

The Cayman Islands:

A Centre of Excellence for the 21st Century

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and Minister for Tourism, Environment, Development and Commerce

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1.0 Introduction

Madam Speaker, we are proud to be a Government that has developed the new budget framework with its emphasis on outcomes, key policy actions and outputs. I would especially like to take the time to recognise with respect and gratitude the significant achievements of the Financial Secretary, the Honourable George McCarthy, OBE JP and the leadership he has provided on successive budgets since 1993, bringing us surely and safely to this important maturation of the budget process and of financial management within government.

Of the seven outcomes at the broad level that have been established for the 2003 – 2005 period, there is one in particular that I would like to focus on, namely: *“a strong economy that generates employment, income and a high standard of living”*. It is recognised however, that the seven outcomes are very much

interrelated. I would like to highlight the government's plan of action in the context of this outcome, as it relates to the financial services and tourism sectors.

This plan is very much a re-focusing and revitalisation effort that seeks to harness our existing fundamental strengths to produce value in a new operating environment. We want to showcase "business at its best", and maintain the Cayman Islands as a centre of excellence for the 21st century.

Madam Speaker, implementation of the plan will begin in the 2003 (half) budget and continue throughout the period to 2005, as necessary, and covers the following areas:

2.0 Creating International Opportunities

2.1 International Agreements

Policy objective: to create opportunities from Tax Information Exchange Agreements

The Cayman Islands will be considering Tax Information Exchange Agreements with a number of OECD countries over the next 15 months. There is the potential in this context to create commercial opportunities for the financial services sector by negotiating reciprocal benefits for the Cayman Islands that will ultimately enhance market access for Cayman Islands financial services products.

In order to capitalise effectively on this potential, specialist public/private sector teams for the negotiation of bilateral arrangements will be assembled, with teams being tailored to the particular OECD country involved.

2.2 International Representation

Policy objective: to enhance the presence and profile of the Cayman Islands in important European and North American centres

Madam Speaker, in order to be effective internationally the Cayman Islands will need to establish enhanced mechanisms for delivering key messages, securing access to key decision-makers and keeping current on relevant political and economic developments. This will involve enhancing support resources within the Cayman Islands, including building capacity in the investment bureau and expanding strategically the operations and number of our overseas representative offices.

The effective use of expert resources in Washington, London and elsewhere will be an essential component of effective international representation, and the Government will seek to ensure that these resources operate within an integrated and interactive framework.

3.0 Maintaining a Responsive Institutional and Legislative Framework

3.1 Appropriate Regulatory Services for the Financial Industry

Policy objective: sustainable growth and development in the financial services sector that secures regulatory integrity and commercial appeal

Madam Speaker, maintaining an appropriate regulatory environment is essential to enable the Cayman Islands to attract and retain the high quality business that is desired. The Government fully recognises the necessity for regulatory authorities that have the

tools and the powers to act as guardians of the quality of the industry. In tandem with this responsibility, regulatory policy and procedures must operate in a manner that encourages legitimate business to use the Cayman Islands. Specific goals that the Government will set for an effective regulatory service include:

- Sound and focused regulatory policies and procedures founded on market awareness and operating within a service-based culture within the regulatory authority;
- Policies and procedures utilized in licensing and supervision of the market that are transparent to the market and consistently applied;
- Adherence to service performance standards developed and implemented in consultation with the private sector; and

- Maintenance of effective statutory consultative processes with key stakeholders.

To further promote a sound regulatory framework that is responsive to the needs of the market, the Government has approved the establishment by the end of 2003 of a securities commission. This commission will assume regulatory responsibility for *the Mutual Funds Law, the Securities Investment Business Law* and *The Stock Exchange Company Law*. The establishment of a securities commission for Cayman is a natural step in the maturation of the industry that will provide the focus and profile commensurate with the importance and value of the securities sector.

Madam Speaker, the Government will also focus on key entities such as the General Registry to ensure that it receives the level of

investment in human and computer resources necessary to continue to deliver to the required quality of service. In this regard, upgrade of computer systems, approval for additional staff and a re-launch of an improved on-line facility for the professional clients of the Registry are already underway.

3.2 Consultative mechanisms

Policy objective: to enhance product delivery mechanisms and access to business intelligence and business development ideas from the international market

The international financial services industry is highly competitive. Therefore, effective consultative mechanisms need to be developed to keep abreast of market trends and to translate good commercial

ideas into “in-demand” products and services that are compliant with recognised international standards.

Therefore, the Government will re-focus on maintaining a strong partnership with the private sector to facilitate the rapid implementation of new products to ensure that the financial services product portfolio remains competitive.

The Government will establish a high-level policy advisory board, similar to the Federal Reserve Advisory Board, with international expertise and experience. A well-balanced advisory board will bring a number of important benefits, among them:

- Contacts
- Expertise
- Perspective
- Prestige, and
- Strategic input

3.3 The Legislative Framework

Policy objective: to promote a legislative framework that facilitates the expansion of the financial services product portfolio

Madam Speaker, it is imperative that the government remains pro-active in the development of the necessary legislation to ensure that the financial services sector remains competitive.

Based upon input from various segments of the industry received to date, and subject to further industry consultation, the Government will focus on new legislation in the following initial areas:

- New corporate products designed for European, Latin American and Asian markets such as a new Foundations Law;

- New concessions under the Landholdings Share Transfer Law using licensed Cayman Islands mutual funds listed on the Cayman Islands Stock Exchange;
- Enhancements to the shipping registry legislation; and
- General enhancements to the Companies Law, including the insolvency provisions

The Government also recognises that the industry requires certainty on, as well as input into, the legislative framework for tax information cooperation arrangements. This will be addressed very shortly, under a process to be developed and managed by the Portfolio of Finance & Economics.

The Government will also undertake a comprehensive review of existing policies and procedures affecting the financial services sector, with the assistance of specialised technical expertise if necessary, to ensure that there are no artificial barriers to industry competitiveness.

3.4 "Red Carpet" Reform

Policy objective: to ensure that business-focused policies and systems are in place to attract and retain investors, clients, residents and high quality skills that will be of long-term benefit to the Cayman Islands

Madam Speaker, the Government will develop a new immigration law, policy and procedures for implementation in early 2003 designed to:

- Encourage high net worth individuals to invest and become resident in the Cayman Islands;
- Introduce a fast-track work permit procedure for essential skilled professionals;
- Introduce fair and transparent provisions for the acquisition by work permit holders of permanent residency; and
- Introduce equitable provisions to give security to existing long-term residents and persons with Cayman connections.

The Government is also committed to the implementation of services, to be delivered by the Cayman Islands Investment Bureau, designed to assist local and foreign investors and other key business personnel in identifying and satisfying the relevant requirements for doing business in Cayman.

Innovations such as the *CAYPass* card have already been introduced for business travellers to the Cayman Islands in the

financial services sector, and this drive to enhance the experience of doing business in the Cayman Islands will continue.

4.0 Tourism

4.1 Tourism and Leisure Product

Policy objective: to enhance existing tourism and leisure attractions and create innovative attractions that will diversify our tourism product and thereby increase market share and customer satisfaction

Measures in this area will include:

- Port beautification and island-wide beautification programmes that will be maintained on an ongoing basis;

- Enhancing and protecting existing tourist attractions, including a study into measures to protect Seven Mile Beach as a precious resource;
- Human resources enhancements; and
- The implementation of procedures in conjunction with the airlines, customs and immigration departments to facilitate more efficient processing of arriving passengers.

5.0 E-Business

Policy Objective: To develop a robust offering and targeted strategy to attract and develop a portfolio of 'blue-chip' e-Businesses.

1 To create new jobs in the e-business sector

A) By attracting 5% of the offshore e-business market to domicile and grow in the Cayman Islands

- Through the development of differentiated e-products
- Through the establishment of an e-friendly business environment
- Through the implementation of a targeted marketing campaign

B) By creating an e-business infrastructure that encourages entrepreneurship of Caymanians in the area of e-business

- Through the development of e-education initiatives
- Through the support of the investment bureau

2 To create a local e-business services sector that gives traditional Cayman-based businesses a competitive advantage

6.0 Marketing and Incentives

For the financial services sector:

- Developing and undertaking jointly-sponsored overseas marketing seminars to generate new business; and
- A system of incentives for the private sector geared to new business volumes.

For the tourism sector:

- Increasing marketing within key markets;
- Exploring the possibility of facilitating increased, high-end stay-over visitors from Europe;
- The creation of incentives for the development of tourism products and facilities that add diversity and value for the target market of the Cayman Islands; and
- Consideration of the establishment of special development areas in selected parts of the Islands for 5-star hotels or 5-star boutique hotels, with investment incentives for the development of such facilities.

7.0 Maximising Participation and Building Capacity

Policy objective: to develop initiatives with the cooperation of the private sector that support Caymanians in fully participating in the benefits of the financial services and tourism industries

Madam Speaker, 'Red Carpet Reform' needs to have a local element as well, to ensure that Caymanians also have the tools and the opportunities to participate effectively in our key economic sectors.

Measures which will be utilized by government include:

- Continuing to improve our educational systems in order to support our youth in preparing themselves for the challenges and opportunities they will face in a global economy;
- Encouraging private sector participation in planning and implementing continuing education programmes;
- Increasing knowledge among our youth regarding various sectors of the Cayman Islands economy, how they operate, what benefits are available through these sectors and how our youth can prepare themselves to be valued contributors;

- Developing agreed procedures with the private sector for the training and updating and upward mobility of Caymanians; and
- Developing ongoing educational and training procedures and a more inclusive educational programme for all Caymanians in the tourism and financial services industries.

8.0 Implementation and Evaluation

Madam Speaker, the Government will assign an implementation team at Ministry/Portfolio level to be responsible for giving effect to this plan and for monitoring outcomes.