

OFFSHORE



The Cayman Islands and ASEAN



By Ashley Gunning, David Collins and Long, Lee Syin

As a leading international financial centre (IFC), and one of the leading sources of foreign direct investment into the ASEAN region (the Association of South East Asian Nations), the Cayman Islands plays a significant role in supporting economic growth throughout the emerging economies of South East Asia.

Cayman Islands entities are leading conduits of financial flows into ASEAN economies. They provide much needed capital, which local borrowers often have difficulty accessing in domestic markets. As this capital is deployed within ASEAN, it facilitates trade and job growth as well as the development of infrastructure.

This capital is pooled and/or deployed throughout ASEAN in a number of ways. From an investment funds perspective, the ability to collect and deploy capital from investors around the world, in a tax-neutral Cayman vehicle, together with the renowned infrastructure supporting the Cayman Islands product, identifies Cayman as the jurisdiction of choice for fund managers in South East Asia.

In addition to being the clear choice for regional fund managers, the Cayman Islands is an attractive jurisdiction for many types of cross-border finance and corporate transactions in South East Asia. Used as holding companies within the corporate structures of privately held Asian companies, Cayman holding companies regularly feature on financings as borrowers or providers of credit support for indebtedness incurred by Asia operating companies within the group. Lenders have long viewed Cayman as a creditor-friendly jurisdiction, and the security provided by Cayman companies is a typical feature of secured bank finance throughout the region. Since much of this financing activity relates to the acquisition or development of energy, infrastructure and telecommunications assets, Cayman continues to have a key role in facilitating access to the credit which is so vital to the growth of the so-called "real economy".

The prominence of Cayman Islands structures, and Cayman's position as leading IFC in South East Asia, also extends to include

aircraft financing, joint ventures and trusts. In particular, the record aircraft orders recently announced by regional carriers should ensure that demand for Cayman companies to act as purchasers, owners and lessors of commercial aircraft remains strong. Combined with burgeoning activity in the Asian private jet market, it seems fair to expect continued strong interest in using the Cayman Islands as a jurisdiction for the financing and registration of aircraft in South East Asia.

Where corporate transactions are concerned, industry participants welcome Cayman's reputation as a jurisdiction that recognises shareholders' rights. The ability to include bespoke arrangements in documents giving effect to agreements reached between joint venture partners makes the Cayman Islands an attractive jurisdiction in which to establish joint venture vehicles.

Cayman's standing as a leading IFC within South East Asia is also evidenced in the popularity of its private wealth offering. Cayman Islands trusts provide a solution to issues such as business succession, and facilitate the transition of wealth from one generation to another, allowing wealthy families to plan their succession needs in a way that will minimise intra-family disputes. User friendly trust legislation, tax neutrality and political stability also make Cayman an attractive jurisdiction in which to establish a trust for Asian clients.

Planned ownership structures have proved an effective way for Asian families to manage their assets from a single point of reference (without getting into issues of double taxation). Cayman's Star Trust in particular are often the ideal ultimate holding vehicles for ownership structures, and have generated interest within the region as a vehicle through which the beneficiaries' rights can be managed against a family's larger objectives.

With a range of products on offer, and the confidence of market participants across key sectors of the financial markets, the Cayman Islands continues to be a leading offshore centre within South East Asia, facilitating and servicing demand within the region for the services of IFCs.

Walkers (Singapore) Limited Liability Partnership

3 Church Street, #16-02 Samsung Hub
Singapore 049483

E: ashley.gunning@walkersglobal.com | T: (65) 6595 4672

E: david.collins@walkersglobal.com | T: (65) 6595 4674

E: leesyin.long@walkersglobal.com | T: (65) 6595 4681

Website: www.walkersglobal.com