



CAYMAN ISLANDS
GOVERNMENT

Ministry of Financial Services
Financial Services Secretariat

**Statement by the Premier and Minister of Finance,
the Honourable McKeeva Bush, OBE, JP**

For: Cayman Business Outlook Conference

Thursday, 20 January 2011 at 9:00 a.m. Ritz Carlton, Grand Cayman

A pleasant good morning to all!

I would like to begin by wishing you a happy and prosperous New Year. I trust that this year will bring more positive and enriching experiences than the last one, both personally and professionally.

I also want to extend a warm welcome for first time visitors and a welcome back to our friends who have been here before. To our industry partners and other distinguished guests, I hope you get much food for thought during this conference.

Indeed, we have entered an age of austerity...and hindsight has taught us to be more careful and responsible with economic matters. Interestingly, 'austerity' was named the 2010 Word of the Year by the Merriam Webster dictionary, becoming the most searched word as the effects of the economic difficulties worsened across the world.

To give you an idea of the economic climate we have emerged from, other popular online searches included words such as 'pragmatic', 'moratorium', and 'socialism', among others.

Well, I am here to give you some assurance today that the Cayman Islands is heading into a year of 'recovery, diversification and success' across all sectors. Over the next six months, my Government will continue to introduce and implement measures that are designed to stimulate our economy. Through our proposed Immigration reforms, new development initiatives and continued positive attitude, we will maintain and even enhance the Cayman's Islands' status as a world class destination and investment hub.

While we have continued to demonstrate our strength, resilience and stability through a difficult economic climate, there are still tremendous opportunities ahead of us, which we intend to make a reality. The Cayman Islands has boundless potential as an economic centre and we welcome the prospect of opening our infrastructure doors to enable further growth.

As I stood here last year, I spoke about upcoming commercial projects that were slated to commence during the last year, such as new port facilities for cargo and cruise ships, continuing development of Camana Bay; plans for the construction of Dragon Bay - a significant new phase of the Ritz-Carlton Grand Cayman, the expansion of Cricket Square and plans to construct a new hospital in East End.

Today, I am pleased to announce that most if not all of those projects have commenced their initial planning stages. Furthermore, the Planning Department has recently approved several more projects, valued at over 115 million dollars collectively, which are at various stages of construction. These include Watercolours; Camana Bay; the National Gallery; Caribbean Plaza and two multi-storey commercial buildings in George Town.

These are certainly positive signs of recovery; but as we continue to emerge from the economic turmoil, we realise that *we cannot do it alone*. It is, without a doubt, an age of austerity and uncharted waters! The future of our economic sector, although stable and manageable, would benefit from growth and expansions in the finance and tourism sectors in order to provide long term benefits, as we aim to increase foreign direct investment and focus on

diversification.

In the tourism industry, visitor arrivals up to November 2010 confirm that we have been trending positively throughout the year. Statistics indicate that we are up 6% through November 2010 for total stay over arrivals and more specifically the USA is showing an increase of 6.2%, Canada 8.8% and Europe an increase of 2.8%. Cruise visitor arrivals are also up 4.4%.

Although figures for December have not yet been released, the expectation is that the positive trends will have continued through to the end of the year. It should also be noted that private aircraft arrivals increased tremendously in December. With the establishment of a new dive site and the new marketing strategy called Cayman Kind, I expect that this year will see improvements over last year.

As we move into 2011, the growth, sustainability and economic viability of the Tourism industry will remain as top priorities and the Department of Tourism will continue to work diligently to identify new offers and further develop our existing products and infrastructure.

Our Islands offer many opportunities for investments and returns, from an economic and developmental perspective. Our objective is to offer international clients a fulfilling experience of living and working in the Caribbean and the beautiful Cayman Islands. Through the introduction of medical tourism and enhanced investment experiences, as well as continued innovation in our financial sector, my Government seeks to preserve the quality and integrity of our Islands.

Since May 2009, we have introduced a number of initiatives to attract Foreign Direct Investment and improve the standard of living for residents. On a local level, these include Immigration policy reforms, loan payment moratoriums and made provisions for short-term duty concessions, among others.

For international investors and clients, we have made progress in attracting five star hotels, high end condos, developing new cargo facilities in the East

for container transshipment, as well as new cruise ship piers and the development of a new private hospital.

Other measures that continue to attract investors are

- A reduction, waiver or deferral of licensing fees where the benefits of the business outweigh the costs;
- Improvements to the process of obtaining residency certificates and visas in order to facilitate and expedite legitimate business; and
- Expedited turn-around for processing work permits.

Furthermore, we have introduced the following incentives for the construction and development industries in Grand Cayman, from January 4th until the 30th of June:

- All projects submitted for Planning approval will be allowed to defer 100% of the required Infrastructure fees until the Certificate of Completion is required
- Additionally, 25% of the Building Control fees will also be deferred until Certificate of Completion.
- Building materials will attract 15% import duty rate from 4th January to 30th June and its continuation thereafter will be reviewed by Government as 30th June 2011 approaches.
- For the Sister Islands, the concession on import duties for building materials for the same period is 100%.

Another major project that I have been talking about is the building of a commercial channel through the North Sound bay, enabling mega yachts and large private vessels to dock instead of anchoring offshore. The Cayman Islands is home to a Category 1 British Shipping Registry, with representatives and offices in the U.K., Greece, U.S., Monaco, Hong Kong and Singapore.

Registration across the whole spectrum has grown rapidly, with the 'mega-yacht' range becoming particularly impressive. At the end of 2010, the

Maritime Authority of the Cayman Islands had 1,870 vessels on their George Town Registry – a 3% increase from 2009. Notably in this economic climate, it was the second best year ever, in terms of new units registered. We are also a world leader in super-yacht registration, with 85% of vessels registered as pleasure vessels, and 15% as commercial ships.

Based on the positive results of 2010 and an optimistic outlook for the next few years, I believe that the new North Sound channel will not only provide the potential for recreation, habitat preservation and development, but also offer integration opportunities for local hotels and residents. Rest assured, these projects will provide numerous benefits to residents and visitors alike.

Let me make it clear, that my Government is not seeking to impact the entire North Sound; we are simply turning our thoughts to the smallest but most practical channel being developed within the North Sound traversing the West Bay grade coming up to the Airport and beyond – leaving the vast remainder of the Sound untouched.

Thus far, we have had major investment interest from a Chinese company, which we are currently exploring, to provide the necessary infrastructure to take full advantage of the channel from an economic perspective while mitigating any potential adverse impacts on the environment, but to make the channel viable and open up that area of the North sound for redevelopment thus enhancing properties. We will need to develop two islands in that area as well, which as I said will make the channel viable.

Several other major infrastructure projects are also being discussed with this company. For example:

- Development of a pier and related facilities at the Cayman Turtle Farm in West Bay;
- Development of a cruise pier and related facilities in Cayman Brac, with Dervin Scott;
- Major road works to the eastern districts of Grand Cayman; and

- Enhancements to our airports both in Grand Cayman and Cayman Brac.

Now someone will quickly say why sign an MOU with this one company, let me tell you that since May 2009, I have all this time been talking with many, many companies and on these projects. I have yet to get to the position to send government the first check. The country cannot and I'm not prepared to wait any longer. If the Chinese want to develop and it meets our criteria, then I'm prepared to move with them, businesses are losing their assets daily, must we wait forever?

I have high expectations that we will sign a memorandum of understanding in the near future, in order to commence definitive work on these projects.

But investor interest does not end there.

I am also pleased to inform you of another project that will play a part in 'turning around' our economy.

My Government will develop new legislation to establish special economic zones, which are areas of activity that are conducive to the specialized needs of specific types of foreign investment. This concept has been successfully used in several countries to boost investment in areas relating to technology, science and international trade.

In relation to this, I am excited to announce that I will be signing a memorandum of understanding at 11:30am this morning with a company that intends to develop a special economic zone focused on future technologies that would establish Cayman as a global centre for a variety of knowledge-based industries. For example, information and communication technology, software development, biotechnology and new media to name a few.

With an investment valued at over US\$500 million over the next 10 years, and the potential for over 5,000 jobs, the benefits of this development extend beyond economic impact and into the development of our human capital. Greater opportunities in higher education, skills upgrading and benefits that

come with technology transfer, will have a long-term impact on national efficiency and our global competitiveness as a jurisdiction.

Once signed, this memorandum of understanding will guide our efforts to the execution of an agreement within the next 4 to 6 months.

I would also like to highlight the reason I am sharing information on these potential MOUs at this early stage of development: this is certainly evidence that the economic turnaround is underway! More details will be forthcoming once clear commitment has been received from these major investors.

This is also a testament to the fact that *we cannot do this alone*. We need your help to secure a brighter future and we will continue to work closely with potential investors to make this a reality.

To all private sector contributors, I sincerely thank you for your support in making our Islands a thriving success. There are many companies that contribute so much to our Islands. Of special note, I wish to thank the Dart Group of Companies, who for many years has significantly contributed to the development and economic growth of our country.

To date, they have contributed a total of approximately US\$826 million dollars to the development of our Islands, with their Camana Bay project and its construction, which has generated more than a thousand jobs since it began. They are expected to move forward on additional residential, retail and resort development in and around the Town Centre in the near future.

Yesterday I had the pleasure of participating in the ground breaking ceremony for their most recent commercial building on the Harbourfront. This five storey, 68,000 square foot building, is anchored by the international law firm Mourant Ozannes. The building's construction and fit out will employ approximately 300 people.

This is an extremely positive sign for our Island.

Camana Bay has also indicated that over the next 5 years it is anticipated that

its next major phase will have an economic impact of \$650 million dollars and create some 800 new jobs.

In regards to matters concerning the Landfill, which remains a huge concern for the island, Government has decided to cap and remediate the existing landfill and establish a new solid waste management facility, or eco-park, at a site to be determined.

With our encouragement, Dart has agreed to take over and responsibly cap and remediate the existing site. Furthermore, Dart has agreed to provide a site of similar acreage to the Crown and establish the platform for a new solid waste management facility. We envision the new facility will include many components, including recycling, composting, and waste to energy and landfill. We will ensure that any landfill component at this new site will be engineered with the proper linings, collection systems and technology to ensure that it is environmentally responsible.

Finally, I was pleased to be informed by the Dart Group, as was announced yesterday, that they have acquired the old Courtyard Marriott hotel and some nearby properties.

Our partnership is certainly unique with Dart and other industry partners across all sectors. So what does this investment by that company mean for these islands? Well it certainly shows their commitment and that our economy will be safeguarded that much more when the next crisis hits. What will we do as a government to facilitate them?

Here is what I will support. If they will develop Vista Norte, fix the Yacht Club and develop the hotel, I will propose we support changing the West Bay Road from Coutts and Company, up behind the hotel down through all that area to the west of the Marriot Court Yard and up to the Batabano Road, West Bay.

Dart's Company would have to build the road through some mitigation of Government allowing the redirection of the present road, which will give the Public Beach another 100 feet of property and the hotel more beach frontage.

If the value is right we will exchange some swamp land in the Vista Norte area for the building of the road and the exchange of land in Barkers to enhance our Barkers National Park.

Well I guess I will hear that Government will be stopping the view from the present West Bay Beach road to the sea in the area of the Public Beach down pass the Marriot Court Yard. I'm sure we can see the sea in other parts of these Islands.

Government can't develop this country by ourselves. We have to partner with some companies. In any good partnership there is give and take. Government must be a good partner by giving some concessions.

There is no developing country that does not offer concessions particularly so in these mad economic times the world is experiencing.

In the great USA, Governors are calling up companies – saying “come to my state, I will give you tax write off's. I will do this for you.”

So where does this little Island go with no manufacturing, no minerals and the world beating us down in the Financial Services. Well, we will have to give to get.

We as a Government are prepared to partner with good companies.

This is what will create the jobs and bring the revenue for Government, and give the business community an opportunity to restart, to rest your business. Out of all this will be another billion dollars investment for these Islands.

As we seek to further our close-knit relationship in the financial services sector, both Government and private sector will participate in a 2011 road show, organised by Cayman Finance – a private sector organisation. We look forward to this collaboration, as it provides a unified front to our existing markets - U.S., and U.K. - and penetrating new ones such as Latin America and Asia.

We currently have an office in London, which is set to expand over the next

year to include a presence in Brussels, as well as offices in Dubai and Hong Kong, to secure accessibility in those markets. And we are also working closely with industry partners to ensure that overseas business remains a top priority.

Investor interest from the Middle East has been particularly strong over the past year, with a keen interest in supporting Cayman's infrastructure through sovereign wealth funds. We have also seen investor activity focusing on key areas across the banking, e-commerce and tourism sectors, and movement towards the establishment of new companies in Cayman. This is a market that we have taken special interest in, and one in which we anticipate much continued activity over the next few years.

As you all know too well, in this economic climate, it is critical to diversify in order to reach our objectives. It is also important to recognise the driving forces behind many of these initiatives and conquer the ability to adapt to an ever-changing political, economic and social climate.

However, this is no finite task! The Cayman Islands needs to maintain its sustainable economic bases and introduce new sources of revenue, through our diversification strategy. This cannot be done without you – the investors that strive to develop our Islands and make it a more enjoyable and luxurious place to live and work.

With a continued focus on meeting international standards, we are amending our Companies Law to increase the attractiveness of Cayman Islands companies, particularly in the areas of future mergers and consolidations; treasury shares; share redemption and repurchases; foreign company provisions and Segregated Portfolio Companies.

The Companies (Amendment) Bill, 2011, is currently undergoing a consultation process with the Financial Services Legislative Council, which is comprised of members from both public and private sector.

Once passed, this Law will place the Cayman Islands on par with competing

jurisdictions such as BVI, Bermuda and Jersey and put us well ahead of others. It is also expected to increase the current level of company registrations which rose 6% from 30 September 2009 to September 2010, bringing the total number to 6,192.

The Monetary Authority is also committed to improving the quality and standards of our financial services sector, and is working on a 5 year strategic plan with the Financial Services Council, and headed by Mr. George McCarthy and others, to ensure that Cayman remains a top regulatory jurisdiction. The main objectives of the Strategic Directions Document are consistent with the work we are currently undertaking. They aim

- To enhance the integrity and reputation of Cayman as a financial centre;
- To attract a more physical presence from international businesses in the financial industry operating from the Cayman Islands;
- To proactively seek access to new markets such as China, India and Brazil, while maintaining existing ones;
- And to enhance the linkages between our financial services industry and the educational system, to ensure maximum benefit to the people of the Cayman Islands, as well as investors and businesses.

The completed plan is expected to be announced later this year.

So, our overall strategy seeks to strengthen the financial services and tourism industries, as well as build confidence with our stakeholders. As mentioned, this will be achieved through continued infrastructure development, Immigration policy reforms, legislative amendments, expansion of existing facilities and the construction of new ones.

Ladies and gentlemen, I would like to emphasise that we are a stable economy and our political environment is conducive to achieving many milestones. Furthermore, on the international cooperation front, the Cayman Islands has met and even exceeded expectations in matters relating to tax

cooperation and banking.

The Cayman Islands is an active member of the OECD Global Forum Steering Group, participating in setting standards for matters relating to tax information and exchange; and the Peer Review Group in which we ensure that the legal frameworks and implementation in each reviewed jurisdiction meets the standards set by the OECD Global Forum.

Our jurisdiction received a favourable Phase 1 Peer Review Report in September of last year, which evaluated the strength and transparency of the Cayman Islands as it relates to the exchange of information for tax purposes, similar to assessments such as those of the Caribbean Financial Action Task Force and International Monetary Fund, which reported favourable ratings in the areas of anti money laundering and countering of terrorist financing.

The report noted that Cayman has a well-developed legal and regulatory framework, and that our network for exchange of information has developed rapidly since May 2009. We currently have 20 signed tax information exchange agreements with G20, OECD and EU member countries, among others, demonstrating that we are not complacent about maintaining our esteemed position on the OECD White List, nor about implementing the agreed OECD tax standard.

Another accomplishment I would like to highlight is that the Cayman Islands was named 'Top Specialised Banking Centre' in The Banker's 2010 IFC rankings, a leading banking and finance magazine. We were awarded first place by an increased margin over other jurisdictions such as Bermuda, Jersey, Guernsey, Malta, Gibraltar, Monaco and Cyprus.

The Banker's ranking of international financial centres focuses on the level of international business and the value offered to institutions seeking to expand their overseas operations, therefore illustrating our stable position even through such turbulent economic times.

The Cayman Islands Monetary Authority reports that the Cayman Islands still

maintains US\$1.8 trillion in deposits and interbank bookings and remains the world's largest domicile for hedge funds, healthcare insurance captives and catastrophe bond transactions.

Although we will continue to be vigilant and maintain the stability, quality and integrity of our beloved jurisdiction, what does the future hold in this age of austerity?

Unfortunately, my lack of psychic ability clouds my judgment; however, I would like to share a bit of advice from John F. Kennedy. He said: "The Chinese use two brush strokes to write the word 'crisis'. One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger - but recognize the opportunity".

Therefore I encourage you to approach this New Year mindful of new opportunities, using your inner strength and endurance to make them a reality.

It is time now to put away negativism – and start the recovery as only we can do. We must avoid negatives such as “don't do this”, “don't like him”, “not building for Caymanians”, “I don't have what he has” and stop the smearing of people's character because you didn't get a particular piece of business. The pie is large enough so that everyone gets a piece, so do not panic - there is enough for all!

I assure you that My Government aims to strengthen the Cayman Islands' economic structure and realise its full potential so that we, as a close-knit community, can continue to build on the quality of our service offerings, the stability of our political and economic climate, and the integrity of our people. We do this for the good of our children and their children's future.

But we cannot do it alone.

Let me take this opportunity to spell out my New Years Day message of 'hope – love – tolerance' – what a haven of a community we would be if all of us took up this Macedonian call to tolerate each other better and put our trust in the hope the good Lord promised us. I have repeatedly said that this should be the

“turn around” year. January 2012, God willing judge us – for now I’m doing my part and my Government is backing me, and will leave you with the words of His Majesty the late King George 6th:

“And I said to the man who stood at the gate of the year: Give me a light that I may tread safely into the unknown. And he replied: Go out into the darkness and put your hand into the hand of God. That shall be to you better than light, and safer than a known way.”

Ladies and gentlemen, I hope that you recognise the opportunities I have laid out before you and ask yourselves, *“What can I do to make the Cayman Islands a more prosperous, thriving and successful place to live and work for the next 20+ years?”*

I wish you all a successful conference. Thank you and God Bless.