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Barbados’ journey as a preferred domicile for global business progressed during 2018 with Barbados receiving confirmation that it has met international standards of tax transparency, fairness and the combating of financial crime such as tax evasion. Barbados continues to cooperate with the OECD to meet ongoing requirements, while maintaining open dialogue with the EU and working towards improving standards.

Also, during 2018 Barbados converged its corporate tax regime and introduced a new law requiring companies to pass an economic substance test in order to qualify as resident for tax purposes. This revised tax regime should deliver a competitive advantage to Barbados, while the economic substance test entails demonstrating local physical presence and economic activity via, for example, staff, office space and expenditure.

Barbados, with its double tax treaty network, well-regulated business environment, global communications network, modern infrastructure, pool of graduates from the University of the West Indies and focus on improving ease of doing business, is well positioned to capitalise on these competitive advantages and benefit from the growth in demand for domiciles of substance.

On behalf of the editorial team, I invite you to consider the attractive value proposition Barbados will offer your organisation, when you make it your domicile of choice.

With very best wishes
James Gardiner
It is with much pleasure and some excitement that I welcome you to the 2019 edition of this magazine. In December 2018, my Government grasped an opportunity to converge our domestic and international taxes and do away with ring fences and special regimes. We are one of the first countries in the region and beyond to do so. Among OECD-compliant, non-zero tax jurisdictions, Barbados now has the lowest corporate tax rates in the world for any business – local or international. We made a choice to look out, not in. The world is our business and our business is the world. I look to the future with excitement and enthusiasm. My government is working hard to create a more diversified, knowledge-based, world-beating economy that comprises the export of high-value professional services in our financial, business and tourism sectors and also in new high-tech and creative sectors.

We have a renewed purpose to engage the world. We have recently revised and strengthened the country’s suite of business legislation. Our new Planning and Development Act has collapsed the time frame to a decision of just 16 weeks, down from more typically 100 weeks, and a new disposition to development. We no longer say “no” with little explanation, but a “provisional no”, with a list of actions that if accepted would immediately turn a “no” into a “yes”. We are working on a system of approvals for fiscal incentives that will now take just a few days rather than several months. We are completely reorienting and modernising the public sector through the digitisation of processes, permits and records.

In addition to our sustained attention to traditional sectors, Barbados is open to all other sectors that have the potential to advance the nation’s development through high-skilled, high-wage activities. Innovative and promising sectors such as medical tourism, global education services and Fintech, are among some of the exciting opportunities that my government fully embraces. Barbados recently welcomed to its shores the acclaimed Ross University School of Medicine, a subsidiary of the US-based Adtalem Global Education, and the fourth such institution currently operating in the country. The Government has a goal of the country becoming fossil-fuel free by 2030 and this has dramatically spurred private investments in solar energy and battery storage. The country already has one of the highest numbers of electric cars and charging stations per capita. The island is home to the first blockchain start-up in the Caribbean, Bitt Inc. The jurisdiction has since attracted a number of other fintech companies and we launched one of the first regulatory sandboxes in the region last October to fast track the regulation of new products.

Equally important, is preserving Barbados’ appeal as an ideal place to live and play as well as work. We are reinforcing and building on important brand attributes including the country’s high quality of life, educated workforce, political and social stability, as well as both personal and cyber security. We know that it is our people, with their unique charm, intellectual curiosity and friendly, welcoming spirit that makes Barbados the gem that it is.

Barbados is becoming better equipped, better prepared and better poised to play a leading role in the ever evolving global business sphere. This can only be achieved with all hands on deck; both public and private sector working in collaboration. The degree of social partnership in Barbados is legendary and it is a result of strong collaboration across Government, business and labour unions that we were able to launch a steep economic adjustment programme last year that is already bearing fruit. In just one year our debt to GDP ratio has fallen from 175% to 125%, a decade of fiscal deficits has been reversed into the first surplus in a long while and our foreign exchange reserves have almost trebled. Our dollar and social services are once more safe and sound. Together, we will realise our vision of Barbados as a premier centre for global business. Come, join us!

The Hon. Mia Amor Mottley
Prime Minister of Barbados
Welcome to the 2019 edition of the Barbados International Finance and Business Magazine!

The past year has been one of change and renewal. At the domestic level, the new administration has taken on the task of refocusing and transforming the economy through the implementation of several bold initiatives, including the introduction of a new corporate tax regime. Globally, uncertainty around Brexit, ongoing issues related to Base Erosion and Profit Shifting (BEPS), de-risking and AML/KYC requirements continued to occupy the attention of investors, regulators and practitioners in particular.

This notwithstanding, Barbados continues to build on the steady progress achieved over the years. Effective 1 January 2019, Barbados, among other actions, converged its corporate tax regime in response to the BEPS Action 5 Initiative regarding harmful tax practices. We anticipate that new paths will be charted in 2019 and that, buoyed by a more competitive tax regime, Barbados companies will seek to expand the range of global services offered from the country. Invest Barbados looks forward to ongoing collaboration with the industry in promoting the country’s enhanced value proposition in our main markets of Canada, USA and the UK, as well as in Latin America, in particular, Mexico and Colombia as well as in Africa and Asia, specifically China.

As we engage the world, our primary objective will be to secure additional global business of substance in those sectors where Barbados maintains a strong competitive advantage. Specifically, we will target wealth management, insurance, information communication technology and niche manufacturing, among others. At the same time, we are redoubling our efforts in other growth sectors, including the burgeoning area of global education services.

Additionally, medical tourism which has been identified as offering significant potential for Barbados, continues to engage our attention. The renowned Barbados Fertility Centre, a Joint Commission International accredited facility, is just one example of the quality service that is being delivered from the country; the type of quality which Barbados intends to replicate in the provision of other specialty medical tourism/health services. Our aim is to ensure that as a country, we deliver on high performance.

The vast potential of the fintech industry and its multiple applications – from stocks and bonds to real estate- are addressed in a number of articles in this edition of the BIF&B. Following the establishment of Bitt, a domestic blockchain start-up, international companies such as the Aion Foundation, Shyft and Polymath have set up operations in Barbados. As the relevant authorities seek to further enhance the regulatory framework, with the recently introduced sandbox regime, Invest Barbados continues to identify additional opportunities to promote the country’s value proposition in this area and to ensure sustained development of the domestic fintech sector.

Strengthening our financial infrastructure is but another opportunity we embrace. We will therefore, along with key partners, review the challenges currently facing the sector and design solutions which reposition Barbados as a premier centre for global business. Additionally, we will aim to attract digital first banks over the medium term.

Business facilitation remains high on the agenda. Through Invest Barbados’ active customer care programme, existing clients are assured of the Corporation’s ongoing commitment and support in addressing their respective needs. Invest Barbados also continues to collaborate with other public and private sector stakeholders to improve the ease of doing business in the country and, therefore, applauds the government’s initiative to fully digitise certain critical processes and procedures aimed at simplifying and streamlining several important business functions. Once implemented, the new systems are expected to further enhance the country’s ability to attract and retain businesses of substance.

Improving transparency is also an identified important benchmark. Currently ranked 2nd in Latin American and the Caribbean, and 25th in the world, according to the Transparency International Corruption Perception Index, it is anticipated that with full digitisation and greater transparency in vital processes, Barbados’ ranking in this index will improve. Invest Barbados looks forward to working with our strategic partners in achieving this and similar objectives aimed at improving the country’s global competitiveness.

We invite you, our valued readers, clients and partners to peruse the articles in this publication. Invest Barbados also extends a special invitation for you to grow with us, as we engage the world!

John Williams
Chairman
The Impact of BEPS on the International Shipping Sector and Potential Business Opportunities for Barbados

The OECD’s Base Erosion and Profit Shifting (BEPS) project is being implemented through a mixture of domestic legislation and amendments to international treaty obligations. Although the shipping industry is not the primary target of the BEPS project, it is being affected by the new laws and policies recently introduced by the members of the Inclusive Framework. Set out below are some of the relevant actions impacting the international shipping sector.

**Action 6 - Prevention of treaty abuse**

This action restricts the availability of double taxation treaty benefits, in circumstances where the company claiming the benefits of the treaties have limited connection, or economic substance, in the jurisdictions in which those treaty benefits are being claimed.

The relevance of this is strengthened by the fact that the adequate exercise of central management and control, within a jurisdiction, is no longer sufficient for the purposes of establishing economic substance.

**Action 7 - Artificial avoidance of permanent establishment**

This action affects the way international shipping companies have structured their business models in the past. Generally, international shipping companies segregate ship owning, managing, chartering and operating activities, in order to limit their exposure to civil liabilities. These business models can now lead to the creation of additional permanent establishments around the world. As a result, shipping companies are now redesigning their existing business models towards simplification, centralisation and digitisation.

The relevance of this is strengthened by the fact that permanent establishments are high on the agenda of tax authorities around the world, which is resulting in more profits being taxed in onshore jurisdictions.

**Action 8 - Transfer pricing to align with value creation**

This action is aimed at allocating taxable profits in line with value chain creation within the group and is resulting in disagreements regarding whether value is created by the risk capital invested in a shipping company, or by the human capital involved in the management or chartering arm.

Shipping companies are currently monitoring how international financial centres (IFCs) address those external challenges in an efficient manner. As an IFC, Barbados offers a wide range of business opportunities for the sector due to a number of attributes, including the following:

**Tax treaty network**

Barbados has a tax treaty network comprising 40 countries, with the majority of these treaties based on the OECD model. Article 8 of the OECD model treaty provides that profits from the operation of ships in international traffic should be taxable only in the country in which the effective management of the enterprise is situated. By means of double taxation agreements containing this article, shipping companies may, in many cases, ensure that the majority of their shipping income is only taxed in their country of tax residence, even if they have a permanent establishment in another country under the ordinary rules.

**Attractive corporate tax rates**

The announcement of new corporate tax rates on a reverse sliding scale of 5.5% to 1% for fiscal years beginning 1 January 2019, is very attractive for the international shipping sector.

**No capital gains taxes**

Another key benefit to the shipping industry is the absence of capital gains taxes in Barbados.

Barbados continues to demonstrate its ability to remain an attractive jurisdiction for the shipping sector, while instituting the necessary measures to comply with OECD and EU requirements. ✴
Is Ring Fencing Really Harmful?

by Gregory Smith

The Organisation for Economic Co-operation and Development (OECD) developed guidelines on “Harmful Preferential Tax Regimes”, to discourage the spread of preferential tax regimes, and encourage countries with such regimes to eliminate them. Among others, the Exempt Insurance regime in Barbados was identified as potentially harmful, and the country chose to commit to change, rather than seek to defend the existing structures.

This article examines the question: “Is ring-fencing really harmful?”

It is worthwhile to examine the OECD’s stance with respect to the issue of ring-fencing and its alleged negative impacts. The OECD argues that ‘harmful’ tax regimes have ring-fenced select, substantial revenue generating activities, allowing them to be subjected to either low, or no taxation.

The fact that a country feels the need to protect its own economy from the regime, by ring-fencing, provides a strong indication that it has the potential to create harmful spillover effects.

While legislation in Barbados may meet the criteria, established by the OECD, to be classified as facilitating ring-fencing, it is useful to do some analysis to determine whether the effects, as suggested by the OECD, are harmful.

The OECD, in its first report on “harmful tax competition”, claimed that low, or zero tax rates could be “harmful”, if used in conjunction with other “harmful practices”, such as:

- Ring-fencing
- Lack of transparency
- Lack of information-sharing between tax authorities
- Shifting resources, and hence economic activity, away from high and towards low-tax countries.

The fact that OECD members, Switzerland and Luxembourg, refused to endorse the initial report, on the grounds that it described their laws allowing “ring-fenced” low tax rates as being harmful, is noteworthy. This argument is essentially saying that low taxes are “harmful” because they attract mobile productive resources from high-tax countries. Resources typically move to where their general overall rate of return is the highest, and tax treatment is only part of the long list of variables which will be taken into consideration by investors.

To say that a jurisdiction’s low taxes are “harmful”, because they shift mobile resources in their direction, is much the same as saying that low wages in, say, China are “harmful”, because they shift resources, and hence economic activity, away from high-wage Europe to low-wage China. Such things constitute competition, but it is not harmful competition, because it does not distort the overall allocation of resources. Thus, as far as wage differentials are concerned, China, for example, attracts resources into labour-intensive industries, while Europe attracts resources into capital-intensive sectors. Far from being inefficient, this shift of resources is generally considered to be positive and in line with comparative advantage.
The Contact Hub was founded on the premise of delivering international quality service and support to domestic, regional and international companies, enabling them to compete globally with internationally vetted, quality business processes, resources, technology and systems. The Contact Hub brings over 20 years of international business experience, with some of the largest organisations in the world, in the areas of:

- Business Process Consulting
- International Marketing
- Contact Centre Set up
- Contact Centre Management.

For example, our client, headquartered in India, is a small international retailer with supply and sales support offices in the Pacific and the Caribbean. Changing market conditions led to the need to cut costs significantly, by at least 30%, while maintaining world-class customer service. The client contracted the Contact Hub to provide contact centre and sales processing services from Barbados.

The USA-based customers are able to converse with Barbados customer service representatives in their native English language, operating in a similar time zone and sharing a strong cultural affinity, while enabling the client to cut operating costs by 40%.
Barbados: Adapting to Change

Barbados remains an attractive and mature centre for global business and, after more than a half century of providing financial services, is a high-quality jurisdiction for international business and investment. With a well-educated population and extensive infrastructure, the country remains attractive to several categories of investors. This is enhanced by a significant and ever-expanding tax treaty network and by professional regulators across the industry. Barbados continues to meet its international obligations to the Organisation for Economic Development and Cooperation (OECD), recently restructuring the country’s tax system and retooling the international business sector to comply with new international tax standards and avoid being deemed “a harmful tax jurisdiction” by the OECD.

Barbados is well advanced in implementing minimum standards to combat Base Erosion and Profit Shifting (BEPS), as mandated by the OECD and agreed to by over 125 countries. This is to minimise the chance for tax payers to shift their profits from higher tax countries to low or no tax countries, where they have little to no economic activity. This endeavour should result in increased tax revenue and technical knowledge for all countries involved, but the one size fits all solution may not always be the right answer. Whether about tax compliance or anti-money laundering, the international rules are continually set and changed by developed countries that dictate the rules of engagement, sometimes without careful consideration for smaller developing countries.

Like so many other international compliance initiatives, the BEPS initiative is a creature of the G20, who mandated it and tasked 44 developed countries with creating and implementing the policies and rules that are now being implemented globally. It was only as implementation loomed that formerly excluded countries were invited to join an “Inclusive Framework” to have input into the implementation of the BEPS minimum standards. This was after the rules and policies were already set by the BEPS 44 Group, without significant regard to the different needs and priorities of developing countries.

Many developing countries already had existing deficiencies in their domestic tax systems, lack of capacity building and training and, more importantly, considerably less resources than developed countries, to dedicate to complying with the new global standards. It should be noted that while the OECD pledged technical support with BEPS implementation, there would be no financial assistance offered to further the effort for developing countries now caught up in global implementation.

The OECD, World Bank and International Monetary Fund have all recognised that developing countries rely more heavily on corporate income tax and the use of tax incentives to attract foreign investment. They also concede that more study is needed on the possible negative effect of BEPS implementation in these areas. Ironically, this is as countries are already in the implementation phase.

The USA, UK and Australia have all taken the unilateral decision to address profit shifting issues through passage of their own domestic laws, much to the chagrin of the OECD. This lends even more credence to the idea that a universal approach may not be the best solution and shows a differing of ideas among developed OECD countries.

So here we are in 2019, having enacted legislation to amend or abolish some of our financial laws, while creating new ones, including the Business Companies (Economic Substance) Act, to enforce substance rules. Barbados continues to move forward in enhancing its regulatory regime and providing a stable and efficient environment for businesses of substance, while striving to become a premier hub for global business.

*
Cryptocurrencies, Blockchain Technology and the Real Property Market: The New Age

by Lily Dash

Cryptocurrency is the peer-to-peer transfer of digital currency in which encryption techniques, independent of a central bank, are used as a regulatory system, based on blockchain technology. The blockchain essentially acts as an instant and permanent record keeper which verifies transactions via a network of computers. Let’s think of cryptocurrencies, then, as programmable money. Focusing on the underlying distributed ledger technology (DLT), blockchain technology is regarded as providing a low-cost, high-speed rail for moving money and title in a new tokenised form. Tokenisation may be used to convert the value/title of physical assets into a digital form, enabling the division of ownership into a given number of tokens. These digital assets, deriving their value from an external asset, such as commercial real estate, have the ability to be traded, and are regarded as security tokens which must comply with securities regulations that are consumer protecting. The security tokens can be thought of as programmable ownership.

Why Does this Matter for the Real Estate Industry?

The real estate industry currently relies on an inefficient loop between attorneys, financial institutions and real property agents, which makes transactions slow and cumbersome. This inefficient loop stems from lack of guarantees of trust between parties, escalating cost by as much as 10%. Blockchain technology, specifically the use of smart contracts (software that is triggered when certain conditions are met), can revolutionise this process, while complying with legal requirements. The smart contract code facilitates, verifies, and enforces the negotiation or performance of an agreement or transaction. If and when the predefined rules are met, the agreement is automatically enforced. The nature of smart contracts, which may then be self executing, limits the need for third-party involvement, further reducing costs and time to completion.

Beyond those improvements, ‘Proptech’ can significantly expand access for ordinary investors to benefit from higher-yield returns. Currently, very few investment opportunities exist beyond a very wealthy sub-class, with most persons being limited to investments in private real estate, through traditional means, with poor liquidity. Mega commercial real estate projects, which are amongst some of the highest return-yields, require a significant capital injection beyond the capacity of most citizens. Tokenisation through projects like ‘REXY’ creates a bridge for fractional ownership in real estate, which makes a multi-million-dollar investment project a possible investment vehicle for many smaller investors.

This regulatory approach focuses on having no more, and no less regulation, than is required to avoid consumer vulnerability and eliminate systemic risks, while enabling innovation.
New Regulatory Frameworks and Barbadian Developments

These new technological advancements, which can massively expand access, nonetheless require a responsive and enabling legal framework, modified to this changing landscape. Some rules are no longer fit-for-purpose, and regulators and innovators in the tech space are moving feverishly to address this misalignment. The Financial Services Commission in Barbados and the Central Bank, in consultation with a working group, has created new financial regulations applicable to digital assets and proposed new regulatory sandboxes for individual products. This approach focuses on having no more, and no less regulation, than is required to avoid consumer vulnerability and eliminate systemic risks, while enabling innovation. Modifying the legal requirements of the Stock Exchange to cover new digital assets, as well as ensuring compliance with anti-money laundering and know-your-client requirements are particularly necessary modifications to bring the law into this new era, which regulators in Barbados have already begun tackling.

These developments in Barbados regulatory framework and new fintech/proptech businesses provide robust new promising investment opportunities.

The emergence of cryptocurrencies and the underlying blockchain technology are promising developments for a more financially inclusive world. The concept of communities financing communities can be transformative, for investors, businesses and states alike, provided the law keeps pace without slowing down innovation. This new state of affairs, however, requires responsive and adaptive regulatory frameworks that provide legal protections for consumers and a conducive operating environment for businesses. These developments in Barbados’ regulatory framework and new fintech/proptech businesses provide robust new promising investment opportunities.

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For more information please contact:
Barbados
Marla Robinson | Tel: +1 246 430 3878
marla.robinson@bb.ey.com

Marilyn Husbands | Tel: +1 246 467 8601
marilyn.husbands@bb.ey.com

Caribbean Tax Desk - EY New York
La-Tanya Edwards | Tel: +1 212 773 3188
la-tanya.n.edwards1@ey.com

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International Business Opportunities: Barbados and China

by Nancy Carroll

China is the world’s largest economy, measured by purchasing power, and the second largest, by GDP. Barbados has a double taxation treaty and an investment protection treaty with China. There is a mutual visa waiver agreement and strong diplomatic relations with embassies in Beijing and Bridgetown. China is also investing in Barbados.

There may be significant international business opportunities between Barbados and China in several areas, including infrastructure, technology, fintech, digital payments, captive insurance and global business services, among others.

Infrastructure: China’s Belt and Road Initiative

Launched in 2013, China’s Belt and Road Initiative (BRI) is the country’s largest foreign policy initiative. It is intended to transform global commerce by building a modern day Silk Road, connecting China with Asia, Europe and Africa through a series of infrastructure projects, some of which, under the BRI, China has already invested in around the world, over the past five years.

Recently, the BRI has been expanded to include Latin America and the Caribbean. In January 2018, China and the Community of Latin American and Caribbean States signed a special declaration on the BRI. Potentially, there could be increased opportunities for Chinese investment in Barbados infrastructure projects for airports, ports, bridges, hospitals and hotels, and also for access to the Chinese market for Barbados goods and services.

Technology

The Barbados Government wants to utilise technology in transforming the country into a global business hub. Since Barbados is focused on technology as China seeks international technology partners, there may be opportunities to attract Chinese technology manufacturing and R & D. China launched its strategic plan, “Made in China 2025”, in May 2015, to accelerate the transformation of China from a manufacturing power, to a leading technology power. The plan focuses on 10 high-tech fields, including high-end numerically controlled machine tools and robotics, new information technology and biotechnology, areas previously dominated by foreign companies.

According to the Chinese Ministry of Industry and Information Technology’s report, on The Implementation of “China Manufacturing 2025”, one of China’s next steps is to promote international exchange and co-operation, to align “China Manufacturing 2025” with the industrial development strategies of international partners, through bilateral or multilateral co-operation mechanisms and enhance international co-operation in smart manufacturing.

Digital Payments

Barbados could also gain insight from China in the area of digital and mobile payments. Widespread adoption of popular Chinese mobile payment apps, such as Wechat and Alipay - which are run by two of the world’s most successful companies, Tencent Holdings, Ltd. and Alibaba Group Holding, Ltd., respectively, has resulted in China being recognised as a global leader in mobile payment transactions. These apps have enabled users to go straight from cash to smartphone, leapfrogging the use of credit cards and cheques. The Barbados Government has already embraced a locally developed mobile payment app to facilitate mobile payments.

…with its relatively larger population and access to a steady pool of university graduates and management and accounting professionals, Barbados captive insurers can employ Barbadians at local costs, rather than needing to recruit abroad at global market rates.
Captive Insurance

There may be significant opportunities for the Barbados captive insurance market with Chinese companies looking to establish wholly-owned subsidiary companies to insure the risks of the parent company, or a group of related companies, and save on their long-term insurance costs.

While insurance captives are well-established international business entities, until recently, the use of such structures by Chinese companies has been limited. The growth of private sector Chinese corporations with international assets and their adoption of international business practices of formal risk management, risk transfer and risk financing, have created an increased interest in captive insurance. As Chinese companies consider potential international captive insurance jurisdictions, there could be opportunities for Barbados’ captive insurance sector to build on the country’s tax treaty network and strong diplomatic relations with China, to promote Barbados’ significant advantages as a captive insurance jurisdiction for Chinese entities.

Barbados is one of the top 10 captive insurance domiciles in the world; it is the largest for captives owned by Canadian companies and is a significant player in the USA, while continuing to expand its reach in Latin America, particularly Mexico. Barbados has a reputation for integrity as an international financial centre, and an established track record as a captive insurance domicile since 1983. Compared to other nearby captive insurance jurisdictions, like Bermuda and Cayman Islands, the costs of having a captive insurance company in Barbados may be significantly less - with its relatively larger population and access to a steady pool of university graduates and management and accounting professionals, Barbados captive insurers can employ Barbadians at local costs, rather than needing to recruit abroad at global market rates.

Significant Long Term Opportunities

China represents significant international business potential for Barbados. Pursuit of these opportunities will require patience, a long-term view and prudent planning. The risks and benefits of proposed investments will need to be considered, based on careful diligence, and an understanding of both Barbados’ and China’s policy goals. Barbados may also need to navigate sensitive US-China trade issues.

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One of the old Sanskrit sayings intones: “You are what your deep, driving desire is; as your desire is, so is your will; as your will is, so is your deed; as your deed is, so is your destiny.” It is against this insightful backdrop, that one may seek to understand and to explain an evolving ethos of the international business sector; and of those who remain glued, symbiotically, as actors within that sector. In essence, the manifest challenges have been linked to responses for both players and performers within the system. Crisis and opportunity have been manifested as the ongoing operational constructs.

When Barbados signed a renegotiated Double Tax Treaty with the USA in the early 1980’s, by the grace of good fortune, it was given a special opportunity for systemic success - the United States Excise Tax exemption. That opportunity allowed for the start of a local exempt insurance industry and resulted in the establishment of a small, but extremely significant number of very important exempt insurance companies. The joy and satisfaction was short lived, as technical correction legislation was soon introduced. Accordingly, Bermuda with its sophisticated congressional lobbying, was also able to level the playing field, and in a stroke of legislative ingenuity, it was able to obtain a Federal Excise Tax exemption, even though, as a jurisdiction, it did not levy taxes! Yet, despite the loss of some of those new and important entities, Barbados had created a new industry, and that Sanskrit equation of desire and will prevailed in harmonious balance.

Such a balance was again reflected upon Barbados’ execution of a Tax Information Exchange Agreement with the USA, when, in the penultimate decade of the 20th century, that form of bilateral tax cooperation took on a prominent presence. The main immediate advantages were threefold - the ability to be a situs for the US Foreign Sales Corporation, the opportunity to access the so-called Section 936 Puerto Rico development funds, as well as the unique capacity to locally host the conventions of US entities, with huge tax concessions to such entities. Once again,
jubilation and success were muted. The Foreign Sales Corporation became a new and very thriving industry, after local legislation had been formulated and passed within one month - yet, it was short lived as the hand that fed also showed its capacity to be the hand that starved, and that legislation advantage was taken away. Still, working professionals in the field, and the jurisdiction as a whole, appreciated the confluence of deed and destiny; particularly since the convention size for large US infrastructure was never locally established, and accessibility to 936 funds proved to be a nonviable option. The evolving national and individual consciousness was, however, one of recognising and appreciating the limits of success, and the abilities and capacity for insuring that success.

These early and primordial introductions to the world of international business have fabricated and fashioned a local world view, or weltanschauung, which recognises the sector as one which is dynamic and calls for close monitoring and guidance. It has made it easier for the Canadian Exempt Surplus advantage “corrections” to be understood and skilfully adjusted by our tax planning professionals. On the wider level, it has fashioned our national response to the early twenty-first century OECD strictures, through the ingenuity of our then Prime Minister, Owen Arthur’s principled and globally-negotiated broader response. The present and ongoing legislative rearrangements and readjustments, to the more recent European Union blacklisting, are part and parcel of this highly evolved, individual and national consensus of the Sanskrit association of will and deed. Such an evolved consensus can bring strength, understanding and decisive actions. In such a context, an approach to the vexed question of access to correspondent banking will surely result in an adequate national and regional response. While, from personal perspective, the early years have witnessed a presence in the trenches of that early warfare, a satisfied delight is now present, in the capacity as a careful and modest provider of experientially induced options, to the present day Mission Control. For our deeds remain our destiny, as the old truth succinctly, yet so subtly states and guides.※

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Has Barbados Found the Middle Path Approach to Foreign Investment?

by Robert Simmons

The classical theory of foreign investment posits that the more foreign investment attained is equal to the more economic development and growth a sovereign state would achieve. For small developing nations such as Barbados, implementing such a theory into practice was vital to realising goals envisaged at the time of its independence.

Committed to this approach, Barbados took the strategic step of introducing and, over the years, fine tuning corporate and tax legislation to meet both internal and external demands. This approach led to the creation of a unique international business sector which granted foreign investors access to offshore corporate vehicles exempted from various local taxes and a network of 40 double tax treaties. Through Barbados’ low tax approach to international business and ongoing implementation of various policy initiatives, this key sector continues to be one of transparency and substance that meets international standards.

BEPS Action Plan: The Goal Post has Shifted

Over the years, however, academics and international tax policy observers have argued that this classical approach to facilitating foreign investment failed to take account of its international consequences and created what the Organisation for Economic Co-operation and Development (OECD) and the European Union determined to be an environment which facilitated harmful tax practices.

Thus the OECD’s 2013 Action Plan on Base Erosion and Profit Shifting (BEPS) was created. The BEPS project comprises 15 Actions which aim to provide governments with domestic and international mechanisms to curtail tax avoidance so as to ensure that profits are taxed where the economic activities generating those profits are performed and where value is created. Following the Forum on Harmful Tax Practices (FHTP) review of Barbados’ Corporate Tax regimes, it was held that the jurisdiction had potentially harmful products and policies due to ring-fencing.

This issue was addressed by Action 5 of the BEPS inclusive framework which focused on improving transparency, requiring substantial activity for preferential regimes such as IP structures and arguably, the dismantling of any preferential treatment afforded within such regimes.

The Middle Path Approach to Action 5

The middle path theory on foreign investment posits that host states should formulate foreign direct investment policies in a way that sustains the classical approach to foreign direct investment, while alleviating tax policies which have been deemed to be harmful.

On the 21 November 2018, in direct response to Action 5, the Prime Minister of Barbados confirmed this approach by reaffirming the Government’s commitment to removing preferential tax regimes, while ensuring that benefits afforded to foreign investors would also be accessible to domestic companies through amendments to existing legislation and the creation of new legislation.

Accordingly, it was announced that the international business companies (IBCs) and international societies with restricted liability (ISRLs) legislation would be repealed and amended, respectively. Entities not licensed as such before 17 October 2017 would become the domestic equivalent on 31 December 2018, and entities licensed before 17 October 2017 could opt to remain IBCs or ISRLs until June 2021.

These recent developments serve to illustrate that whenever the goal posts may shift, Barbados will move swiftly to address the ever changing demands of evolving international standards in order to meet the needs of foreign investors.
These measures, along with other significant changes, ticked the boxes required to meet Action 5 of the OECD’s BEPS Project. However, to maintain a middle path approach, steps had to be taken to ensure that Barbados retained its appeal as a domicile of choice for foreign investors, albeit in a way that would not create a preferential regime.

To achieve this, it was further announced that Barbados’ domestic and international corporate tax rates would be converged on a sliding scale from 5.5% to 1%. Additionally, the introduction of a Foreign Currency Permit would provide corporations, societies and other entities that generate 100% of their income in foreign exchange, with the opportunity to receive similar benefits to those available under the previous regime.

**Certainty when Compliant and Well Regulated**

Barbados remains a compliant and well-regulated jurisdiction where domestic or international business can be conducted with certainty. Investors continue to benefit from the following:

- A competitive domicile with an excellent quality of life
- A double tax network with 40 treaties in force
- Corporate vehicles under which residency is easily determined
- A jurisdiction of substance and transparency whose regulatory measures fall in line with international standards including those of the OECD
- A jurisdiction providing attractive solutions for efficient business structuring.

These recent developments serve to illustrate that whenever the goal posts shift, Barbados will move swiftly to address the ever changing demands of evolving international standards in order to meet the needs of foreign investors.
Tax Convergence Brings Benefits for Foreign Investors

by Maria Robinson

In Barbados, the entities known as the International Business Company (IBC) and the International Society with Restricted Liability (ISRL) are now things of the past. Additionally, when certain grandfathering provisions expire on 30 June 2021, the IBC and the ISRL will disappear from the island’s business landscape forever. In essence, these two entities, which have been mainstays of the island’s international business sector for more than 40 years, will simply become regular business companies (RBCs) and SRLs.

These changes are part of a raft of new legislation that the Government enacted on 31 December 2018. The new legislation ensures compliance with the island’s commitment to implementing Action 5, one of 15 action items, established by the Organisation for Economic Co-operation and Development (OECD), to curb Base Erosion and Profit Shifting (BEPS) worldwide.

Perhaps the most innovative and far reaching of these legislative changes – indeed, some have described it as a “gutsy move” – is the Government’s decision to establish one set of corporate tax rates. In doing so, it has dismantled the “ring-fencing” which enabled former internationally licensed entities to enjoy far lower tax rates than local companies. This two-tier system has long been a bone of contention with the OECD.

The good news is that the convergence has greatly reduced the tax rate of domestic companies, which stood at 30%, rather than drastically raising the low tax rate previously enjoyed by IBCs. As the accompanying table shows, the highest rate of tax for what we know as a regular business company is only 5.5%.

**Corporation Tax Rates**

For fiscal years beginning 1 January 2019, all corporate entities – except those that are grandfathered – will be taxed on a sliding scale as follows:

<table>
<thead>
<tr>
<th>Taxable Income (BBD)</th>
<th>Rate %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to &lt; $1 million</td>
<td>5.50%</td>
</tr>
<tr>
<td>&gt; $1 million to &lt; $20 million</td>
<td>3.00%</td>
</tr>
<tr>
<td>&gt; $20 million to &lt; $30 million</td>
<td>2.50%</td>
</tr>
<tr>
<td>&gt; $30 million</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

The new low tax rates, which show only marginal increases to what former IBCs enjoyed, reflect the Government’s determination to maintain the island’s attractiveness as an international business and financial services centre. In addition, there is some optimism that lower rates will encourage local and regional companies to increase investment and employment.

So, will the new tax rates established through convergence, together with other legislative amendments, attract or repel new foreign investment? We believe the former.

To begin with, while at a glance the rates imposed on the international businesses appear to have increased, there has also been a significant change to the ranges of income to which the rates apply. This means that larger companies will likely acknowledge that the new sliding scale may increase their effective tax rate by a very marginal amount of less than 1%.
What is more, there are some specific benefits that were denied to IBCs and ISRLs that will now be available to them. One such benefit is that these international companies will no longer be restricted from doing business with locals.

Another benefit is access to the island’s network of double taxation agreements (DTAs). When the countries of CARICOM are included (they are governed by a single treaty) there are some 40 countries with which Barbados has established tax treaties. While domestic companies have benefited from these treaties in the past, IBCs and ISRLs were excluded, from a number of Barbados’ DTAs, given the tax advantages they already enjoyed.

A third benefit created by the new legislation is that RBCs will qualify for the Foreign Currency Permit if 100% of their revenues are in foreign currency. In other words, foreign investors won’t be disadvantaged by using the structure of what would have been once thought of as a “local” company.

Removing the ring-fence should also mean that foreign investors, in the form of regular business companies, can now “mesh” more closely with local companies and access local resources. The opportunity now exists also for domestic companies to showcase what they have to offer.

In summary, convergence and other legislative amendments should not diminish Barbados’ attraction and reputation as an international financial services centre. If anything, our reputation should be enhanced, since we are one of the first countries in the world to do this.

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FIRST PROVIDER CELEBRATES OVER 15 YEARS IN BARBADOS
Local Innovation, Global Offering – Distributed Ledger Technology, Digital Assets and Barbados

by Marlon Yarde and Terry Belgrave

Distributed ledger technology (DLT), a harbinger of the fourth industrial revolution, is set to rekindle, redress and revamp the nature of trust in the global economy. Barbados has actively embraced this technology and looks to further explore its capabilities in an effort to streamline business facilitation on the island.

Why Barbados?

Companies have always chosen Barbados for its traditional features – strong ICT infrastructure, political stability, flight interconnectivity, and the country’s high quality of life. Increasingly, however, it is Barbados’ welcoming embrace of DLT that is becoming yet another attractive feature. Barbados is now home to a number of DLT companies, including Shyft, Polymath and Aion, to name a few. All are committed to expanding their operations. All are committed to developing Barbados. The result - a dynamic, burgeoning ecosystem that has fostered both innovation and collaboration.

Why DLT?

To see why Barbados views DLT with such promise, it is helpful to consider the technology’s raison d’être - decentralising trust.

The Trust Paradox

Trust deficits explain why there is a need for referees in sports, legal systems for dispute resolution and clearing systems for capital market counterparties. Trust is more than a concept – it is a fundamental construct that is an essential prerequisite for societal cohesion and (therefore) development.

Poor societies can be characterised by their broad lack of institutional confidence. This is in stark contrast to advanced economies, where faith is generally placed in the credibility and viability of their institutions. A fundamental need for trust in society gives rise to the importance of centralised, third-party intermediaries. These intermediaries, created specifically for their independence, are inherently appreciated for providing impartiality and valued consensus.

Decentralisation: The DLT Value Proposition

DLT’s most famous form of implementation, known as the “blockchain,” is set to re-engineer trust to unparalleled heights. By recording data onto a list of blocks – blocks that are sequentially linked using cryptography – blockchains can eliminate the need for a centralised, trusted counterparty. This list, or “ledger” of blocks, is stored and maintained by a network of users (known as “nodes”) that collectively validate each new block while keeping synchronised replicas of the entire ledger.
Barbados’ evolutionary embrace of distributed ledger technology, digital asset trading and business facilitation are welcomed developments – a tripartite coalescence, to be sure, that has helped to reposition Barbados as an innovative place to do business.

DLT, Digital Assets and Barbados

The Barbados Stock Exchange (BSE) believes that digital assets can be a game-changing offering. As these assets utilise blockchain technology, they allow for greater access to investment opportunities while providing enhanced trading, clearing and settlement. Prospective issuers should be mindful, however, of securities laws – both in their jurisdiction of domicile and in each of the jurisdictions in which they intend to raise investment capital.

The BSE views ‘security tokens,’ a particular type of digital asset, as both fit for purpose and vanguard in nature. Security tokens are analogous to contemporary securities - debt, equity and investment contracts. These tokens, therefore, find a natural fit within Barbados’ securities legislation – a reality that is of great comfort to the BSE’s regulator, the Financial Services Commission. The exchange is actively pursuing a trading engine for these assets, having already designed the rules and guidance for their listing and trading.

The BSE’s commitment to DLT adoption is part of a wider focus on transformative development. Barbados’ evolutionary embrace of distributed ledger technology, digital asset trading and business facilitation are welcomed developments – a tripartite coalescence, to be sure, that has helped to reposition Barbados as an innovative place to do business.

Barbados’ evolutionary embrace of distributed ledger technology, digital asset trading and business facilitation are welcomed developments – a tripartite coalescence, to be sure, that has helped to reposition Barbados as an innovative place to do business.

**CASE STUDY**

Ross University School of Medicine

Adtalem Global Education, the parent company of the Ross University School of Medicine, chose Barbados as the new permanent home of Ross University School of Medicine because of:

- the government’s pro-business stance and policies
- Prime Minister, Mia Mottley’s leadership, sense of urgency, and commitment to assist businesses in relocating to Barbados
- the community of highly educated Barbadians with technology and customer service skills
- international airlift and domestic services and facilities available to our academic communities.

In addition to the factors that made Barbados attractive to the Ross University School of Medicine, Adtalem Global sees Barbados as a natural location for our nursing school, to develop a nursing programme that could serve the entire Caribbean region. In addition, the large number of international financial institutions operating in Barbados make the island an appropriate regional hub for ACAMS - a money laundering prevention organisation with 70,000 members globally and 64 chapters - its newest chapter in Barbados.

Finally, the vibrant community and culture of Barbados makes it a perfect home for hundreds of students, faculty, employees and their friends and families. We are proud to call Barbados both a business partner and a second home.
Barbados’ Insurance Industry – OECD Compliant, Looking to the Future

by Kester Guy and Lynette Taylor

At the end of 2018, in an effort to further comply with the OECD’s Base Erosion and Profit Shifting (BEPS) initiative, Barbados made changes to a suite of legislation impacting the financial services sector. In late January 2019, it was announced that these changes had achieved the necessary results and Barbados was no longer under threat of a negative BEPS characterisation.

As expected, the impact of the BEPS initiative on the insurance industry has proven to be significant. On 1 January 2019, Barbados repealed its Exempt Insurance Act, Cap. 308A and amended the Insurance Act, Cap. 310, thereby converging the domestic and international insurance segments into a single regulatory regime.

One of the more significant changes resulting from the Insurance (Amendment) Act, 2018-52 (Insurance Amendment Act) was the delineation of regulated persons into three classes of licencees:

| Class 1 | Companies that underwrite related party insurance business |
| Class 2 | Includes companies underwriting third party business |
| Class 3 | Insurance intermediaries such as brokers, agents and salesmen; holding companies; management companies; loss adjustors and loss assessors |

Exempt Insurance Companies and Qualified Insurance Companies that were incorporated prior to 17 October 2017 may elect to preserve benefits under the legislation pursuant to a provision under the Insurance Amendment Act, up to 2021, subject to certain conditions. However, they may opt to transition at any time. For entities that transition, the Business Companies (Economic Substance) Act, 2018-41 is particularly relevant. Pursuant to this legislation, companies are expected to satisfy an economic substance test regarding relevant activity that they are carrying on in Barbados. The test involves an assessment related to the:

- Company being directed, managed and controlled
- Level of relevant activity
- Conduct of core generating activities.

The assessment of these factors includes a look at the number of employees in Barbados; the company’s expenditure and physical assets in Barbados; frequency of board meetings; quorum of directors being physically present in Barbados; and knowledge and expertise of directors to discharge the duties of the board.
Having made the most urgent changes to the legislation in order to achieve OECD compliance, attention has turned to the practical implementation, impact of the change and further enhancement of the regulatory framework and environment. The Financial Services Commission (FSC) is actively engaging the industry on an individual and group basis in order to provide updates and clarification on various matters, including on-going regulatory requirements. It is anticipated that there will be further fine-tuning of the insurance legislation, not merely to address lingering issues related to the BEPS transition, but more so, as the FSC enhances its risk based supervisory framework.

The framework envisions, among other things, simplifying certain provisions related to solvency requirements, reducing some of the encumbrances with respect to statutory funds and statutory deposits and broadly providing for capital requirements based on risks relative to the maturity of liabilities.

The FSC released a consultation paper in February 2019 outlining a case for much needed revision of the fees charged across the non-bank financial services sector. A key rationale for revising the fees is an intent to provide a more facilitative, responsive, regulatory regime. This includes upgrading relevant technology, expertise, and enhancing regulatory tools. Stakeholder engagement on this development was very productive, especially given the tremendous effort that was necessary by all involved to make the required transition in the limited time given.

The FSC is cognisant that from time-to-time emerging demands are made, and the resiliency of the sector will continue to thrive on a sound regulatory platform and rich stakeholder engagement.

For the next few years the focus will be on development and strengthening oversight of the non-bank financial services sector, including the insurance industry; thereby maintaining Barbados’ reputation as a well regulated financial services jurisdiction.

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Let’s Talk.
The Barbados Insurance Renaissance—Creating Opportunities for Economic Development

by Louisa Lewis-Ward

November 2018 heralded the revival and expansion of the Barbados Captive Insurance sector. The newly elected Prime Minister of Barbados embarked on a full tax reform initiative, which included the convergence of Barbados’ domestic and international tax platforms. For insurance companies, this resulted in the creation of several classes of risk, which determine the basis for taxation.

Effective 1 January 2019, the Exempt Insurance Act was repealed, and the Insurance Act has been amended, so as to incorporate the activities of insurance companies carried on previously under the Exempt Insurance Act. This means that all new exempt insurance business will be written in accordance with, and under the regulation of, the Insurance Act, Cap 310. For new captive insurance companies, a Foreign Currency Permit will be issued, to provide exchange control and other exemptions, which previously obtained in the industry.

The Financial Services Commission (FSC) reserves the right to determine the class under which each licensee should be registered, and in order to be licensed as Class 1 (under which most captive insurance entities will carry on business), the licensee must satisfy the FSC that it should be so classed by reason of:

- its structure or operations
- the nature of the intended relationship between the body corporate and its intended policyholders
- the interest of those policyholders
- the nature of the risk
- the level of regulation which is applicable to the risks associated with the insurance business.

Classes and Tax Rates

The Insurance Act has also been amended to provide for, inter alia, three classes of licenses, under which all insurance entities will be classified and regulated. The applicable tax rates are set out in the table below.

<table>
<thead>
<tr>
<th>Class</th>
<th>Activity</th>
<th>Tax rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Class 1 category</td>
<td>Insurance companies which restrict the business they can underwrite to related party insurance businesses. The FSC is to issue guidance as to the definition of ‘related party’</td>
<td>0%</td>
</tr>
<tr>
<td>Class 2 category</td>
<td>Insurance companies which underwrite or can underwrite third party business. Domestic insurance business is included under Class 2</td>
<td>2%</td>
</tr>
<tr>
<td>Class 3 category</td>
<td>Includes brokers, other intermediaries, insurance management companies, insurance holding companies</td>
<td>2%</td>
</tr>
</tbody>
</table>
Aion was founded when Matthew Spoke, Jinius Tu, and Kesem Frank left Deloitte’s Rubix blockchain division, which worked with global financial institutions to develop blockchain processes to attain new efficiencies. The team set out with a grand vision for the future of a truly decentralised secure network that people would utilise in a similar way to the internet.

The Aion team (originally called Nuco) partnered with Deloitte and built the Aion Blockchain Network that develops blockchain applications for their clients. The Network is an open source technology and, similar to others, like Linux and Apache, required a not-for-profit foundation structure to achieve its goals. Consequently, the Aion Foundation was created with headquarters in Barbados and offices and partners in Toronto, Shanghai, Romania, Israel and Kenya. As a result, Nuco became a subsidiary partner assisting the Foundation in achieving its overall goals. Additionally, this structure allows many like-minded companies to work with the core Aion team towards the common goal of a truly decentralised web.

Aion Foundation, Caribbean, is led by Roland Haggins, CARICOM Director, with a Barbados based team, many of whom are graduates from the University of the West Indies (UWI). The Foundation is committed to equipping UWI students with the necessary skills to become blockchain developers. Valuable support is provided by key partners including Mavennet, Bicameral Ventures, Kesho Labs (Kenya) and Deloitte, who each contribute various solutions such as software tooling to expand the network in line with the roadmap.

The Aion Foundation seeks to continue growing not only in size, but in achievements towards its overarching objectives. Aion saw the successful launch of its Mainnet network on 25 April 2018 and has successfully completed a bridge transfer of tokens between itself and the Ethereum blockchain. These feats are only the beginning, as the Foundation’s roadmap has the long-term objective to become a leader in the blockchain space as we all go through this decentralised paradigm shift in the world of technology.

**Benefits**

The Barbados captive insurance company will continue to facilitate access to low cost reinsurance, and, in many cases, continue to insure risks which may be viewed as difficult to insure. In addition, the benefits of asset and creditor protection remain.

The Barbados captive offers a way to reduce the insurance costs continually offered through the conventional insurance market, allowing for the accumulation of wealth and the ongoing provision of direct access to reinsurance markets.

The country continues to maintain the highest standard of regulatory oversight, through the FSC, and it is expected that the robustness of the sector will allow it to meet global compliance changes efficiently and effectively.

Barbados remains a competitive and resilient domicile in which to carry on captive insurance business.

**Economic Substance Requirements**

All of the elements of insurance activity should be carried out by the insurance company and the entity should bear the risks, from multiple group entities, commensurate with earning an appropriate premium. Barbados’ new economic substance guidance reiterates the need to have relevant oversight of the ongoing activities of the captive, which activities include claims management, actuarial reviews and the review of financial statements, among others.

The Barbados captive offers a way to reduce the insurance costs continually offered through the conventional insurance market, allowing for the accumulation of wealth and the ongoing provision of direct access to reinsurance markets.
How Legislative Changes Have Made Barbados the Island of Choice for International Wealth Management

by Paul Jenkins

Effective January 2019, Barbados harmonised its domestic and international corporate tax regimes.

This initiative, which overhauled a 40 year old tax structure, effectively eliminated a preferential low tax regime for international business entities, enabling compliance with the Organisation for Economic Co-operation and Development’s (OECD’s) Base Erosion and Profit Sharing (BEPS) requirements. As a result, Barbados avoided being placed on a ‘black list’ of countries non-compliant with OECD’s transparency and BEPS initiatives.

The harmonisation of tax rates was done in a manner that allows Barbados to remain globally competitive for international companies. Being a low tax jurisdiction that seeks transparency and co-operation has been paramount in the development of Barbados’ international business sector. In addition to these attributes, Barbados wisely established a substantial network of double tax treaties that have created a unique environment where captive insurance companies, insurance management structures and international companies can thrive successfully. The attractiveness of Barbados has further been amplified with the new legislative regime. Specifically, the amended Insurance Act will provide three classes of licenses; notably captive or ‘self’ insurance entities will continue to pay zero tax (with a minimal licence fee). In addition to this, companies engaged in global business will pay taxes on a sliding scale with rates levied at between 5.5% and 1%.

The island also boasts several Canadian financial firms that offer access to global custodians and capital markets, allowing individuals and entities to operate their captive, trust or family office wealth operations from a jurisdiction that adheres to international best practice standards. In addition to the favourable harmonised tax rates, the lower fixed costs of outfitting an office and the better access to necessary administrative skills sets (local accountants, actuaries, captive managers), relative to other international business jurisdictions, make Barbados a better and more cost-effective choice.

Treasury & Wealth Management

The evolved wealth management offerings in Barbados now offer access to global bond desks, and custodial relationships in North America where clients can access US treasury bills/notes, corporate notes and certificates of deposit from various North American companies with A-1 (S&P) short term credit ratings.

Effectively Barbados’ wealth management product has evolved to be as responsive, compliant and effective as wealth management operations in major North American cities, with equal access to globally recognised funds, equities, fixed income securities and commodities.

Wealth Management & Trade Finance

In a world where both speed and attention to detail are crucial, Barbados boasts international banks that offer a range of trade products and supply chain finance solutions which will help clients grow their cross-border trade strategies. Products offered from
Barbados’ shores include standby letters of credit that are National Association of Insurance Commissioners (NAIC) and Office Of The Superintendent of Financial Institutions (OSFI) approved. Standby credit facilities as well as bank guarantees are offered through select international banks with offices in Barbados. Working closely with the Trade Finance divisions of these international banks are wealth management executives that offer pledged portfolios or accounts comprised of equities and bonds that trade on major exchanges and are globally recognised. This strategy allows clients to access global market returns while still backing a letter of credit or standby credit facility. Investment return tends to be more robust when clients have access to conservative global bonds and equities.

Conclusion

International companies, along with ultra-high net worth persons and family offices, have financial affairs and investments that are complex. They demand sophisticated professional attention, along with wealth management products and services that are globally compliant with access to major international exchanges. The Barbados wealth management offering has evolved in line with the needs of global customers and the requirements of global regulators. Most notably, the intelligent legislative changes in Barbados propel this island destination to an excellence not easily achieved, and beyond that of other financial jurisdictions.

The harmonisation of tax rates was done in a manner that allows Barbados to remain globally competitive for international companies.
In 2008, the then Chairman of the US Federal Exchange, Ben Bernanke, took the unprecedented step of reducing interest rates to zero, in the face of the worst US recession in 80 years. What followed, was a sustained period of extremely low interest rates and a Fed-fueled bond buying programme, intended to inject liquidity into a fragile economy, in a process referred to as “Quantitative Easing.” A decade on, how do they recork the bottle and what does this mean for world markets?

In some ways, 2008 seems like a distant memory, but for some investors, the scars and sleepless nights seem like just yesterday. The housing crisis, built on repackaged debts, liar loans and the fallacy of ever increasing housing prices, elicited an equally dramatic response from the world’s central banks. That year, the Fed Funds rate was reduced seven times, from 4.25% to zero, and remained that way for the next seven years. The Fed purchased approximately US$3.7 trillion in bonds in their open market operations, designed to inject liquidity into the economy, while simultaneously supporting asset prices. The stock market, as measured by the S&P 500, declined to 676.53 in March 2009, but with interest rates at all-time lows, some of the excess liquidity flowed into equity markets, which ended December 2018 at 2,506.85! The US post crisis unemployment rate reached as high as 10% in October 2009. At the end of 2018, as the Trump administration is keen to remind us, it stood at multi-decade lows of 3.9%.

In 2015, the new chairman of the Fed, Janet Yellen, began the process of normalising interest rates. In December of that year there was a 25 basis point (bps) increase, followed in 2016 by a second 25 bps, telegraphed to cause as few ripples in the credit markets as possible. There were three more 25 bps increases in 2017, and four in 2018 under Yellen’s successor, Jay Powell, leaving the Fed Funds rate in a range of 2.25% -2.50%. The long term average is 4.84%.

As the Fed raises interest rates, it can have a myriad of varied effects on global economies. For longer term, fixed income investors, increasing rates are positive, since income is reinvested at higher rates. In the short to medium term, however, bond investors can experience negative returns, as rising rates depress the prices of their current bond holdings. This measure is also likely to depress the level of equity markets, as bond yields increase across the curve. Cash has become an attractive investment option, out-performing eight of the ten S&P sectors in 2018. In addition, short term liquidity becomes more expensive, from the interest rate on your preferred credit card, to loan payments on your brand new electric Tesla. These rate increases have also had a positive effect on the dollar which, itself, can act as a drag on emerging economies with outstanding US debt, as repayment in the local currencies become more burdensome. Increases in the cost of capital raise the risk of downgrades, or defaults for companies and countries which had gorged themselves on cheap capital. However, liquidity events from the simultaneous sale of downgraded securities can present opportunities for investors with the capital and acumen to take advantage.

Indeed, in the last decade, we have witnessed an unprecedented period of Fed activism. October 2017 marked the reversal of its easing policy, choosing not to reinvest 10 billion dollars monthly in interest payments and thereby slowly withdrawing liquidity from the economy. With a balance sheet of four trillion dollars and interest rates incrementing from 0% to 2.5% in the last three years, the question is, have they effectively retooled for the recession to come?

As we approach the tenth year of this bull market, investors are again employing all their senses in the alchemy of forecasting. Their divergent views on the Fed rate path, trade concerns and Trump administration policy will collide in what we expect to be a more volatile 2019.
Alexandria Trust Corporation

Alexandria Trust Corporation is a trust and corporate services administration boutique firm incorporated in Barbados in August 2002, and is duly licensed as a Part III financial institution under the Financial Institutions Act, Cap 324A of the laws of Barbados. Alexandria is regulated by the Central Bank of Barbados and caters to both international and domestic clients through its highly skilled team of legal, accounting and STEP professionals.

Wholly owned by Guardian Capital Group Limited (GCG), Alexandria is an institutional investment management company, whose shares are publicly traded on the Toronto Stock Exchange. Our clients are able to access international banking and wealth management services on the Group’s platform, by way of its Cayman Islands affiliate, Alexandria Bancorp Limited.

GCG selected Barbados as Alexandria’s home due to the country’s treaty network and access to skilled local professionals. Despite the changing dynamics in the international business sector in recent years, Alexandria Trust Corporation continues to utilise its boutique model, in providing its clientele with trusted, quality, and intimate service within the trust and corporate administrative arena and beyond.

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Simplifying Trusts in Barbados: Highlights of the New Regime
by Liza Harridyal Sodha

For nearly three decades, Barbados has been active in the establishment of trust structures and provision of trust services. Barbados has remained committed to updating its regulatory environment, based on current trends in the industry. The International Trusts Act (ITA), Cap. 245, when introduced in 1995, provided Barbados with a unique opportunity to be marketed as a stable, modern and comprehensive trust formation jurisdiction, with the added offering of asset protection, free of capital gains and estate duties.

There were three generally accepted types of trusts in Barbados, namely:

• Domestic trusts created under the Trustee Act, Cap. 250
• International trusts created pursuant to ITA
• Offshore trusts facilitated by the International Financial Services Act, Cap. 325 (now repealed).

Effective 1 January 2019, the ITA has been repealed and replaced by the Trusts (Miscellaneous Provisions) Act, 2018 (TMPA). Consequently, all international trusts created under the ITA shall be deemed to be created under TMPA. Trusts are no longer classified as domestic, international or offshore. The Trustee Act remains in existence and is also applicable to trusts set up under TMPA. Therefore, of importance, the amendment to the Trustee Act, introduced in 2012 to include reserved powers to settlors, remains unchanged. Further, TMPA recognises that the outdated provision, dealing with the Investment by Trustees, in the Trustees Act, does not apply to trusts set up under TMPA.

There are certain provisions of the ITA which were preserved in TMPA. TMPA allows for a maximum perpetuity period of one hundred years. TMPA retains the creation of purpose trusts for non-charitable purposes, with no ascertainable beneficiaries, and the appointment of a protector thereof. This form of trust tends to be widely and effectively used in complex business transactions. The trust is required to be registered with the Ministry of International Business and provides for the confidentiality of the registered details of the trust, with disclosure in certain instances set out in TMPA. More importantly, the new regime also preserves the asset protection element, and stipulates that no proceedings can be commenced later than three years from the date of disposition of assets. TMPA preserves the provision in determining the proper law of the trust, the effect of foreign law vis-a-vis Barbados laws on the trust.

Some notable differences are that TMPA stipulates that the trustee(s) of a Barbados trust must hold a valid license under the Financial Institutions Act Cap. 324A, or the Corporate and Trust Service Providers Act 2015-12. A beneficiary includes a bank licensed under the Financial Institutions Act and a charity registered under the Charities Act Cap. 243. There are no restrictions on the residence of the settlor or the beneficiaries, or the types of assets (movable or immovable) which can be held by the trust in Barbados.
While TMPA does not specifically provide for taxation of trusts, a beneficiary resident in Barbados will pay taxes on distributions made by the trust. Only income derived from Barbados will be taxable when distributions are being made to non-resident beneficiaries. Trusts created under TMPA that are both resident and domiciled in Barbados are subject to tax on worldwide income. Trusts that are resident, but not domiciled in Barbados are taxed on worldwide income, to the extent that the income is remitted to Barbados. The trust income will be taxed at current taxation rates in Barbados, but taxation may be alleviated by exploring the benefits of Barbados’ extensive network of double taxation treaties.

Interestingly, the Foreign Currency Permit Act, 2018 does not specifically include trusts as qualifying for the benefits of a Foreign Currency Permit (FCP). However, it may be the case that a trustee can apply for the FCP, as the trust itself is not considered as a legal person. Further, any underlying company can apply for the FCP, on the basis that it earns 100% of its income in foreign currency.

The new regime seeks to set a superior standard for the creation and administration of trusts by trustees in Barbados. It promotes certainty and broadens the opportunities for succession planning and asset protection. Trustees should be mindful of the provisions of the Business Companies (Economic Substance) Act, 2018 and the established principles of central management and control of the trust.
Barbados’ international business and financial services sector has contributed significantly to the economy, generating substantially more tax revenue than the domestic sector. Notwithstanding these past achievements, in response to the Organisation for Economic Co-operation and Development’s (OECD's) Action Plan on Base Erosion and Profit Shifting (BEPS) initiative, in particular Action 5 thereof, Barbados took decisive action to not only remain relevant, but to enhance its position in the current international business arena.

The BEPS Action 5 initiative was implemented to counter harmful tax practices, by effectively using transparency and substance. At its core it seeks:

- to revamp the work on harmful tax practices with a focus on improving transparency
- to require substantial activity for preferential regimes.

Identified by the OECD as having a potentially harmful preferential regime, Barbados could no longer continue to ring-fence its domestic activities without risking being deemed to be ‘harmful’.

In October 2018, Barbados announced a series of historic changes aimed at overhauling the country's 40 year old corporate tax system. Effective 1 January 2019, Barbados became one of the first Caribbean countries to converge domestic and international tax rates and implement a new OECD BEPS compliant tax regime. To achieve convergence, Barbados repealed, amended, or enacted several pieces of legislation. The two major new acts enacted were the Foreign Currency Permits Act (FCPA) and the Business Companies (Economic Substance) Act (BCESA).

Going forward, the tax rates applicable to all corporate entities except for insurance companies will be:

<table>
<thead>
<tr>
<th>Taxable Income (US$)</th>
<th>Converged Tax Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $500,000</td>
<td>5.50%</td>
</tr>
<tr>
<td>Above $500,000 to $10 million</td>
<td>3.00%</td>
</tr>
<tr>
<td>Above $10 million to $15 million</td>
<td>2.50%</td>
</tr>
<tr>
<td>Above $15 million</td>
<td>1.00%</td>
</tr>
</tbody>
</table>

Insurance companies will be assigned to three classes and taxed as follows:

1. Class 1 licencee, which shall be an insurance company which underwrites related party business – taxed at 0%
2. Class 2 licensee, which shall include an insurance company which underwrites risks of third parties – taxed at 2%
3. Class 3 licensee, which shall include an insurance intermediary, an insurance management company and an insurance holding company – taxed at 2%.

All exempt insurance companies (EICs), international business companies (IBCs) and international societies with restricted liability (ISRLs), except those grandfathered, became regular business companies and societies effective 1 January 2019. However, Barbados also introduced grandfathering rules that allow certain of these entities to maintain existing benefits, under the former regime, until 30 June 2021. Additionally, the sliding scale rate applicable to taxable income exceeding US$15 million for IBCs and ISRLs was increased from 0.25% to 1.00%.
Generally, non-intellectual property entities licensed on or before 17 October 2017, and intellectual property (IP) entities licensed on or before 30 June 2018, which also hold IP assets acquired after 17 October 2017, but before 1 July 2018, qualify for grandfathering where the IP assets were:

- already benefiting from a back-end regime
- acquired from an unrelated party.

Unless grandfathered, the entities will be subject to taxes at the new rates. Under the new regime, entities can continue to take a credit for taxes paid to another country, providing that such election does not reduce their tax payable in Barbados below 1.00% (the minimum rate) of taxable income in any one year.

Additionally, under the provisions of the FCPA, entities earning 100% of their income in foreign currencies can obtain a Foreign Currency Permit that affords them the non-tax benefits previously enjoyed by IBCs and ISRLs, including exemption for exchange controls. All companies will be required to meet the economic substance requirements established by the BCESA.

Finally, with the significant reduction in the corporation tax rates, certain other allowances and benefits under the Income Tax Act were eliminated, or reduced with effect from 1 January 2019, including:

- The foreign currency tax credit under Section 12H of Income Tax Act was abolished
- Available allowances were restricted to annual wear and tear allowances, renewable energy and research and development allowances
- Tax losses available for offset are now restricted to 50% of taxable income in any income year.*
Increasingly, wealthy individuals and their advisors are selecting Barbados as their jurisdiction of choice, to plan, hold and administer their assets and businesses and to manage their affairs during their lifetime, and the lifetimes of their heirs. With over 300 years of common law history and supporting case law, Barbados has developed into a global centre for the administration and governance of common and civil law structures such as trusts, foundations, and companies. The long history of fiduciary management and the rich human resource pool in Barbados has enabled the jurisdiction to develop expertise in administering structures organised under the laws of many other countries as well.

Here are some of the reasons why individuals, companies and their advisors select Barbados for establishing companies, trusts and other fiduciary arrangements:

- Barbadian fiduciary and trust providers have in-depth understanding of international planning techniques, straightforward and complex structures, detailed and accurate administration, thorough knowledge of all relevant trust, company and tax considerations, the need for strong local mind and management, taking advantage of tax and investment treaty benefits, global compliance and reporting requirements

- A robust international banking system dominated by Canadian and large pan-Caribbean based banks

- Asset management firms with expertise in managing internationally diversified investment portfolios for any risk tolerance or financial goal. Several firms have specialised skills in managing volatility, risk, currency, income and growth targets and have the backing of an international network of investment experts. Some of the asset management firms have complimentary expertise in trust, foundations, company and SRL structures and withholding tax mitigation strategies

- Many fiduciary and asset management companies in Barbados have established global custody and sub-custody arrangements, for their clients, with the world’s largest and most cost-effective global custodians, in order to reduce counterparty risk, reduce transaction and safekeeping costs and enable their clients to deal in any capital market globally

- Sound legal and judicial system

- Good case law and judgements surrounding trusts, asset protection, financial transactions, companies, criminal and fraud issues

The long history of fiduciary management and the rich human resource pool in Barbados has enabled Barbados to develop expertise in administering structures organised under the laws of many other countries as well.

- Good legislation in the areas of trust, companies and segregated cell structures

- World class regulations in banking, investment, trust and insurance which hold Barbados service providers to the highest international standards

- Robust professional associations (legal, accountancy, tax, estate and trust...) which actively promote best practices in their industry, promote the integrity of Barbados as a world class jurisdiction, and lobby and advise local government on areas of compliance and competitiveness
• Key strategic partners that promote and assist foreign clients in accessing the resources necessary to setup in Barbados and assist in linking clients and businesses to local advisors, e.g., the Barbados International Business Association and Invest Barbados, to mention a few

• Attractive income tax regime for foreign based and local clients and companies competitive tax rates, no capital gains tax, comprehensive double taxation treaties with many other countries

• Bilateral investment treaties protecting the interests of companies carrying on business and making acquisitions outside Barbados

• Workforce with high levels of post-secondary education and training. For example, the University of the West Indies graduates world class practitioners in law, commerce, accounting, medicine, dentistry, and pharmacy, not to mention other university and technical training institutions. Therefore, there is ample supply of fully qualified and experienced staff in areas such as finance and accounting, law, banking, trust and fiduciary services, business management and administration

When you compare these benefits to any other international jurisdiction, it’s easy to see why Barbados is taking more than its share of the international wealth management marketplace.

• High standard of living, good shopping, low crime rate, excellent international air connections, very welcoming environment, rich cultural and sporting experiences. Polo, cricket, golf, art galleries and yes, steel pan bands and Barbados rum punch are available

When you compare these benefits to any other international jurisdiction, it’s easy to see why Barbados is taking more than its share of the international wealth management marketplace.*

CASE STUDY

Cidel Bank & Trust Inc

Cidel Bank & Trust Inc. (Cidel) is an international financial services firm which has been operating in Barbados for the past twenty years. We offer asset management, fiduciary and banking solutions to discerning institutional and high net worth clients worldwide.

Our asset management goal is simple - utilise the best ideas, strategies and managers, from around the world, to deliver superior returns through a robust and repeatable process. We believe, strongly, that prudent planning and efficient structuring is the foundation upon which wealth is created, nurtured and grown. We’ve built a reputation for excellence in assisting clients and their advisors to set up and maintain multi-jurisdictional trusts, companies and foundations.

Our banking platform allows clients to access markets, currencies and ideas globally. As we are a private bank, our clients can expect customised solutions and warm, responsive personal service.

Barbados’ extensive network of double taxation agreements underpins its status as a preferred jurisdiction for international corporate, trust and estate planning. In addition, a highly-qualified, capable workforce has been critical to our ability to service the diverse needs of our clients. We currently employ over 90 professionals in Barbados. A solid reputation as a compliant jurisdiction, with sound regulatory infrastructure, is yet another reason for selecting Barbados.

Cidel’s goal is to remain a global leader in the financial services arena, by expanding our global footprint and continuously improving the range and depth of our services.
Raising Funds and Doing Business in the Digital Age: A Barbados Perspective

by Tara E. Frater

Barbados has, in the past few years, been quietly developing strength in the area of financial technology (fintech). This development has been championed by indigenous fintech startups, as well as by international fintech companies who find, in Barbados, a desirable place to live, work and play.

To the extent then that the term “international business” refers broadly to the delivery of goods and services for an international market from Barbados, then fintech companies represent, as it were, “international business 2.0.” The organic growth which we have been experiencing in this area has generated a significant degree of interest and this charge has been led by a cadre of professionals in the private and public sectors, who are keen to leverage and enhance our existing legal and regulatory framework, in order to capitalise on the new opportunities.

The term ‘fintech’, describes the evolving intersection between financial services and technology. In its broadest sense, it refers to technologies used and applied in the financial services sector. In this context, the technology which, perhaps, has earned the strongest reputation as disruptive, is blockchain technology. Its applications are multifaceted, being bound, largely, only by the limits of the imagination. An area attracting increasing attention, in this context, is the tokenisation of assets, which essentially refers to the conversion of an asset into a token (or digital representation of value) that can be identified, recorded and transferred on a blockchain network. The process of converting assets to a representation of value, on an immutable and cryptographically secured digital ledger, offers inherent value from a number of perspectives, including custody, transfer and fractionalisation of cumbersome tangible assets e.g., precious metals or real estate.

The tokenisation (or digitisation) of assorted securities and offerings of security tokens (STOs) have therefore been drawing significant levels of curiosity among legacy financial players globally, not least because of efficiencies arising from the automation and streamlining of certain processes. STOs are being heralded as the future of fund raising and are an evolution of initial coin offerings (ICOs) to the public, which raised unprecedented amounts of capital outside of traditional financing models in the period 2014-2018. STOs represent a progression to regulatory certainty and clarity, given that many global regulatory bodies appeared more inclined to treating ICOs to the public, as offerings of securities - thereby triggering the application of regulatory requirements.

It is against this background that a special listing facility for digital assets is being proposed for the Barbados International Securities Market (the ISM). The listing facility is intended to create an adaptable and responsible architecture for the listing of assorted digital assets, including security tokens, tokenised asset-backed securities, utility and payment tokens.

A listing on the Barbados ISM offers a variety of benefits beyond capital raising, including increased profile and credibility, value driven fees, a graduation track to listing on major global exchanges and exemption from exchange controls.

There are therefore many benefits for fintech companies to raise funds and conduct business through Barbados. Barbados is committed to keeping stride with the global pace of change in the digital age by offering solutions which create opportunity and add value.
listing on major global exchanges and exemption from exchange controls. Such a listing therefore provides a flexible approach to raising capital, which can be scaled according to the issuing company’s size and stage of growth.

An issuing company incorporated in Barbados would be able to enjoy the attractive corporate tax rates, ranging from 1% to 5.5%, and access to an extensive double taxation treaty network.

In addition, if the issuing company were offering a product or service which represents genuine financial innovation, and around which there is a regulatory uncertainty, then it could participate in the Barbados Regulatory Sandbox. The Sandbox offers defined parameters and a safe space for fintech companies to work collaboratively with regulators, to assess and test their product or service and address any issues of consumer risk.

There are therefore many benefits for fintech companies to raise funds and conduct business through Barbados. Barbados is committed to keeping stride with the global pace of change in the digital age by offering solutions which create opportunity and add value.
Am I capable? A Barbados Perspective on the Vulnerable Individual

by Karen Perreira

In the United Kingdom a Lasting Power of Attorney (LPA) allows a donor, to give an attorney the legal power to make decisions on their behalf in case they later become incapable of making their own decisions. Currently there are two different types of LPA, a LPA for Property and Financial Affairs which covers decisions about money and property, and a LPA for Health and Welfare which covers decisions about health and personal welfare.

While Barbados enjoys a highly-developed legislative regime in its international financial sector, its laws in relation to vulnerable individuals, as in many other international financial centres (IFCs), have been somewhat overlooked. A widespread movement is afoot for law reform in various IFC jurisdictions to redress this neglect, and Barbados has already started the process.

Currently, the rights of a vulnerable individual having business or affairs in Barbados rests in the hands of the laws of Barbados.

Barbados’ Mental Health Act, Cap. 45 prescribes for the management of the property and the affairs of a person who may be incapable of doing so by reason of mental disorder. The Supreme Court is given the power to appoint a receiver to manage the affairs and property of the person incapable of managing his own affairs. Powers of the Supreme Court, at the direction of the Attorney General, include:

- the giving of direction for the control and management of property
- the sale and exchange of property, property acquisition, property settlement by gift
- the execution of a will
- the carrying on of a profession or trade
- the dissolution of a partnership
- the carrying on of a contract
- the conduct of legal proceedings - including family matters
- the payment of debts
- the exercise of any powers of vesting as a trustee or guardian which rests with the incapable appointee.

Applications to the court for the aforementioned purpose may be lengthy, albeit the court can set emergency hearings and make supervisory appointments to ensure proper management of the affairs and property.

A non-resident/non-domicile investor having affairs or owning property (real or personal) in Barbados or contemplating an investment opportunity frequently asks:

- whether an LPA or its equivalent implemented in another jurisdiction will be recognised and become effective in Barbados for the management of their affairs in the event the circumstances arise for such use. The LPA may stand only as persuasive evidence before the court, of the person to be positioned for the appointment as receiver or guardian to handle the affairs of one incapable of managing his own affairs. The LPA, or any other power recognisable in another jurisdiction, implemented for the purpose of managing the affairs of an incapacitated person, will not be recognised to give the power for the management of the affairs in Barbados and will not be effective in so doing. It reflects the party’s intention and no more.

- whether an existing general or limited power executed in Barbados is valid for the purposes of managing the affairs of a person becoming incapacitated. Upon a person becoming incapacitated, a Power granted prior to the incapacity becomes ineffective under the Barbados Property Act, Cap. 236.

Barbados’ legislative reform to address these issues and empower the vulnerable to effectively deal with their property, health and welfare - which is currently well advanced - will be a welcomed addition to our international financial sector legislation. The vulnerable, like any prudent investor may be well advised to make astute estate and succession planning and utilise the tools already available to hold and manage their investments. Vehicles such as trusts, foundations or corporations are designed for asset management.
Investors utilising Barbados’ highly skilled service providers, administrators and managers who provide all encompassing guidance for management of affairs and property are well advantaged in their undertaking. The use of family offices in Barbados is becoming the more sophisticated choice for day-to-day management of the family’s affairs, providing more than the customary wealth management functions, but offering a ‘holistic approach’ to estate and succession planning, tax advisory services, banking and private trust services, family member financial learning, family support skills and family governance to the savvy investor.

**CASE STUDY**

**The Blue Financial Group**

The Blue Financial Group provides Corporate Management, Corporate Secretarial, and Trust Administration services in Barbados to international clients. We have a team of qualified employees who are dedicated to delivering personalised, high quality services to our clients from around the world.

Since commencing operations in 1987, we have viewed Barbados as the premier jurisdiction in the Caribbean from which to offer our services. Our belief in quality over quantity, and a focus on transparent structuring and competitive tax planning, is aligned with the standards for which Barbados is known.

Barbados continues to be an attractive jurisdiction for Canadian corporations requiring a stable jurisdiction in which to establish subsidiaries for their international operations. The Blue Financial Group enjoys working with these corporate clients and, as a result, we continue to be based in Barbados.

Barbados is also receiving increased interest from Latin American investors. The country’s growing list of double taxation treaties positions Barbados as a lower cost and transparent alternative to some European domiciles, which many wealthy Latin American families historically use. These facts, coupled with our presence in Latin America, make Barbados an ideal jurisdiction from which to offer our services.
Investment Strategies for a Global Downturn

by Elliott Barrow and Kevin Armstrong

Stock market volatility is a normal part of investing. But what you do – and don’t do – during times of higher unpredictability can make the difference between success and failure as an investor. The following 10 principles can help you manage volatility and achieve your long-term investment goals.

1. Stay calm and invest on

When the markets are particularly volatile, there’s a natural tendency for investors to move into safer investments, hoping to avoid further losses, and wait until the markets normalise. But unfortunately, it’s nearly impossible to predict when this will occur. As a result, investors may miss out on the eventual recovery, which can negatively affect their long-term investment goals. As the following chart shows, the investor who stays invested tends to do better than the investor who bails out and misses even some of the recovery.

Why it’s best to stay invested

Missing just 10 best days in the market over the past 10 years would have reduced returns

Based on the annualised returns of the S&P/TSX Composite Index for 10 years, ending 21 December 2017
Source: Bloomberg. RBC Global Asset Management.
3. Maintain your sense of perspective

Unquestionably, stock market downturns can be painful, especially when you’re in the middle of one. It’s not always easy, but it’s important to remember that downturns have happened before – and will happen again – and that historically, the markets have always recovered and reached new highs.

4. Reassess your comfort level with risk

It’s one thing to say you are comfortable with a higher level of risk when the markets are only going up, and another thing when the markets are volatile. If you are finding it difficult to sleep at night because of market fluctuations, then it might be time to consider how much risk you are truly comfortable taking with your investments.

5. Stay diversified

Diversifying your investments is a proven way to reduce market volatility. It involves including a certain mix of stocks, bonds and cash in your investment portfolio, as well as investments representing different industry sectors or geographic areas. At any given time, one type of investment may do better than another. So by diversifying between them, you can offset weaker performers with stronger ones, reducing volatility.

6. Look for opportunities

“Summer sale! Prices slashed!” When it’s a retail store saying those words, it’s usually seen as a good thing. Yet when it’s the stock markets, people often have the opposite reaction. When prices drop, they sell instead of buy. But when the stock markets go down, it can be fairly indiscriminate - both good and bad stocks can be caught up in the sell-off. What that means is that, during a market downturn, there can be some high-quality stocks, likely to be among the first to bounce back, available at temporarily reduced prices.

7. Regularly rebalance

How you diversify your portfolio between different investments plays an important role in how much variability you can expect. In general, if you include more stocks in your portfolio, you will experience greater volatility, but also greater long-term growth potential. Conversely, if you include more bonds, you will experience lower variability but also lower growth potential. Everyone has an ideal balance, based on factors such as:

- How long you have to invest
- How much growth you need
- How much risk you are willing to take.

But over time, market volatility can cause the balance to shift in your portfolio, as one asset class outperforms another and eventually represents a greater percentage of the portfolio than you had originally intended. As a result, it makes sense to regularly rebalance your portfolio, to get back to your ideal position.

8. Stay focused on the long term

Markets may go down in the short term, often in response to a global economic crisis, but over the longer term they tend to go up.

9. Put time on your side

In the short term, volatility can seem like the “Salt & Pepper” ride at your local amusement park but over time, it smooths out. The longer you have to invest, the more it tends to smooth out.

10. Review your portfolio

Have questions about your investments? Should you make any changes given the recent market volatility? Consult a professional to help you review your investments to ensure your portfolio is right for you.

The information in this article is not investment advice and should be used only in conjunction with a discussion with your Investment Advisor.
Prospero’s Island: Post-Brexit and Beyond-The Barbados Stock Exchange Investment Opportunities Crafted Through UK HMRC Recognition

by Caroline J. Kerswell

The Caribbean has always been a corner of the globe with a wealth of culture and natural beauty. Given its adherence to British Common Law, Barbados stands out among its neighbours as a model world, safe and peaceful with a robust legal system. An homage to Prospero’s island, with great potential that has been, until relatively recently, largely untapped.

When tasked with the opportunity to build a bridge between the UK and Barbados, as Special Counsel to the Barbados Stock Exchange Inc. (BSE), it echoed a deep sense of responsibility. I had been mentored by Barbados’ late Director of Public Prosecution, Charles Leacock, Q.C., and upon connecting with fellow Middle Templar, Sir Trevor Carmichael, Q.C., I was inspired to use his guided optimism to pave a positive future for business ties between the UK and Barbados in the challenging Brexit mist. Achieving recognition of the Exchange under Sec. 1005 of the Income Tax Act (2007) (UK) (ITA) is thus a responsibility I undertook with the utmost sincerity.

In the 2018 edition of this publication, Managing Director of the BSE, Marlon Yarde, set out a roadmap to “Go Global” with the International Securities Market (ISM). The vision included having securities admitted to trading on the four markets of the BSE being recognised as ‘listed’ for the purposes of HMRC legislation. Achieving HMRC recognition is an integral part of the BSE’s journey to be “a great and lasting international institution”; and I believe a compelling case has been made for the certainty of such an outcome.

The acknowledgement of the BSE as a “recognised stock exchange” under the UK-ITA, represents a significant milestone in the BSE’s continued development, and will enhance the profile of Barbados as an internationally recognised financial centre, as well as providing an avenue for sustainable and progressive development of the capital markets within Barbados and the wider Caribbean Community region. This strategic plan is focused on ensuring that the BSE maintains its place as a major regional Exchange, establishes itself as a strategic partner in Barbados’ International Business and Financial Services Sector and is recognised globally as an international Exchange.

A leading CARICOM securities exchange

The BSE looks to establish itself as a leading securities exchange within the Caribbean community of states (CARICOM), and the wider Caribbean region. The application for recognition under the UK-ITA is part of a co-ordinated programme for the development of the securities market in Barbados. Accordingly, achieving the BSE status as a recognised stock exchange under the UK-ITA, will remove a competitive disadvantage in the regional capital markets.

The Barbados economic model is premised on the preservation of legal rights of investors, through international investment agreements (including the Barbados-UK investment treaty), as well as through a network of tax treaties which recognise and enforce fiscal compliance (including the Barbados-UK tax treaty). Compliance and concordance with developing international tax norms is further secured

This strategic plan is focused on ensuring that the BSE maintains its place as a major regional Exchange, establishes itself as a strategic partner in Barbados’ International Business and Financial Services Sector and is recognised globally as an international Exchange.
by Barbados’ adherence to the OECD Multilateral Instrument.

The recognition of the BSE by HMRC under the UK-ITA should act to encourage enhanced capital investment by UK investors, while providing viable investment alternatives for a wider section of the British public. In addition, it will be of benefit to Barbados and UK investors through the preservation of the following fiscal benefits (as accorded by the UK-ITA):

- securities listed on the BSE/ISM may be held in tax advantaged Individual Savings Accounts and Personal Equity Plans by UK investors
- holders of debt securities satisfying the Eurobond exemption and listed on the BSE/ISM are exempted from withholding tax on distributions underlying these debt securities
- inheritance tax allowances may accrue to UK holders of securities listed on the BSE/ISM
- UK pension schemes will be permitted to hold securities listed on the BSE/ISM, giving companies and funds listed on BSE/ISM access to a larger market of sophisticated, well-capitalised investors.

The raison d’être for the recognition is the cultivation of growth and the opening of a dialogue on the stewardship of the Barbados economy, the efficient use of resources for wealth creation and preservation for the next generation. This can be Prospero’s phenomenon; a viable post-Brexit strategy for UK investors.

Sharing our experience with you

We have experienced tax and corporate services professionals operating as part of a large international tax and legal services network. Our team can help you develop, implement and properly maintain structures and systems to navigate an increasingly complex international business environment.

PwC East Caribbean is the largest full service professional services firm based in Barbados. We have been providing professional advice to our clients for over 150 years. We are part of a global network of firms with over 250,000 people in 158 countries. Our aim is to build trust and solve important problems for our businesses and communities locally, regionally and internationally.

To learn more about corporate services in the Caribbean please go to www.pwc.com/cb
To learn more about Tax in Barbados and the East Caribbean please go to www.pwc.com/bb

For more information, contact:

Ronaele Dathorne-Bayrd
Regional Corporate Services Leader
T: 1 (246) 626-6652
E: ronaele.dathorne-bayrd@pwc.com

Gloria Eduardo
Tax Engagement Leader
T: 1 (246) 626-6753
E: gloria.eduardo@pwc.com

Ross Parker
Assurance Engagement Leader
T: 1 (246) 626-6841
E: ross.parker@pwc.com

Stephen Jardine
Advisory Engagement Leader
T: 1 (246) 626-6805
E: stephen.jardine@pwc.com

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...and so much more
ACTIVITIES:
- Exciting Cruises
- Exhilarating Motor Sports
- Surfing
- Horseback Riding

PLACES TO VISIT:
- Farmers’ Markets
- Traditional Rum Shops
- Art Galleries and Museums

ENTERTAINMENT:
- Local Theatre Productions
- Music Festivals
- Thrilling Sailing Races

the list goes on...

1. Polo
2. Delightful Restaurants
3. Exotic Wildlife
4. Places of Worship
5. Beautiful Beaches
6. Pride of Barbados - National Flower
7. Chattel House
8. Cultural Festivals
9. Nature Trails
10. Golfing
11. Breathtaking Landscapes
12. Local Arts & Crafts
13. Natural Wonders
14. Friendly People
15. Historic Sites
Establishing your Business here has many advantages:

- Well Regulated Business Environment
- Political, Social and Economic Stability
- Professional Human Resources
- Global Communications Network
- Expanding Treaty Network
- Facilitating Business of Substance

Barbados: 246-626-2000
Canada: 416-214-9919
United States: 212-551-4375
E-mail: contact@investbarbados.org
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