

Alert

Cayman Islands Blacklisting Expected to be Temporary

Authors: Kevin Butler, Partner | Christian Luthi, Director & Chairman

The European Union announced today that it has included the Cayman Islands on its Annex 1 list of non-cooperative jurisdictions for tax purposes. The Cayman Islands Government has stated that it has “already contacted EU officials to begin the process of being removed from the EU list of non-cooperative jurisdictions as soon as possible, which is understood to be October this year”.

It appears that the listing is due to a technical breach relating to the regulation of collective investment vehicles (CIVs). The Cayman Islands Government has stated that the EU’s concerns over CIVs were addressed by the passing of The Private Funds Law and The Mutual Funds (Amendment) Law on 31 January 2020, of which the EU was duly notified. Both laws were enacted on 7 February 2020. However, the EU’s Code of Conduct Group met on 4 February to advise the EU Finance Ministers on preparation of the list. According to the EU, the jurisdiction “did not deliver on their commitment on time”.

The Cayman Islands Government affirmed that over the past two years it has cooperated with the EU to deliver on its commitments to enhance good tax governance and has adopted more than 15 legislative changes in line with the EU’s criteria. Premier McLaughlin has said the jurisdiction “remains fully committed to cooperating with the EU, and will continue to constructively engage with them with the view to be delisted as soon as possible.”

Clients will naturally wish to understand the potential implications for transactions and structures involving Cayman Islands vehicles. There are no targeted or direct sanctions as a consequence of being on the Annex 1 list. Our assessment indicates that the jurisdiction’s inclusion on the list has limited potential impacts at this time. We will continue to monitor the position closely and will assist you to manage and respond to the situation as necessary. Please contact your usual Conyers lawyer if you have any specific concerns.

Authors:

Kevin C. Butler
Partner, Head of Cayman Islands
Office and Corporate Practice
kevin.butler@conyers.com
+1 345 814 7374

Christian R. Luthi
Director and Chairman
christian.luthi@conyers.com
+1 441 298 7814

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For further information please contact: media@conyers.com