



Statement on Progress against CFATF Recommendations

By Premier Hon. Alden McLaughlin, MBE, JP, MLA

24 July, 2019

Mr. Speaker support for the Cayman Islands Financial Services Industry remains one of the key priorities for this Government.

The conditions that attracted financial services providers to these shores still underpin our success today - our adherence to the framework of English Common Law, our tax neutral status and our strong economy and stable and financially robust government.

Our Financial Services Industry remains strong and resilient. Like many of our competitors the Cayman Islands as a jurisdiction has seen the increasing need to upgrade our regime to ensure that we are compliant with the various supra-national bodies. Indeed the view of Government is that as a world leading financial services centre we have an obligation to ensure that our regulatory regimes are also world class. And so over the years the jurisdiction, Government and industry partners, have responded to the evolving regulatory landscape and have put in place the necessary regulatory frameworks.

Some of these measures have been necessary as Cayman plays its part in the global fight to combat money laundering and to counter the financing of terrorism. Others have been required to enable tax authorities in other countries to access information they need in order to

ensure compliance with their own taxation regimes.

I do not need to tell this House, Mr. Speaker, how many long hours we have spent in this House as numerous bills have been passed into law. Nor do I need to remind our partners in the industry how many long hours have gone into working up the detail of those bills in such a way as to meet regulatory requirements while still maintaining the space for creativity and innovation that is the hallmark of financial services in this jurisdiction.

So it is, once again, Mr. Speaker that we are here at this sitting of the House to consider yet more necessary changes to our legislative framework. Some 11 bills are now before the House, each dealing with some aspect of our anti-money laundering and counter financing of terrorism regime.

Others will speak to the detail of those bills, Mr. Speaker, but taken together they represent a robust response by this Government to the recommendations made by the Caribbean Financial Action Task Force in its March 2019 report. As such, they are an important part of our country's efforts to ensure we remain compliant with international standards and I therefore commend them to the House.

Significantly, however, the CFATF's recommendations do not just cover the legislative framework for regulation. For the first time, they have moved on to cover the effectiveness with which the legislation is being implemented. We certainly understand the rationale for ensuring that not only do we as a jurisdiction have the required regulatory framework, but that we also have the mechanisms and people to ensure that the framework is effective and can be proven to be so.

And so, this Government is determined to respond positively to those recommendations dealing with effectiveness as we are doing in keeping the legislation itself up to date.

Doing so requires a response from across government and partner agencies including the Royal Cayman Islands Police Service. A Ministerial Sub-Committee, which I chair, has been created to oversee the work of the agencies and we have established a Financial Crime Focus Group to ensure coordination and cooperation at the operational level between law enforcement agencies. That Group will make recommendations to enhance the quality of work related to the use of financial intelligence, and the investigation and prosecution of financial crime.

Together we are working through the detailed action plan that we published at the end of April and which responds to all 63 of the CFATF's recommendations. We have appointed a National Coordinator to assist with the coordination between agencies, committees and all stakeholders involved in the implementation of the action plan.

The commitment of the Cayman Islands to this process has also been demonstrated by the funding of additional resources, over 100 new positions, for agencies agreed during the March sitting of the Finance Committee. This includes the strengthening of the dedicated Anti Money Laundering Unit at the Cayman Islands Monetary Authority and a dedicated cross border Money Laundering and Terrorist Financing Task Force within the Royal Cayman Islands Police Service (for which an interim team was put in place in April). All told we will be investing several million dollars to further strengthen our regulatory regime.

We are now monitoring the results of the actions that we have put in place and we remain committed to taking any further action that may be necessary as we ensure we rise to the challenge that the CFATF gave us.

Inevitably when dealing with effectiveness, it will take time before we are able fully to demonstrate that the measures that we are putting in place are working. However, I expect to be able to demonstrate progress as part of the CFATF Enhanced Follow Up Process, when submissions are made on 24th September, 2019, in relation to both technical compliance (legislative amendments) and effectiveness. This CFATF report will be presented at the November 2019 CFATF Plenary meeting to be held in Antigua.

I am sure that Members on all sides, Mr. Speaker, will recognize the importance of this work for the future of our Islands. Make no mistake, this Government will take the action necessary to ensure that our legislation is robust and that it is effectively implemented.

I have said previously in this House and elsewhere that Cayman does not want or need to deal with those who would seek to hide money or use it for illegitimate purposes. Our efforts in improving the effectiveness of the implementation of our world-leading legislation to protect the integrity of our financial services will mean that we can demonstrate to the world that anyone attempting to use Cayman for such illegitimate purposes will be caught and dealt with to the fullest extent possible under the law.

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