



Cayman plays a dangerous game

There has been a distinct hardening of attitudes in Cayman recently. The Caribbean jurisdiction is still furious with London over the imposition of public registers on the British Overseas Territories. This may be part of the reason why it has decided to pull out of an information sharing agreement with UK law enforcement.

Cayman's Premier, Alden McLaughlin, has accused the UK's Foreign and Commonwealth Office (FCO) of being 'disingenuous' with regard to the Cayman Islands' cooperation with British law enforcement. 'At the core of the current dispute with the FCO are fundamental issues of data security and human rights, specifically the right to privacy,' he has said.

McLaughlin said the FCO had ignored and dismissed the case law examples his government had submitted to support its stance on certain privacy and data security issues relating to the exchange of information.

Meanwhile the FCO claims that stopping the Royal Cayman Islands Police Service from being the competent authority for UK law enforcement requests of beneficial ownership information has hampered criminal investigations.

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Substance rules threaten offshore funds

New substance rules from the EU's Code of Conduct Group are a real problem for offshore funds. They allow for outsourcing within the same jurisdiction. But offshore funds outsource investment management to London, New York etc.

Investment management is almost always subcontracted to portfolio managers in major financial centres around the world. It is rarely done locally. This would appear to be contrary to what the Code of Conduct Group is trying to achieve on substance. It looks like the governments of the Crown Dependencies have agreed to sanction their local companies making excessive profits in relation to the level of substance that they have. Funds domiciled in offshore jurisdictions frequently make large profits with hardly any staff. That could well be a problem in future.

As ADI has covered before, the offshore fund industry is based on an outsourcing model that appears to be in breach of the EU's Code of Conduct Group's new substance rules.

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