



MINISTRY OF  
FINANCIAL SERVICES,  
COMMERCE & ENVIRONMENT  
CAYMAN ISLANDS GOVERNMENT

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8 July 2014

Mr John Griffith-Jones  
Chairman of the Board, Financial Conduct Authority  
25 The North Colonnade  
Canary Wharf  
London E14 5HS

Your Ref: FOI3320

Dear Mr Griffith-Jones,

The Cayman Islands Government has noted, with great consternation, the inclusion of the Cayman Islands on the list of the Financial Conduct Authority's 'High Risk Countries', as released to the applicant on 24 June 2014 as part of a Freedom of Information (FoI) request.

Based on our review (as attached) of the sources you've cited, Cayman's inclusion on this list is wholly arbitrary. Furthermore, it is contrary to our consistent adherence to international AML-CFT standards – a practice for which we have been favourably assessed by independent, supranational organisations.

Our engagement and support for the UK in its transparency agenda places our jurisdiction among the vanguard, as underscored in current reports issued by organisations including the Global Forum on Transparency and Exchange of Information for Tax Purposes, the Financial Action Task Force, the Financial Stability Board, and Moody's; and also by countries, including the US and the United Kingdom itself.

Moreover, UK Prime Minister David Cameron himself, in comments before the House of Commons in September 2013, spoke unambiguously about the fairness and openness of Cayman's tax system.

I also remind the FCA that for more than a decade, Cayman has collected and maintained information on the beneficial ownership on Cayman Islands-registered companies; and that independent reviews of Cayman's regime have found that this information is indeed easily accessible, in a timely manner, to legal, regulatory and tax authorities. Many countries, including the UK, do not currently have this high degree of robustness in their systems.

Although this information about our regime is readily available, it appears that FCA management and/or staff did not engage in a reasonable consideration of our actions; nor did they logically consider the

various third-party assessments that support the quality of our regulatory environment. Indeed, the FCA's statements demonstrate an unexplained reliance on a specially chosen set of indices, the contents of which **do not** support the inclusion of the Cayman Islands on the list.

It also appears that the FCA's answer is more expansive than the FoI query requires. The questioner asked the FCA to name jurisdictions that it considers to be 'high risk' to the integrity of the UK financial system in terms of money laundering or terrorist financing.

Without justification, the FCA's response veers outside of this parameter by including the FCA's assessment of the impact presented by a given country by way of the size of its economy (GDP) or financial markets. There is no explanation provided regarding why this criterion was included in the response, or its relevance.

Based on the above, this letter is an official request for the FCA to either justify its methodology, or to issue an immediate correction. We await your response.

Sincerely,

A handwritten signature in black ink, appearing to read 'G. Wayne Panton', written over a horizontal line.

G. Wayne Panton

Minister of Financial Services, Commerce and Environment

cc: Parliamentary Under Secretary of State for Foreign and Commonwealth Affairs, Mark Simmonds, MP

# Financial Conduct Authority

## FOI Request Analysis

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### Analysis

1. **The assessment considers the impact presented by a given country by way of the size of its economy (GDP) or financial markets<sup>1</sup> – N/A**
2. **Countries are assessed using publically available indices from HM Treasury Sanctions List<sup>2</sup> – the Cayman Islands appears twice on this list for companies that have been targeted for sanctions regarding Iranian (nuclear proliferation). The entities listed are First Person Equity Fund and Mehr Cayman Ltd. Both entities were added to the list on 27/7/2010 and have not been updated since. The following countries appear on the sanctions list but are not included in the FCA’s ‘High Risk Countries’ list:**
  - i. BVI appears on the HM Treasury Sanctions List 4 times;
  - ii. Jersey appears on the HM Treasury Sanctions List 3 times; and
  - iii. Isle of Man appears on the HM Treasury Sanctions List 14 times.
3. **Financial Action Taskforce high-risk and non-cooperative jurisdictions<sup>3</sup> – the Cayman Islands is not included in these lists at all.**
4. **MoneyVal evaluations<sup>4</sup> – No mention of the Cayman Islands on this web page.**
5. **Transparency International Corruption Perception Index<sup>5</sup> – the Cayman Islands is not included in this list.**
6. **FCO Human Rights Report<sup>6</sup> – the Cayman Islands is not included in any negative lists in this regard. In the report the Cayman Islands is discussed for its steps in positively addressing human rights and democracy. Such as the a successful election held in May 2013 that met international standards for democratic, genuine and transparent elections, request for extension of Convention on the Elimination of all forms of Discrimination Against Women (“CEDAW”) to the Cayman Islands, Cayman Islands child protection law and the undertaking of a public campaign to tackle child abuse, and a 5 year prison strategic plan following Her Majesty’s Inspectorate of Prisons review.**
7. **UK Trade and Investment overseas country risk pages<sup>7</sup> – the Cayman Islands is not included in this list. The following countries in the Americas region are included:**
  - i. **Brazil** (not on FCA’s ‘High Risk Countries’);
  - ii. **Barbados** (not on FCA’s ‘High Risk Countries’);
  - iii. **Chile** (not on FCA’s ‘High Risk Countries’);
  - iv. **Colombia**;

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<sup>1</sup> [http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Low\\_income](http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Low_income)

<sup>2</sup> <http://hmt-sanctions.s3.amazonaws.com/sanctionsconlist.pdf>

<sup>3</sup> <http://www.fatf-gafi.org/topics/high-riskandnon-cooperativejurisdictions/>

<sup>4</sup> <http://www.coe.int/t/dghl/monitoring/moneyval/>

<sup>5</sup> <http://cpi.transparency.org/cpi2013/results/>

<sup>6</sup> <http://www.hrdreport.fco.gov.uk/>

<sup>7</sup> <http://www.ukti.gov.uk/export/howwehelp/overseasbusinessrisk/countries.html>

- v. **Dominican Republic;**
- vi. **Ecuador;**
- vii. **Jamaica;**
- viii. **Trinidad & Tobago (not on FCA's 'High Risk Countries'); and**
- ix. **Venezuela.**

**8. Quality of regulation<sup>8</sup> - Web page no longer available.**

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<sup>8</sup> <http://www.state.gov/eb/rls/othr/ics/2013/index.htm>