



Cayman Islands – responses to the financial crisis and regulatory pressures

How Cayman will fit into Conyers' structure in the future

Conyers Dill & Pearman has a total staff of 600 including over 150 lawyers with offices in 11 jurisdictions. As a relatively new entrant to the Cayman Islands market, Conyers' Cayman Islands office has experienced sustained growth since its opening in 2002, expanding from 2 lawyers initially to its current complement of 20 lawyers. Notably, we have continued to recruit additional legal staff and expand into new practice areas even during the past 18 months, when some of our larger competitors have been forced to make staff cuts. Whilst investment funds remain a key element of our practice, we are also seeing growth in private equity funds, private client work, captive insurance vehicles and our property and litigation practices.

The Cayman Islands faces a number of challenges, both internally and externally. Internally, there has been the recent increase to the cost of doing business brought about by increases to government fees and work permit fees. Whilst any increase in costs has the potential to affect our competitiveness as a jurisdiction, it is widely agreed that this was a far more preferable option than to contemplate the introduction of any form of direct taxation.

Externally we face regulatory challenges from the both the US and EU relating, at best, to matters of transparency and the exchange of tax information, or, at worst, potentially preventing certain investors from investing in Cayman Islands investment vehicles. However, despite these challenges the Cayman Islands is expected to remain an important part of Conyers' structure in the future. It is hoped and expected that regard will be had to the lobbying of the global financial community for keeping a competitive global market unhindered by protectionist regulation. Whatever the final form of regulation that is introduced, we are confident that the Cayman Islands, with its observance of recognized international standards and full IOSCO membership, should

be in a position either to satisfy or, if need be, adapt to satisfy any reasonable regulatory requirements to retain its status as a leading international financial centre.

Conyers remains committed to the Cayman Islands and has introduced programs for granting scholarships to Caymanian students. Conyers is also well known for its contributions to local charities. Our staff are always keen to become involved in local community service projects and fund raising activities.

Expectations for Cayman as a jurisdiction

The Cayman Islands has established itself as a leading financial services center by being an open, free-market, tax neutral economy which caters to a global client base and is serviced by highly qualified, sophisticated professionals. The Cayman Islands has shown its resilience and ability to adapt in the face of challenges previously, both in terms of responding to the ever changing product needs of our clients and by adhering to or exceeding relevant international standards and engaging in constructive dialogue with international regulatory bodies.

Whilst there are currently a number of regulatory threats coming from both the US and EU to the Cayman Islands as the leading domicile for hedge funds, it must not be forgotten that the Cayman Islands also has strengths in a number of other industry sectors including banking, captive insurance, structured finance, vessel and aircraft registration, listings on the Cayman Islands Stock Exchange, asset protection and charitable trusts, and the formation of companies and partnerships.

Despite agreement in most quarters that the alternative investment industry was not the primary cause for the global financial crisis, there still remains political pressure for increased regulation of this industry. In particular, the EU Directive for Alternative Investment Fund Managers (“the Directive”) remains an area of concern, and appears to be an attempt to drive business to the EU. Until the final form of the Directive is determined, the Cayman Islands remains the domicile of choice for hedge funds (with over 80% domiciled here). The market has consistently shown that business gravitates to where the best infrastructure and service providers can be found, coupled with effective, efficient regulation. Fund managers have confirmed that there is no desire to relocate funds out of the Cayman Islands voluntarily as EU based funds are more expensive, less efficient and less flexible. The Cayman Islands’ continued popularity can be credited not only to its low tax status but also to the developed and efficient registration and regulatory regime and the high quality service providers providing advice and support to the industry.

It is hoped that with the collaboration of the private and public sectors in the Cayman Islands, together with the lobbying coming from clients and other interested parties in the US and EU, the Cayman Islands will continue to be the premier jurisdiction for investment funds and continue to go from strength to strength in its other areas of expertise.



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This article is not intended to be a substitute for legal advice or a legal opinion. It deals in broad terms only and is intended to merely provide a brief overview and give general information.

About Conyers Dill & Pearman

Conyers Dill & Pearman advises on the laws of Bermuda, British Virgin Islands, Cayman Islands, Cyprus and Mauritius. Conyers' lawyers specialise in company and commercial law, commercial litigation and private client matters. Conyers' structure, culture and expertise enable responsive, timely and thorough service. Conyers provides clients with the highest quality legal advice from strategic global locations including offices in the world's leading financial centres in Europe, Asia, the Middle East and South America. Founded in 1928, Conyers comprises 600 staff including more than 150 lawyers. Affiliated companies (Codan) provide a range of trust, corporate secretarial, accounting and management services.

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