

# HFM WEEK

SPECIAL  
REPORT

HEDGEFUNDMANAGER

CAYMAN 2008



# Weathering the storm

Cayman's hedge funds sector shows resilience  
in the face of turbulent market conditions

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**Ross Webber**, Conyers Dill & Pearman, celebrates the opening of their Russian office and toasts the plentiful opportunities to be found in this new market

# To Russia, with law

In early March 2008, Conyers Dill & Pearman, the offshore law firm, threw a lavish bash at the firm's Boundary Hall offices in Cricket Square, George Town, Grand Cayman. On offer was caviar, blinis, matrioshka dolls and lots of vodka. Pictures of Lenin, Putin, Red Square and the Kremlin were beamed on to a big screen and Sean Connery was on the DVD with his licence to kill. So, why would a Cayman Islands law firm be encouraging Bolshoi dancing in the Caribbean? Quite simply to celebrate the opening of the Moscow office.

There was a fair deal of buzz and excitement in the islands when the firm first made the announcement of opening in Russia. Conyers Dill & Pearman has a reputation as being a bit of a pioneer. The firm was the first offshore firm to market in Singapore in 2001 and is looking for a similar advantage in Moscow. The firm has now opened with offices in Ducat III, the new business centre on Gasheka Street, next to the famous Garden Ring.

## Familiar grounds

Headed by ex-Linklaters partner, Caroline O'Hare, the Conyers Moscow office will be a focal point for Eastern European investment involving Cayman Islands companies, including hedge fund structures. The Cayman Islands has for some time been a popular jurisdiction for Russian companies. Cayman Islands vehicles are already well known in Moscow largely because of the American and English firms that have already established a presence there. Many of these firms are familiar with Cayman structures and having a physical presence in the Confederation of Independent States (CIS) will make it easier for them to talk 'Cayman' from Russia. Moscow's financial services

sector has reacted quickly to accommodate the demands of the Russian industry. Many international law firms have opened offices there to service both western businesses investing in Russia and Russian businesses seeking to do business internationally.

Regarding inward investment, it is anticipated that this will take the form of western businesses making acquisitions of Russian businesses, and bank financing transactions by western banks of Russian businesses. According to official statistics in the report of Federal Statistics Service released in November 2007, the amount of foreign capital accumulated in Russia's economy equalled US\$197.8bn as of 1 October 2007. This represented a growth of over 50% versus the previous year.

As for outward investment, the most likely transactions are fund formations, international IPOs and public offerings by Russian businesses and the acquisition of foreign assets and businesses by Russian companies.

## A few things in common

Most likely due to geographic proximity as well as a perceived lighter regulatory touch (relative to Moscow or New York), London as a locale and English common law as the governing law have become the choice for Russian corporate finance deals. This is advantageous for the offshore jurisdictions that use English common law as their basis, such as Cayman Islands, Bermuda and British Virgin Islands. Conyers Dill & Pearman has had a London office for over a decade and expects there to be great synergies between the London and Moscow offices. Having a physical presence in Moscow will be hugely beneficial for ease of



Ross Webber is head of marketing at Conyers Dill & Pearman, with responsibility for the firm's global marketing and business development activities, including co-ordination of the offices in jurisdictions across the world.



contact, yet the bulk of the transactional work is likely to take place in London. Conyers' ability to share information between the London, Moscow and Cayman Islands offices will provide a seamless and real-time service for clientele with Eastern European connections.

### **A stable market**

Despite the occasional ripple, the political environment in Russia has continued to stabilise and this is a very positive sign for corporate confidence. This stability has been mirrored with a staggering increase in GDP. Between 2002 and 2006, GDP almost trebled from US\$345bn to US\$984bn. The 2007 estimate, according to the CIA's website, is nearly US\$2.1tn.

Regarding the 'risky' element – various people have expressed concern that doing business in Russia is 'risky'. To quote Public Enemy's Flavor Flav: "Don't believe the hype." At least, take it with a pinch of salt.

Much of the work comes via the major

international law firms, accountancy firms or from major banks. Each of the institutions we deal with has robust compliance and 'know your customer' (KYC) procedures. As a highly respected international firm, Conyers Dill & Pearman has its own stringent internal KYC policies in place, based on the international standards set by the FATF, updated regularly to reflect changes in those international standards. Clients from Russia are considered very much in the same way as any other prospective clients. They all have to comply with the stringent checks required both by the firm and the regulatory bodies within the Cayman Islands.

There is no doubt that Russia's largest corporations have plans, and the financial wherewithal, to invest and trade around the world. As the economic might of these corporations spans out across the globe, there is significant potential for an offshore law firm to position itself as the primary choice for the provision of offshore legal services in Moscow and Eastern Europe.



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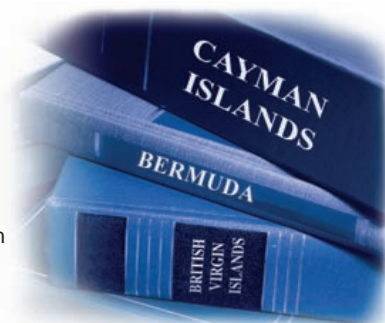
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### **For general enquiries:**

Telephone: +1 (441) 299 4946  
E-mail: [cdp@conyersdillandpearman.com](mailto:cdp@conyersdillandpearman.com)



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