

CAYMAN ISLANDS



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THE CURRENCY LAW (Revised)

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(Revised)

The Currency Law, 1974 (Law 1 of 1974) as amended by —

Law 1 of 1975;
Law 7 of 1976;
Law 3 of 1978; and
Law 26 of 1981.

Revised under the authority of the Law Revision Law (Law 19 of 1975).

THE CURRENCY LAW (REVISED)
Arrangement of Sections

Section

1. Short title.
2. Interpretation.

PART I: CONSTITUTION

3. Establishment of Currency Board.
4. Currency Fund.
5. General Reserve.
6. Calculated profits.
7. Allocation of profits.
8. Valuation of securities.
9. Government liable for any deficiency.

PART II: CURRENCY

10. Unit of currency.
11. Contracts, etc. to be made in currency.
12. Sole right of currency issue.
13. Obligation to deal in \$US.
14. Provisions relating to issuing of currency.
15. Denominations and forms of currency.
16. Legal tender.
17. Calling-in of currency.
18. Mutilated, etc., currency.

PART III: OPERATIONS

19. Permitted operations.
20. Prohibited operations.

PART IV: MISCELLANEOUS

21. Publication of accounts and annual report.
- *22. Regulations.
23. Income tax and stamp duty.
24. Certification by Commissioners.
28. Mutilating or perforating coins.

CAYMAN ISLANDS

**THE CURRENCY LAW
(Revised)**

Short title.

1. This Law may be cited as the Currency Law (Revised).

Interpretation.

2. In this Law unless the context otherwise requires —

“Board” and “Commissioners” mean, respectively, the Board of Commissioners of Currency, and the individual members of the Board referred to in section 3;

“currency notes” and “coins” mean, respectively, the currency notes and coins issued under this Law, or under the repealed Cayman Islands Currency Law, 1971 (Law 19 of 1971);

“Fund” means the Currency Fund established by section 4;

“Governor” means the Governor in Council; and

“local bank” means any bank or branch thereof authorized to transact business as such in the Islands.

PART 1: CONSTITUTION

Establishment of
Currency Board.

3. (1) There shall continue to be established for the purposes of this Law the Board of Commissioners of Currency known as the Cayman Islands Currency Board, which consists of the Financial Secretary and two other persons one of whom shall be a person who does not hold an office of profit under the Crown who shall be appointed by the Governor with the approval of the Secretary of State.

(2) Any duty devolving and any power conferred on the Board may be discharged or exercised by any two of the Commissioners acting together.

(3) The Financial Secretary shall be Chairman of the Board *ex officio*; and the Board shall meet at least once in every six months, and at such other times as may be deemed necessary by the Chairman.

4.(1) There shall continue to be established, on the entry into force of this Law, a Currency Fund, into which shall be paid, and upon which shall be charged, all amounts respectively due to and payable by the Board or the Fund under the provisions of this Law.

(2) Such minimum proportion of the assets of the Fund as the Governor shall from time to time determine not being less than twenty per cent of the demand liabilities of the Board shall be held in liquid form, that is to say, it shall be held in the United Kingdom, the United States of America or Canada in the form of United Kingdom or United States Treasury Bills or Treasury Bills of the Government of Canada or may be lent out at call or for short term in such ways or invested in such readily realisable securities as may be approved by the Secretary of State.

(3) Except as hereinafter provided the remainder of the assets of the Fund shall be invested in securities issued or guaranteed by the Government of the United Kingdom, the Government of the United States of America or the Government of Canada and maturing within seven years:

Provided that —

- (a) such an amount of the assets of the Fund not exceeding thirty per cent of demand liabilities of the Board as the Governor with the approval of the Secretary of State may from time to time prescribe may be held in the form of balances with local banks or with the Treasury or may be invested in securities of or guaranteed by the Government of the Islands, such securities being in any case as the Board may select, and, if issued in the Islands, to be held in the Islands by the Board;
- (b) for the purposes of the calculation of the assets of the Fund the value of the gold or silver content of coins issued under this Law or under the repealed Cayman Islands Currency Law, 1971 (Law 19 of 1971) may, at the discretion of the Board, be regarded as an asset of the Fund and shall be calculated on the basis of the latest London market prices known to the Board for gold and silver bullion respectively:

Provided that the value so calculated shall not exceed the nominal value of such coins.

(4) For the purposes of this section and of section 7 demand liabilities of the Board means —

- (a) amounts standing to the credit of any accounts opened for any local banks or for the Government of the Islands under paragraph (a) of section 19; and
- (b) (i) currency notes in circulation: and
(ii) in amount not less than ten per cent of the nominal value of coins in circulation,

other than such currency notes and coins as are no

longer legal tender and in respect of which a transfer to the General Revenue of the Islands has been made under subsection (2) of section 17.

General Reserve.

5. There shall be a General Reserve of the Fund to which shall be allocated any amounts that may become available through the operation of section 7.

Calculated profits.

6. (1) The net profits of the Board for any calendar year shall be determined by the Board after meeting or providing for all expenditure for that year and making such provisions for contingencies and the establishment of such additional reserves as they may consider desirable.

(2) Notwithstanding the provisions of subsection (1) the Governor may, with the approval of the Secretary of State, direct that any expenditure of an exceptional nature shall be a charge upon the General Reserve of the Fund and shall be excluded from the calculation of the net profits of the Fund.

Allocation of profits.

7. (1) The net profits of the Board for each calendar year shall be calculated in accordance with section 6 and shall be distributed as follows —

(a) so long as the General Reserve established under section 5 amounts to less than fifteen per cent of the demand liabilities of the Board at the end of the calendar year in which such profits were earned, there shall be allocated to the said Reserve all such net profits or such lesser amount as shall make the said Reserve equivalent to fifteen per cent of the said liabilities.

(b) any net profits not allocated to the General Reserve in accordance with paragraph (a) shall be transferred to the General Revenue of the Islands:

Provided that the Governor with the approval of the Secretary of State may decide that further allocations to the General Reserve may be made out of such remaining net profits; and provided also that any deficiency of the kind referred to in section 9 shall be a first charge on the Board's net profits.

(2) If through the operation of subsection (2) of section 8 or otherwise the General Reserve shall at the end of any calendar year exceed the equivalent of twenty per cent of the demand liabilities of the Board, any such excess may at the discretion of the Board be transferred in whole or in part to the General Revenue of the Islands.

Valuation of securities.

8. (1) The value of securities held in the name of or on behalf of the Fund shall for the purposes of this Law be calculated by reference to the latest known market price of such securities provided that where no such price is available the value of the securities concerned shall be calculated in such manner as, with the concurrence of the Auditor General of the Islands, may see reasonable to the Board.

(2) Any alteration from time to time in the value of the securities held in the name of or on behalf of the Fund together with any capital profit or loss resulting from the sale or maturity of such securities, shall represent as the case may be an accrual to or a charge upon the General Reserve of the Fund and shall not be deemed to be profit or loss for the purposes of calculation of the net profits of the Fund in accordance with section 6.

Government liable for any deficiency.

9. If at any time the total assets of the Board shall be less than the total liabilities of the Board, such deficiency shall be a liability of the Government for so long as the deficiency shall continue.

PART II: CURRENCY

Unit of currency.

10. (1) The unit of currency of the Islands shall continue to be the Cayman dollar divided into one hundred cents.

(2) The parity of the Cayman dollar shall be equivalent to such an amount of currency of the United States of America as the Governor, acting in accordance with the provisions of the Articles of Agreement of the International Monetary Fund, may by Order made in accordance with the provisions of this section, prescribe.

(3) An Order shall come into operation at the time and on the day on which it is subscribed in writing by the Governor or at such time, not being earlier than twenty-four hours from the time at which it is so subscribed, as may be specified in such Order.

(4) An Order shall be given such publicity as soon as may be after it is subscribed in writing by the Governor as, in the opinion of the Governor, is likely to bring the provisions of the Order to the notice of such persons as are immediately affected thereby and, notwithstanding the foregoing, shall be published by Government Notice in the Islands.

(5) For the avoidance of doubt it is hereby declared that an Order may be made on a public holiday within the meaning of the Public Holidays Law (Revised).

Contracts etc. to be in currency.

11. Every contract, document, sale, payment, bill, note, transaction, instrument or security for money and every transaction, dealing, matter or thing whatsoever relating to money or involving payment of or the liability to pay in money arising after the 1st day of April, 1975 shall, to be valid in the Islands, be made, executed, entered into, done, had or settled in the currency of the Islands unless it is expressly made,

executed, entered into, done, had or settled in the currency of some other country.

Sole right of currency
issue.

12. (1) The Board, on behalf of the Government of the Islands, shall continue to have the sole right of issuing legal tender notes and coins in the Islands and no person other than the Board shall in the Islands issue currency notes, bank notes or other coins or any documents or tokens payable to bearer on demand being documents or tokens which are likely to pass as legal tender.

(2) No currency notes or coins other than the currency notes and coins issued by the Board shall be legal tender in the Islands.

Obligation to deal in
\$US.

13. (1) The Board shall on demand buy or sell United States of America dollars in New York or London against Cayman dollars provided that —

- (a) the Board shall not be required to buy or sell United States dollars of an amount less than such minimum sum as may from time to time be prescribed;
- (b) the rate of exchange quoted by the Board in respect of spot transactions shall not differ by more than two and one quarter per cent points on either side of the parity of the currency of the Islands established in terms of section 10.

(2) The Board shall publish or cause to be published at the Treasury and at the offices of their agents and representatives the rates referred to in paragraph (b) of subsection (1) at which they are prepared to deal against United States dollars with the public:

Provided that the Board may at their discretion deal against United States dollars with local banks at rates between its published rates and parity.

Provisions relating to
issue of currency.

14. The Board shall continue to —

- (a) arrange for the printing of currency notes and the minting of coins and for all matters relating thereto and for the security of such notes and coins;
- (b) issue, re-issue, withdraw and, at their discretion, exchange currency notes and coins at George Town and at such offices and agencies elsewhere in the Islands as they may establish.

Denominations and
forms of currency.

15. (1) Currency notes issued under this Law shall be of such denominations and of such form and design and printed from such plates and on such paper and authenticated in such manner as may from time to time be recommended by the Board and approved by the Secretary of State.

(2) Coins issued under this Law shall be of such denominations and of such form and design and made of such metal or metals and made or

issued by such mint or mints as may from time to time be recommended by the Board and approved by the Secretary of State.

Legal tender.

16. (1) Currency notes shall continue to be legal tender in the Islands at their face value for the payment of any amount.

(2) Coins shall, if they have not been illegally dealt with, continue to be legal tender in the Islands to an amount not exceeding one hundred dollars in the case of coins of denomination of not less than five cents, and not exceeding fifty cents in the case of the lower denomination.

(3) For the purposes of this Law, a coin shall be deemed to have been illegally dealt with where the coin has been impaired, diminished or lightened otherwise than by fair wear and tear, or has been defaced by having any name, word, device or number stamped or engraved thereon, whether the coin has or has not been thereby diminished or lightened.

Calling-in of currency.

17. (1) The Governor may, by proclamation issued with approval of the Secretary of State declare that any currency notes or coins shall cease to be legal tender and provide for any matters incidental to the calling-in of such notes or coins, and any such proclamation shall have effect as from the date thereof or such later date as may therein be specified:

Provided that the holders of any such notes or coins shall be entitled within such period as may be specified in such proclamation, or in any subsequent proclamation issued by the Governor with the approval of the Secretary of State, to claim payment from the Board of the face value thereof.

(2) When any currency notes or coins are called in in accordance with subsection (1) the Board at its discretion may transfer from the Fund to the General Revenue of the Islands, ten years after the date of such calling-in an amount equivalent to the value of any such notes or coins still remaining in circulation:

Provided that the Board shall have the right to recover from the said General Revenue an amount equivalent to the value of any such notes or coins presented for payment thereafter.

Mutilated etc.
currency.

18. No person shall be entitled to recover from the Board the value of any lost, stolen, mutilated or imperfect currency note or coin, or of any coin which has been illegally dealt with. The circumstances and conditions under which such value may be refunded as an act of grace shall be within the absolute discretion of the Board.

PART III: OPERATIONS

Permitted operations.

19. The Board may —

(a) open accounts for and accept deposits from local banks

- or from the Government of the Cayman Islands;
- (b) open and maintain accounts with local banks and with the Treasury of the Islands;
- (c) with the approval of the Governor open and maintain accounts with such banks and other depositories outside the Islands and appoint such correspondents or agents outside the Islands as may be necessary for the effective operation and management of the Fund;
- (d) buy and sell securities of or guaranteed by the Government of the United Kingdom, the United States of America, the Government of Canada or of the islands within the limits and subject to the conditions imposed by subsection (3) of section 4;
- (e) promote the establishment of bank clearing systems and provide facilities for the clearance and settlement of transactions between commercial banks;
- (f) grant loans or advances for fixed periods not exceeding one month on such terms and conditions as the Board shall determine to any bank for which the Board has opened an account under paragraph (a) against the security of any of the following assets —
 - (i) gold coin or bullion;
 - (ii) government securities issued under the Public Loans Law;
 - (iii) such guarantees from banks as the Governor may approve;
 - (iv) such other assets as the Governor with the approval of the Secretary of State may permit:

Provided that any loan or advance granted on any such security shall not exceed seventy-five per centum of such security's current market value.

Law 10 of 1976.

Prohibited operations.

20. The Board may not —

- (a) grant advances of any kind other than as provided by paragraph (f) of section 19;
- (b) open accounts for or accept deposits from persons other than as provided by paragraph (a) of section 19;
- (c) buy or sell or invest in securities, or open or maintain accounts, denominated in currencies other than sterling, United States of America dollars, Canadian dollars or Cayman dollars.

PART IV: MISCELLANEOUS

Publications of accounts and annual report.

21. (1) The Board shall cause to be published by Government Notice as at 30th June and 31st December of each year a statement of the assets

and liabilities of the Board together with a list of the securities and other assets held by the Fund.

(2) The Board shall submit annually to the Governor and the Secretary of State, not later than the 31st March, a report on their transactions during the previous year, including a balance sheet and income and expenditure accounts as at 31st December.

(3) The accounts of all transactions of the Board shall be audited by the Auditor General of the Islands.

Regulations.

22. (1) The Governor may with the approval of the Secretary of State make such regulations as are required for the better carrying into effect of the provisions of this Law.

(2) Regulations made under the repealed Cayman Islands Currency Law, 1971 (Law 19 of 1971) shall remain in full force and effect until revoked by regulations made under this Law.

Income tax and stamp duty.

23. The Board shall be exempt from the provisions of any law in force from time to time relating to Income Tax; and shall not be liable for payment of stamp duty or any other tax in respect of its notes and coins.

Certification by Commissioners.

24. (1) In any proceedings in which the genuineness of any currency note or coin purporting to have been issued by the Board shall be in question a certificate under the hand of one of the Commissioners to the effect that such currency note or coin is spurious shall be received in all courts of law as conclusive evidence of the spuriousness of such currency note or coin.

(2) The Commissioners shall not be examined or cross-examined with respect to any such certificate.

(3) Such certificate shall be in the following form —

“This is to certify that I have personally examined the currency note/coin shown to me and marked purporting to be a currency note/coin of the following description and that the said currency note/coin is spurious
Commissioner of Currency.”

Mutilating or perforating coins.

28. Without prejudice to the provisions of any other law whoever, without lawful authority or excuse (the proof whereof shall be on the person accused) mutilates or perforates with holes any coin which under this Law is made legal tender in the Islands shall be guilty of an offence and shall be liable on summary conviction to a fine not exceeding one hundred dollars or to imprisonment for a term not exceeding three months or both.

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