



CAYMAN ISLANDS
GOVERNMENT

Ministry of Finance Financial Services Secretariat

Remarks for an address by Dax Basdeo, Chief Officer, Ministry of Finance, at the Inaugural Cayman Finance Summit on 6 May 2010 at the Ritz-Carlton, Grand Cayman

Check Against Delivery

Thank you for that kind introduction.

Honourable Attorney General.

Mr George McCarthy, Chairman of the Cayman Islands Monetary Authority

Chairman of Cayman Finance Mr Anthony Travers, and distinguished members of the Cayman Finance board.

Ladies and gentlemen.

Good morning.

It is a pleasure to be here with you this morning. I want to congratulate Cayman Finance on the organisation of this inaugural summit.

As Denise mentioned, I am here in place of the Premier, who wanted to be here himself, but was called off-island urgently on tourism business. I am also

He's asked that I convey to all of you his best wishes for a productive and successful summit.

The Premier has also asked that I, on behalf of the Cayman Islands Government, acknowledge the significant activities of Cayman Finance over the past 12 months leading up to this event. These activities have considerably amplified the private sector voice of the Cayman Islands financial services industry.

The Cayman Islands Government appreciates the value and importance of these ongoing efforts and more specifically of this summit, as evidenced by our support and presence here today.



We cannot stress enough the collective need for Government and the private sector to be relentlessly engaged in the global policy and communications environment which surrounds our financial services sector.

We are also of the view that proactive engagement will be a cornerstone in helping the Cayman Islands secure the future of our financial services industry.

The theme of this event and topics on today's agenda before us clearly reflect a global environment for the financial services industry in which policy initiatives, political messaging and market dynamics will drive fundamental changes in how finance will operate around the world.

I want to offer some thoughts on that subject this morning, on behalf of the Premier, which will hopefully provoke further discussion throughout today on the best ways forward for the Cayman Islands.

I also want to address the matters which Cayman Finance asked the Premier to speak about, namely an update on discussions with the UK in regards to our current fiscal situation.

The Cayman Islands Government – as agreed with the UK – has drawn up and submitted a three-year financial plan for government finances. The financial plan calls for us to be in a surplus position in year three.

The Foreign and Commonwealth Office examined the plan and had some queries in specific areas. We have worked on addressing these queries, however, shortly after that the situation was complicated by the UK prime minister calling general elections.

Everything was put on hold since a current minister can't bind an incoming minister in certain matters. Therefore, the 2010-11 budget needs the approval of the new Minister responsible for Overseas Territories.

We amended the Public Management and Finance Law that required a budget before May 1st to allow us to bring the budget to the Legislative Assembly before the beginning of the new fiscal year.

We are taking the delay of the budget presentation to continue finding areas within the public service where we can reduce the 2010-11 budget as this is one of the key areas that needs to be addressed in order to finalise our budget. Cabinet has set a goal of reducing human resources related costs by eight percent and operational cost by ten percent.

The government is also seeking increased revenue. In the long-term we are encouraging investment that stimulates the economy and generates revenue for government.

As an example of these efforts, we have signed an agreement with Dr. Devi Shetty for the construction of the Cayman Narayana Health University that will initially include a 200 bed tertiary care hospital.



The services of the hospital will be marketed to overseas patients bringing the medical tourism industry to the Cayman Islands. The project is expected to break ground early next year.

The Cayman Narayana Health University will begin a new chapter in Cayman's economic story by providing the platform for us to make medical tourism a reality.

We have also signed a Memorandum of Understanding with DECCO Ltd. for the construction of two cruise ship piers. The project is financed through a private-public partnership.

One of the piers will accommodate the Oasis class mega cruise ship, which keeps us on the list of premium ports of call.

This means more people coming ashore which translates into more money circulating in our economy and more revenue for government.

And in the short term, we are looking at more immediate sources of revenue.

While the UK has been encouraging us to introduce some form of direct taxation, the Premier has asked me to assure all of you that Cayman will not even consider income tax or property tax.

Whatever is decided, we are committed to doing a cost benefit analysis before any decisions on new revenue-earning systems are taken to help ensure fairness to all.

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Please now allow me to take a few minutes to provide an update on key international initiatives that we in the Cayman Islands Government are following and on which we are actively engaged.

We are tracking legislative developments on a number of fronts, among them are the recent provisions in the U.S. under the H.I.R.E. Act, which may have implications for Cayman Islands structures, and potentially for U.S. citizens residing in the Cayman Islands.

On the other side of the Atlantic, the outcomes from today's UK election will be closely watched, and we are following discussions in Brussels regarding the Alternative Investment Fund Directive and the EUSD II.

You will undoubtedly hear more about many of these initiatives throughout today.

Clearly you will agree with our conclusions that we need to be diligent and engaged in ensuring that our commitment to being a strong link in the chain of the global financial system is upheld and understood.

To that end, many of you may be familiar with some of the changes made to bolster our policy, legislative and communications infrastructure within the Ministry of Finance to ensure we are in the best possible position to manage our interests with the international community.



Central to those changes was strengthening the Financial Services Secretariat within the Ministry of Finance, which today houses an integrated team of policy, legislative and communications experts under the Ministry's direction. The principal members of this team are here today and I hope you have an opportunity to meet them.

In addition to day-to-day management of activities in the areas of policy, legislation and communications, this core team also provides support and coordination for the stellar public-private sector committees that have been reinvigorated or newly-established, including the Financial Services Council, the Financial Services Legislative Committee and the Tax Information Exchange Agreement negotiating team.

The Ministry is also in continuous dialogue and working lock-step with the Cayman Islands Monetary Authority, Tax Information Authority, Portfolio of Legal Affairs and the Attorney General's Chambers, with the common goal of ensuring our international cooperation obligations are fully met, which in turn support the health and growth of our financial services industry.

We have also ensured an integrated approach with our economic development efforts and have established links between our financial services infrastructure and the activities of the National Investment Council.

You may have heard about the work of the NIC. They are leading the charge in the development of a national, coordinated economic development strategy for the country and one of its early priorities is to focus planning efforts and resources with the short-term goal of driving real growth within the financial services sector.

And in the most recent development, we have taken steps to bring our international relations strategies and programmes to the next level in alignment with our new internal approach through the retention of Sidley Austin as lead counselors in global international relations.

Sidley Austin LLP is an international law firm with approximately 1,700 attorneys and with offices in 16 different cities around the world. Working with the Cayman Islands Government, Sidley Austin will also have an important role in assisting us to marshal resources such as global communications, government and stakeholder relations and research, using a tailored approach as part of a fully-integrated strategic programme.

With all of these expert resources in place in a way that they have not been before, we are looking to make significant progress by leveraging our historic position as a financial services centre of excellence and becoming a locale for innovative, international business, competing with the likes of any other major cities in the world.

In the global policy arena, we are working diligently to become part of the dialogue and discussion on the development of global standards for various aspects of financial services practice, leaving behind the old way of just reacting or being on the receiving end of these initiatives.



Certainly our work on the OECD Steering Group and Peer Review Team is evidence of our desire to make a meaningful contribution in setting standards for international tax transparency. CIMA's membership in IOSCO as well as our leading participation in the CFATF are just some other examples that we can point to in this regard in the respective areas of regulation and fighting financial crime.

We are seeking out more opportunities to be at the decision-making table to help inform policy with our unique perspective of being a small country that punches well above our weight in the global financial services market.

We believe it is a place we have rightfully earned based on the sophistication of our legal and regulatory framework, our welcome participation in several third-party reviews and the credentials of our financial services sector in terms of talent, expertise and global reach.

Government is of the view that this engaged approach is everyone's collective responsibility as industry stakeholders.

We know that biases exist, but at the same time we cannot let others speak for us any longer, particularly in the fluid environment of global financial services.

Cayman Finance has set an excellent example to follow over the past year.

Government is committed to doing its part in this regard in the context of international relations and building a virtual diplomatic corps with the approach I have outlined.

We also are in discussions with Cayman Finance to work out a formal business relationship that will help bring focus and strength to our collective efforts.

I will conclude my remarks by wishing Cayman Finance a successful summit and we look forward to being here next year to reflect on 2010-11 accomplishments and build on our collective efforts in support of Cayman's world-class financial services industry.

Thank you.