implementation.
- The financial services and wider economy is already facing significant challenges due to the global economic downturn and being on the grey list makes this situation worse.

Our short-term strategy is to be removed from the grey list as soon as possible whilst at the same time, ensuring that any new agreements are consistent with the interest of the Cayman Islands as a leading international financial centre.

We also recognised that it was necessary to put in place a much larger team of negotiators to work on this important project in an expeditious manner. Finally it was decided that in cases where additional supplemental agreements may be beneficial, we would commence these once the basic TIEAs were signed.

As a result of this new approach, negotiations with four countries – Australia, New Zealand, Canada and the Netherlands – were significantly advanced by us to the point where all of the previously outstanding matters were resolved within a two week period and the status of these agreements are now as follows:

- Australia – The draft text is now fully agreed at the technical level
- New Zealand – The draft text is now fully agreed at the technical level
- Canada – Only one issue remaining (there were four outstanding items previously)
- The Netherlands – The draft text is now fully agreed at the technical level and I will sign with the Dutch Minister in Holland on 8 July. This will bring the total number of signed agreements to 11

In each of the cases that follow the government took the approach of starting with the OECD model agreement and the Cayman Islands model agreement. On my government's request, some assistance was provided by the OECD in making the initial contact with some of these countries. The results of our new negotiations are as follows:

- Germany – The draft text is now fully agreed at the technical level
- Mexico – The draft text is now fully agreed at the technical level
- Ireland – The agreement was formally signed on 23 June



- Italy – The draft text is now fully agreed at the technical level
- Netherlands – The draft text is now fully agreed at the technical level and ready to sign
- France – Negotiations are at a very advanced stage
- Portugal – Negotiations are at a very advanced stage

Having agreements at a “technical level” means that we have concluded negotiations and senior representatives from both countries have signed off on the text. Each country will go through the necessary steps to obtain approval at Ministerial/Cabinet level after which the official signing will be arranged. The length of time it takes to sign officially will vary from country to country depending on their unique legislative and approval processes. Based on our discussion with the various countries, we estimate that in most cases, the Cayman Islands will be able to sign official agreements with the above countries by September at the latest.

It is of significance that my Government has managed to secure agreement at the technical level or official level with five new countries in three weeks and with two of these being members of the G-7 (i.e. Germany and Italy). This is a direct result of the very hard work of the recently appointed negotiation team led by the Hon. George McCarthy. This team must be commended, not only for bringing the four previous negotiations to the current advanced stages where we now have agreements at the technical level, but also for commencing a new series of negotiations resulting in securing these five additional technical agreements, as well as bringing the other newly commenced negotiations with France and Portugal to an advanced stage in such a short time period.

Summary of the Cayman delegation’s trip to Europe

As the Minister with responsibility for financial services and as Leader of Government Business, I led a Cayman Islands delegation to London, Paris and Berlin from 15-24 June 2009. The delegation was jointly led by His Excellency the Governor Mr. Stuart Jack who accompanied us on the London and Paris portion of the trip.

The primary purpose of the trip was to sign a number of TIEAs and related agreements, and to pursue negotiations with several other countries with a view to securing the removal of the Cayman Islands from the OECD grey list in the shortest possible time.

Whilst in London, we signed a Double Taxation Agreement (DTA) with the United Kingdom, which among other things, provided for exchange of information on tax matters between Cayman and the United Kingdom. Signing on behalf of the UK was the Rt. Hon. Stephen Timms, Financial Secretary to HM Treasury. The delegation also met with senior officials of the HM Treasury and discussed the status of negotiations and similar tax agreements between the Cayman Islands and other countries. The final meeting in the UK was with Mr Michael Foot who is conducting – on behalf of HM Treasury – a review of long-term opportunities and challenges facing British Crown Dependencies and Overseas Territories as financial centres. Mr. Foot updated the delegation on the progress of his review.

In Paris the Cayman delegation met with Mr. Jeffrey Owens, Head of Fiscal Affairs of the OECD and his delegation discussed the OECD’s agenda on tax cooperation and how Cayman could continue to play a proactive role in the OECD’s Global Forum on tax cooperation.

In a separate meeting, members of Cayman’s technical negotiating team on TIEAs led by the Hon. George McCarthy, Chief Secretary along with the Hon. Kenneth Jefferson, Financial Secretary, Mr. Langston Sibblies, Deputy Managing Director of the Cayman Islands Monetary Authority, Mr. Paul Byles, a consultant to the Ministry of Financial Services and Mrs. Michelle Bahadur, Senior Assistant Secretary, also met with senior staff of the OECD’s Department of Fiscal Affairs to have more comprehensive discussions on the progress Cayman has made in negotiations with other jurisdictions in order to conclude TIEAs.



While in Paris, I also signed several commercial agreements with representatives of the seven Nordic countries (Denmark, the Faroe Islands, Finland, Greenland, Iceland, Norway and Sweden), which are supplemental to the TIEAs previously signed in April 2009. The commercial agreements signed with these countries are a platform for the expansion of the Cayman Islands' aircraft and shipping registries and prevent the double taxation of certain items. These agreements were signed at the Embassy of Norway in Paris on 17 June.

In Berlin, a TIEA between Cayman and Ireland was signed at the British Embassy. Members of the Cayman Islands delegation attended the signing ceremony along with representatives from the Government of Ireland, the Rt. Hon. Stephen Timms, Financial Secretary to HM Treasury, the British Ambassador to Germany, and staff of the British Embassy in Berlin.

The negotiating team also held separate meetings with representatives from the Governments of Mexico, Italy and Germany while in Berlin. As mentioned earlier, negotiations with these countries have been successful, and in each case there is technical agreement on the text of the agreement. In the case of Mexico and Italy, these technical agreements have resulted in the documents being initialed by both parties and minutes confirming this agreement were also signed by representatives of both countries. In the case of Germany, in accordance with their procedures, minutes were also signed by both countries confirming agreement, although the document has not been initialed by Germany.

During the trip I held press interviews with leading French newspaper, Le Figaro and the Sunday Times and had a TV interview with BBC Caribbean News.

In addition, the Cayman Islands has had expressions of interests to sign TIEAs from the Czech Republic and Japan and has – through the OECD – indicated its willingness to enter into negotiations with other OECD member countries.

Moreover, the Cayman Islands will approach other significant non-OECD countries to negotiate TIEAs in the near future. This proactive approach is not only consistent with the commitment given to the OECD by the Cayman Islands, but it is also necessary to demonstrate to the international community that we are serious about engaging in cooperation with other countries in the exchange of information for legitimate enforcement of their tax laws.

The Cayman Islands has no direct taxes and this Government has no intention of changing this situation. We want however to reiterate the message that we are not a “tax haven” but that we continue to be a responsible member of the international community that adheres to relevant international standards of compliance with respect to tax cooperation and hence, should be properly recognised for what we are; an international financial centre that happens to be a small but significant country in the Caribbean – the use of whose regime adds significant value to the global economy.

The fact is, that the Cayman Islands is on the OECD grey list and I see it as my new Government's job to do what is necessary to secure a position on the ‘white list’ and restore our good reputation.

For more information

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