

THE CAYMAN ISLANDS

Global Leader in Financial Services,
Regulatory Compliance, and Transparency

A Briefing Paper for the Avrio Advocati Peer Group

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1. Introduction

During our Avrio Advocati call on 24 March 2026, a question was raised about how people in the Cayman Islands generate their economic activity. This paper provides a comprehensive, data-driven response, drawing on official statistics from the Cayman Islands Monetary Authority (CIMA), Cayman Finance, the Financial Action Task Force (FATF), and the Cayman Islands General Registry.

The Cayman Islands is not merely an offshore financial centre. It is the world’s premier jurisdiction for investment fund domiciliation, with over US\$16 trillion in assets under management, a regulatory framework that meets or exceeds international standards, and a transparency regime that places it at the forefront of global compliance.

2. The Cayman Economy at a Glance

Financial services form the cornerstone of the Cayman Islands economy, but the jurisdiction’s economic base is diverse and substantial. The following key figures, drawn from CIMA and Cayman Finance data as of January 2026, illustrate the scale:

<p>US\$16T</p> <p>Total Assets Under Management</p>	<p>30,598</p> <p>Total Funds Domiciled</p>	<p>123,530</p> <p>Active Companies on Register</p>
<p>17,722</p> <p>Registered Private Funds</p>	<p>43,056</p> <p>Active Partnerships</p>	<p>75%+</p> <p>World’s Offshore Hedge Funds</p>

Fund Registrations: 40% Growth Since 2020

Private fund registrations increased by 40% from 12,695 in 2020 to 17,722 in 2025. This growth was driven in part by the Private Funds Act, which mandated registration and annual audit requirements, bringing pre-existing funds onto the formal register. Critically, these funds were already domiciled in the Cayman Islands — the legislative change revealed the true depth of the market. New registrations continue year on year, evidencing genuine organic demand.

The Cayman Islands hosts more than 30,000 funds in total, including 12,876 mutual funds, with a combined net asset value of US\$9.1 trillion. According to the SEC, Cayman accounts for approximately

32% of US private fund net assets, and 54% of all net assets reported to the SEC are managed in Cayman-domiciled funds.

Corporate Registrations: Record Entity Levels

Active companies on the Cayman register reached a record 123,530 in 2025, an increase of 2,081 (1.7%) year on year. New company registrations totalled 13,306 — the highest annual figure since 2021. Partnership growth was even stronger: active partnerships rose by 2,293 (5.6%) to 43,056, driven by private equity, private credit, and venture capital fund formation. Over 95% of global SPAC IPOs in 2025 were incorporated in Cayman.

Expanding International Markets

The Cayman Islands is actively attracting business from a growing range of international markets:

- **Japan:** Institutional investors hold over US\$645 billion in overseas allocations, with approximately 80% flowing into Cayman-domiciled funds. Cayman has developed a special registration process specifically for Japanese fund structures.
- **Middle East (UAE):** Cayman funds managed by UAE-based investment managers saw a 200% year-on-year increase in net asset value from 2023 to 2024, growing from US\$26 billion to US\$78 billion.
- **Brazil:** Cayman funds managed by Brazilian investment managers recorded 22% growth in net asset value.
- **South Korea:** Growing appetite from Korean institutional investors for Cayman-domiciled products, reflecting the jurisdiction's expanding reach in Asia-Pacific.

3. FATF Compliance: Best-in-Class Regulatory Standing

The Financial Action Task Force (FATF) is the global standard-setter for anti-money laundering (AML) and counter-terrorist financing (CFT) measures. Its 40 Recommendations form the benchmark against which every jurisdiction is assessed. The Cayman Islands' record under this framework is best in class.

Compliant on All 40 FATF Recommendations

In October 2021, the Cayman Islands achieved “Compliant” or “Largely Compliant” ratings on all 40 FATF Recommendations for technical compliance. This represents the strongest possible performance under the FATF assessment methodology, placing the Cayman Islands at the forefront of all jurisdictions assessed globally at that time.

Few major financial centres can claim this record. Many onshore jurisdictions — including several G7 members — carry “Partially Compliant” or “Non-Compliant” ratings on multiple recommendations. The Cayman Islands’ achievement of a clean sheet across all 40 is a distinction that bears emphasis.

Removal from the FATF Grey List

In February 2021, the Cayman Islands was placed on the FATF “grey list” (jurisdictions under increased monitoring) and given an action plan of immediate outcomes to address. The jurisdiction met 60 out of 63 action points (a 95% completion rate) and was formally removed from the grey list on 27 October 2023, following a successful on-site inspection in September 2023.

In December 2023, both the United Kingdom and the European Union subsequently removed the Cayman Islands from their respective high-risk third country lists for AML/CFT purposes. In October 2024, the Cayman Islands received a landmark invitation to participate as a guest in FATF Plenary and Working Groups for the first time — a recognition of peer-level standing.

Milestone	Date	Significance
40/40 FATF Recommendations met	October 2021	Highest technical compliance score globally
Removed from FATF Grey List	October 2023	Full action plan completion confirmed
Removed from UK high-risk list	December 2023	UK recognition of compliance standards
Removed from EU high-risk list	December 2023	EU recognition of compliance standards
Invited to FATF Plenary	October 2024	Peer-level participation in global standard-setting

4. Beneficial Ownership Transparency

The Cayman Islands operates a comprehensive beneficial ownership transparency regime, established under the Beneficial Ownership Transparency Act, 2023 (Act 13 of 2023), with regulations coming into force on 31 July 2024 and enforcement beginning 1 January 2025.

How the Regime Works

- **Central Register:** All legal persons — companies, LLCs, limited partnerships, exempted limited partnerships, and foundation companies — must maintain a Beneficial Ownership Register (BOR) filed with the Competent Authority’s centralised electronic platform.
- **Definition:** A beneficial owner is any individual with 25% or more ownership or voting rights, significant influence or control (including power to appoint or remove directors), or significant veto rights even below the 25% threshold.

- **Annual Review:** A distinctive feature of the Cayman regime is the mandatory annual review of beneficial ownership information, ensuring records remain current and accurate.
- **Legitimate Interest Access:** Under the Legitimate Interest Access Regulations (effective 28 February 2025), the general public may apply for access to beneficial ownership data through an electronic portal, subject to legitimate interest criteria aligned with EU standards.
- **International Exchange:** The Cayman Islands has established unrestricted mutual exchange of beneficial ownership information with UK law enforcement and tax authorities, and participates in the OECD Common Reporting Standard (CRS) for automatic exchange of tax information.

How does this compare? The US Corporate Transparency Act did not take effect until 1 January 2024, and does not include an annual review requirement. The Cayman Islands' regime aligns with or exceeds EU Fifth Anti-Money Laundering Directive standards for beneficial ownership access.

5. Public Access to Director Information

Since 1 October 2019, under Section 5 of the Companies (Amendment) Law 2019, the names of all current directors of every Cayman Islands company can be obtained by the public. Access is available through the Cayman Business Portal and the General Registry's kiosk system for a nominal fee of CI\$50 (approximately US\$60) per search.

This public disclosure requirement applies universally — there is no exemption for private or exempted companies. Similar provisions under the Limited Liability Companies (Amendment) Law 2019 extend this transparency to LLCs.

6. Mandatory Financial Reporting

Every exempted company in the Cayman Islands must maintain proper books of account covering assets and liabilities, sales and purchases, and receipts and expenditures, with a minimum retention period of five years.

Regulated entities — including all Cayman funds — are subject to mandatory annual audit overseen by CIMA. Audited financial accounts must be prepared annually by a licensed member of the Cayman Islands Institute of Professional Accountants. Accounts must be submitted to CIMA within six months of the financial year-end. This regime applies to all banks, mutual funds, and companies management licence holders operating from the jurisdiction.

The Private Funds Act further strengthened this framework by requiring registration and annual audit for the entire private fund sector, a category of vehicle that in many other jurisdictions operates with significantly less regulatory oversight.

7. Cayman Structures in US Capital Markets: CLOs and TARP

One of the clearest illustrations of the Cayman Islands' integral role in the global financial system is the use of Cayman-domiciled vehicles in the US collateralised loan obligation (CLO) market and, notably, in the US government's own Troubled Asset Relief Program (TARP) during the 2008 financial crisis.

Collateralised Loan Obligations (CLOs)

The CLO market — which provides the primary source of financing for leveraged loans to US companies — is overwhelmingly structured through Cayman Islands special purpose vehicles. CLOs are the largest institutional buyer of leveraged loans in the US, funding corporate growth, acquisitions, and employment. Cayman vehicles serve as the issuing entity, enabling international investors from Europe, Asia, and the Middle East to participate in the US credit markets on a tax-neutral basis.

Without the Cayman Islands' tax-neutral framework, these international investors would face withholding tax on US-source interest income, making participation uneconomic and significantly reducing the pool of capital available to US borrowers. The Cayman SPV structure does not create a tax advantage — it removes a tax disadvantage that would otherwise exclude non-US investors from a critical segment of the US capital markets. The US CLO market exceeded US\$1 trillion in outstanding issuance, with the vast majority issued through Cayman entities.

The TARP Program

During the 2008 financial crisis, the US government's own TARP program — specifically the Public-Private Investment Program (PPIP) — used Cayman Islands-domiciled vehicles to acquire troubled mortgage-backed securities and restore liquidity to the US financial system. The US Treasury selected Cayman structures precisely because they provided the tax-neutral platform necessary to attract international co-investment alongside US government capital.

This is a point of considerable significance: the United States government itself chose Cayman Islands vehicles when it needed to mobilise global capital at speed and scale to stabilise its own financial markets. The choice was made not despite Cayman's regulatory and legal framework, but because of it — the certainty, efficiency, and international acceptability of Cayman structures made them the natural vehicle for the task.

8. Government Revenue: How the Cayman Islands Funds Itself

The Cayman Islands operates a different revenue collection system, with no income tax, corporate tax, capital gains tax, or inheritance tax. Government revenue is generated entirely through indirect taxation and service fees. Total government operating revenue was projected at CI\$1.137 billion for 2025, with first-half 2025 results of CI\$766.3 million (8% above prior year and CI\$61.4 million above budget).

Revenue Breakdown

Financial services fees account for approximately 50% of core government revenue directly, and up to 65% when indirect effects are included. This comprises:

- **Company registration fees:** approximately 18% of total revenue
- **Mutual and private fund fees:** approximately 16% of total revenue
- **Partnership fees:** approximately 10% of total revenue
- **Bank, trust, insurance, and securities licences:** approximately 6% of total revenue

Other significant revenue sources include:

- **Stamp duty (property transfers):** CI\$130.3 million in 2025, a record year, at a rate of 7.5% on property value.
- **Work permits:** CI\$87.3 million, supporting 37,909 active permits as of March 2025.
- **Tourism accommodation tax:** projected at CI\$44 million for 2025, levied at 13% on gross room rates.
- **Import duties:** typically 22–27% on most imported goods, applied to CI\$1.65 billion in 2024 imports.

The financial services industry is therefore the engine of government revenue in the Cayman Islands. It funds public infrastructure, education, healthcare, and the regulatory institutions that in turn maintain the standards on which the jurisdiction's reputation depends. This is not an abstract or opaque economic model — it is a transparent, fee-based system in which the government's income is directly tied to the scale and quality of the financial services it regulates.

The Cayman Islands operates at a consistent budget surplus.

For 2025, Finance Minister Rolston Anglin reported to Parliament an estimated surplus of CI\$44.8 million, with closing cash reserves of approximately CI\$412 million. The 2024 fiscal year produced a similar result,

with a core government operating surplus of CI\$43 million and the entire public sector recording a net surplus of CI\$41.3 million. The Cayman Islands carries no material national debt.

This is a critical point: the Cayman Islands' model of indirect taxation — funded primarily by financial services registration and licensing fees, stamp duty, work permits, import duties, and tourism levies — not only sustains the government but generates consistent surpluses and substantial cash reserves, all without imposing income tax, corporate tax, capital gains tax, or inheritance tax on its residents or the entities domiciled there. The model works, it is transparent, and it is fiscally sound.

9. Who works in the Cayman Islands

The Cayman Islands has a total labour force of approximately 62,700 people, with unemployment at just 2.4% as of the Autumn 2024 Labour Force Survey. The financial services sector employs approximately 6,724 people directly, of whom 54% are Caymanian — a far higher local participation rate than construction (29%) or tourism (17%). The sector is also the largest employer of women in the Cayman Islands, with nearly 60% of its financial services workforce female. The professional mix spans fund administrators (69 licensed firms), lawyers across more than a dozen international and local law firms, accountants at all four of the Big Four global firms, compliance officers, actuaries, and corporate governance professionals. The financial services industry relies on a comparatively small number of expatriate workers — approximately 2,800 work permit holders — drawing from 139 countries. The jurisdiction holds 37,909 active work permits across all sectors, the highest on record. This is an economy built on professional services, regulatory expertise, and a highly skilled, internationally diverse workforce.

The Cayman Islands' GDP per capita was US\$97,750 in 2023 (the most recent confirmed figure), ranking it approximately 10th in the world. For context, the US GDP per capita was approximately US\$85,000 in the same period.

10. The US Government Accountability Office (GAO) Reports

In 2008, the US Government Accountability Office published a series of reports examining offshore financial centres, including the Cayman Islands (GAO-08-778, GAO-08-779T, and GAO-08-1028SP). Far from condemning the jurisdiction, the findings were broadly supportive of its regulatory standing.

US officials consistently reported that cooperation by the Cayman Islands government in enforcement matters was “good.” The Caribbean Financial Action Task Force (CFATF) cited the Cayman Islands as having a strong compliance culture, and the International Monetary Fund (IMF) deemed the regulatory regime to be generally in compliance with international standards.

The GAO noted that the US had used its Mutual Legal Assistance Treaty (MLAT) with the Cayman Islands over 200 times since 1990, and that the Tax Information Exchange Agreement (TIEA) had been active since 2004 — demonstrating a long and productive history of regulatory cooperation.

Notably, the GAO found that approximately 95% of entities registered at the well-known Uglund House address were not US-owned, and that most served legitimate roles in structured finance and international investment markets. The reports acknowledged the structural complexity inherent to offshore finance generally, but attributed challenges to that complexity rather than to deficiencies in Cayman’s regulatory framework.

11. Additional Compliance and Innovation

Digital Assets and Tokenised Funds

CIMA is now accepting applications for the registration of tokenised funds, confirming the Cayman Islands’ engagement with the next generation of investment structures. The jurisdiction already hosts approximately 58% of crypto and digital asset hedge funds globally. More than 1,660 foundation companies are now on the register, serving as preferred structures for decentralised autonomous organisations (DAOs) and digital asset governance models.

Legislative Modernisation

- **AML/CFT Framework:** The Proceeds of Crime Act (2025 Revision) and Anti-Money Laundering Regulations (2025 Revision) implement comprehensive regulatory obligations for all financial service providers.
- **Governance Standards:** Recent reforms introduced requirements for independent directors, audit committees, and conflict-of-interest policies in the private equity and hedge fund sector, harmonising with US, UK, and EU fiduciary practices.
- **CIMA Strategic Plan 2024–2026:** Commits to advancing digital infrastructure, enhanced data analytics for risk-based supervision, and improved technological capabilities for compliance monitoring.
- **Local Investor Participation:** Forthcoming amendments to the Companies Act will allow Cayman Islands residents to participate in mutual funds, reflecting the maturation of the local investor

base and the growing number of ultra-high-net-worth family offices establishing operations in the jurisdiction.

12. CIMA: A Pragmatic, Standards-Setting Regulator

The Cayman Islands Monetary Authority (CIMA) is recognised internationally as a rigorous and credible regulator. It holds the financial services industry to high standards and enforces them consistently. At the same time, CIMA maintains an open and pragmatic dialogue with industry participants, service providers, and fund managers, enabling issues to be resolved through direct engagement rather than adversarial processes.

CIMA's willingness to engage constructively — combined with its uncompromising approach to compliance standards — is a genuine competitive advantage for the jurisdiction. It is not merely a compliance function; it is an active participant in setting the standards that define the quality and credibility of financial products offered from the Cayman Islands.

13. Conclusion

The question of how people in the Cayman Islands generate their economic activity has a clear and well-documented answer. The Cayman Islands is the world's leading jurisdiction for offshore investment fund domiciliation, hosting over US\$16 trillion in assets under management across more than 30,000 funds, with a record 123,530 active companies and 43,056 partnerships on its register.

More importantly, it achieves this position while meeting the highest international standards for regulatory compliance and transparency:

- **FATF:** Compliant or Largely Compliant on all 40 Recommendations — a record unmatched by many onshore G7 jurisdictions.
- **Beneficial Ownership:** A comprehensive central register under the Beneficial Ownership Transparency Act, 2023, with mandatory annual review and legitimate interest public access.
- **Director Transparency:** Public access to the names of all directors of every Cayman company since October 2019.
- **Financial Reporting:** Mandatory audit requirements for all regulated entities, including the entire private fund sector.
- **International Recognition:** Removed from both the UK and EU high-risk lists in December 2023; invited to participate in FATF Plenary in October 2024.

- **US Capital Markets Integration:** Cayman vehicles underpin the US\$1 trillion+ CLO market and were chosen by the US government itself for TARP, demonstrating that Cayman structures serve critical functions in the world's largest economy.
- **Government Revenue Model:** A transparent, fee-based system in which financial services contribute approximately 50–65% of total government revenue, funding public services and the regulatory institutions that maintain global standards.
- **GAO Findings:** US Government Accountability Office reports confirmed “good” cooperation, strong compliance culture, and over 200 uses of the Mutual Legal Assistance Treaty since 1990.

A Cayman Islands-domiciled fund represents one of the lowest-risk offshore investment structures available, assessed against criteria of legal certainty, regulatory oversight, service provider quality, and international recognition. The combination of CIMA regulation, English common law, a highly experienced service provider community, and decades of established practice makes the Cayman fund the global benchmark.

The facts, figures, and regulatory record set out in this paper speak for themselves.

Sources with links:

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- [World Bank – GDP per capita, Cayman Islands](#)
- [CIA World Factbook – Real GDP per capita comparison](#)

- [Cayman Independent Employment Report 2021–2024](#)
- [New report shows value of CI financial services – Cayman News Service](#)
- [WORC Labour Market Report 2024](#)
- [Labour Force Survey – Cayman Chamber of Commerce](#)