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Legislative Assembly Statement
Minister of Financial Services, the Hon. Tara Rivers, JP, MLA
Update on Financial Services – Introducing A Digital Assets Framework

Second Meeting of the Legislative Assembly 2018/2019, 14 November 2018

Mister Speaker, I rise to make a statement about efforts which are being made by the Government, specifically through the work of the Ministry of Financial Services, to incubate innovation, attract strong and vibrant companies to our shores and promote a new growing industry in Cayman in a safe, controlled and prudent manner.

Our jurisdiction has long been a world leader in the financial services industry. We have built a reputation as a safe, developed and efficient international financial centre, connecting capital from around the world, enabling capital projects, development and innovation globally. Yet our financial markets are changing – the global landscape is not how it was 30 years ago. New technologies are reshaping the way contracts are made, how capital is transferred and how information is managed. Technologies like crypto assets or distributed ledgers give us more efficient ways to conduct business, but also bring new threats; they allow for capital and value to be transferred outside of traditional channels, they allow for anonymity, and a new level of complexity which most do not yet understand. We should embrace change, but we should do so in a responsible and prudent manner while continuing to embrace strict global anti-money laundering and terrorist financing standards.

FinTech

The Importance of financial technology, or FinTech, is quickly growing worldwide. According to available data, US\$57.9 billion was invested in FinTech projects globally in the first half of 2018

in new technological advances like RegTech, InsurTech, process automation, AI, robotics, smart contracts or open banking. Attracting these companies to our shores has the potential to stimulate our economy and, most importantly, introduce new opportunities for educating our youth while providing new cutting-edge, challenging and dynamic careers for them to thrive in locally.

Consultation Process

Mister Speaker, many countries have enacted legislation quickly to be the first to ‘jump on the bandwagon’. We have opted, as a Government, to instead take a steady, cautious and prudent approach, with the belief that what is worth doing should be done properly and with aforethought. Cayman welcomes innovation, and wishes to provide a framework by which legitimate business can thrive on our shores.

With this in mind, the Ministry of Financial Services has engaged various working groups and subcommittees, which were comprised of key stakeholders and subject matter experts. In March 2018, the Cayman Islands Monetary Authority (CIMA) launched the Digital Assets Working Group. The working group was composed of an industry representative, personnel from the Department of Commerce and Investment, members of the Ministry and personnel from CIMA. Following receipt of the recommendations from CIMA’s working group and as per my request, the Ministry sought to garner feedback from those persons who use, create and market new financial technologies from the jurisdiction. As such, in June the Financial Services Legislative Committee’s FinTech Subcommittee was formed. Through a series of consultations, these two groups agreed on the broad parameters of a framework that Cayman should adopt to promote and regulate new financial technologies such as crypto assets and FinTech solutions.

Regulatory Sandbox

Mister Speaker, new technologies are constantly evolving. The Ministry recommended and the Government has agreed that an adaptable, technology-neutral, regulatory sandbox-type

framework is the best approach for our jurisdiction. A regulatory sandbox, while welcoming new and existing, innovative and pioneering companies, provides sufficient oversight and monitoring to ensure the activities taking place are compliant, fair and transparent. This versatile approach would allow a regulator to observe new ideas, understand them, shape them if appropriate, and generate insights to feed back into mainstream regulatory activities. It will encourage, foster and incubate legitimate activities while adapting our laws and regulations on an ongoing basis as the need arises. The Ministry is collaboratively engaged in the process of resolving the necessary legislative changes to implement this regulatory sandbox. The Government is open to, and the Ministry is actively exploring, how regulated digital ID systems could help revolutionize and streamline AML compliance locally and globally.

Conclusion

The Cayman Islands is a prime jurisdiction for technology companies to operate from, with excellent infrastructure, a world-class legal framework and outstanding living standards. Indeed, our recent changes to our Intellectual Property regime to include anti-patent troll provisions already give technology companies an excellent reason to choose Cayman. We aim to create a well-defined business environment that balances risk control and legislative flexibility to attract legitimate technology-based enterprises to our shores. With your support, Mister Speaker, and the support of the honourable members of this House, the Ministry of Financial Services will work to ensure Cayman continues to remain at the forefront of financial innovation for future generations to come. It is certainly the Government's goal, and has been the policy steer given for the work being done to action such.

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