



TECHNICAL ASSISTANCE REPORT

CAYMAN ISLANDS

Technical Assistance Mission on
External Sector Statistics
(August 21-September 1, 2023)

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Summary of Mission Outcomes and Priority Recommendations

1. A technical assistance (TA) mission on external sector statistics (ESS) was provided to Economics and Statistics Office (ESO) and Cayman Islands Monetary Authority (CIMA) during August 21–September 1, 2023. This was a follow-up mission conducted as part of the Caribbean Regional Technical Assistance Centre (CARTAC) work program of providing TA to member countries. The mission assisted in identifying new data sources, reviewing, and redesigning survey forms to address identified inconsistencies, improving the coverage and the classification of the data on special purpose entities (SPEs), and provided guidance on improving coverage and methodological soundness for selected balance of payments components.

2. Further efforts are needed for expanding the coverage of financial and nonfinancial SPEs in ESS. CIMA continues to provide to ESO comprehensive data only on banks and insurance companies with and without physical presence and made little progress in expanding the coverage to investment funds. The only available data on investment funds are on portfolio investment assets and liabilities included in the coordinated portfolio investment survey (CPIS) (it covers about 40 percent of total investment funds' assets). CIMA started the preparation for launching the coordinated direct investment survey (CDIS) for the financial sector, subject to the Cabinet's approval. CIMA also should expand the report for collecting data on other investment assets and liabilities; start collecting data on transactions on equity and debt securities held by banks and insurance companies and provide to ESO data on liabilities in financial derivatives for banks.

3. No progress has been made on including in ESS the exempt companies operating in the Special Economic Zones (SEZ). ESO's efforts to arrange meetings during the mission with the Cayman Enterprise City (CEC) and Cayman Islands Tax Information Authority (CITIA) for discussing the possibility of reporting data were unsuccessful. In a meeting with the Department of Commerce and Investment, it was identified that there are about 300 non-financial non-SEZ entities without physical presence that are also omitted from ESS. ESO will investigate the possibility of including them in ESS at a later stage.

4. The application of the residence concept in data collected by ESO for ESS purposes (including from CIMA) regarding the SPEs registered in the Cayman Islands without physical presence is not in line with the balance of payments methodology. Specifically, SPEs registered in the Cayman Islands without physical presence are treated as nonresidents; consequently, transactions and positions between entities with physical presence and those without physical presence are categorized as between residents and nonresidents and are erroneously included in ESS. The implementation of correct application of residence concept should be done for all institutional sectors, including financial; therefore, CIMA's cooperation is required.

5. ESO started testing the compilation of balance of payments, international investment position (IIP), and the IMF's SPE survey. The work should be continued for fine tuning the compilation of the consolidated balance of payments and IIP (covering both SPEs with and without

physical presence) and explore the possibility of their dissemination. The estimates will be revised if the issue with application of residence concept is addressed.

6. The survey forms used by ESO for collecting primary ESS data should be redesigned for their optimization and better alignment to reporters’ specifics. This implies reducing the number of questions (e.g., exclude questions not relevant for the respondents) and improving the comprehensibility of requested data, that ultimately will improve the quality of reported data.

7. The strategy for collecting the ESS data should be revisited. Currently, about 800 non-financial entities with physical presence are covered by the balance of payments survey that include multiple small companies that have very limited inputs to cross-border activity (e.g., bars, restaurants, inland transportation, recreational service providers, and others). Surveying such a large number of respondents is resource consuming and, with very limited staff resources this affects the ability to conduct a proper validation. Considering that the data reported by the small companies are insignificant, their number in the surveyed population should be reduced.

8. The revision of compiled balance of payments and IIP data revealed some shortcomings. Among issues identified in current account components are under-coverage, misclassifications, and computation errors. The revised data addressing the inconsistencies should be re-disseminated.

9. ESO should consider increasing the frequency of compiled ESS data. Currently, only annual balance of payments and IIP are compiled and disseminated. ESO should initiate the pilot collection of quarterly data from reporters with significant contributions to ESS representing each branch of activity. CIMA’s full engagement would be crucial for the pilot to be successful.

10. To support progress in the above areas, the mission recommended a detailed action plan, with the following priority recommendations carrying particular weight to make headway in improving the Cayman Islands’ ESS (Table 1).

Table 1. Priority Recommendations

Target Date	Priority Recommendation	Responsible Institutions
March 2024	Adjust the survey forms for ESS data collection based on changes recommended by the mission, and in consultation with the main reporters.	ESO
April 2024	Launch the collection of data through the adjusted survey forms.	ESO
October 2023	Launch the collection of ESS data from the Public Service Pension Board (PSPB).	ESO

11. The mission wishes to thank the ESO staff for all the time and effort they put into making the mission a success. The list of officials met is included in Section G of this report.

Acronyms and Abbreviations

<i>BPM6</i>	<i>Balance of Payments and International Investment Position Manual, sixth edition</i>
CARTAC	Caribbean Regional Technical Assistance Centre
CDDB	Customs Declarations Database
CDIS	Coordinated Direct Investment Survey
CEC	Cayman Enterprise City
CIMA	Cayman Islands Monetary Authority
CITIA	Cayman Islands Tax Information Authority
CPIS	Coordinated Portfolio Investment Survey
DLP	Department of Labour and Pensions
DOT	Department of Tourism
ESO	Economics and Statistics Office
ESS	External Sector Statistics
IIP	International Investment Position
IMF	International Monetary Fund
PSPB	Public Service Pensions Board
SEZ	Special Economic Zone
SPEs	Special Purpose Entities
STA	IMF's Statistics Department
SWP	Strategic Wealth Preservation
TA	Technical Assistance
WPM	Wheaton Precious Metals

DETAILED TECHNICAL ASSESSMENT AND RECOMMENDATIONS

A. Action Plan

12. The below action plan includes steps to accomplish milestones as well as the target completion dates. Actions are prioritized as high (H), medium (M), low (L), and priority (PR).

Priority	Action/Milestone	Target Completion Date
Outcome: Source data are adequate for the compilation of ESS.		
H	ESO: Continue the efforts for engaging CEC and CITIA in facilitating the data collection from SEZ entities.	June 2024
H	ESO: Revise the compiled balance of payments and IIP for 2019–2021 by addressing inconsistencies identified during the mission.	November 2023
H	ESO: Revise data on merchanting and nonmonetary gold based on updated reports from relevant entities.	November 2023
PR	ESO: Adjust the survey forms for ESS data collection based on changes recommended by the mission, and in consultation with the main reporters.	March 2024
PR	ESO: Launch the collection of data through the adjusted survey forms.	April 2024
PR	ESO: Launch the collection of ESS data from the PSPB.	October 2023
H	ESO: Expand the coverage of ESS to include all private pension funds based on data from the Department of Labour and Pensions (DLP).	January 2024
H	CIMA: Address the gaps in reported data for ESS’s purpose by: (i) reporting data on banks’ liabilities in financial derivatives; (ii) reporting data on banks’ transactions in financial derivatives;	March 2024 (subject to Cabinet’s approval)

	(ii) collecting data on all financial assets and liabilities of investment funds.	
M	ESO: Fine tune the consolidated balance of payments and IIP estimates covering data for financial SPEs with and without physical presence.	December 2023
<i>Outcome: Methodological basis for the statistics follows internationally accepted standards, guidelines, or good practices.</i>		
H	ESO/CIMA: Conduct a study on the feasibility of the strict application of the residence concept in the collection of the Cayman Islands' ESS data.	December 2023
M	ESO/CIMA: Based on the results of the study, adjust the report forms for separately identifying transactions and positions with SPEs without physical presence.	September 2024
M	CIMA: Estimate financial account transactions for the financial sector with basic price and exchange rate adjustments (in close coordination with ESO).	June 2024 <i>(recommended by the previous mission and not implemented)</i>
<i>Outcome: A new data set has been compiled and disseminated internally and/or to the public.</i>		
M	ESO: Fill in the SPEs data template based on the revised balance of payments and IIP data for 2022.	January 2024
M	ESO: Submit to IMF's Statistics Department (STA) the SPEs data template for 2022.	January 2024
H	CIMA: Submit for approval to the Cabinet the CDIS report form and the CDIS Guidance.	December 2023
M	CIMA: Subject to the Cabinet's approval, launch the CDIS reporting for banking, insurance, and investment funds.	June 2024 <i>(recommended by the previous mission and not implemented)</i>
M	CIMA: Compile preliminary CDIS estimates for banking, insurance, and investment funds.	August 2024 <i>(recommended by the previous mission and not implemented)</i>
M	CIMA: Submit to STA the CDIS metadata questionnaire.	March 2024

		(subject to Cabinet's approval) (recommended by the previous mission and not implemented)
M	ESO: Initiate the preparation for the launch of the CDIS reporting for nonfinancial sector.	October 2024 (recommended by the previous mission and not implemented)
M	CIMA/ESO: Analyze the CDIS bilateral asymmetries with main counterparts to identify areas for improvement.	December 2024 (recommended by the previous mission and not implemented)
Outcome: Improved periodicity, timeliness, and consistency of data.		
H	ESO: Prepare the list of targeted entities for quarterly reporting that would include the biggest companies from each branch of activity.	December 2023
H	ESO: Launch the quarterly balance of payments survey on a trial basis from the defined biggest entities from each branch of activity.	March 2024
M	ESO: Start compiling quarterly balance of payments and IIP on a pilot basis for onshore non-financial sector.	April 2024
Outcome: Data access to the public has improved through better formatting/framework presentations and/or assistance to users.		
M	ESO: Submit to STA the balance of payments and IIP on a regular basis.	Ongoing
Outcome: Staff capacity increased through training, especially on developing source data, compilation methods, and dissemination.		
M	ESO: Nominate staff responsible for compiling the balance of payments to courses on ESS organized by the International Monetary Fund (IMF) or other international organizations, and to take the ESS online courses.	Ongoing

13. The mission acknowledges progress in ESS compilation. The sub-sections below include detailed compilation information that was worked on with the authorities during the mission and focused on areas where there is scope for further improvements.

B. Survey Forms Used in ESS Data Collection

14. The main data sources for the balance of payments and IIP are surveys designed to meet specifics of selected industries, such as banks, insurance companies, airline companies, travel agents, law firms, educational institutions, postal and courier companies, nonprofit institutions, and other. Being the institution in charge of licensing banks and other financial corporations, CIMA is the main data provider of financial sector information for ESS purposes. More than 30 customized survey forms are used by the ESO to collect data from the non-financial sector including the government departments and statutory bodies. The mission conducted a detailed analysis of the survey forms and recommended changes aimed at their optimization. The review of the survey forms revealed several issues in survey design and coverage. The principal areas of weaknesses are misleading questions and missing relevant questions or inclusion of questions not relevant for the respondents.

15. The survey forms should be further customized for aligning to reporters' specifics. Particularly, the number of questions should be reduced. That would reduce the reporting burden, and ultimately would result in improved quality of reported data. The mission recommended the following main changes to the survey forms:

- (i) Re-consider the current approach of using the standard set of questions for all surveyed entities. A consequence of this approach is that most forms include similar detailed questions on financial assets and liabilities of reporters by instrument and on income (e.g., equity, debt security, financial derivatives, other financial investment, distribution of dividends, returned earnings by type of investor). As these questions are not relevant for all types of reporters (e.g., nonprofit institutions, educational institutions, postal office, port authorities, pension funds), the customized forms should include only questions that correspond to the main type of activity of the respondents (e.g., telecommunication services for telecommunication companies, postal and courier services for postal office and carriers, tuition fee for educational institutions, etc.).
- (ii) Consult the reporters on the list of questions to be included in the survey for better reflecting their business terminology and specificity of their activity (e.g., trade in gold, trade in mineral resources, educational institutions, money transfer operators, wholesale and retail services, etc.).
- (iii) In all survey forms, rename the question "Trade credit and advances" to "Accounts receivable", "of which for goods and services" and "Accounts payable", "of which for goods and services". As confirmed by reporters, the term "trade credit and advances" is not intuitive and differs from the terminology in business accounting which leads to misunderstanding by reporters of the required data, and consequently, to misclassifications.
- (iv) In the survey forms for banks, insurance companies, investment funds, pension funds, and other financial corporations, request separate identification of investment through resident (local) investment firms.

- (v) In the survey form for postal, courier, and telecommunication services, request the gross value of services instead of settlement amounts.

16. Meetings were held with potential or existing reporters to discuss the specifics of their activities that would facilitate redesigning the survey forms as well as the provision of data for the balance of payments purposes. The meetings had the following outcomes:

- (i) the meetings with Wheaton Precious Metals International Ltd and Strategic Wealth Preservation Limited - companies operating, respectively, in precious metals streaming and precious metals merchanting – were focused on understanding their operating procedures, the settlement for the purchased and sold metals, the physical movement of metals, and financial assets and liabilities with affiliates and unrelated parties;
- (ii) the discussion with RUBiS Cayman Islands¹ focused on the means of transporting the fuel to the Cayman Islands, charter of tankers, fuel storage and distribution, as well as on supply of fuel to airlines. As a result, the survey form was supplemented with missing questions such as charter of tankers;
- (iii) an inquiry with St. Matthews University² revealed its ownership structure, financing means, offerings of scholarship, honorarium to visiting professors, as well as the structure of its expenditures;
- (iv) at the meetings with PSPB and DLP (the regulator of the private pension funds) the focus was on their investment strategy, the requirements for investing the pension funds in domestic and foreign assets, the use of domestic and international assets managers for investing pension funds, as well as the terms of reporting data to ESO for ESS purposes. Currently, only a few private pension funds are reporting through the balance of payments survey. ESO sent the adjusted survey form for pension funds to PSPB and DLP, who submitted in September 2023 data for 2019-2022.³ DLB will report the consolidated data for all private pension funds, consequently ESO should remove from ESS the data reported by individual private pension funds. If the data reported by DLP prove sufficient, the survey of individual private pension funds could be discontinued.

17. The re-designing of survey forms should be finalized before the next round of launching the survey. When the revision is finalized, the updated forms should be shared with one-two reporters from each branch of activity seeking their comments on survey forms' comprehensiveness and clarity. The launch of the revised survey forms should be for the collection of data for 2023, preceded by a campaign for informing the reporters about the upcoming changes (e.g., through an email prior to the launch).

¹ RUBiS Cayman Islands is a subsidiary of RUBiS Group, a private, French-based, international limited company. RUBiS Cayman Islands is a distributor of petroleum and aviation fuels, liquefied petroleum gas, and lubricants and operates a network of fuel stations throughout the Cayman Islands. It also supplies premium aviation fuels in the airports on Grand Cayman and Cayman Brac.

² St. Matthew's University is a private for-profit offshore medical school located in the Cayman Islands. It has a School of Medicine and a School of Veterinary Medicine and is owned by R3 Education, Inc.

³ Data have been reported as agreed.

18. ESO should reassess the strategy of conducting the balance of payments survey.

Currently, the targeted population for the survey covers about 800 respondents. Among them are small companies and agencies such as bars, restaurants, travel agents, recreational service providers, and inland transportation agents that have very limited cross-border transactions that consist of providing services to nonresident travelers that are already accounted for in non-survey estimates. Surveying such a large number of respondents is resource consuming and, due to the very limited staff resources allocated to ESS compilation, the ability to conduct a proper validation of reported data is affected. The ESO management supported the proposal of reducing the number of surveyed entities.

Recommendations:

- ESO: Adjust the survey forms for ESS data collection based on changes recommended by the mission, and in consultation with the main reporters.
- ESO: Launch the collection of data through the adjusted survey forms.
- ESO: Launch the collection of ESS data from the PSPB.
- ESO: Expand the coverage of ESS to include all private pension funds based on data from the DLP.

C. Offshore Activity in External Sector Statistics

19. The Cayman Islands is an important international offshore center hosting about 34,000 SPEs involved in different types of activities.

About 33,000 of them are financial corporations (banks, insurance companies, investment funds, trusts) regulated by CIMA, while 300 are exempt companies registered in SEZs, and another 300 are exempt non-financial non-SEZ companies. CIMA provides aggregated data on banks and insurance companies broken down by those with and those without physical presence. For investment funds, only data on their assets in the form of securities is reported in the CPIS (they constitute about 40 percent of total investment funds' assets) while data on liabilities are not available. Following the previous mission's recommendations, CIMA intends to launch the CDIS survey for financial sector where liabilities in form of equities and debt instruments will be collected. For this, the CDIS reporting template will be used. CIMA also drafted CDIS Guidance based on the IMF CDIS Guide customized to the Cayman Islands' specifics. The mission recommended to include in the reporting template also questions on investment funds' liabilities in the form of other financial instruments. Both documents are expected to be sent to the Cabinet by the end of the year and the launch of the survey is subject to approval. Regarding collecting the CDIS data for the nonfinancial sector, ESO should start preparing the strategy for its launching (e.g., sampling, reporting rules, etc.).

20. The exempt companies registered in SEZs do not report data to the ESO. Compilers' attempts to arrange a meeting with CEC – the body in charge of incorporating the companies in the SEZ - for discussing possible reporting for ESS purposes was without success. Following the mission's recommendations, the draft report form will be finalized, including expanding the breakdown of the services for receipts and payments (e.g., splitting telecommunication services and computer and information services as well as management consultancy and other business services), renaming trade credits, and splitting financial instruments in line with the structure of the sixth edition of the

Balance of Payments and International Investment Position Manual (BPM6). It will be discussed at the potential meeting with CEC (immediately after the mission, CEC contacted ESO and agreed for a meeting) (Appendix I). According to the *Economic Substance Law*, the SEZ companies must report some data to CITIA, who, however, confirmed that the information collected is for tax purposes and CITIA is not empowered to request additional data needed for ESS compilation. In a meeting with the Department of Commerce and Investment, it was established that there are about 300 non-financial non-SEZ entities without physical presence that are also omitted from ESS. ESO will investigate the possibility of including them in ESS at a later stage.

21. The application of the residence concept in data collected by ESO for ESS purpose (including those from CIMA) regarding the SPEs without physical presence registered in the Cayman Islands may deviate from the balance of payments methodology.⁴ Thus, CIMA informally confirmed that in the reported ESS data the SPEs without physical presence registered in the Cayman Islands are treated as nonresidents. As a consequence, the transactions and positions between entities with physical presence and those SPEs without physical presence registered in the Cayman Islands are categorized as between residents and nonresidents and are erroneously included in ESS. ESO will investigate if the same erroneous treatment is applied in the data reported by onshore entities. The implementation of the correct application of the residence concept should be done for all institutional sectors, including financial. One of the first steps would be to identify in reported data the transactions and positions with SPEs without physical presence and those with nonresidents.

Recommendations:

- ESO: Continue the efforts for engaging CEC and CITIA in facilitating the data collection from SEZ entities.
- ESO/CIMA: Conduct a study on the feasibility of the strict application of the residence concept in the collection of the Cayman Islands' ESS data.
- ESO/CIMA: Based on the results of the study, adjust the report forms for separately identifying transactions and positions with SPEs without physical presence.
- CIMA: Submit for approval to the Cabinet the CDIS report form and the CDIS Guidance.
- CIMA: Subject to the Cabinet's approval, launch the CDIS reporting for banking, insurance, and investment funds.
- CIMA: Compile preliminary pilot CDIS estimates for banking, insurance and investment funds.
- CIMA: Submit to STA the CDIS metadata questionnaire.
- ESO: Initiate the preparation for the launch of the CDIS reporting for nonfinancial sector.
- CIMA/ESO: Analyze the CDIS bilateral asymmetries with main counterparts to identify areas for improvement.

⁴ According to *BPM6*, all SPEs, with or without physical presence in the territory, that are incorporated in the economy, should be treated as residents of the territory of incorporation.

D. Participation in the IMF's SPEs Data Initiative

22. ESO initiated the work for filling in the SPEs data template for participating in the IMF's survey on resident SPEs. For this purpose, the consolidated balance of payments and IIP have been compiled covering data for onshore entities and for SPEs with and without physical presence. Further, the SPEs data template was filled in displaying the standard presentation of balance of payments and IIP with SPEs. The SPEs definition presented in the *Special Purpose Entities: Guidelines for a Data Template*⁵ consider as one of the criteria the number of employees. Because no information is available on the number of employees of entities with physical presence, ESO assumed that they have more than five employees and, consequently, only entities without physical presence meet the definition of SPEs.

23. The mission reviewed the compiled SPEs data template and found it adequate. The only limitation is that the application of residence concept to the SPEs without physical presence is not in line with the balance of payments methodology, as discussed in the previous section. However, considering the importance of disseminating data on SPEs, the mission recommended to fine tune the SPEs data template after the balance of payments and IIP data for 2022 are revised to address the mission's recommendations. When finalized, the SPEs data template should be submitted to STA for dissemination. A disclosure should be included stating that the data do not include investment funds and that they will be revised when the methodological inconsistency is addressed.

Recommendations:

- ESO: Fine tune the consolidated balance of payments and IIP estimates covering data for financial SPEs with and without physical presence.
- ESO: Fill in the SPEs data template based on the revised balance of payments and IIP data for 2022.
- ESO: Submit to STA the SPEs data template for 2022.

E. Compilation of Balance of Payments and IIP Data

24. ESO compiles and disseminate balance of payments and IIP statistics on an annual basis. It includes only data on entities with a physical presence. The mission reviewed the compilation practice and trends in compiled data. The report discusses only components where issues have been identified.

25. The data on imports of general merchandise are compiled using the Customs declarations database (CDDDB) received in Excel format. The implementation of electronic declaration and maintenance of the CDDDB for imports of goods was finalized in 2021 and embodied several validation procedures that are applied before the submitted declarations are accepted. It includes imports by corporations, individuals (declared using a simplified form), and imports of goods via courier services (e-commerce). Customs follows the general trade system that imposes the declaration of goods when they enter the customs territory that includes also SEZs and customs

⁵ <https://www.imf.org/en/Publications/TNM/Issues/2022/10/03/Special-Purpose-Entities-Guidelines-for-a-Data-Template-529451>

warehouses. ESO introduces two major adjustments for aligning the Customs' import data to balance of payments requirements. Particularly: (i) imported goods are recalculated from c.i.f. to f.o.b. prices applying coefficients estimated based on customs declarations (14-15 percent for freight and one-two percent for insurance, depending on means of transport), and (ii) data on goods procured in ports by carriers are added based on data from the domestic airline and from the main importers of petroleum products.

26. Exports of general merchandise are insignificant as the Cayman Islands is not involved in any major manufacturing of goods. The declaration of exported goods is done manually, and customs declarations are not processed. Due to the absence of Customs data, ESO estimates export of goods based on data of three major trade partners – the United States, the United Kingdom, and Jamaica. The brief analysis of data on imports by these three countries of goods from the Cayman Islands revealed that (i) the majority of exported goods by the Cayman Islands are re-exports and (ii) there is a high probability of errors in geographical attribution. Sale of goods and fuel to foreign airlines is added to export data while no upward adjustments for exports to other countries is performed.

27. Two significant components are identified in goods data - net merchanting and import of nonmonetary gold. The main contributor to the merchanting data is Wheaton Precious Metals (WPM)⁶ - a company specialized in precious metals streaming. In a meeting with WPM, it was found out that the purchase of metals is executed on by-product basis at an agreed spot price. The WPM makes an up-front payment (so-called mineral stream interest) that can vary from 25 percent to 100 percent, depending on the agreement with mines. The up-front payment is amortized during the life of the contract. The minerals are purchased in concentrate form (physical metal) that is sold later to bullion banks or in the form of metal credit which de-facto is a deposit in an unallocated metal account.

28. The import/export of nonmonetary gold is conducted by Strategic Wealth Preservation (SWP)⁷ – a company specializing in trade and storage of precious metals headquartered in the Cayman Islands. SWP owns storage facilities in the Cayman Islands and specializes in the acquisition and sale as well as the storage of precious metals for individuals, companies, and other entities. ESO includes in the balance of payments only 40 percent of imported gold declared in CDDDB, considering that the remaining 60 percent is gold owned by nonresidents imported for storage. During a meeting with SWP it was confirmed that SWP purchases all precious metals and either keeps them as its own assets or sells them to clients; it does not act as an intermediary between the sellers of gold and buyers. If the precious metals are to be resold abroad, they are not brought to the Cayman Islands but are stored in facilities abroad; consequently, they were not included in import and export of nonmonetary gold in the balance of payments. Imported precious metals are either owned by

⁶ Wheaton Precious Metals (WPM) is one of the largest precious metals streaming companies in the world. The Company has entered into agreements to purchase all or a portion of the precious metals or cobalt production from high-quality mines for an upfront payment and an additional payment upon delivery of the metal. Other than the initial upfront cash payment, Wheaton typically does not contribute to future capital expenditures or exploration costs invested by the mine.

⁷ Strategic Wealth Preservation (SWP) is an international precious metals dealer and secure storage provider headquartered in the Cayman Islands. The company owns and operates a large, Class III UL rated vault in Grand Cayman and offers other strategic locations as part of its global storage network. It specializes in the acquisition, secure storage and liquidation of precious metals for individuals, companies, trusts and wealth management professionals on behalf of their clients.

SWP or are owned by clients and are brought for storage (e.g., storage for precious metals held within self-directed Individual Retirement Accounts for American citizens).

29. The survey forms used for collecting data from WPM and SWP have been redesigned with the mission's assistance. The survey form for WPM will request among others separate data on (i) purchases and sales of metals in concentrated form and in form of metal credits, (ii) up-front payments and their amortization, and (iii) additional payments for purchased metals. The purchase and sale of the metal in concentrated form will be recorded in balance of payments as merchandising while the purchase and sale in form of metal credit will be registered in financial account under currency and deposits. The survey form for SWP will account for all of SWP's purchases and sales of precious metals to nonresidents, regardless of the location of their storage; it also will request data on fees received/paid for storage of precious metals. ESO will replace the Customs data on SWP's import/export of precious metals with those reported in the survey form. Due to the fact that SWP is the only Cayman Islands resident trading in gold, at the reporter's request, ESO will not identify data on import and export of nonmonetary gold under this goods subcomponent but will include it in general merchandise, to avoid indirect disclosure.

30. The Department of Tourism (DOT) is the main provider of data on exports of travel services. DOT estimates exports based on an expenditure survey of departing travelers, and on data from the Ministry of Border Control on number of travelers by category. The survey is conducted daily at the airport and cruise port terminals; about 1,200 completed forms are collected during the year. Grossing up is done considering the country of origin of traveler, category of accommodation, and other indicators. The mission found the estimation model and its coverage to be adequate.

31. Imports of travel services are estimated based on the number of residents departing and arriving and their estimated expenses abroad. As most residents travel to the United States, an adjustment to base year data (2015) is made considering the changes in the U.S. consumer price indices. The analysis of compiled data on imports of travel services revealed an error in formula; consequently, data for 2019-2021 will be revised downward.

32. ESO estimates the export and import of education and medical services; however, they are misclassified under personal, cultural, and recreational services. Exports of education services includes education expenses by foreign students at St. Matthew's University⁸. The survey form does not provide for the collection of all indicators relevant for an education institution such as scholarships granted, honorarium paid to visiting professors, and other, as described above. The revised survey form will allow ESO to improve the coverage and the methodological soundness of compiled data on exports of education services. Imports of education services are estimated based on the number of residents studying abroad under government programs and the estimated average cost of education in three countries – the United States, the United Kingdom, and Canada. The data are deemed to be underestimated as (i) the average cost is calculated applying the tuition cost only for five U.S. universities and (ii) estimates for residents studying abroad under individual programs are not covered. The export of medical services is compiled based on data reported by medical facilities through the survey form while data on the import of such services are reported by the

⁸ St. Matthew's University is a private for-profit offshore medical school located in Grand Cayman, the Cayman Islands in the Caribbean. It has a School of Medicine and a School of Veterinary Medicine, which confer M.D. and D.V.M. degrees, respectively. St. Matthew's University is owned by R3 Education, Inc.

Cayman Islands National Insurance Company, which provides state insurance and covers expenses for residents' treatment abroad. Data on education and medical services should be reclassified from personal, cultural, and recreational services to travel services.

33. Insurance services constitute an important component of the services account due to the significant number of insurance companies incorporated (registered) in the Cayman Islands.

The most significant portion of data is supplied by CIMA and covers insurance and reinsurance by resident insurance companies. Additional data are collected through the balance of payments survey and also insurance of imported goods are estimated. The insurance services compiled based on data from the balance of payments survey and on estimated insurance of imported goods need revision as they erroneously include the total premiums.

34. Significant amounts are registered under personal, cultural, and recreational services and under other business services.

Data for the first component will be revised downward as education and medical services covered in this item will be reclassified to travel services. Regarding other business services, the mission recommended to check if reporters (e.g., legal and accounting firms) are correctly applying the residence concept to SPEs without physical presence registered in the Cayman Islands. During the mission, ESO requested from one of the biggest legal firms to revise the data for separately identifying transactions with SPEs without physical presence. ESO will request such a breakdown from all balance of payments survey reporters.

35. Primary income is compiled based on data from the balance of payments survey and from CIMA on insurance and banks.

Both dividends and reinvested earnings are deemed to be understated as they cover mainly data for financial companies with physical presence and those collected through the balance of payments survey. Data reported by CIMA do not specify the shareholders' ratio, therefore all data on dividends and reinvested earnings are included under direct investment. Data for insurance companies on investment income received do not specify if it is earned on insurance technical reserves or on investment of insurance companies' own funds. In case CIMA confirms that it is not feasible to separately identify income on insurance technical reserves, compilers will estimate it applying the ratio of premiums written from nonresidents to total premiums written during the period.

36. Direct investment includes the available data from CIMA on companies with physical presence and from the balance of payments survey.

CIMA plans to launch the CDIS survey using as a reporting template the survey form presented in the *CDIS Guide*; the guidance that will accompany the survey was adjusted to the Cayman Islands' specifics. The collection will cover banks, insurance companies, and investment funds. Before launching, both documents have to be approved by the Cabinet, and CIMA expects to send them for approval toward the end of 2023. CIMA does not plan to collect data on liabilities of investment funds in other than direct investment instruments (all liabilities of banks and insurance companies are reported). To assure a more comprehensive collection, the mission recommended to consider adding to the survey form, as memorandum items, questions on liabilities in other instruments (e.g., currency and deposits, loans, etc.).

37. The collection of data on financial derivatives needs enhancement. This category is fed mainly from CIMA reporting for banks; however, as stated by the previous mission, only the assets side is reported. Until data on liabilities in financial derivatives are received, ESO removed data on

transactions and position in financial derivatives from the compiled data. The mission reiterated the need for CIMA to start collecting data on liabilities in financial derivatives. In addition, CIMA will investigate if realized gains and losses recorded in section 29.5 of the income statement represent transactions in financial derivatives. CIMA confirmed that insurance companies do not invest in financial derivatives, as such an investment requires a separate licensing.

Recommendations:

- ESO: Revise the compiled balance of payments and IIP for 2019-2021 by addressing inconsistencies identified during the mission.
- ESO: Revise data on merchanting and nonmonetary gold based on updated reports from relevant entities.
- CIMA: Address the gaps in reported data for ESS purposes by:
 - (i) reporting data on banks' liabilities in financial derivatives;
 - (ii) reporting data on banks' transactions in financial derivatives;
 - (iii) collecting data on all financial assets and liabilities of investment funds.

F. Other Issues

38. Efforts should be made to start compiling balance of payments and IIP on a quarterly basis. ESO should start the preparation for increasing the frequency of ESS by building an abridged list of reporters targeted for a quarterly survey that would include companies from each branch of activity with significant contributions to ESS. An extended list of the survey population would be applied for the annual balance of payments reporting. The quarterly survey should be launched as a pilot project at the beginning of 2024 that would allow collecting quarterly data for four quarters. At the initial stage, the quarterly reporting could be from non-financial onshore entities, public institutions, and pension funds. CIMA's full engagement would be crucial for reporting quarterly data for financial sector. The grossing up procedures for quarterly data would be developed when the pilot quarterly collection provides good results.

39. The dissemination of balance of payments and IIP statistics does not meet the international dissemination standards which is six to nine months after the end of the reported year. Because the release of any statistics requires the Cabinet's notification, ESO publishes these statistics only in December. Moreover, at the time of the mission, data for 2021 had not been submitted to STA for their re-dissemination.⁹

40. The two staff members involved in ESS attended some balance of payments training organized by CARTAC. Considering the complexity of activities carried out by entities incorporated in the Cayman Islands that involve sophisticated corporate structures and FinTech developments, compilers should attend the more advanced training in ESS. For this purpose, staff should be nominated for participation in intermediate courses at IMF Headquarters and in regional training. It is also important that the new staff take the online courses in ESS available at the IMF website.

⁹ The 2021 balance of payments and IIP data were submitted to STA shortly after the end of the mission.

Recommendations:

- ESO: Prepare the list of targeted entities for quarterly reporting that would include the biggest companies from each branch of activity.
- ESO: Launch the quarterly balance of payments survey on a trial basis from the defined biggest entities from each branch of activity.
- ESO: Start compiling quarterly balance of payments and IIP on a pilot basis for onshore non-financial sector.
- ESO: Submit to STA balance of payments and IIP on a regular basis.
- Nominate staff responsible for compiling the balance of payments to courses on ESS organized by the IMF or other international organizations, and to take the ESS online courses.

G. Officials Met During the Mission

Name	Position
Economics and Statistics Office	
Adolphus Laidlow	Director
Ron Farier	Senior Statistician; External Sector Statistics
Jermaine Ricketts	Statistician; External Sector Statistics
Errol McLaughlin	Statistical Officer; Trade Statistics
Cayman Islands Monetary Authority	
Sebastian Goerlich	Head of Division; Financial Stability & Statistics Division
Yoshneck Mutomba	Deputy Head; Statistics, Compilation and Reporting, Financial Stability & Statistics Division
Michelle Majid	Learning & Development Specialist; Financial Regulation and Supervision, Financial Stability & Statistics Division
Karla Ebanks	Head of Division; Insurance Supervision Division
George Kamau	Deputy Head; Insurance Supervision Division
Wheaton Precious Metals	
Luke LaPointe	Assistant Financial Controller
Giselle Fedalizo Passchier	Vice President, Financial Reporting
Strategic Wealth Preservation	
Mark Yaxley	Managing Director

Carl Gosselin	Staff
RUBiS Cayman Islands	
Joseph Solomon	Finance Manager
Cayman Islands Customs and Border Control	
Michael Godfrey	Trade Compliance and Statistical Manager
Johann Taylor	Supervisory Customs and Border Control officer
Kapil Singh	Senior Analyst Programmer
Department of Labour and Pensions	
Bennard Ebanks	Director
Leticia Goring	Assistant Director
Amy Wolliston	Superintendent of Pensions & Information Manager
Public Service Pensions Board	
Jewel Evans-Lindsey	Chief Executive Officer & Board Director

Appendix I. Balance of Payments Survey Form for Special Economic Zone Company

	Economics and Statistics Office ANNUAL BALANCE OF PAYMENTS SURVEY: CAYMAN'S SPECIAL ECONOMIC ZONE (SEZ) COMPANY	 <small>ECONOMICS AND STATISTICS OFFICE GOVERNMENT OF THE CAYMAN ISLANDS</small> <i>Information on hand</i>
<i>Include transactions conducted over the internet</i>		Calendar Year
PART A: RECEIPTS FROM NON-RESIDENTS		
REPORT IN THOUSANDS OF CAYMAN DOLLARS (CI\$'000)		2022
		2023
		CI \$' 000
		CI \$' 000
1	Telecommunication, computer and information services	
2	Financial services (including commodity and derivatives trading)	
3	Management consultancy and other business support services	
4	Publishing, advertising, broadcasting and other media activities	
5	Professional, scientific and technical activities (including research activities)	
6	Education services	
7	Receipts for other services not listed above (please specify)	
Investment income		
of which:		
9	Dividend receipts or distributed earnings from non-resident companies (parent/ head office and other foreign affiliates)	
10	Interest income from claims on related non-resident entities (loans, deposits, debt securities, accounts receivable)	
10	Interest income from claims on unrelated non-resident entities (loans, deposits, debt securities, accounts receivable)	
TOTAL RECEIPTS FROM NON-RESIDENTS		
PART B: PAYMENTS TO NON-RESIDENTS		
REPORT IN THOUSANDS OF CAYMAN DOLLARS (CI\$'000)		2022
		2023
		CI \$' 000
		CI \$' 000
1	Telecommunication, computer and information services	
2	Financial services (includes fees and commissions to banks, brokers, asset managers, etc.)	
3	Management consultancy and other business support services	
4	Publishing, advertising, broadcasting and other media activities	
5	Professional, scientific and technical activities (including research activities)	
6	Education services	
7	Payments for other services not listed above (please specify)	
8	Royalties & licenses fees for patents, trademarks, franchises, copyrights and related rights	
9	Wages and salaries paid to non-residents	
10	Dividend and profits distributed to non-resident companies/entities (parent/ head office, subsidiaries, and other affiliates)	
11	Interest expense on debt owed (loans, debt securities, accounts payable) to related non-resident entities	
12	Interest expense on debt owed (loans, debt securities, accounts payable) to unrelated non-resident entities	
TOTAL PAYMENTS TO NON-RESIDENTS		

PART C : FINANCIAL ASSETS HELD WITH NON-RESIDENTS					
		Transactions during the year 2022 increase (+) decrease (-)	Position at end of 2022	Transactions during the year 2023 increase (+) decrease (-)	Position at end of 2023
REPORT IN THOUSANDS OF CAYMAN DOLLARS (CI\$'000)		CI \$' 000	CI \$' 000	CI \$' 000	CI \$' 000
YOUR COMPANY'S INVESTMENT ABROAD (ASSETS)					
Shareholders' equity and equity investment funds shares					
1	In entities where your ownership is ≥ 10%				
2	In entities where your ownership is < 10%				
Debt instruments: claims on related parties					
3	Loans, deposits, debt securities, trade credits, accounts receivable etc.				
Claims on unrelated non-resident entities (if your ownership in their company is between 0% and 10%)					
4	Loans, deposits, debt securities, trade credits, accounts receivable, etc.				
5	Financial derivatives				
6	Other financial assets (please specify)				
TOTAL EXTERNAL ASSETS					
PART D: FINANCIAL LIABILITIES DUE TO NON-RESIDENTS					
		Transactions during the year 2022 increase (+) decrease (-)	Position at end of 2022	Transactions during the year 2023 increase (+) decrease (-)	Position at end of 2023
REPORT IN THOUSANDS OF CAYMAN DOLLARS (CI\$'000)		CI \$' 000	CI \$' 000	CI \$' 000	CI \$' 000
INVESTMENTS IN YOUR COMPANY FROM ABROAD (LIABILITIES)					
Equity and equity investment funds shares					
1	From entities with ownership ≥ 10%				
2	From entities with ownership < 10%				
Liabilities to related parties					
3	Due to related non-resident companies abroad				
Due to unrelated parties abroad					
4	Loans, debt securities, accounts payable				
5	Financial derivatives				
6	Other liabilities (please specify)				
TOTAL EXTERNAL LIABILITIES					
PART E: NET PROFIT					
Code	REPORT IN THOUSANDS OF CAYMAN DOLLARS (CI\$'000)		2022	2023	
1	Net operating profit (loss) for the period				
2	Dividends declared in reporting period				
3	Dividends paid in reporting period				
Please provide your organization's ownership distribution between residents (local) investors and non-residents (overseas) investors					
Please list the top countries with the most ownership in your company along with the percentage owned					
			Country of residence	% of ownership of shareholders equity as at end of 2022 (%)	% of ownership of shareholders equity as at end of 2023 (%)
	Resident Investors (Local)		Cayman Islands		
	Country 1				
	Country 2				
	Country 3				
	Country 4				
	Other countries				
<input type="checkbox"/>	If you did not have any transactions with parties outside the Cayman Islands in 2022 and 2023, please check the box and RETURN the questionnaire.				

Appendix II. Progress on Action Plan of 2022 Mission

Priority	Action/Milestone	Target Completion Date	Implementation Status
<i>Outcome: Data are compiled and disseminated using the coverage and scope of the latest manual/guide.</i>			
H	ESO: Foster institutional agreement with the Cayman Islands Tax Information Authority (CITIA) to facilitate access to data on exempt companies and other registered companies for statistical compilation in the context of the new Economic Substance Law.	September 2023	In progress
PR	CIMA: Share available information on the assets and liabilities of investment funds with ESO.	December 2022	Not implemented Only CPIS data on investment funds are available
H	ESO: Investigate areas identified by the mission that require additional research for banks, insurance, and investment funds with focus on interlinkages among various data sources to avoid duplications or data gaps.	December 2022	In progress
H	ESO/CIMA: Document the mapping of financial sector source data for balance of payments and IIP compilation.	December 2022	Completed
H	CIMA: Estimate financial account transactions for the financial sector with basic price and exchange rate adjustments (in close coordination and with the ESO cooperation).	December 2022	Not implemented
PR	Report to CIMA Executive Management the requirements for the recording of cross-border transactions of the supervised entities.	September 2022	Completed
PR	Classify assets and liabilities of the banks, insurance companies and investment funds without physical presence in the corresponding item of the balance of payments and IIP.	March 2023	Completed within the reporting of data to the SPEs survey

H	ESO/CIMA: Produce balance of payments and IIP preliminary estimates including financial sector with and without physical presence for analysis and review.	December 2022	Completed within the reporting of data to the SPEs survey
H	ESO: Balance of payments and IIP estimates cover data on the financial sector with and without physical presence and are reported to STA for re-dissemination.	December 2022	Not completed
<i>Outcome: A new data set has been compiled and made available internally and/or disseminated to the public.</i>			
H	CIMA/ESO: Compile preliminary CDIS estimates for banking, insurance, investment funds, and nonfinancial sectors.	December 2023	Not completed The report form to be submitted to the Cabinet for approval
M	CIMA: Analyze CDIS bilateral asymmetries with main counterparts to identify areas for improvement.	December 2023	Not completed
H	CIMA: Initiate CDIS reporting to STA for banking, insurance, investment funds, and nonfinancial sector (with ESO collaboration).	December 2023	Not completed
M	CIMA: Submit CDIS metadata questionnaire.	December 2023	Not completed
M	ESO: Strengthen the estimation of investments in real estate following the 2017 mission recommendations.	December 2023	Not completed
<i>Outcome: Data access to the public has improved through better formatting/framework presentations and/or assistance to users.</i>			
H	Submit revised balance of payments and IIP data to STA once all data for the financial sector (including for entities with no physical presence) have been incorporated, and all proposed enhancements/corrections discussed during the mission have been included.	December 2023	Not completed
M	Increase the frequency of the releases in national publications (and hence the matching data to be submitted to STA) to account for data revisions.	March 2023	Not completed