

CAYMAN ISLANDS ADVANCE COMMITMENT LETTER



CAYMAN ISLANDS
Office of the Governor
Grand Cayman
Cayman Islands

Commitment Letter

May 18, 2000

Mr. Donald J Johnston
OECD Secretary General
Organisation For Economic
Cooperation and Development (OECD)
2, rue Andre Pascal
75775 Paris, CEDEX16
France

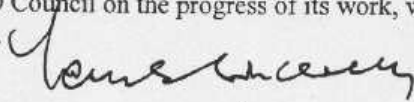
Dear Mr Johnston

I am writing in connection with OECD's project on harmful tax competition. I am pleased to inform you that the Cayman Islands hereby commits to the elimination of tax practices determined by the Forum to be harmful in accordance with the OECD's Report, "*Harmful Tax Competition: An Emerging Global Issue*" (the OECD Report). In fulfillment of this commitment, the Cayman Islands undertakes to implement such measures (including through any legislative changes) as are necessary for the elimination of those aspects of the Cayman Islands regimes deemed to be harmful. The Government of the Cayman Islands commits in particular to a programme of effective exchange of information in tax matters, transparency, and the elimination of any aspects of the regimes for financial and other services that attract business with no substantial domestic activities. Measures designed to eliminate the tax practices deemed to be harmful are broadly outlined in the attachment hereto. Details of these measures and a specific timetable will be agreed with the Forum. We understand that the OECD is prepared to assist us in establishing, improving, or maintaining such practices and procedures as are necessary to comply with this commitment.

The Government of the Cayman Islands further commits to refrain from:

- (1) introducing any new regime that would constitute a harmful tax practice under the OECD Report;
- (2) for any existing regime related to financial and other services that currently does not constitute a harmful tax practice under the OECD Report, modifying the regime in such a way that, after modifications, it would constitute a harmful tax practice under the OECD Report; and
- (3) strengthening or extending the scope of any existing measure that currently constitutes a harmful tax practice under the OECD Report.

The Government of the Cayman Islands intends to release this letter of commitment to the public and would welcome the OECD's release of this letter after the Committee of Fiscal Affairs reports to the OECD Council on the progress of its work, which we understand is expected by mid-June 2000.



**P J SMITH
GOVERNOR**

cc: Mr. Peter Westmacott, LVO Deputy Under Secretary of State, FCO