

**Statement to the Legislative Assembly
3rd Meeting 2012/2013**

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Minister of Education, Financial Services and Employment

Commitment to Pursuing FATCA IGA Model I

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**MINISTRY OF
EDUCATION, FINANCIAL SERVICES
& EMPLOYMENT**
CAYMAN ISLANDS GOVERNMENT

Madam Speaker, I rise to give an update on current international tax matters.

Madam Speaker, the global landscape in taxation is changing at an unprecedented pace. The greater alignment of tax-related initiatives is evident in the high-level communiqués from the G20 and the G8, and these messages are moving down through a hierarchy of international bodies, governments, industry and quite importantly, the global public.

One of the urgent messages stemming from this greater alignment is the worldwide demand for even greater transparency. The modern cooperative and transparent jurisdiction will be one that uses automatic exchange of information mechanisms and multilateral approaches in tax matters, and that demonstrates effectiveness in the implementation of these measures.

The changes that we are discussing in this Honourable House today mark the future of global taxation issues generally, and international tax cooperation in particular. This is the present and future reality in which the Cayman Islands, as an international financial centre, must continue to be actively engaged, both for the reputation and stability of the financial services industry, and for the jurisdiction as a whole.

Madam Speaker, principal among these moves towards greater transparency and effectiveness in tax matters is the US Foreign Account Tax Compliance Act, better known as FATCA, which was designed to assist the United States in preventing tax evasion by US persons. FATCA requires all Foreign Financial Institutions (FFIs), in all jurisdictions, to report detailed information on US account holders, payments and assets to the IRS. The concept of FFIs is very broad and includes custodial institutions, depository institutions, investment entities and specified insurance companies.

Although FATCA was initiated unilaterally by the United States as a domestic tax measure, its international application renders it a multilateral approach for automatic exchange of information. It plays a principal role in the global alignment of tax-related initiatives that I spoke of earlier.

Madam Speaker, as I indicated earlier, this is the present and future reality in which the Cayman Islands must operate. Because the nature of FATCA is comprehensive in scope and global in reach, it has implications across all sectors of the financial services industry in the Cayman Islands.

Madam Speaker, I confirm to this Honourable House that Government is committed to combating tax evasion and maintaining our good standing in international tax cooperation matters. Because of this commitment, we carefully

considered the approach that these Islands would take to facilitate the implementation of FATCA.

Today I announce that Government has decided to pursue a Model 1 intergovernmental agreement (known as an IGA) with the United States for the implementation of FATCA. This decision will also apply to a similar arrangement for automatic exchange of certain information with the United Kingdom.

Madam Speaker, the Model 1 approach has significant global traction. The United Kingdom signed the first Model 1 IGA with the United States last year, and the United States is now engaged with multiple jurisdictions in progressing this mechanism.

In order to make the best choice regarding which IGA to adopt, Government designed and initiated a plan of broad-based consultation. Madam Speaker, Government engaged in productive discussions with the US from 2011 and more recently, in 2012, began discussions with the UK shortly after the UK version of FATCA was announced.

Government also conducted extensive consultation with industry, and I thank the industry associations for their positive engagement and comprehensive

feedback that has led to this important decision. I would particularly like to thank Cayman Finance for providing a consolidated position and analysis of the different alternatives that are available to the jurisdiction. Madam Speaker, at this point I also recognize industry for being in the advanced stages of preparations for FATCA, and note that Government is committed to working with our industry partners towards keeping compliance costs down on both sides.

Because of the fruitful discussions we have held with the US and UK Governments, which have been informed by consultation with industry, our Government expects negotiations towards a Model 1 IGA to conclude quickly. These are extremely important agreements for the stability of our financial services industry. They will ensure that business continues to operate and compete effectively with our global counterparts, and that we retain the positive reputation we have earned regarding transparency and exchange of information for tax purposes.

Madam Speaker, the Cayman Islands already has 30 tax information exchange arrangements in place with all major trading partners. Further agreements are either technically agreed and awaiting signature, or are in the course of negotiation. In addition, Madam Speaker, as Members are aware, the Cayman Islands has been greatly involved in the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes and since 2009 has served as an active member of the Steering Group and the Peer Review Group.

This decision to adopt the Model 1 IGA will fortify our good standing in the global community and continue to build on the solid foundation we already have in place with our existing agreements. We will continue to take our place in the international arena and ensure that we maintain our positive and informed engagement in the rapidly developing environment of international tax cooperation.