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Vin Hampden

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*Aon Business Insurance Spotlight Report, March 2008*
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2009 BARBADOS INTERNATIONAL FINANCE & BUSINESS

Contents


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Welcome to the first edition of Barbados International Finance & Business. The overall purpose of the magazine is to provide an annual update on Barbados as an International Business domicile. The magazine will focus on opportunities in wealth management, the captive insurance industry, intellectual property, and trade and business for companies and individuals seeking to use Barbados as their international domicile.

Barbados has 18 tax treaties in force (Mexico takes effect January 1, 2010) and two awaiting ratification (Luxembourg and Ghana)

The magazine’s publication is timely as Barbados, like all countries, is facing the impact of the current international financial crisis. The country’s response will depend largely on global factors, however it is expected that over the next few years it will face increased competition for choice of domicile. Therefore, like other jurisdictions, Barbados must respond to changing regulations and provide increased transparency.

Barbados has been an international business domicile since the mid 1980s. As the industry grew, successive Governments actively sought tax information exchange agreements with other countries within a tax treaty network. As a result, the country now has 18 tax treaties with other nations, and there are more to come. This continuing trend, together with the recently signed Economic Partnership Agreement (EPA) with the European Union (EU), should lead to the expansion and diversification of the international business and financial services sector.

This magazine would not be possible without the support at the outset of Invest Barbados, which embraced the idea and started the ball rolling. I would like to thank the editorial committee for their hard work, enthusiasm and focus in bringing the project to fruition. Without such funding the publication would not have happened.

James Gardiner
MESSAGE FROM THE HON. DAVID J.H. THOMPSON, PRIME MINISTER OF BARBADOS, ON THE OCCASION OF THE FIRST ISSUE OF BARBADOS INTERNATIONAL FINANCE & BUSINESS MAGAZINE

It is a signal honour for me to welcome you – investors, potential investors and advisors – to this premier edition of Barbados International Finance & Business Magazine 2009. I am also delighted to have the opportunity to share with you the government's vision for our international business sector.

The Barbados government is committed to making our island the number one place to live, work, visit and invest. In particular, we are working toward being the best International Business Centre in the western hemisphere and the pre-eminent CARICOM country from which to do business by 2012. As a nation, we have already made significant strides toward the achievement of these objectives. Our ranking as 5th in the western hemisphere in the World Economic Forum's Global Competitiveness Index 2008-2009, behind the USA, Canada, Chile and Puerto Rico is testimony of this progress. Our government is keen to ensure that we continue to attract the kinds of foreign direct investment that will assist in the realization of this vision. In return, we offer a well qualified and highly educated, professional workforce, a cost competitive environment, prudent regulatory framework, an expanding network of double taxation and investment treaties and an excellent quality of life, in a dynamic, yet stable jurisdiction from which companies can thrive.

When Barbados became independent some 42 years ago, our economy was first and foremost agricultural. In the four decades that followed, successive governments have implemented, as a matter of strategic choice, policies to diversify the economy, and to facilitate sustainable, economic momentum on the island.

While our tourism industry has been fuelling economic growth, and will continue to be a major plank in our growth strategy, the government is firmly committed to continuing the transitioning of the Barbadian economy through the development of a sophisticated domicile of excellence for international business and financial services, information communication technology, research and development projects, alternative energy – particularly solar energy – and niche manufacturing. The development of a culture of innovation will be central to our strategy. We will nurture the growth of our domicile, ensuring that it is on par with the world's best. At the same time, we will continue to promote the unique blend of compatible activities that make Barbados an enviable choice for establishing businesses of substance.
Today, we operate in a fiercely competitive, global environment in which investment decisions are no longer constrained by distance or by geo-political considerations. Added to this, is the fact that investment decisions are now occurring within the context of challenging economic and financial times for the world's largest economies. Choosing Barbados affords the discerning and savvy investor the opportunity to enhance global competitiveness.

Already, we have established the Council for Investment, Exports, Foreign Exchange and the Diaspora (CIEX). This council aims to improve efficiencies and speed our decision-making process in facilitating new investment in all of Barbados' key foreign exchange earning sectors. We have also begun discussions regarding the development of appropriate legislative, fiscal and other policy initiatives to make foreign direct social investment another key component of our efforts to attract and encourage investment in Barbados. We intend to position Barbados as the principal location for both corporate and individual philanthropy in the Caribbean region.

Over the years, some have criticised our stringent regulatory system for the local and offshore banking sector, but that commitment to prudent regulation has enabled Barbados to be ranked as the third strongest banking system in the western hemisphere, behind Canada and Chile, and ahead of both the US and UK. Looking further ahead, and in keeping with international best practices for international business centres, the government will establish a Financial Services Authority of Barbados. This regulatory entity will enhance the local business environment and will have oversight for the non-banking sub sector of the international business and financial services sector. It will focus on ensuring that internationally recognised standards of due diligence in relation to the financial affairs of its clients are practised. Plans are also in train to establish an International Institute of Financial Risk and Regulation. This training facility will equip Barbadians and other persons from the region with the specialised knowledge and skills that are requisite for the smooth and continuous development of the international business sector. These institutions, combined with the recently redefined mandate of Invest Barbados – the lead agency for attracting and landing foreign direct investment – all speak to the government's commitment to the expansion of a vibrant international business sector.

Of course, government will continue to explore ways in which it can develop more attractive and competitive product offerings. We will continue to develop a joint public/private sector collaborative approach that ensures mutually beneficial outcomes for our stakeholders.

I invite you to fully explore the Barbados value proposition as outlined in the articles of this magazine—and then, come visit, come invest!

DAVID THOMPSON
Prime Minister
Invest Barbados

Attracting Foreign Direct Investment

Barbados – just the mention of the name brings to mind visions of an unspoilt Caribbean island with sun splashed shores, clear, tranquil waters and an appealing year round climate. Yet more and more, Barbados is earning global acclaim as a thriving business hub particularly in the areas of financial services, information communications technology and niche manufacturing. Indeed, since the enactment of the International Business Companies Act in 1965, Barbados has been steadily adding to its roster of companies engaged in international business activities. Twenty years ago, Barbados was home to approximately 1,000 international businesses. Today, more than 4,000 active international businesses are based in Barbados and are doing business globally.

Uniquely located between the Americas and Europe, and though only 166 square miles in land mass, Barbados has a particular distinctive edge that sets it apart from other domiciles - its people. We are a well respected, well regulated international business jurisdiction with several investor-friendly features, including a stable political, social and economic environment, appropriate regulation, good infrastructure, an educated (and therefore flexible) workforce and cost competitive support services. These factors, together with its expanding tax and bilateral investment treaty networks, attractive business incentives, stable international banking system (now ranked third in the Western Hemisphere, ahead of both the US and UK) and relatively low rates of domestic inflation, all add to the appeal of this thriving international business location.

Building on these advantages, and focusing its efforts on attracting foreign direct investment, particularly in the productive sectors of the economy, the government of Barbados is committed to continuous improvement in the level of service that each of the regulatory agencies in Barbados provides, with the ultimate goal of delivering effective and efficient services to the international business sector. These agencies include the Central Bank of Barbados, the Office of the Supervisor of Insurance, the Corporate Affairs and Intellectual Property Office, the Immigration Department and the International Business Unit of the Ministry of International Business.

Invest Barbados (IB), though not a regulatory agency, has a key role to play in this effort. We are the government entity responsible for:

• Attracting and sustaining international investment in Barbados;
• Promoting the export of indigenous services from Barbados and
• Identifying new investment products and developing and managing the Barbados business brand globally.

Barbados has a particular distinctive edge that sets it apart from other domiciles — its people

We maintain offices strategically located in Toronto, New York and London, and are currently discussing opening an office in Shanghai. Our team of professionals take investors through every step of the process of setting up business in Barbados. We are a virtual one-stop-shop for investing in Barbados and therefore the prospective investor’s first point of contact. We will ensure that investors have the relevant information they need to make an educated choice.

At IB, we are committed to ensuring that the domestic business environment is an enabling one, characterised by a healthy mix of appropriate regulation and facilitation, and we regularly sensitise our Government to any changes needed to facilitate businesses locating in Barbados.

Notwithstanding the current global economic challenges, there are sound reasons why investors should look at investing in or through Barbados. One example is illustrated in the Hejazi Report, an independent Canadian market study completed in 2007, which demonstrates conclusively that companies utilising a reputable and well regulated financial centre like Barbados are more competitive than those who do not, and are ultimately more successful, creating more exports and more jobs at home.

We invite international investors to discuss with us the various ways in which setting up business in Barbados can improve their financial performance in these troubled times. We have clients in international banking and insurance, shipping, wealth management, renewable energy, life sciences, niche manufacturing (including cutting edge medical and pharmaceutical), call centres and other information communications technology industries. We are adding new products all the time – for example, businesses seeking international arbitration resolutions will soon be able to do so in Barbados.

Barbados works, and we invite you to join the impressive roster of companies that are already here, as you seek novel ways to implement effective and efficient strategies to stay ahead of the curve in this competitive global environment. We want to build productive and long lasting partnerships - contact us, and let’s discuss how Barbados can work for you!!

Wayne Kirton
Chief Executive Officer
Tax Treaties:
A central feature of the Barbados business brand  

by Françoise Hendy

Tax treaties are important expressions of the state of bilateral relations between two sovereign states.

Aside from important matters of withholding tax rates on interest, dividends and royalties, increasingly the import of these agreements is related to their provision on tax information exchange.

In fact, the existence or otherwise of these avenues for information sharing between taxing authorities is now a key determinant of whether a country is viewed as a “tax haven” to which national legislatures can attach sanctions. As global leaders met in emergency session after the recent sub-prime meltdown, they signalled that tax information exchange would be a key plank upon which the rebuilding of the international financial markets would take place. Moreover, they also identified the Organisation for Economic Cooperation and Development’s (OECD) standard provision on information exchange, as refined in its Model Tax Treaty, as one of the means of ensuring that this new international standard is met. Failure to take deliberate steps to adhere to this edict will mean that delinquent countries will find themselves shut out from investment flows into their international business and financial sectors in ways which from all indications may take the form of new “whitelists” or “blacklists”.

Fortunately for Barbados, however, transparency and tax information exchange have always been a central feature of our business brand. Barbados have always been a staunch advocate of transparency in cross-border transactions and of appropriate, “right fit”, competitive regulation of its local, regional and international business clientele. As such, renewed efforts by the OECD member states, in consort with the Group of Twenty, to encourage the conclusion of tax treaties with tax information exchange provisions is one that complements Barbados’ treaty policy and practice. In addition, to the extent therefore that this renewed vigour to improve international cooperation in this area levels the playing field among those jurisdictions engaged in “offshore” business, such that secrecy is no longer a tool used to gain competitive advantage in the attraction of investment, then it is a development which is welcomed by Barbados.

Indeed, coupled with this commitment to transparency, over the past six years Barbados has made good progress in leveraging its long tradition of close diplomatic ties with a number of countries to secure tax treaties, and tax treaties with India, Brazil, Spain, Italy, Turkey, Iceland, Poland, Russia, the Czech Republic and Ireland are expected to be finalised over the course of the coming months. It is no accident that Barbados has been successful in concluding new treaties with a number of OECD states over the past few years. It is directly linked to its policy and practice of appropriate, legally buttressed information exchange. Indeed, much has been gained by residents of Barbados as a result of these treaties as they further stimulate trade and investment into and through Barbados.

In Barbados, we understand that like most successful companies, the measure of a serious business domicile is to be found in its ability to support the growth of new and existing customers in times of plenty, but more especially perhaps, in times of need. 

COMING SOON…

Luxembourg
Draft treaty has been initialled but awaiting ratification.

Ghana
Awaiting ratification.
Barbados is an ideal corporate treasury, intellectual property, captive insurance, and holding company centre for a foreign corporation with business interests in multiple countries. Barbados also has captive insurance regimes which are useful to a corporate group, both for providing access to the international insurance market and a means of risk protection to members of the corporate group. These captive insurance regimes have effective tax rates that are nominal to very low.

Recently there has also been an increase in companies carrying on other types of activities, including internet-based services, light manufacturing and knowledge-based companies.

Barbados has the service infrastructure to support international companies having a corporate infrastructure in the Caribbean. The ease of doing business in Barbados, with its legal, accounting, telecommunications and banking infrastructure, more than makes up for the slightly higher annual cost of using Barbados service providers as opposed to using service providers in other Caribbean jurisdictions.

Barbados currently has 18 tax treaties (Mexico treaty comes into effect January 1, 2010) and plans to expand the treaty network.

Don’t gamble with risk
Deal with it

Risk is inherent to business – without it there’d be no reward. But dealing with it effectively means taking action to make your business risk-resilient. Which, to us, means building strength and value into your business so that when the unexpected does happen, and at some time it surely will, you’ll be better prepared to weather the storm and come out fighting. Risk management and value creation are key services we provide our clients. It’s called stacking the odds in your favour.

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Globalization creates access to new markets and various new exciting opportunities. Latin America is no exception, as is evidenced by the significant influx of foreign direct investment into certain countries in the region, such as Brazil and Mexico. Because of its proximity to Latin America, Barbados is ideally placed to position itself as the jurisdiction of choice for investment into and from that region. The expansion of its fast growing double taxation treaty network, with an emphasis on concluding tax treaties with countries in Latin America, is one of Barbados’ key strategies for achieving this objective.

Currently, Barbados has concluded double taxation and bilateral investment treaties with Cuba and Venezuela as well as a tax treaty with Mexico.

The double taxation treaty with Venezuela, which was concluded in 1998, provides reduced rates of withholding tax, ranging from 5% -10%, on dividends, interest and royalties paid by a resident of Venezuela to a resident of Barbados, as opposed to the usual rate of 34% otherwise applicable under domestic law.

Although the treaty offers limited protection in respect of capital gains derived from the disposal of assets, including shares, situated in Venezuela, nevertheless, with careful structuring, it may be...
possible to limit the capital gains exposure on a subsequent sale of the investment.

Similarly, the tax treaty with Cuba offers foreign investors the opportunity to minimize their tax liability in Cuba on their investment returns, with minimal tax cost in Barbados. For example, the use of a Barbados resident IBC to hold the shares of a company in Cuba allows for the disposition of the Cuban investment free of capital gains tax both in Cuba and in Barbados.

It should be noted that companies that are entitled to special tax benefits in Barbados, such as an international business company (IBC) and other similar entities, are entitled to all of the benefits of the treaties with Venezuela and Cuba.

Barbados has also concluded bilateral investment treaties with both Cuba and Venezuela, which provide legal protection for investments in those countries by entities established in Barbados. Such protection includes protection against expropriation, compensation for losses resulting from national emergency, riot or other similar conflict as well as guaranteed repatriation of returns from the investment and the initial capital invested.

Barbados recently concluded a tax treaty with Mexico, which will become effective on January 1, 2010. The treaty provides for reduced rates of withholding tax on dividends, interest and royalties paid to residents of Barbados and Mexico.

In order to access treaty benefits, it is necessary to satisfy certain conditions contained in the limitation on benefits (LOB) provisions of the treaty. These include an ownership and base erosion test and a business activities and assets test in the limitation of benefits article.

The ownership and base erosion test is met when more than 50% of the capital of the entity claiming treaty benefits is owned, directly or indirectly, by residents of Barbados or Mexico who are either:

- individuals;
- companies whose shares are publicly-traded on a recognized stock exchange;
- residents of any state that is a member of the Caribbean Community (CARICOM) or a party to the North American Free Trade Agreement (NAFTA); or
- one of the contracting states, its political divisions or local authorities.

In addition, not more than 50% of the gross income of the entity can be used to make payments of dividends, interest, or royalties to persons other than those described above.

Alternatively, an entity may qualify for treaty benefits if it is engaged in business activities and at least 50% of the total assets used in the business consist of fixed assets, land or inventory or a combination thereof.

Finally, entities that are subject to a preferential tax regime, such as IBCs and other similar entities, are denied the benefits of specific provisions of the treaty, including the dividend, interest and royalties articles.

One significant benefit of the treaty is that Barbados is expected to be removed from Mexico’s tax havens list. This means that payments such as dividends, interest and royalties paid to a resident of Barbados will be subject to the normal rates of withholding taxes under Mexican domestic law (between 10% - 28%) as opposed to the withholding tax rate of 40% that applies to such payments made to a resident of a country considered by Mexico to be a tax haven. To the extent that the Barbadian investor is entitled to treaty benefits, these rates can be reduced even further under the treaty.

There are also opportunities for using captive banks established in Barbados under the International Financial Services Act to finance operations in many Latin American countries, even those with which Barbados does not have a tax treaty as yet, such as Chile and Guatemala, as well as treaty countries such as Venezuela and Mexico.

As can be seen from the above, there are opportunities for international investors to utilize Barbados as a conduit for investments in certain countries in Latin America. These opportunities will be further increased with the continued expansion of Barbados’ tax treaty network with other countries in Latin America, particularly Brazil, Chile and Colombia.
Creating Bridges and New Opportunities for Barbados and the EU: the EU-CARIFORUM EPA

On October 15, 2008, the European Union (EU) and CARIFORUM countries signed the Economic Partnership Agreement (EPA). The EU-CARIFORUM EPA is broad in scope involving disciplines and commitments on trade in goods and services, but also in other areas such as competition law and government procurement.

The Agreement states that the objective of the parties is the “progressive, reciprocal and asymmetrical liberalisation of investment and trade in services, and cooperation on e-commerce”. Investors are provided with certain benefits, such as access to the markets, in the sectors identified in the Annexes to the Agreement, similar to those afforded suppliers of services under Mode 3 of the General Agreement on Trade in Services (GATS) as well as others more commonly found in bilateral investment treaties such as the free movement of capital for direct investments (Article 123 of the Agreement).

The CARIFORUM countries are Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, the Dominican Republic, Grenada, Guyana, Haiti, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, Saint Kitts and Nevis, Suriname, and Trinidad and Tobago.

The European Union consists of Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and United Kingdom.

The EU-CARIFORUM EPA will give CARIFORUM states free access to the member states of the EU for their goods exports, in return for opening their own markets to the EU after transition periods of up to 25 years.

A quick look at the level of liberalization by CARIFORUM compared to the EU, reveals there is clear asymmetry as expected. The EU opened more than 90% of their service sectors, while in the case of CARIFORUM, the sectoral coverage is between 65% and 75%.

The main sectors that most CARIFORUM states have liberalized in the EPA are: business services (accounting, architecture,
engineering, etc), computer and related, research and development, environmental services, management consultancy, maritime transport, entertainment and tourism.

Some of the commitments will be phased-in over time in some member states to address sensitivities at the national level. The services that CARIFORUM have opened should lead to increased investment in the region. It is anticipated that new market entrants could result in greater efficiencies in a range of services that are inputs to manufacturing and other services. In the short term, there has already been keen interest in business services from European firms who are positioning themselves to take advantage of outsourcing opportunities with regional firms.

In the financial services sector, there has been large European investment primarily in real estate projects in Barbados. The opportunity remains to expand and utilize Barbados’ network of double taxation treaties, which include several of the EU countries.

With regard to the movement of service suppliers between Europe and the Caribbean, the EPA includes special provisions for short-term visitors for business purposes. This allows EU nationals to visit the CARIFORUM countries and vice versa for brief periods for business reasons related to research and design, and issuing visas. Both sides have committed to making movement across borders easier.

Just like the GATS, the EPA provides for general most-favoured nation and transparency provisions. The more specific scope of national treatment and market access rules relate to sectoral and sub-sectoral specific commitments made by the parties.

With the most-favoured nation (MFN) clause, the parties agree to accord each other’s services, service suppliers and investors treatment ‘no less favourable than the most favourable type they may accord to like services, service suppliers and investors of any third country’ with whom they conclude any agreements in the future. There are, however, exceptions from the MFN clause for regional treaties, eg. CARICOM may apply.

The EPA covers investment and goes beyond “commercial presence” as it is defined in GATS. So the scope is significantly broader in the EPA and therefore so may be its implications.

Article 62 of the EPA commits the EU and CARIFORUM to enter into future negotiations on investment and trade in services, with a view to enhancing commitments already made.

An EU-CARIFORUM Joint Council has been established which is supported by a Trade and Development Committee, which has wide-ranging powers and functions. It is intended that the Joint Council would address any issues, including MFN treatment, and adopt any necessary measures to adjust the provisions of the EPA.

While some commentators have suggested that the size of the market has been a primary reason the EU, until recent years, has not focused on the Caribbean for export of services, the EPA now provides a bridge for joint ventures and strategic alliances, particularly in the services sectors, allowing for outsourcing opportunities.

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PERSONAL SERVICE

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Intellectual property (IP) is often a key corporate asset that possesses unique properties that make it particularly well suited to an offshore domicile. IP can take the form of trademarks, patents, software source code, franchisor rights and know-how and brands. In the case of a software company, IP forms the core of the company’s business so attention to jurisdiction, structure and ongoing governance are critical. Established properly, an offshore IP structure can materially enhance profitability and allow for the repatriation of profits without further taxation. These inflows can materially enhance a company’s financial resources for research and development expenditures. This article focuses on the opportunities for a hypothetical Canadian software company, Softco, but the overall framework is applicable to any company examining ways to optimize its IP.

The Basic Structure
In its simplest form, an offshore IP structure typically involves the Canadian parent, Softco, having two wholly owned subsidiaries. One company, IPCO, owns, manages and maintains the IP in Barbados. The second company, DISCO, is an international sales company that pays IPCO a royalty in return for the use of the IP. IPCO uses this royalty stream to pay for the upkeep and improvement of the IP often by contracting with the parent, Softco, on an arms-length basis. The resulting tax position is a deductible royalty payment from DISCO that lowers its taxable income (net of any possible withholding taxes). Softco will incur development costs that are offset by development fees.
received from IPCO. IPCO earns net income based on its royalty income less development payments. Ideally, this is the largest profit amongst the companies and IPCO will benefit from its location in Barbados due to its low tax rates and favourable tax treaties.

Why Barbados?
Several offshore jurisdictions are popular for use in an offshore IP strategy. Barbados possesses a tax rate for International Business Companies of 2.5% dropping to 1% for income over US$15 million. If properly structured, under Canadian tax legislation, the after tax profits of a Barbados based IBC can be repatriated as exempt surplus and not subject to further Canadian corporate taxation. Barbados also possesses a high level of infrastructure, an experienced and well educated workforce, good rule of law and shares the same time zone with eastern Canada.

Transferring IP
The transfer of IP to IPCO can be effected in one of two ways. The first is an outright sale of the IP at fair market value to IPCO. This transfer should be structured to ensure that the transfer is considered a sale. Considerations include ensuring a full transfer and exclusive rights for IPCO, a preference for a single rather than multiple transaction process, upfront payments and assurance that the IP cannot revert back to Softco. The second approach is known as a buy-in royalty. This method of transferring IP involves the licensing of the IP to IPCO by Softco and the assumption by IPCO of the obligation to develop and maintain the IP. In turn, IPCO will license the use of the IP to DISCO. Over time, IPCO will use the royalty stream to fund the improvement and development of new IP (which IPCO would own) and thus keep a larger portion of the DISCO royalty as it owns an increasing proportion of the licensed IP. The key consideration for the economics of this alternative is the transfer pricing analysis.

Financial Impact
The financial benefits received by a company are unique to its specific circumstances. While it is difficult to generalize, typically a company will want to sell its IP outright if the IP has a high tax basis and/or the company has existing tax losses to shelter the upfront capital gain realized upon the sale of the IP (assuming, of course, that the IP is held as capital property to the company). The buy-in royalty approach has similar considerations, but an additional factor to weigh is the speed with which the IP depreciates. IP that is rapidly redeveloped by IPCO is ideal for this approach.

Ongoing Considerations
In order for the offshore IP structure to achieve the desired benefits for Softco, IPCO must be considered an independent, non-resident company in Canada. Otherwise, its income might be taxed in Canada on an accrual basis as foreign accrual property income. In order to avoid this treatment two conditions must be met:
1. the licensee (in this case DISCO) must be a foreign affiliate of Softco (in which Softco owns at least 10% of the issued and outstanding voting shares having a fair market value of not less than 10% of the fair market value of all the issued and outstanding voting shares); and
2. the licensee (DISCO again) must be deducting its payments to IPCO against income or losses from an active business (other than an active business carried on in Canada).

Established properly, an offshore IP structure can materially enhance profitability and allow for the repatriation of profits without further taxation

The company must also ensure two other important conditions are met. First is that “central management and control” of IPCO is not resident in Canada (i.e. the affairs of the company are managed and controlled by the board of directors, the majority of whose members reside offshore). Second, ongoing IP development must be conducted between IPCO and Softco on a principal to principal and not an agency business. IPCO’s clear legal and beneficial ownership of the IP, plus an appropriately structured contract that ties R&D expenditures to the benefits received, are essential.

Conclusion
The many benefits of offshoring IP using a Barbados company depend on a well crafted and well executed plan. Expert advice and ongoing governance and operational assistance can make offshoring a powerful tool for a software company.

Established properly, an offshore IP structure can materially enhance profitability and allow for the repatriation of profits without further taxation
Within recent times we have seen the globalization of business, enhanced tax and asset protection planning opportunities coupled with increasing sophistication within the regulatory framework of offshore jurisdictions.

From a global perspective, there has been an increase in the use of trusts to hold personal wealth confidentially. Barbados has evolved as a likely choice for individuals, businesses and families worldwide seeking to structure their affairs internationally. Trusts are extremely flexible and may be used in wealth, business and estate planning for a variety of purposes. These include asset protection from potential creditors, fulfilling charitable intentions, avoidance of probate and altering the devolution of assets upon death under forced heirship laws.

Barbados’ trust law emanated from a combination of the rules of equity and common law. The trust principles established by the English Trustee Act 1925 have been supplemented by the Trustee Act, Cap 205 of the laws of Barbados, the International Trusts Act, 1995 (ITA) and more recently the International Financial Services Act, Cap 325 (IFSA). There are three types of trusts offered in Barbados: International Trusts, Domestic Trusts and Offshore Trusts.

The International Trusts Act 1995 introduced purpose trusts and asset protection trusts, as well as strengthened protection against forced heirship provisions, non-recognition of foreign judgments and creditor protection. To qualify
as an international trust, the trust deed must state that the ITA applies, at least one trustee must be resident in Barbados, the settlor and beneficiaries must be non-residents of Barbados and the trust assets cannot include Barbados real estate. Provided that these requirements are met, international trusts are deemed to be domiciled outside of Barbados and subject to tax on Barbados-source income and income remitted to Barbados.

Therefore, an international trust will not be subject to tax in Barbados if it has no Barbados-source income and derives no benefit in Barbados from any foreign-source income. Additionally, there is no withholding tax on distributions to non-resident beneficiaries.

International trusts are exempt from exchange control restrictions and creditors have three years to set aside the terms of a trust, but can only do so if they can establish an intent to defraud. A successful creditor can only set aside the terms of the trust in so far as he is prejudiced; he cannot access the entire trust fund unless it is necessary to satisfy his claim.

The ITA stipulates that Barbados courts may not set aside or vary an international trust pursuant to the laws of another jurisdiction in respect of marital, succession or creditor rights. This protects the trust from forced heirship laws, which are common in civil law jurisdictions.

The ITA allows for the formation of non-charitable purpose trusts which have their foundation in English common law and judicial precedent. These trusts may be created for the fulfillment of a specific purpose rather than for the benefit of particular individuals. Further, the ITA extended the eighty-year perpetuity period to one hundred years and expanded the period for which the trust income may be accumulated to match the revised perpetuity. A purpose trust or a trust established exclusively for charitable purposes may continue in force indefinitely.

The ITA also enables an international trust to re-domicile to another jurisdiction. A trust may re-domicile to or from Barbados as the legislation does not specifically deem the trust to have always been a Barbados trust, thereby having no retroactive application.

Another available planning option is the use of the “offshore” trust. A trust qualifies as an “offshore trust” if the trustee is a Barbados international financial institution licensed under the IFSA, the settlor and beneficiaries are non-residents of Barbados and the trust assets consist solely of foreign currency or securities. Such trusts are exempt from Barbados taxes and exchange control restrictions.

The perpetuity period is eighty years and there are no regulatory filings or registration requirements, thereby enabling a high level of confidentiality.

The Barbados domestic trust is another useful planning tool. Once the trustee is a Barbados resident individual or company, the trust will be considered a domestic trust. Domestic corporate trust companies are regulated by the Financial Institutions Act, 1996-16. Domestic trusts may be entitled to treaty benefits and are often used where the trust may realize a gain in a treaty–partner jurisdiction or receive dividend income or interest.

Capital gains are not taxable in Barbados, however Barbados tax will apply to income earned which is not distributed to a beneficiary before the calendar year end in which it is earned. Typically, distributions to non-resident beneficiaries are not subject to withholding tax.

Barbados has an extensive treaty network consisting of 18 double taxation treaties in force, which distinguishes it from most Caribbean jurisdictions. As an international financial services centre, it offers forward-thinking, modern legislation which facilitates international tax and private wealth planning.
In the current financial climate, the issue of default under loan facilities and the consequent enforcement of any security given for the repayment of such loan facilities will become more prevalent than it has in the past few years, when it was rare to encounter these situations.

With respect to the international business sector, a number of the companies in this sector have given security for loans either to themselves or their parent company or affiliates or may have acted as guarantor for such loans. The lenders will almost invariably be financial institutions outside of Barbados and the governing law of the transaction will typically be the laws of a province in Canada or of the State of New York. While the majority of the legal issues will, therefore, have to be dealt with under laws other than those of Barbados, there will nevertheless be matters that will have to be dealt with in Barbados. These will include the question of how assets that belong to the Barbados company have to be dealt with. It is unlikely that such assets will be situated in Barbados. Generally, the assets of an international business company will consist of securities, bank accounts and other similar property, but not real property or tangible physical assets. As a practical matter there will, therefore, not be very much that may need to be done in Barbados to realize on these.

The other enforcement issues that will arise concern such matters as the validity of the security and the priority as between creditors. With respect to the perfection of the security, the requirements for registration as set out in the Companies Act Cap. 308 of Barbados, will be important in this regard and must have been properly complied with for the security to be valid. Priority may not fall to be determined under the laws of Barbados, but to the extent that it does, the filing record from Corporate Affairs would show the timing of each registration. If the security consists of shares in a Barbados company and a Slavenburg filing was done, there are not likely to be many issues that would arise once the filing has been done, although this is a complex area that has not been fully mooted in Barbados. Potential exchange control issues may also need to be considered where security over shares of an IBC is concerned.

One area that may become increasingly important is the effect of bankruptcy proceedings in respect of the Barbados company. Under the BIA, a secured creditor of an insolvent party can file a petition for a receiving order or the insolvent person can file an assignment with the Supervisor of Insolvency and, with the leave of the court, make an assignment of all their property for the general benefit of creditors. The insolvent party can also make a proposal to its creditors or file a notice of intention to do so before proceeding to make a proposal.

One of the more important aspects of insolvency proceedings is the stay provisions. The BIA features automatic stay provisions which may hamper a secured creditor’s ability to enforce his security. Where an insolvent party initiates insolvency proceedings, no creditor has any remedy against the insolvent party or its property or may commence or continue any proceedings until the trustee has been discharged or the insolvent party becomes bankrupt. Specifically, no provision of a security agreement has any
force or effect until the trustee has been discharged or the insolvent party becomes bankrupt, if such provision provides that:
(i) on the insolvent party’s insolvency; or
(ii) on the default by the insolvent party of an obligation under the security agreement; or
(iii) on the filing by the insolvent party of a notice of intention to make a proposal in respect of the insolvent party, the insolvent person ceases to have such rights to use or deal with its assets which are secured under such agreement as the insolvent party would otherwise have.

However, the stay provisions do not apply to prevent a secured creditor from dealing with secured assets which were already being realised upon prior to the initiation of the insolvency proceedings, or where notice of intention to enforce the security was given more than 10 days before the initiation of insolvency proceedings. The stay also does not prevent a secured creditor who gave notice from enforcing the security if the insolvent person has consented to the enforcement action. In addition, if the filed proposal has not been made in respect of the secured creditor’s security or if the secured creditor holds a particular class of secured claims and the secured creditors holding such class have voted for the refusal of the proposal, then he may proceed to realise his security.

It should be noted that the court may make an order to prevent a secured creditor from realizing or dealing with his security. The court may, however, only postpone the right of the secured creditor to realise or otherwise deal with his security for 6 months. The secured creditor may also apply to the court for a declaration that the stay no longer operates in respect of that creditor.

A secured creditor may realise his security by (i) appointing a receiver pursuant to the terms of the security agreement and prove the balance if any due to him after deducting the net amount realised; (ii) require the trustee to redeem the security; or (iii) surrender his security to the trustee for the general benefit of the creditors and then prove his whole claim. The receiver, once appointed, may take control of the collateral in accordance with the security agreement, receive the income from the property, pay the liability connected with the property, and realise the security interest on behalf of the secured creditor. After the secured creditor has realised his security and there is a balance of debt due to him, he may claim for the balance of the debt due to him in the same manner as if he were an unsecured creditor.

There have been very few bankruptcy proceedings in the Barbados courts commenced since the coming into force of the BIA, so there is little existing authority or practice that one can rely on to determine how these matters will be dealt with by the Supervisor of Insolvency or the courts. The question of the relationship between another governing law for the security and the Barbados bankruptcy laws also has not yet been tested or fully explored. It is anticipated that all of these matters will be canvassed more fully though in the future.
The requirement to promote good corporate governance is receiving increased local and international attention in Barbados. In the United States, the Sarbanes-Oxley Act (SOX), perhaps the most significant piece of securities legislation since the Great Depression inspired the US Securities and Exchange Act of 1933, was enacted on 30 July 2002 and contained significant legislative changes to financial practice and corporate governance regulation.

There have been several factors that have driven Corporate Governance to the fore in Barbados and while Barbados has a small economy, it has been directly affected by this international occurrence. Among the consequences of the SOX was its extraterritorial application to US-listed companies operating outside of the USA, with the auditors of the overseas subsidiaries having to comply with the independence rules prescribed under the Act.

All in an effort to maintain the well respected, good reputation and strong presence in the international banking sector, current preoccupation with Corporate Governance is also a reflection of the frequency and number of corporate scandals that have emerged in both developed and developing countries of late.

The Barbados International Financial Services Act Cap. 325 of Barbados, which replaced the Offshore Banking Act in June 2002, incorporates the Basle standards utilizing the Basle Committee’s Core Principles methodology and provides for on site examinations of international banks. This allows the Central Bank of Barbados to augment its off site surveillance system of reviewing anti-money laundering policy documents and analysing prudential returns.

In 2000, the Barbados government established the Anti-Money Laundering Authority (AML Authority) and its operating arm, the Financial Intelligence Unit. In conjunction with the Central Bank of Barbados, AML Authority issued in 2001 revised Anti-Money Laundering Guidelines for Licensed Financial Institutions.

While there is nothing in Barbados law that requires the same standards as SOX, the Corporate Governance Guidelines developed by the Central Bank of Barbados provide guidance to licensees on their obligations as it relates to corporate governance. The Barbados company legislation has not been amended to impose stiffer penalties on directors or officers; however, there are additional penalties and fines imposed on directors and officers under the International Financial Services Act and the Money Laundering and Financing of Terrorism (Prevention and Control) Act Cap. 129 of Barbados.

In today’s increasingly complex and global business environment, the demands placed upon board members are unprecedented. Directors and now senior management have to prove that they have exercised due diligence. They have to review all material information reasonably available before making a business decision as there is “good faith” only in case of an informed decision. The era of “don’t ask, don’t tell” is long gone.

The objective of the Guidelines is to ensure order and discipline, regulate businesses, protect the public and enhance transparency and disclosure and accountability. The Guidelines are an integral part of the Central Bank’s assessment process on effective corporate governance by the licensee’s board and its senior management and set out expectations of minimum standards for corporate governance practice by all licensees.

The key for corporations is to ensure that Corporate Governance is not viewed simply as a legal challenge resolved by a check-the-box exercise, but rather to improve corporate performance while serving the interests of shareholders and other stakeholders.

The era of “don’t ask, don’t tell” is long gone

While there may be differences in the approaches adopted by institutions, licensees are expected to design a governance framework that satisfies the needs of their institution, taking account of:

- nature and scale of the business;
- complexity, volume and size of transactions;
- degree of risk associated with each area of operation.

Some key areas to address in ensuring compliance:

Where material deviations from the Corporate Governance Guidelines are contemplated, licensees are expected to demonstrate to the Bank that the alternative measures have at least an equivalent effect of ensuring sound corporate governance.

Responsibility of Board Members and Senior Management

While exercising independent judgment, a director is required to exercise the degree of care, skill and diligence of a reasonable diligent person with both the knowledge and experience expected of a person acting as a director in their position and also

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By Dawn Williams

Preserving the Delicate Balance of Barbados' Corporate Governance and Anti-Money Laundering Rules
any specific knowledge or skills that they may have.

Board members’ individual responsibilities include:
• regular attendance of board meetings and active participation;
• advance preparation of topics and reports under review, seeking explanations of any unfamiliar activities;
• review of internal and external audit reports and supervisory examinations;
• disclosure of interests, direct or indirect or potential conflicts of interest and transacting personal business with the institution at arm’s length.

Board Size, Structure and Operations
Ideally the size of the Board should be no less than three persons and with committee structures varying with each institution according to the size and the level of risk to third parties and the need for monitoring of these risks. This should include a balance of executive and non-executive directors, including independent directors, to ensure that neither management nor any other individual or group of individuals dominate the Board’s decision making.

Board Meetings
Regular Board meetings which reflect the complexity and volume of activity of the licensee to review:
• bank’s capital adequacy;
• investment portfolio;
• compliance with regulatory standards and laws;
• audit and examination reports;
• any other matters of material impact to the licensee, including liquidity, market and operational risk, litigation or fraud.

The Board must maintain in good condition complete records of the matters discussed at Board and committee meetings, the decisions taken and any dissenting views or abstentions.

Audit Committee
Again depending on the nature, scale and complexity of its business, a licensee may create and maintain an active audit committee. This committee should be responsible for overseeing the licensee’s financial reporting process, including its financial disclosure obligations and monitoring management’s response to regulatory, internal and external audit reports/letters.

Anti-Money Laundering Guidelines
The AML Guidelines published by the Central Bank of Barbados, along with the AML Authority, set out minimum guidelines for licensees as well as professional service providers in Barbados for customer due diligence, whether the customer, existing or prospective, be an individual, trust, corporate or non-profit. This means that with supporting legislation, failure to report suspicious transactions now carries with it fines and penalties.

A multitude of weaknesses in risk management, regulation, accounting and policy response have been revealed in the credit and liquidity crisis that began in mid-2007. The passage of time and further analysis will no doubt bring to light many additional areas of concern and with it quite likely more global financial regulation. While Barbados is not a domicile where corporate failure has occurred, it is a domicile that has adopted international standards and, as a result, is in a strong position to navigate these uncertain waters.

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Barbados over the past four decades has maintained a consistency which has embraced change within the context of its broad based overall international business policy objectives. It has held as its bedrock and mantra, the importance of a small jurisdiction wedded to a wide tax treaty network, which is buttressed by facilitating financial services legislation and products. This ethos has a long historical basis and is therefore also deeply rooted in the jurisdiction’s psychocultural mix and orientation.

The modern development of Barbados’ financial services industry was set against a background of robust commercial internationalism. As a tax treaty jurisdiction and primarily a low tax domicile, it is philosophically committed to integration and involvement within the international commercial community, rather than being presented for mere use by that community, as may be the case in a strict zero tax jurisdiction. The distinction is a fine one but it underscores a historical and cultural approach born out of Barbados’ idealized perception of the limits of small size. It is a policy which underscores continuity and consistency.

Treaty expansion and effective treaty re-negotiation has therefore provided an opportunity to conform to the new regulatory ethos, as well as the genuine ability to pursue creative and lawful multi-jurisdictional planning strategies. The access to carefully chosen but vibrant business environments afforded by the various treaties adds to the global reach of properly planned Barbados international business structures. No less relevant is the access now afforded to the increasing number of international corporations often engaged in joint ventures with Chinese, Canadian, Venezuelan, American and other business counterparts in planning structures which make full use of the wide ambit of double tax treaty availability.

Borrowing on its proud financial services background, Barbados has ensured that its legislative infrastructure complements the needs for good governance, which is integral to a jurisdiction of integrity. When in 1982, new corporate legislation based on the Canadian and Delaware models was introduced, it sought to ensure that matters such as model directors’ duties and minority shareholder rights were given the imprimatur of statute. Furthermore, all of the safeguards accorded to the dealing in securities by way of prospectus were integrated as important features of the new legislation.

The corporate legislative focus of good governance has complemented the other elements of specialised international business legislation. The modern insurance and banking statutes take full account of regulatory and investigative powers in selecting entities which seek to be incorporated, and also provide ongoing oversight responsibilities. Both statutes represent the modern external version of old domestic legislation, which has been enshrined through usage in the overall national legislative and cultural framework. For in Barbados, a tradition of formal banking has existed since the nineteenth century to support the island’s extensive trading relationships, as well as the informal “sou sou” or “meeting turn” now in decline but still sometimes used to protect the weekly savings of those persons reluctant to have total affiliation with formal banking arrangements. The Central Bank of Barbados, not surprisingly, has emerged within a sound banking tradition. The insurance infrastructure is not dissimilar, for domestic insurance in Barbados since the nineteenth century has been a household word and indeed a household need, represented in large part by the presence of an institution established as early as 1840. Indeed, an insurance regulatory framework was fully established long before the advent of international captive insurance in 1983.

The good governance characteristic of the finance sectors is also present in the plethora of not-for-profit entities which dot the Barbadian landscape, and which also emphasize the island’s social maturity. For charitable giving is facilitated by the most modern charities legislation in the Caribbean and also by favourable income tax and corporate legislation. Not surprisingly, in this domain Barbados has also extended its reach beyond its shores and has been the beneficiary of substantial gifts by foreign and local donors, who are able to efficiently structure donations with the favourable interplay of Barbados and non-Barbados tax and charitable laws.

Over the past 30 years, successive governments have continually enacted and refined legislation that has made Barbados a highly respected international business domicile. Concurrently, the international companies and their service providers operating in Barbados have adopted global best practice industry standards for managing these companies. One of the options available to international business service providers in Barbados to proactively maintain their competitive advantage, is to ensure that they have sound governance over their control environment. Given the current global financial crisis, pressure by regulators and stakeholders to ensure companies maintain effective internal controls is expected to increase. This pressure was exemplified several years ago in the US by the enactment of the Sarbanes-Oxley Act, which among other things makes CEOs and CFOs of companies registered with the Securities Exchange Commission explicitly responsible for establishing, evaluating and monitoring the effectiveness of internal control over financial reporting and disclosure. Other regulations such as Basle II seek to improve on the existing rules by aligning regulatory capital requirements more closely to the underlying risks that banks face. More recently, there has been the EU’s Solvency II project, the primary objective of which is to improve the regulation of the EU’s insurance industry and strengthen policyholder protection. It introduces an innovative, risk-based approach to insurance regulation.

While these regulations may not directly affect most of the service providers in Barbados, they are likely to have an indirect effect via clients and customers. Increasingly, we see that the introduction of significant investments and other assets by institutional stakeholders and high net worth individuals is accompanied by requests for due diligence and improved internal control standards. As the reins of corporate governance are tightened, more transparency will be required for the management of international transactions. These should not be seen as bad things; if responded to properly, they can in fact be leveraged into a competitive advantage for the service provider and/or Barbados as a whole.

A great way to review internal processes/controls, identify and resolve problems before they are exposed externally and report compliance to external stakeholders, is a...
Statement on Auditing Standards No. 70 (SAS 70) report. A SAS 70 report is one done in accordance with the rules issued by the American Institute of Certified Public Accountants and which demonstrates that a service provider has been through an in-depth audit covering internal control activities and objectives. In Barbados we have the professionals with the necessary skill and expertise (whose practice it is) to issue SAS 70 reports. Service providers use the report to understand the adequacy of their control structure, and auditors use the report to gain an understanding of the system of internal control of the service provider and, in certain circumstances, to reduce the extent of audit testing.

Performed by an independent auditor, a typical SAS 70 report consists of: an independent auditors’ report; a description of internal control structure provided by the service organisation; information provided by the auditors and supplemental information provided by the service organisation. The preparation of a SAS 70 report involves a complete operational review of the transaction processing environment and typically includes areas of operations and technology. As an example, a report for an investment management arm of a bank might cover areas such as: security set-up, trade settlement, account set-up, pricing, trade order execution, corporate actions, trade order management, custodial reconciliation, compliance, reporting, information security, information change management, and computer operations. Within Barbados, a typical situation for the use of a SAS 70 is as follows: Client A, an institutional investor is setting up an international business company in Barbados and is seeking the services of a local bank with investment management capabilities to act as a custodian and fund manager of the company’s assets. Who does Client A choose? A good choice would include the bank with an annual unqualified SAS 70 report, since this would provide comfort that the bank has effective controls in place.

By proactively taking the lead with SAS 70 reporting, service providers can distinguish themselves from competitors, and Barbados can distinguish itself from other on and off-shore jurisdictions. The relevant qualifications for providing this service include those with a knowledge of US generally accepted auditing standards and/or Certified Information Systems Auditors. You will find in Barbados professionals with these qualifications and the practical know-how, who can aid in making your organisation the leader in SAS 70 reporting, which is a key step in gaining and maintaining market share in the international business arena.

Given the current global financial crisis, pressure by regulators and stakeholders to ensure companies maintain effective internal controls are expected to increase.

Some key benefits of SAS 70 reporting:

- Use as business tool to heighten awareness of operational risk
- Use of independent auditor increases confidence and eliminates duplication
- Use as a risk management tool to provide comfort over the organisation’s control environment
- Assist to identify weakness versus industry best practice
- Use as a training tool to assist in educating employees in processing environment
- Choice of Accounting Standards
- Choice of accounting functional currency
After celebrating 42 years of independence on November 30, 2008, the relatively small island nation of Barbados continues to define itself as a world-class destination for business and quality living, tailored to meet the needs of a diverse set of investors and their nomadic families, while still staying acutely focused on local development of people and key sectors. Perhaps the reason for this sustained position is the commitment of its people to becoming a fully developed country that is prosperous, socially just and globally competitive.

Apart from being a strong, efficient, globally competitive and fiscally transparent domicile with an abundance of investment and financial services to maintain international business, the country also boasts a well-defined real estate market, which really adds the “icing” to the cake. Within the last 10 years, Barbados has seen a definite evolution in its real estate market and general architectural landscape. Visitors to the island will now see an abundance of luxury villas and townhouses decorating the island’s coastline, with ownership sometimes in place even before the contractors “break soil”. They will also see large infrastructural improvements such as the Grantley Adams International Airport, elegant and highly functional office buildings and commercial complexes.

Both locals and investors alike have seen lucrative capital gains on sound investments made on the property front, with properties either doubling or even tripling in value within two to three years after purchase. Simultaneously, local Barbadians have had increased access to mortgages, which has seen an increase in ownership structure of housing, as well as more modern architecture adding to the naturally beautiful landscape.

After deciding on the perfect “get-away” house in a warmer climate or piece of land with a nice view for building, foreign nationals seeking to obtain property in Barbados first have to seek the permission of the Central Bank of Barbados to register all funds originating outside of Barbados to be used in the purchase. This process is easily handled by the vast array of attorneys available on the island. Generally speaking, it is mandatory in Barbados for an attorney to be involved in the process of property purchase. Notwithstanding this, it is highly recommended that both vendors and purchasers obtain independent legal counsel to protect their interests.

The legal fees associated with purchasing property in Barbados are regulated within the Legal Profession (Remuneration for Non-Contentious Business) Rules, 1997 and are only negotiable to the extent that they do not go below the minimum prescribed scale. Normally the fees fall within 1% to 3% of the selling price. It is also notable that in Barbados the mortgagor is also subject to the bank’s legal fees. Persons seeking mortgages from local financial institutions are urged to shop around for the best possible rates so as to minimise the amounts of interest payable. Sellers are subject to property transfer tax of 2.5% and stamp-duty of 1%. The purchasers do not pay any taxes in connection with the purchase of real property in Barbados.

The legal process involved in closing a sale and purchase of land can sometimes be prolonged for various reasons ranging from the fact that the seller may not have good title to the property, and this may first have to be rectified prior to closing the sale, to other issues such as attorney due diligence regarding searches to ensure that there are no prior charges or claims on the property and that the buyer gets good marketable title.

For the investor exploring the option of purchasing property via a corporation, the issues are different. Companies are useful tools for estate planning purposes and, as such, it may be more efficient and useful to pass the shares in the company from one generation to the next as opposed to conveying the immovable property. In such a case, it is recommended that purchasers consult with their tax or estate planning advisors. Where the objective is to earn rental income from the property, for tax purposes it may be useful to acquire the property through a holding company. Details on these matters are best dealt with by legal practitioners.

There is no question that good governance and conservative investing has placed Barbados in a unique position to weather the global financial crisis. While the world will be busy re-designing global finance, Barbados will remain steadfast in its plan to grow the economy and develop its business structure to facilitate all types of business and further develop its real-estate, so that, for personal or investment reasons, Barbados has a wide range of products to offer. Barbados is well poised for an exciting future.
Barbados has a thriving, well regulated international insurance sector. This sector was first established in 1983 by the enactment of the Exempt Insurance Act 1983-9. Subsequently, in 1998 the Insurance (Miscellaneous Provisions) Act was enacted by Parliament for the establishment and regulation of the Qualifying Insurance Companies.

The international insurance sector is regulated by the Office of the Supervisor of Insurance and Pensions (OSIP) headed by the Supervisor of Insurance and comprises a team of qualified, efficient staff. Supervision is firm but friendly in order to ensure that clients are free to invest in Barbados with full knowledge that their investments are safe. In addition, there are a number of quality service providers who facilitate the establishment of international insurance companies through the provision of legal, accounting and managerial services. The service providers and the Corporate Affairs department work closely with OSIP in ensuring that companies are incorporated and licensed on a timely basis.

Barbados is also a member of several international organisations such as the International Association of Insurance Supervisors (IAIS); Offshore Group of Insurance Supervisors (OGIS) and the International Monetary Fund (IMF) among others. Membership in these organizations demonstrates Barbados’ commitment to maintaining a high standard of regulation by observing international standards. This, coupled with the fact that Barbados is a politically stable country, creates the ideal environment in which investors can conduct business.

Companies are free to underwrite a broad range of products without any real restriction

Once set up, companies are allowed to transact insurance business with a level of confidentiality as provided under Section 35 of the Exempt Insurance Act of Barbados. Consequently the regulator does not disclose information pertinent to companies (except on a regulator to regulator basis) and there is no statutory requirement in Barbados for international insurance companies to publish their annual financial statements in Barbados. Under the Exempt Insurance Act investments with parents or affiliates must be approved by the Supervisor of Insurance, however the actual choice of investment instruments is the decision of the particular company. The Insurance regulator also monitors the returns on investments of companies in order to ensure that companies remain solvent.

Likewise, companies are free to underwrite a broad range of products without any real restriction. The only requirement is that companies write business for which they are licensed and of course such business must be legitimate business. The regulator monitors the companies on an ongoing basis, in order to ensure that they operate in compliance with their licence.

Additionally, it should be noted that Barbados has in more recent times introduced Segregated Cell and Separate Accounts legislation. This legislation, which was enacted in 2001, provides investors with greater flexibility with respect to the manner in which they transact their insurance business.

Since 1983 the legislative and regulatory environment governing the conduct of international insurance business from Barbados is being continually enhanced to make it more user-friendly.

Why choose Barbados for your Captive?

- Legislation is less complex than competing jurisdictions
- Extensive tax treaty network
- Modern and flexible corporate law
- Wide range of admissible assets for solvency test
- Offers choice of either Exempt or Qualifying Insurance Company (QIC) licence
- Reasonable solvency requirements
- Lower licence fees and operating costs
Benefits Abound - Use of Barbados Life Insurance to Canadian and UK Residents

BY WAYNE FIELDS & CHARLES GAGNON

Barbados is well-known among Canadians and Britons for its beaches, congenial atmosphere and golf courses. Less known is the fact that Barbados is becoming a destination of choice for the purchase of life insurance by Canadian and UK residents.

**Investment Freedom**
Barbados life insurers can offer to foreign policyholders access to investment options that are unavailable in their home country. Policyholders are able to pick from a broad range of investments and benefit, in many instances, from lower investment management fees than in domestic insurer-sponsored funds. This investment freedom is the first and foremost reason why sophisticated Canadian and UK residents purchase Barbados life insurance products.

**Wealth Preservation**
Under Barbados law, the rights and interest in a life insurance policy are exempt from seizure and execution by the creditors of the insured. In addition, while a spouse or child of the policyholder is designated as a beneficiary of the policy, the rights and interest of the policyholder in the insurance money and in the contract are exempt from seizure and execution. Therefore, a life insurance policy affords a high level of asset protection even if the insured enjoys important contractual rights under the policy. In contrast, under a trust arrangement, asset protection can be jeopardized if the contributor holds broad powers.

The ability to designate beneficiaries under a life insurance contract is another attractive feature. On the death of the insured, the insurance proceeds are remitted directly to the beneficiary and do not have to go through the estate of the insured. As a result, the insurance proceeds are not subject to probate fees and are protected against the claims of the creditors of the insured and attacks under domestic legislation governing succession.

Barbados life insurance thus constitutes an excellent alternative to a trust as a wealth preservation tool.

**Tax Advantages for Canadian Residents**
For Canadian residents, funds can accumulate tax-free within a life policy as long as the policy qualifies as an “exempt policy” under the Income Tax Act of Canada. Moreover, the entire death benefit (including the investment component) payable under an exempt policy can be remitted to the beneficiaries tax-free. Until the death of the insured, the policyholder may access funds through tax-free policy loans. A Barbados life policy can be monitored to ensure that it qualifies as an exempt policy. In order to meet the exemption test, the investment component of the policy cannot...
→ exceed the amount needed to fund the sum insured by age 85. Unlike the position in respect of a non-resident trust, a Canadian resident has no Canadian reporting obligation in the case of an exempt policy. For Canadian residents who plan to leave Canada, it is interesting to note that there is no departure tax imposed in respect of a life insurance policy at the time of departure, and any subsequent disposition of the policy may be treaty-protected if the new country of residence has a tax treaty with Canada.

**Tax Advantages for UK Residents**

UK resident policyholders enjoy tax-free growth and no reporting obligation until a chargeable event occurs. There is no limit on the amount of investment benefiting from tax-free accrual within the policy. A policyholder is entitled to withdraw 5% of the contributed premiums each year without triggering a chargeable event. Any unused portion of this 5% annual withdrawal privilege can be taken out in a subsequent year without UK tax. A UK resident non-domiciled individual who invests in a Barbados life insurance policy does not have to elect to be taxed on a remittance basis in order to benefit from tax-free accumulation on the policy investments and, consequently, can avoid the new annual £30,000 tax charge. In the case of a policyholder who plans to leave the UK, a Barbados life policy is even more attractive because it can be cashed out after departure without UK tax. If the policy is surrendered while the policyholder resides in the UK, then the income accumulated within the policy is taxed as regular income unless the policyholder can elect to adopt the remittance basis of taxation in that year and none of the proceeds are remitted to the UK.

An added benefit of using a Barbados insurer is that policy investments may benefit from the reduced withholding tax rates provided under Barbados’ tax treaties. Policyholders may therefore enjoy higher net investment returns than with an insurer located in a non-treaty country.

**Competitive Rates**

Premiums paid under an insurance policy on the life of a non-resident of Barbados are not subject to Barbados premium tax and can be invested without suffering Barbados tax. Because of this favourable fiscal environment, Barbados insurers can offer very competitive insurance rates to foreign clients, which can translate into significant savings over the term of the policy.

In summary, the investment freedom, wealth preservation, tax and pricing features of Barbados life insurance make it a very attractive estate planning tool for Canadian and UK residents.
Captive Insurance Companies (or Captives) have been around for ages, but not until the past decade has the popularity of Captives seen such tremendous growth. In response to the hard insurance market in the late twentieth and early twenty-first century, many of the world’s major corporations took advantage of the benefits of establishing a Captive Insurance Company. Indeed, it is estimated that by the end of 2007, over 40% of large USA and multinational companies owned one or more Captives.

Simply put, a Captive is an insurance company that is owned and controlled by its policyholder(s). In its most common form, a large corporation establishes a wholly-owned insurance subsidiary that in turn issues insurance coverage to the parent and/or one or more of the parent’s subsidiaries. While seemingly complex, a Captive is a surprisingly simple way to more efficiently finance the risk of the overall corporate organization.

Traditionally, Captives were only within the financial reach of very large corporations, as the costs of establishing and maintaining such companies were prohibitive to smaller, middle-market companies. Recently, however, the economic benefits of Captive Insurance Companies have become more affordable through the use of a relatively new type of Captive – the Segregated Cell Company (SCC).

A SCC is a type of “rent-a-captive”, an arrangement in which a sponsor provides the capital for a Captive Insurance Company, which is then accessed by clients to write captive insurance business. This is often a very useful vehicle for those programmes that are not large enough to set up their own Captive. The clients pay a charge to the sponsor for the ‘rent’ of the capital, the Company’s insurance license, and its legal status. The day to day management of the Cell is provided by the SCC Sponsor, often on an outsourced basis. Under the Segregated Cell structure, the policyholder insures its risk through its participation in the Cell. The assets contributed to each Segregated Cell are held exclusively for the benefit of the client/policyholder and statutory “fire walls” insulate those assets from the claims of other Cells in the SCC.

In more simple terms, a SCC is like a “rental storage unit” for captive insurance programmes. The renter of a storage unit pays a fee in order to store property in a garage. While other renters may store property in the same building, each renter’s property is separated from the others, and therefore no renter can access the property of another. A rental fee is paid to the owner of the

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facility and covers the costs of operation, including lighting, security, maintenance, etc. As you would expect, the rental of a storage unit is much less expensive than building a stand alone storage facility for just one renter.

In a very similar way, “renting” a cell in a SCC can be a less expensive way to operate a Captive Insurance programme, as opposed to the cost of establishing a wholly-owned, or “single-parent” captive insurer. Because of their reduced cost and ease of operation, SCCs have provided a way for middle market companies to take advantage of the economic benefits of Captive Insurance that were once only available to much larger programmes.

Barbados Segregated Cell legislation, which was introduced in 2001, has provided middle market clients in Canada and the United States with a cost effective way to establish a Captive Insurance Programme. For these smaller clients, the Barbados legislation provides for a manageable level of initial capitalization, while still ensuring that each Cell maintains appropriate solvency levels. This relatively lower capital cost, added to the ability to rent a Cell and conduct daily business on an outsourced basis, make Segregated Cell Captive Insurance in Barbados a more viable option for middle market companies looking for a way to provide for a program of self-insurance.

In addition to favourable legislation, Segregated Cell Companies in Barbados benefit from a wide array of professional service providers that the Island has to offer. The number and high quality of Captive Management Companies, Investment Professionals, Public Accountants and Attorneys make Barbados an attractive domicile in which to conduct insurance business. Further, over the past several decades, the Barbados Government has established a network of tax treaties with several countries, including the US, Canada, and the UK.

Barbados Segregated Cell legislation has provided middle market clients in Canada and the United States with a cost effective way to establish a Captive Insurance Programme.

As the uncertainties in today’s commercial insurance industry continue, more and more companies, large and small, will likely find some form of Captive Insurance to be an attractive way to more efficiently finance risk. Barbados Segregated Cell Companies provide a cost effective solution to those companies that previously thought that the benefits of Captive Insurance were out of reach.
The origins of the captive insurance industry can be traced to the formation of mutual and co-insurance companies in the 1920s and 1930s. However, the real growth is traced to the early 1950s and 1960s, after large corporations in the US and Europe found they were unable to find low cost insurance cover and decided to set up their own insurance companies.

A captive is defined as a risk management vehicle used by companies, professional group(s) and association(s) to finance the payment of their insurance claims. This process involves these entities paying premiums to their wholly-owned captive, who assumes the risk and settles the claims.

An August 2008 report from A.M. Best has indicated that, overall, captives benefit from favourable underwriting trends, with the prediction that in spite of the prevailing market conditions, the industry at present can still be viewed as “stable”. The report notes that the key advantages of captives are their ability to compete on price and their delivery of customized services to the insured.

Business Insurance, an industry association newsletter, in its March 2008 annual review of the captive insurance industry, estimated that there were 5,119 captives worldwide by the end of 2007. Barbados, with a population conservatively estimated at 275,000, is credited with 219 captives, or 5% of the global industry.

Market analysis has estimated that the captive insurance market in Barbados holds in excess of $10 billion in assets and records annual premiums of more than $2.4 billion based on the volume recorded in 2007. These captives in Barbados are managed by six captive managers.

Worldwide, 76% of captives are managed by the 10 largest captive managers in a market that is estimated to underwrite more than $20 billion in annual premiums and with an estimated capital and surplus of more than $50 billion.

Barbados is credited with 219 captives, or 5% of the global industry.
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Barbados began actively competing in the international insurance market when it introduced the Exempt Insurance Act of Barbados (the EIA Act) in 1983. The EIA Act allows certain insurers to apply for a license to act as an Exempt Insurance Company (EIC) and receive a number of concessions, greatly improving the competitiveness of Barbados as a jurisdiction of choice for international insurance companies. To qualify, the insurer’s business has to be insuring risks located outside of Barbados in respect of which premiums originate outside of Barbados.

In 1998, Barbados introduced an alternative to EICs, by an amendment to the Insurance Act to include Qualifying Insurance Companies (QICs). An insurer which earns at least 90% of gross revenues from insurance premiums that originate outside the Caribbean Single Market Economy (CSME) and of which at least 90% of all risks insured originate outside the CSME, can apply for a Certificate of Qualification from the Supervisor of Insurance to be treated as a QIC. For purposes of calculating gross revenues, investment income is also included.

According to the Supervisor of Insurance, at the end of 2007 there were 164 active EICs and 55 active QICs in Barbados.

A brief review of the taxation of EICs and QICs is set out below, as well as an overview of potential treaty benefits.

**QICs: Exempt surplus benefit for companies with Canadian parent**

**Taxation of EICs and QICs**

An EIC is subject to a tax rate of 0% for 15 years, after which the first US$250,000 of assessable income is subject to tax at a rate of 2%, and the remainder is subject to tax at 0%. The licensee can obtain assurances or guarantees from the Minister that the benefits and exemptions contained in the EIA Act will apply to the licensee for 30 years.

A QIC is taxed under domestic tax legislation at the general corporate tax rate in Barbados of 25% (excluding life insurance business), but is entitled to a foreign currency earnings credit of up to 93% of that tax, effectively reducing the tax rate to as low as 1.75%. Life insurance business is taxed at 5% of gross investment income under the domestic legislation in Barbados. A 93% foreign currency earnings credit would therefore reduce this rate to 0.35%.

**Capital Gains are not Subject to Tax in Barbados**

An EIC and a QIC are both subject to an annual license fee of US$2,500. The 2008 Barbados budget announced that the annual license fee would be increased to US$10,000. [Continued on page 36]
Barbados – an Enviable Banking Sector

BY MARK ST. HILL

No country is immune to the current financial crisis gripping the globe, but in many ways Barbados’ economy and financial stability is better insulated than many of its Caribbean neighbours and perhaps even more developed nations.

Driven by tourism, business and financial services, the country’s market-based economy has been stable for decades. With an English-rooted government and legal system, Barbados has been politically stable since it celebrated its independence about 42 years ago.

Reputable Banking Jurisdiction

Barbados has worked diligently to build its highly developed financial framework that makes it straightforward for both domestic and foreign banks to operate. This includes international client acceptance procedures as well as modern global payment and transaction monitoring systems that facilitate real-time international trade through e-banking solutions.

To protect all the banks operating in Barbados and their customers, these systems are equipped with sophisticated up-to-date anti money laundering safeguards.

Many of its banks have strong international links, which help facilitate international trade and provide first-class banking solutions ranging from global cash management, treasury products as well as top-tier investment and asset management services.

Also fostering confidence in the country’s banking sector is The Central Bank of Barbados, which has been successfully guiding monetary policy since 1972.

International Presence

There are 80 banks currently licensed to operate in Barbados. Of these, six are full service commercial banks, licensed under Part II of the Financial Institutions Act and have all seen steady growth in their Barbadian business in recent years. Also, there are 14 trust, finance and merchant banks, and about 55 offshore banks on the island.

Significantly, the major foreign banks operating in Barbados are all Canadian, noteworthy for the fact that Canada was recently rated as having the soundest banking system in the world. In particular, three of Canada’s largest banks have taken a large foothold in the country’s financial landscape and across the entire Caribbean. Thanks to their financial strength, their parentage and conservative lending policies, the commercial banks reflect positive ratings from the major credit rating agencies, most receiving A- or above from Standard and Poor’s. In addition Tier 1 Capital ratios are to international standards and very strong liquidity positions are exhibited. →
Most of the foreign banks operating in Barbados are Canadian owned, noteworthy for the fact that Canada was recently rated as having the soundest banking system in the world.

The Barbados Stock Exchange (BSE)

As further evidence of a sound financial sector, Barbados has an established stock exchange founded in 1987. About 25 local and foreign companies in diverse sectors are listed on the BSE. In 2001, a new Barbados Securities Commission was created to improve regulation, transparency and compliance for both capital markets and investors.

Reinforcing the Island’s economic stability and positive business sentiment is the fact that all of the top-tier accounting firms have a long-standing presence in Barbados, offering many services including auditing, consulting, tax and other professional services.

For all the highlights of Barbados previously mentioned, combined with its easy access with daily flights from the UK and many North American cities, as well as its fixed exchange rate tied to the US dollar, the Island continues to be particularly attractive to North American and UK investors.

All this, and the country’s low tax rates, a host of double taxation agreements, fair exchange of information treaties and a vibrant captive insurance sector, have resulted in nearly 2,500 International Business companies registered on the island – impressive for a country with a population of 275,000.

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Continued from page 33 – A Tax Review of International Insurance Companies in Barbados | effective January 1, 2009. However, where the EIC is subject to the 2% tax noted above, the annual license fee is waived.

EICs and QICs are also both entitled to many other concessions, including but not limited to:
1. Exemptions from foreign exchange controls;
2. Exemptions from ad valorem stamp duty;
3. Exemptions from withholding tax on interest, dividends and other payments made to non-residents;
4. Exemptions from property transfer tax on the transfer of shares of a licensee (subject to certain conditions); and
5. Tax concessions to certain specially qualified expatriates.

Availability of Treaty Benefits

Barbados, unlike some of its international insurance competitors such as Bermuda and the Cayman Islands, has an extensive tax treaty network, including countries such as Canada, the United States, the United Kingdom, China and Mexico, just to name a few. Barbados is also actively, and successfully, pursuing the expansion of this network. Such a treaty network is a clear advantage of Barbados. As an example, a subsidiary of a Canadian company which is resident in Barbados for purposes of the Canada-Barbados tax treaty (or would be but for certain provisions of the treaty) can generate “exempt surplus” which can effectively be repatriated to the Canadian parent tax-free. Such a benefit could not currently be obtained in Bermuda or the Cayman Islands.

For an entity to be resident in Barbados for purposes of the treaty, it generally means that the entity must be liable to tax in Barbados.

In 1996, the Canada Revenue Agency (the CRA) issued a technical interpretation stating that, in Canada’s view, an EIC is not liable to tax in Barbados and therefore would not be considered a resident of Barbados for purposes of the Canada-Barbados Treaty. Although debatable, the CRA’s published position has not changed since 1996.

In contrast, the CRA issued both a technical interpretation and a ruling in September, 2008, confirming that in Canada’s view, a Barbados QIC would be considered liable to tax in Barbados under the Canada-Barbados Treaty, provided that the management and control of the QIC is exercised in Barbados and the QIC carries on business pursuant to a valid certificate of qualification. Accordingly, QICs should be eligible for exempt surplus treatment in Canada.

When considering whether or not a particular treaty is applicable to a specific entity, the provisions of the treaty should be analysed carefully. In addition to residency requirements, many treaties also now contain limitation on benefits provisions which may preclude an entity from the benefits of the treaty, even if it would otherwise be a resident of Barbados.
Barbados has had a fledgling Wealth Management industry since the early 1990’s. In the intervening period the industry has expanded and new entrants have opened for business. As the industry has matured, so have the needs of clients, and the industry has adapted its mode of operating, staffing and provision of advice to reflect these changes.

1) What advice would you give investors going into 2009?
A cautious approach to portfolio investing decisions, selectivity, diversification and choosing a professional manager with a proven track record will be the way to go in the investment environment of 2009. Certain investments will do very well in 2009, but the challenge will be to make the right portfolio allocation choices. Historically, 2008 will go on record as the largest equity market correction since the Great Depression and will be remembered as one of the most difficult years for all asset classes: equities, fixed income, hedge funds, real estate, commodities, even cash.

2) How does investing for a corporate entity differ from investing for high net worth individuals?
High net worth individuals tend to be value investors and will take positions in cash, bonds, equities or alternative investments based on opportunities available, while corporate investors reinvest their cash flow in their business or use it to repay debt. Many large corporations will own captives to insure business risks associated with the business that they operate.

Where a corporate owns a captive, it will typically include cash and money market investments in its portfolios for its short-term cash flow and liquidity requirements. For example, when a captive is initially formed, the capital subscribed is typically deposited in a bank account. As the first premiums are received, the captive company will look at investments such as certificates of deposit, equity investments, or even lending to capital needs of the captive and reinsurance business.

Find managers that not only consistently out-perform benchmarks but provide downside protection in negative markets.
term deposits or other similar safe, liquid products offered by a safe bank. During the course of a year it will receive premiums annually, pay out losses as reserved by an independent loss adjuster, reserve against potential future claims and generate retained earnings. As the insurance company matures and it continues to insure risk of affiliates or third parties, its capital will increase and it will look to diversify its investments into longer-term bonds and equities. Some very large captives have also added hedge funds, although this is not common practice given the lack of liquidity from most hedge fund strategies. It is important to deal with an institutional investment manager who handles corporate accounts, in order to keep costs to a minimum.

3) Can you expand on investment strategies for private clients and how this might change given the current crisis?
As in the past, individual investors will continue to be concerned with preserving capital. In future, clients will seek managers who can generate positive or better than index returns on their assets. Using all asset classes more effectively and making appropriate tactical calls, even if it increases the potential risk for the portfolio, will be one of the key trends. This is a more “opportunistic” approach to investing than just setting a longer-term strategic allocation and sticking with it regardless of market movements.

4) What is your investment philosophy or approach to investing?
Investors must be disciplined and use a rigorous, diligent research approach to select advisors or managers who will out-perform the benchmark. Our philosophy is to find managers that not only consistently out-perform benchmarks but provide downside protection in negative markets.

5) How do you build a portfolio for a private client?
We undertake a rigorous, diligent “discovery” process with each client to make sure both parties clearly understand risk and return, time horizon, liquidity and income requirements, potential tax considerations, and other potential unique requirements. Only then can you start to build a longer-term asset allocation between the various asset classes. Once the asset mix is determined, the very important process of portfolio construction begins. Using the “best in class” global managers, we construct the most efficient portfolio from a risk and return standpoint, carefully analyzing the correlations between the various managers and strategies. Once this is completed, we validate the long-term return expectation against the client’s expectation.

For captives and other investors, our advice remains: review your cash flows, seek the advice of your advisors, actuaries, etc, and determine what cash you need immediately for operating expenses and claims, then hold that in cash or cash equivalents. Having determined you have cash to invest, assess your appetite for risk and the time horizon of your investments, then establish, with the assistance of your advisors, a balanced investment policy. This may include cash, bonds, equities and alternative investments, with a maturity profile to match your cash flow needs.
The implementation or expansion of an international operations strategy is a significant milestone in the growth and development of any organization and the choice of an optimal jurisdiction for the establishment of foreign affiliates can have an impact on operational and tax efficiency, investment returns and ultimately, profitability. While the stereotype of establishing an international business in the warmer climes of the Caribbean is Board meetings on the beach, the truth is that such decisions are made on much less glamorous but more important considerations such as:

- Political, economic and social stability;
- The availability of a highly educated workforce;
- Dependable physical and telecommunication infrastructure;
- Transparency and effectiveness of the offshore corporate regulatory environment;
- The ability to repatriate capital and returns;
- The presence of individuals and companies who are knowledgeable and experienced in the management and support of these foreign affiliates.

In addition to these considerations, the presence of a stable, strong and vibrant financial services sector is needed to provide the peace of mind necessary to commit and retain the material level of financial assets necessary for international expansion.

As a premier international business and financial services location, Barbados scores highly on all these counts. With a long standing and proven commitment to education, transparency and the rule of law, Barbados has ranked 3rd in the Americas behind only Canada and the US on the United Nations 2006 Human Development Index and the 2006/07 World Economic Forum Global Competitiveness Index. While offering several tax advantages to international companies such as a sliding scale of corporate tax from
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Either you or your employer has made the decision to carry on business in Barbados and either you or one of your colleagues needs to, or wants to, relocate to Barbados. You may have been here on vacation, or somewhere similar, but as we all know, vacation and working are not the same thing. In addition if you have children or a spouse that does not work outside of the home, you need to consider what it will be like for them.

This article contains the thoughts of several people, including someone who just moved to Barbados, one who has been here for a few more years and one who has been here for about 10 years.

RUSS JONES, a tax partner with PricewaterhouseCoopers, who arrived in Barbados in July 2008, had these comments to make:

When I was first asked to move to Barbados to look after the Eastern Caribbean tax practice, I was fortunate in that a fellow colleague, also from Vancouver, had made a similar move a little over 10 years ago. After picking his brains and those of his wife, my wife and I travelled to Barbados to meet the people. I was immediately impressed by the opportunity and, more importantly, by the people. Not only were they well trained but they had a refreshing openness that, professionally, would make it an enjoyable stay.

On the personal side, we were quickly able to find housing that would accommodate us and our two golden retrievers. One must like the outdoors if one is going to move to Barbados and this certainly was not an issue for us. Not only are most of the sports focused on the outdoors – swimming, tennis, golf, biking, sailing, horse racing, cricket, soccer and walking – but you find that, with the heat, you end up spending much of your time living outdoors.

After several months, we find ourselves settling in very well. You can be as social or as private as you like. Smile and wave at people and you will soon be everyone’s friend. We find it a lot of fun, as well as very interesting, to engage people in a conversation even if it is simple and quick. We certainly look forward to our years ahead. →
DOMINIQUE PEPIN, a senior tax manager with Ernst & Young, who settled in Barbados in early 2001, had the following observations:

I had visited friends in Barbados on a few occasions and decided I wanted to move to Barbados a few years before it actually happened. The island life was not entirely new to me when I finally moved here. Most importantly, I was fortunate to already have Barbadian friends who helped make my transition easier. The working environment however was totally unknown to me, but what I have found is a very professional environment: well-educated people, friendly and respectful of the different cultures they encounter every day, both at work, as Barbados is a well-known international business centre, and on the streets, since Barbados has a vibrant tourism industry. My experience here has been, and still is, fulfilling and very enjoyable.

As Russ mentioned, the island has much to offer especially if you enjoy the outdoors. In addition to his list, I would add my personal favourites: snorkelling and scuba diving. The coral reefs both protect the island and attract an incredible marine life: tropical fish and shells, of course, but also turtles and dolphins if you’re lucky.

And we have to mention the food: Barbados offers a great local cuisine coupled with astonishing restaurants with an international flavour. What else? Good education and medical systems, a strong legal infrastructure and a state-of-the-art telecommunication network are also worthy of note.

The climate, the people, the food, in brief my whole experience, has made me choose Barbados as my home. I have settled off the beaten track, among the coconut trees and its inhabitants, which include a troupe of monkeys which crosses my property every day. Nothing beats relaxing outside on evenings, enjoying the warm breeze. It definitely beats shovelling snow in my native Canada.

MARK TEVERSHAM is President of Windermere Bank & Trust, located in St James, and came to Barbados in 1999 as a Caribbean Director for Barclays Bank. He added the following view on life in Barbados:

As a member of the Caribbean Board for Barclays Bank previously based in the Bahamas, I had visited the country on numerous occasions before we moved here ten years ago. My wife had also accompanied me several times and the decision to relocate, following a restructure of the bank’s regional operations, was very easy to make. We had always been impressed by the quality of life in Barbados in terms of the friendliness of the people, the variety of sporting and social activities on offer, the excellent climate and the relatively well developed infrastructure. I also had the advantage of having a detailed understanding of the business I worked for, which made the move very low risk.

Over the last 10 years, my wife and I have thoroughly enjoyed our time in Barbados, both in the work context and in our spare time. We have seen significant improvements in the range of social and entertainment facilities during our time here, there are plans for additional hospital facilities, which will be welcome, we are never short of things to do, and have made many good friends.

Planning to make the move?

+ Non nationals wanting to work require a permit
+ Employers can apply for work permits for specially qualified non national employees
+ Non national visitors (short stay) can remain in Barbados by permission of the Immigration Department but are not permitted to work
+ Non nationals can apply to Immigration for permission to remain (but not work) in Barbados for various periods
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