



Cayman Islands Government

Premier's Statement on EU Directive



The following is a statement from the Premier of the Cayman Islands the Hon. McKeeva Bush, OBE, JP, regarding the European Union Alternative Investment Fund Manager Directive.

The financial industry and many other members of the public will be aware that the European Union today approved rules that would significantly increase the requirements for hedge funds based outside of the union. Further details of the Alternative Investment Fund Manager Directive (AIFMD) still have to be worked out before it goes to the EU Parliament in July for final approval.

The EU's rationale for the AIFMD is to provide harmonised regulatory standards for all alternative investment fund managers within its scope and to enhance transparency. As those who have been following the issue are aware, a number of countries, including the UK and USA opposed the draft directive, arguing that the requirements would be extremely onerous and have the effect of discriminating against non-European funds.

The rules would require those funds inside the EU to comply with restrictions on bonuses, leverage and investment strategies, among other things.

In addition, the AIFMD places conditions on investments in funds from non-EU jurisdictions. Under the directive, the marketing of funds from non-EU countries would be allowed if certain criteria are met. As it currently stands, these criteria include equivalence in relation to regulatory oversight, anti-money laundering and countering terrorist financing, and compliance standards. They also involve having regulatory and tax information exchange agreements between relevant non-EU and EU authorities, as well as market access for EU based funds.

We believe that Cayman, on an objective assessment, meets these criteria. However, we are still seeking clarification on the specifics (some of which the EU is still working out) and on the process that they will put in place to assess whether the criteria are met.

Let me point out that since the draft rules were first proposed in April 2009, the Cayman Islands Monetary Authority has been studying them, and the responses and counter proposals to them, taking into consideration the possible impacts on the Cayman Islands' hedge funds industry. As an extension of that, both CIMA and Government representatives have had discussions with various people (including regulators) in the UK and Europe with regard to the proposals.

CIMA's Managing Director, Mrs. Cindy Scotland, and other senior managers of CIMA have been working with Sidley and Austin, which the Government recently retained as our advisors on international relations, to set up meetings between EU representatives and a wider Government-CIMA delegation. We are targeting those discussions for as early as the first part of June. The delegation will be lead by me as Premier and Minister of Finance. It will also include CIMA's Chairman, Mr. George McCarthy; Mrs. Scotland, and the Deputy Managing Director - General Counsel, Mr. Langston Sibbles, QC.

I will be able to provide a further update on developments once we hold these meetings.

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