

An Open Letter to Sen. Carl Levin:

Dear Sen. Levin:

Your support for the group calling itself “Business and Investors Against Tax Haven Abuse” necessitates this response. Your endorsement of that organization’s recent report well might lend credibility to statements that are in error and recommendations that are misguided.

Specifically, the report that this group issued this week perpetuates the myth that the Cayman Islands are a “tax haven” or operate secretly, which they emphatically are not and do not. To be very clear, **all Cayman Islands companies are required to operate on the basis of full tax and anti-money laundering transparency under our own domestic law and under existing treaties with the U.S.** and many other G20 jurisdictions. Further, **profits generated in the U.S. are taxed in the U.S.** In the latter regard, the tax deferral provisions of which these groups complain are provisions of domestic U.S. law, which it is absolutely within your authority to amend. But, changing these laws has **nothing whatsoever to do with the idea of tax evasion**, and we do wish you would be careful about noting the difference.

We respect absolutely that you and the Congress as a whole may favour taxing U.S. multi-nationals twice, and you may well believe that U.S. companies will still be competitive internationally if you do so. But, please do not confuse people by suggesting that you intend to close some offshore “loophole” when what you actually object to is a provision of domestic U.S. law on which U.S. corporations are fully entitled to rely. Furthermore, as a sovereign tax jurisdiction, we have the right to set our own rate of tax—just as Ireland and other jurisdictions do—that is all in accordance with the rule of law, and neither we nor these other jurisdictions can properly be accused of thereby undertaking anything “abusive.” The only question is whether those U.S. multinationals are making use of our jurisdiction in accordance with U.S. law which under current U.S. law is categorically the case.

Consider these points:

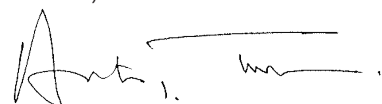
- The Cayman Islands have **full income tax transparency** with the United States and proactive tax reporting with 27 members of the European Union. The U.S. Department of Justice has had full authority to conduct a criminal investigation regarding any file in the Cayman Islands since 1990.
- As a member of the International Organization of Securities Commissions (IOSCO), we have full “regulator-to-regulator” disclosure with all IOSCO regulators.
- The anti-money laundering legislation of the Cayman Islands has been evaluated by the International Monetary Fund and by the Financial Action Task Force and is **found to be superior** to that of the United States and most EU jurisdictions.
- The report also ignores the **very substantial benefits that our financial industry confers on the United States economy**. The financial services sector in the Cayman Islands is enormously important to the economic growth of the United States.
- One key result of our international financial business in Cayman is the funding of trillions of dollars from the international capital markets onto the balance sheets and trading accounts of U.S. financial institutions. The essential question is not why that occurred (although that is of interest) but what the U.S. financial system would have looked like without that assistance.
- U.S.-based fund managers are taxed on their profits under U.S. state and federal law. The distinction between the Cayman fund and the fund manager is maintained in accordance with the rule of law and is a recognized distinction under U.S. and Cayman legal principle.
- The favoured location for inward investment by Cayman funds is the United States; the preponderant flow of capital is from the Cayman Islands into, not out of, the United States.

We respect that the taxation of U.S. corporations and managers within the territory of the United States is a matter for you, but bear in mind that there is nothing that requires a U.S. fund manager to remain in the U.S. if his return becomes non-competitive.

This is a global marketplace, and the financial universe no longer revolves around the United States.

Your message seems to be that low (or no) tax jurisdictions hurt the U.S. economy and cost U.S. taxpayers’ money. In so far as the Cayman Islands are concerned, where tax evasion is off the table, that is simply wrong, and the groups who you support gravely misunderstand the position. U.S. domestic spending and deficits hurt the U.S. economy, high tax policies make the U.S. less competitive in the world economy, and, thankfully, places like the Cayman Islands have in a fully transparent and accountable manner provided a massive source of inward capital flow and taxable income for the U.S.

Yours,



Anthony Travers, O.B.E.
Chairman
Cayman Finance



LEARN MORE: www.caymanfinance.ky