

# Business

## Silver buys Caribbean's largest regional airline

Florida-based Silver Airways has bought the Caribbean's largest regional airline, Puerto Rico-based Seaborne Airlines. It will continue to serve 12 destinations, including Puerto Rico and other nearby islands such as Dominica, Anguilla, St. Maarten and Tortola.

# More British water companies to cut their ties with Cayman

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As pressure mounts in the United Kingdom over the use of "opaque financial structures," two more United Kingdom water companies have announced that they intend to close their Cayman-registered subsidiaries.

Earlier this month, Southern Water stated that it has been working to close its subsidiary finance company in Cayman since late 2017.

"Southern Water and all Southern Water group companies pay taxes in the U.K. and have never offshored their tax obligations," stated Southern Water, which provides water and wastewater treatment services across Kent, Sussex, Hampshire and the Isle of Wight. "However, we know that our subsidiary financing company in the Cayman Islands contributes to misconceptions about our business prac-

tices and this is why we are working towards closure by the year end."

Likewise, Anglian Water filed a petition in the Grand Court on April 9 to reduce the capital in its Cayman subsidiary from £300,000,000 (CIS\$348,000,000) to £1 (CIS\$1.16), with the goal of removing the subsidiary from its corporate structure.

"[The U.K. Water Services Regulation Authority] and the U.K. Government have expressed a strong desire for the Anglian Water Group to remove this Cayman Islands-incorporated company from its corporate structure as soon as possible (the company being the only Cayman Islands incorporated company in the Anglian Water Group)," Anglian states in its Grand Court petition, which is posted on the financial services site OffshoreAlert. "The transaction is intended to effect that removal."



Southern Water's headquarters in Sussex, England. The company is closing its Cayman Islands subsidiary.

Anglian, which operates in eastern England, explains in its petition that the U.K. regulator and government have made "certain comments" on the complexity of the corporate structures built by the country's water companies, referencing a letter written by Environment Secretary Michael Gove in January to the regulator's chairman, Jonson Cox.

"The water sector has

rightly come under even closer scrutiny in recent months with growing concern about the behaviour of water companies," Mr. Gove stated in the letter, asking the regulator to investigate the issue. "The use by some water companies of opaque financial structures based in tax havens and high gearing is deeply concerning."

Mr. Cox responded on behalf of the regulator earlier

this month, telling Mr. Gove that "most" of the U.K. water companies have pledged to remove their Cayman-registered entities.

This follows an announcement from Yorkshire Water last October that the company would close three of its Cayman-registered subsidiaries.

Yorkshire Water Director of Finance Liz Barber stated in October that the Cayman

entities would be removed as soon as possible, suggesting that they could pose a reputational risk to the utility.

"There is a real challenge to the water industry's legitimacy at the moment, and complex financial structures only add to public concern as to the way in which companies are financed," stated Yorkshire, the country's fifth-largest water provider. "We have some offshore companies in our structure which are no longer necessary or appropriate and we're taking steps to remove these as soon as possible."

A month later, Thames Water Utilities also announced that it will soon close its two Cayman-based subsidiaries.

After Thames issued roughly CIS\$162,500,000 in bonds through a Cayman entity in December, the company clarified that it would close its Cayman entities around July of this year.



Representatives of Cayman Finance's Public Awareness Committee and the Ministry of Education at the program launch included Baron Jacob, Jude Scott, Barbara Conolly, Bryan Hunter and Royal Bodden.

## Cayman Finance launches 4th work experience program

The fourth annual Cayman Finance Student Education and Work Experience Program launched with an orientation event for all of the program's stakeholders.

Sixty Caymanian students from schools across the islands are being accepted into the 2018 program. The organization said the students will benefit from attending and participating in 10 weeks of workshops and one-on-one mentorship sessions.

In addition, eligible students will receive work experience placements at Cayman Finance member firms over four weeks during the summer holidays.

"It's been fantastic to see the support and enthusiasm from our Cayman Finance member firms and their staff," said Cayman Finance CEO Jude Scott in a press release.

"We're building talent for the future. We see the strength and sustainability of our industry as being able to pathway young, talented Caymanians into the industry by blending local talent with international talent, ensuring success way into the future."

By taking part in the program, students will be given insight and exposure to the local financial services industry and build relationships for potential

career opportunities.

Barbara Conolly, Ministry of Education counselor, said the program gives students the knowledge and experience to help them decide what they want when they graduate from high school.

The program is a public-private partnership between Cayman Finance, the Ministry of Education and the Ministry of Financial Services.

Twenty-eight Cayman Finance member firms, including the Ministry for Financial Services, are involved in the program this year by providing either mentors, facilitators or work placements.

## CIMA cautions investors over virtual currencies

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The Cayman Islands Monetary Authority has issued an advisory on the potential risks of investments in initial coin offerings, or ICOs, and all forms of virtual currency.

ICOs are a form of fundraising in which a startup company creates new virtual coins or tokens and sells them to the public to raise capital.

Customers should thoroughly research virtual currencies, digital coins and tokens, and the companies or entities behind them to separate fiction from fact, Cayman's financial regulator said.

While the recent publicity surrounding virtual currencies – such as Bitcoin or Ripple – and initial coin offerings presents a tempting picture of high returns on investment, they also have a high potential for financial loss and fraud, CIMA advised.

Unlike a share offering, ICOs do not provide any ownership rights in the company, nor are they a loan to

the company. In addition, ICOs are frequently unregulated and tend to involve complex, new technologies and products.

Moreover, if regulators consider an ICO in breach of local securities laws, the value and usability of the sold coins or tokens could be severely impaired.

As a result, investors can lose some or all of the money they invest, CIMA noted.

Other risks associated with ICOs and virtual currencies highlighted by CIMA are the potential for incomplete information, exaggerated expected returns, price volatility, limited opportunities to resell the virtual currency, hacking attacks, fraud and limited regulatory protection.

The regulator warned that there have been several documented cases internationally where the money raised through an ICO disappeared without a trace. Tracking the funds is made difficult when fraudsters use multiple servers in different countries in combination with tools that mask the true Internet Protocol (IP) address of the users. Founders

and promoters of these frauds have also operated under false names.

Investors should be aware of red flags, the regulator advised, including claims of endorsements by CIMA; limited information about the investment, the project or the development team; aggressive marketing and pushy promoters; the alleged involvement of celebrities or well-known investors with the project; and promises of quick, large returns.

"The best protection for [investors] is to only purchase virtual currencies, digital coins, or tokens that they have thoroughly researched," CIMA said.

The regulator also reminded investors that virtual currencies are not legal tender in Cayman and that CIMA as a rule does not endorse investment products or companies.

Victims of a fraud involving virtual currencies should contact the Financial Crime Unit of the Royal Cayman Islands Police Service immediately at 649-8797. For a list of entities regulated or supervised by the Cayman Islands Monetary Authority, visit [www.cima.ky](http://www.cima.ky).